



“IRCTC Earnings Conference Call”

July 10, 2020



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Moderator: Ladies and gentlemen, good day and welcome to IRCTC Earnings Conference Call for the quarter and year ended March 2020 hosted by IDBI Capital Market & Services. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Urmil Shah from IDBI Capital Market & Services. Thank you and over to you Sir!

Urmil Shah: Thanks. Good evening everyone. On behalf of IDBI Capital, I welcome you all to IRCTC’s earnings concall for the fourth quarter and year ended March FY2020. We apologize for the inconvenience because of the slight delay on the call. On the call from the company we have the management represented by Shri Mahendra Pratap Mall– Chairman & Managing Director, Shri Ajit Kumar– Director (Finance). I like to thank the management for giving us the opportunity to host the call. I would now request Mahendra Sir to give a brief on the company’s performance for the quarter and the full year post which we shall have the Q&A session. Over to you, Sir!

Mahendra P Mall: Good afternoon ladies and gentlemen. We had our accounts for today by Board of Directors and as you all are aware last quarter results, which we have finalized today. Of course this impact of Corona was held maximum on hospitality sector and travel sector and our business is primarily travel oriented whether it is train booking, air booking or catering, packaged drinking water.

For fourth quarter total operating revenue is Rs.587 Crores as against Rs.498 Crores of last year, but there is a drop in catering and it was Rs.236 Crores as against Rs.295 Crores, Rail Neer similarly is 51 against 43, this is primarily on account of commissioning of more and more plants. Ticketing is Rs.194 Crores as against Rs.66 Crores last quarter it is primarily on account of imposition of service charge in September onwards, tourism there is increase from 83 Crores to 102 Crores and total profit had gone down from 11 to .04 Crores and total operating revenue is 587 Crores as against 498 for Q4, but now more important is annual results.

As far as annual result is concerned, our total operating revenue has gone up by almost 20% from Rs.1870 Crores to Rs.2275 Crores, which is an increase of 20% and overall profit has gone up, profit before tax has gone up to Rs.745 Crores from Rs.479 Crores and PAT has become Rs.524 Crores approx against Rs.308 Crores for last year, which is an increase of almost 70%, so increase in turnover of 20% and PAT of 70%, this is primarily on account



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of imposition of service charge on internet ticketing, which has given this kind of profit. As far as dividend is concerned, Board of Directors they have declared a dividend of 125% that is Rs.12.50 per share with a face value of Rs.10 out of which 100% has already been given as interim dividend, so Rs.2.50 more will be given. So that is all now I am open for any questioning.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Nitin Gosar from Invesco Mutual Fund. Please go ahead.

Nitin Gosar: Good evening. A couple of questions, what could be the online ticketing booking that happened for FY2020 and what would it be as a percentage of total booking?

Mahendra P Mall: Online ticket booking on an average is about 8 lakh tickets per day this was pre-COVID period and this covers almost 72% of total reserved seat of Indian Railways.

Nitin Gosar: Sir second question is pertaining to what is the overall thought process when it comes to commencement of the operation to normalcy, I very well understand COVID is not the environment or will not allow it to permit at the normal level, but what would be the thought process, what would be the key indicators, which will indicate that from here on things will only improve in terms of starting the services to normalcy?

Mahendra P Mall: This is a question it much depends on the situation and further progression or reduction of COVID and in general atmosphere of well being in the nation where people will start again traveling. So as far as ticketing is concerned perhaps it will go up because people will avoid now taking ticket from windows. Tourism yes it will take some time because as you are seeing today people are trying to avoid travel or even if somebody has to travel normally they are preferring personal mode, so tourism may take maybe six months or a year from now to pickup. Similarly catering also will suffer for sometime because now there is a different and scaled up new normal of hygiene, so maybe there is a talk that instead of this type of packed, cooked meal and all that, we are going to start more and more ready to eat meal, but then acceptability of ready to eat meal in a long journey is always in doubt to eat meal for one meal person can eat, but not for us beyond that. Now that we are exploring, but yes certainly things will change not only for our PTC but overall as a whole and we are tuning ourselves to that kind of situation like currently most of our hospitality supervisors and the staff they do not have much work, so we in association with ITDC and two, three other professional agencies we are imparting them a training for next level of hygiene, next level of hygiene for customer and protection for them also so that as and when number of trains increase and volume increases they should be in readiness to handle this kind of situation.



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- Nitin Gosar:** But for us to start the train operation it will all dependent upon the government, what I mean to understand is central government going to play role?
- Mahendra P Mall:** Central government will also start the trains increase the number of trains depending on the demand, currently I think 115 pair of trains are running and average occupancy is in the range of 60% to 70% roughly, so it will take some time.
- Nitin Gosar:** When it comes to cost how we are pays, which are the fixed cost we can pull down and what are the variable cost?
- Mahendra P Mall:** Fixed cost is in form of employee cost because it is basically like any service sector it is not asset heavy organization, so basically employee cost is more or less fixed cost, major of it 90% of it is fixed cost, 90% or 80% so that will continue and we do not have any major asset. Our employee cost for the year total is about 200 Crores and out of that roughly 20, 25 Crores, which is about 10% to 12% is again variable. It is basically contractual employee or outsourced employee the employee that can be controlled and another 10% cost, which we can control that we are trying to do something.
- Nitin Gosar:** On private train operation, which has been around in news for a week who will do the ticket booking in private train operations?
- Mahendra P Mall:** I think it is mentioned in RSP that our IRCTC will do the booking through the IRCTC portal and obviously business side also it does not make any sense for any train operator to create a new portal and booking system, booking engine for 8, 10, 12 trains, will not be viable for them, their service is available at some nominal charges from another organization.
- Nitin Gosar:** Got it Sir. Would it be prudent for us to believe that right now we were investing in servers to announce our booking capacity that may continue and pantry car investment that we are planning to take up take a backseat?
- Mahendra P Mall:** For sometime yes.
- Nitin Gosar:** Got it. If I have more questions I will join back the queue and I will come back.
- Moderator:** Thank you. The next question is from the line of Manish Poddar from Nippon India AIF. Please go ahead.



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Manish Poddar: Just on this capacity, which you said 115 pairs, so would you be able to help, this is how much what is the total, so just trying to understand I think the deadline till August...

Mahendra P Mall: You are talking about private trains?

Manish Poddar: No general trains, so right now when you are booking for 115 pairs of trains how much is this of the total capacity?

Mahendra P Mall: This is around 10% to 12% only.

Manish Poddar: Okay so right now let us say till August...

Mahendra P Mall: 10% to 12% of reserved train category, if you take overall the passenger and suburban train it will not be even 2%, but normally we are booking only for reserved category, reserved trains so it is about 10% to 15% only.

Manish Poddar: Okay and another question is during this lockdown or unlock there have been certain different mechanisms, first is on the ticket booking probably which has been done by the center and second is on the meal and water being provided in this interim so probably could you explain how does this mechanism work and what is the pricing for this, just trying to understand do we incur any loss in this business?

Mahendra P Mall: Let us take business one by one, which business, ticketing you are saying?

Manish Poddar: Yes, three businesses, ticketing, meal and water.

Mahendra P Mall: In many case we have our software, we have our servers in place and system is already working and manpower is also there, so whatever booking is done it is a revenue for us, it is not a loss-loss situation for us, we are getting revenue out of it, out of that fixed expenditure only there is no variable expenditure linked to hardly any 2, 3 to 5% maybe maximum 10%, variable expenditure linked to ticketing.

Manish Poddar: How about food and water?

Mahendra P Mall: See water is if the sale volume is low what we do since the food is not normal food we have invited temporary tenders for these trains, so we get a license fee and then our condition is that cooked food will not be served in the trains, it will be only packed and ready to eat branded meal and Rail Neer that is being sold by them and the margin give us license fee, which is decided on a transparent bidding process.



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Manish Poddar: So would it be fair let us say just on this water and food whatever margins we were talking will be similar now also?

Mahendra P Mall: No.

Manish Poddar: Volume and ticket size would have come down, but the margins, so let us say instead of giving 115 meals you are now giving let us say Rs.50 for instance, but 10% was the margin earlier, which is license...

Mahendra P Mall: All the Rajdhani, Shatabdi, these were prepaid trains where food was part of the fare, now there is no such train everything is available on sale, so margin wise whatever is our PP partner is getting, but he is giving a license fee out of that which is much less compared to a regular train.

Manish Poddar: Okay and just one final one is that this trains, which were running the Goa one and the one up in Delhi, so how does the economics work right now because I believe these trains will not be running, but do we incur the fixed cost for running those trains still?

Mahendra P Mall: We had taken these trains on leave from railways and in the light of force majeure issued by Ministry of Finance we have requested Railway Ministry to waive the lease charges as the services are not there.

Manish Poddar: Would you be able to tell until what period is this was?

Mahendra P Mall: What?

Manish Poddar: This force majeure when you say, so this will be applicable till the government...

Mahendra P Mall: Till there is a demand for trains and till the train operation starts.

Manish Poddar: Okay. Got it. Thank you so much.

Moderator: Thank you. The next question is from the line of Jinesh Joshi from Prabhudas Lilladher. Please go ahead.

Jinesh Joshi: Sir I have one question on the license fee catering business that we conduct, now if I understand it correctly the license fee paid us the money in advance and in lockdown obviously the sales would be negligible in fact even after the operations begin the sales would be quite low in the initial few months as the tendency to eat out maybe a bit less, so basically what I want to know is that will we have to compensate the license fee in any way



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for this period for the advance money, which we have received or will this term be extended, so basically how the nature of...

Mahendra P Mall: What we have done, since we have collected the license fee by offering him an opportunity to sell meal in trains. For the lockdown period when there were no trains and license fee also has to maintain a minimum of permanent staff on role for them, so what we have done we have returned the license fee, which we had collected in advance for the lockdown period so that his liquidity is ensure for payment to his staff that is number one. At the moment normal services are restored he is suppose to pay us the license fee, return the license fee within one month and if he pays within one month his contract will also be extended by the same tenure, but if he does not return it then contract will not be extended and now that during current period when the sale is much less obviously nobody will work on that license fee, so for this period when of course the entire terms and conditions of the tender and contract have changed, so we have invited fresh bids for a limited period of two months extendible by another two months for doing this limited service for these special trains, which are running currently because these are not regular trains with those numbers for which tenders or contracts were signed.

Jinesh Joshi: Fair enough and Sir secondly in case of tourism business what I want to know is that is there any minimum guarantee component that we have to pay to Indian Railways or the haulage charges are paid on usage basis, so basically will there be any cash outgo for us till the time or tourism operations are shut that is what I want to know?

Mahendra P Mall: Haulage is payable for the trains, which we run, that is the Maharaja Express and Golden Chariot we had taken and this two Tejas and one Mahakal Express. So as I mentioned in reply to earlier question there are two types of fixed cost one is the lease charges on which railway has given the rolling stock to us and haulage has a fixed component and a variable component. We have requested Railway Ministry to waive the fixed charges as well as lease charges treating it as force majeure.

Jinesh Joshi: Sure. Okay. Fair enough. Sir one last question, with volumes of ticket falling during lockdown has the deposit that we maintain with Indian Railways has also come down correspondingly?

Mahendra P Mall: Yes. Certainly.

Jinesh Joshi: Okay. Sir can you share figure what was that figure as of March end what is that today?



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Mahendra P Mall: Pre-COVID let us not talk of much, pre-COVID we were issuing tickets worth about Rs.60 Crores per day and this money used to come back up to us in T+2 days and we have to keep a margin of one day, so we are maintaining a balance of almost 300 Crores with railways, now this has come down to almost 13 to 14 Crores per day so we would be maintaining a balance of about 60 to 70 Crores with railways.

Jinesh Joshi: Okay and the privatization opportunity that has been spoken about will we be required to invest in the rolling stock or our participation will be limited to just managing the operations what we are doing currently?

Mahendra P Mall: It depends on what model we adopt, obviously now whether we tie up with anyone because our expertise is in operations, now there has to be another partner whose expertise or who has knowledge of rolling the stock and maintenance of rolling a stock and then in every business from financier comes in either IRCTC comes as a financier or rolling stock manufacturer comes as a financier or third party comes as a financier, so it will all depend on the structuring that we go for, it is still not decided.

Jinesh Joshi: Okay Sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Rahul Jain from Dolat Capital. Please go ahead.

Rahul Jain: My question is for the Rail Neer business, so what the dynamics are now here because of course the volume has come off, volume would have come off significantly, so how we are compensating the PP partner and what are the fixed costs that we have to bear on these plants?

Mahendra P Mall: In our PPP contracts there is a clause whereby we give them a commitment of picking a certain volume of water, if sale or picking a water from that plant is above that we give him incentive, if it is below that their mechanism is already there in the contract with them then we compensate them for the volumes, which we have not lifted per bottle there is a compensation, there is a mechanism, so we will pay for that.

Rahul Jain: What could be this component on an overall basis and annual basis?

Mahendra P Mall: It will depend how long the situation continues, it will depend how much less water we are able to lift from the plant.



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- Rahul Jain:** Right so let us say this 170 odd Crores of annual cost we have in Rail Neer business the significant part is towards that fixed Rs.5 to Rs.6 that we paid towards the procurement, so that part reduces with the volume, but as a percentage this bear minimum cost that we need to cover up is that a significant number?
- Mahendra P Mall:** It is not significant I think Rs.0.10 to Rs.0.12 per bottle.
- Rahul Jain:** That is quite lower.
- Mahendra P Mall:** It is quite lower because we have given him the capital support for setting our plant also and for the lockdown period we will extend the contract also by that period so that care we are taking to make these contracts operational and not exploited.
- Rahul Jain:** Right so you obviously gave idea in terms of some cost so right now we have 400 Crores quarterly cost when you said the big part of the fixed cost is the employee cost, which is 200 Crores and in that...
- Mahendra P Mall:** Out of 200 Crores fixed cost will be about 170. There is a variable component contractual employee and of course we continue with all the employees, but yes certainly once situation improves we will review it, but fixed component will be anything between 170 to 175 Crores.
- Rahul Jain:** Right. Sir right now we have this opportunity to save maximum 30 odd Crores in the overall cost basis is there any other nonemployee-related cost where we could deploy some cost saving measure?
- Mahendra P Mall:** What we have done, for future we have done an analysis and all the controllable portion we are trying to control. As I mentioned in answer to one of the questions we are not asset heavy organization, so many things are controllable and we are trying to reduce it and majority of our cost is directly revenue linked.
- Rahul Jain:** Right and just last one bit from my side, in terms of course Rail Neer business, catering business and internet ticketing business can pick up the moment more trains start based upon demand and the COVID situation, but tourism which is more of a discretionary thought, so how long do we see some resumption on this or have we completely taken out all our plans for this fiscal in terms of all these trains that the luxury train that we run till what period we have already cancelled the travel plans?



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- Mahendra P Mall:** This luxury train starts sometimes in October, so we have not cancelled it so far, but we will see till August and then maybe closed up to December we will cancel month-by-month, will not cancel the entire year at one go and then we will see how the position improves here, this is something which is nobody is able to predict.
- Rahul Jain:** Right and people have option of complete refund at any given point...
- Mahendra P Mall:** Yes. All that flexibilities we are giving.
- Rahul Jain:** Okay. Thank you so much Sir. That is it from my side.
- Moderator:** Thank you. The next question is from the line of Soumitra Chatterjee from Spark Capital. Please go ahead.
- Soumitra Chatterjee:** I have three to four questions. The first one is the trains were cancelled from March 15, 2020, but when we refund the booking do we have to refund the internet ticketing charges also or that is not to be refunded to the passengers?
- Mahendra P Mall:** No, because ticketing is service extended travel takes place are no service of ticket booking has been given to the passenger, so that convenience fee or service charge what you may call is not returned.
- Soumitra Chatterjee:** Okay. Now till about September 1, 2019 when we were not charging the convenience fee the government was reimbursing IRCTC to the extent of cost for this decision, if this situation extend the cancellation of trains extends further beyond August 12, 2020 then will the government be, is there any clause that government will be reimbursing for the cost of this division because we are not booking any ticket right now so there are no revenues other than the 115 trains that are running?
- Mahendra P Mall:** No, I do not think it will be proper for us to ask government for this because this is a business risk and that time it was a government construction, now this is business risk, which all business is facing.
- Soumitra Chatterjee:** Sure and Sir if you can just update us on till about February what was the revenue and the profitability run rate of Tejas Express both of them Lucknow-Delhi, Mumbai-Ahmedabad and the Mahakal Express also till about end of February what was the revenue and the profitability?



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- Mahendra P Mall:** When we started this Lucknow-Tejas in October the projection was that we will breakeven in year two, but these trains end till about middle of March, March 15, 2020 and March 16, 2020 so we had closed till that time it was about to reach the breakeven, Mumbai had done just one month, Mumbai was started on January 17, 2020 so it ran for only two months, but yes that Mumbai response was much better and it was also nearing breakeven, Mahakal to run for only 15 to 20 days, but all the three trains combined if I mention we incurred a loss of about 2 Crores, but that was primarily on account of advertisement and marketing expenses, which was paper ads, inaugural one and all that and if we spread it over the year, over two years, three years perhaps you would cover it.
- Soumitra Chatterjee:** Sure. Thanks for that and Sir the last question is on the privatization of the trains, which is currently under the proposal, while any private operator will be using your portal to both the tickets, but the private operator is free to use his own paper for the catering services, catering and water?
- Mahendra P Mall:** Yes.
- Soumitra Chatterjee:** Okay and in this scenario if you participate in this proposal, will IRCTC have to create a separate subsidiary because a new partner is to come in for rolling stock IRCTC will be there for operations and a financier will be there, will it be different subsidiary altogether, which would be managing this particular operation?
- Mahendra P Mall:** That is yet to be decided, there are various options even as IRCTC we can always take rolling stock on lease from some financing company, engage a company for maintenance services, engage a company for on-board services that is one extreme that we can do it, the other extreme is that we tie-up with private players either as a joint venture or subsidiary or SPV whatever it is still not decided, we are weighing various options and then we will come out with whatever is felt best.
- Soumitra Chatterjee:** Sir one last question on the catering side, in the month of January the railways had hiked the breakfast, tea, lunch and dinner charges, but from mid of March anyway the trains are not operational is there any plan to roll back the hikes that was done given that majority of the trains, government will be trying to lessen the passenger cost for the passenger?
- Mahendra P Mall:** Yes there is no plan to roll back the cost in fact rates was revised from the month of November and this was implemented for all the trains, which are on postpaid where food is not sold and bought, but in prepaid trains like Rajdhani, Shatabdi and Durgam this was to be effective from March 28, 2020 because in there it is part of the price of ticket and ticketing is done 120 days in advance, so there was a margin of 120 days for implementing



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this revision. So in Rajdhani, Shatabdi it was not implemented, there is no plan of roll back, but yes there is a change in perception about hygiene and all this, so we are working on it let us see what comes out.

Soumitra Chatterjee: Sure. Thank you so much Sir. That is it from my end.

Moderator: Thank you. The next question is from the line of Manish Ostwal from Nirmal Bang Securities Private Limited. Please go ahead. As there is no response from the current participant, I have muted the line. The next question is from the line of Jeevan Singh, individual investor. Please go ahead.

Jeevan Singh: Hope you and your family are doing good during this situation, so thanks for inviting me and good to hear the results and I just wanted to know the two things first is obviously there is no prediction that how much it will longer in this COVID situation, but there are some ballpark things, which as it is did from next one quarter, two quarters how much revenue down or things like that and the second thing is there any impact in capex plan for the future or any new ventures and everything or new tie-ups, is there any impact on this due to this lockdown and all these things?

Mahendra P Mall: First thing, which you mentioned frankly speaking nobody even the best of research institutes in world are not able to predict like this MIT study, which says that there will be 3 lakh cases per day in India, one study is there and then there is another study, ICMR made one study that it will peak in November, so we are just tackling the situation as it is coming and we are trying to rationalize our operations in such a fashion that our cost minimization is done and whenever getting any opportunity we are going for that business. The second question is about capex, yes it is partially yes some of the plans we have deferred especially relating to tourism where we had plan to buy two to three trains for our Mukhyamantri Darshan Yojana and state teertha because of two reasons that obviously the state's financial situation will also not permit them to promote this and secondly tourism as such will be most of it because we have deferred it at the same time some other projects like Lucknow Hotel, we have just bought a land at Kevadiya where Sardar Patel Statue is there and we got approval for purchase of land for a four star hotel in Lucknow today only, so such things are going on, which will materialize after sometime, but capex, which was to result into business in short temporarily we held it.

Jeevan Singh: Okay. Got it. Thanks for the info. Wish you good luck for the future.

Moderator: Thank you. The next question is from the line of Prateek Giri from Emerge Capital. Please go ahead.



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- Prateek Giri:** Sir I was just wondering that will it be possible for you to give me a breakup of this Rs.1264 Crores revenue, which combines keeping in Rail Neer so how much of it comes from Rajdhani and Shatabdi train Sir, will it be possible for you to give me the breakup?
- Mahendra P Mall:** Yes, see Rajdhani and Shatabdi trains there are two streams of revenue, one is the cost of food or price of food rather, which we supply, which our license fee supplies to passenger and then bill for them then we give to railways, that revenue is about Rs.500 Crores for all these prepaid trains and second stream of revenue when we invite a bid for these trains, these trains are allotted to bidder who has quoted the highest concession fee for five years, so there is a component of annual you can say five-year concession fee, which is paid in three installments that is another component. From Rajdhani and Shatabdi Rs.500 Crores revenue is out of price of food and about Rs.75 to Rs.80 Crores for all the trains Rajdhani, Shatabdi, Duronto is on account of concession fee that we get for allotting the train to a particular bidder.
- Prateek Giri:** Sir my question actually comes from the fact that in next five or seven years if we assume that Indian Railways will outsource the Rajdhani and Shatabdi to private players, so is there any threat, which is hanging around our catering and wholly revenue, which we are getting from Rajdhani and Shatabdi because these are the routes or these are the things, which may be first handed over to private players?
- Mahendra P Mall:** There is a slight misconception as per current policy announced by Ministry of Railways there is no question of handing over these trains to private operators, all the new trains, which have come up, these will be additional trains. Of course it will have some impact on the occupancy of train that is a different story, but right now there is no plan to hand over these trains to private operators that is number one and on account of reduced occupancy yes we might lose something, but then we have our plans of entering into private trains, which will give us much higher revenue.
- Prateek Giri:** Fair enough Sir. My other questions are answered Sir. Thanks a lot and very good luck Sir.
- Moderator:** Thank you. The next question is from the line of question is from the line of Nitin Gosar from Invesco Mutual Fund. Please go ahead.
- Nitin Gosar:** Sir Couple of questions more strategy specific, so online booking has two one is IRCTC for reserved one and UTS for unreserved one and both are bagged by CRIS, can IRCTC take over UTS and bring that business into its hold?



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- Mahendra P Mall:** In case of reserve ticketing there is a service charge that we levy, UTS is normally unreserved ticketing segment, unreserved segment, which have a low ticket value, so low ticket the charging service fee on low ticket value perhaps Indian Railways does not consider it appropriate and we did not agree for giving the service without any service charge, yes we are a commercial organization.
- Nitin Gosar:** Yes Sir, but keeping in mind feature of technologies data and you will get access to lot of data if you participate in UTS, you can bill lot of advertisement...
- Mahendra P Mall:** UTS will not get any data because there is no detail about the person who is buying the ticket, anybody can go and buy a ticket, there is no form to be filled about his name, age and all that, there are only two tickets from Mumbai to Panvel, anybody can travel on that it is not person specific, so as such there is no data linked with UTS ticket.
- Nitin Gosar:** Right Sir, but login ID would create a data, which is linked?
- Mahendra P Mall:** Login ID yes.
- Nitin Gosar:** But as of now there are no plans or it can be...
- Mahendra P Mall:** We have no plans.
- Nitin Gosar:** Okay. Sir second question is with regard to Rail Neer business I think you had a press release couple of weeks back where you did mention that you are evaluating opportunity to sell the water bottle outside railway station, could you throw some light on that business opportunity, how temporary is it or is it a permanent move that we are looking at?
- Mahendra P Mall:** See currently we are meeting if it is pre-COVID period or normal period we were meeting about 70% requirement of Indian Railways, our primary duty first is to meet the 100% requirement of Indian Railways so that all these stations and trains are covered with Rail Neer and no other water is sold on them. Once we would have reached that stage we could think of it that is number one. This press release what you are talking is that currently all our plants are either closed or running at much less capacity, so this was an idea at least to meet the fixed cost if we could sell it in the market, but then market has its own dynamics. Packaged drinking water generally is force sell by the retailers and retailers generally sales the water, which has the maximum margin. Our average costing of water is slightly higher for simple reason that our 100% water is tax compliant and I should not be commenting here whereas we have to compete with lot of unorganized players, so there is a factor of unethical competition comes in, but still we are exploring it.



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- Nitin Gosar:** Once the train starts to normalcy booking starts again would government reconsider the ticketing charges, which are right now available to you that is Rs.15, Rs.30 package will they revisit and try to bring it down lower any thoughts on that?
- Mahendra P Mall:** Why should they, they have given IRCTC full freedom to fill tickets, so there is no rationale and logic by which they should play with it now.
- Nitin Gosar:** Got it and from Indian Railways point of view are they looking IRCTC as a company, which can invest in fixed assets going forward or maybe replace certain costs or certain investment, which Indian Railways incurring on its own like participating in private trains?
- Mahendra P Mall:** Indian Railways cannot think of putting any or any government department cannot think of any PSU for investing in assets of ministry and as PSU being independent commercial organization like train you mention we will enter as a business proposition not as investment for Indian Railways.
- Nitin Gosar:** Got it Sir.
- Moderator:** Thank you. The next question is from the line of Ankita Shah from Elara Capital. Please go ahead.
- Ankita Shah:** Sir you mentioned about the fixed charges lease charges that you have to pay for locomotive so wanted to check how much is that fixed cost?
- Mahendra P Mall:** No it is not fixed charge for locomotive it is fixed charge for the rate coaches, which we have taken for running these three private trains and this charges about Rs.7 Crores per train per year roughly, it could be anything between 6 to 7.
- Ankita Shah:** You mentioned that for all the new or private trains that will be operated no Rajdhani, Shatabdi, Duronto or existing trains will not be privatized will be completely new trains that will be operating on this on the current route?
- Mahendra P Mall:** This is what was mentioned by Chairman Railway Board in his press conference earlier and I am presuming it.
- Ankita Shah:** Locomotives or the coaches have to be bought new and they will not take it from railway?
- Mahendra P Mall:** That modality is not yet decided they can buy it from any source, it could be one of the railway production unit that all these not decided, and the type of rolling stock, how modern the rolling stock will be that is defined.



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- Ankita Shah:** Okay got it. Most of my other questions have already answered. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Rajesh Gora. Please go ahead
- Rajesh Gora:** Congrats for a pretty good set of numbers despite COVID. The revenue decline in the internet ticketing business was about Rs.33 Crores between December quarter and March quarter, but the EBIT decline was around Rs.40 Crores so how many days of business did IRCTC lose in this fourth quarter?
- Mahendra P Mall:** Fourth quarter the impact of COVID we started feeling from January itself when travel volume was reducing and finally the trains were cancelled from I think March 22, 2020 or March 23, 2020 and many trains like we cancelled our Tejas from March 17, 2020, so volume was very low in the month of March almost 50% of the regular volume, but the downward trend had started from January itself.
- Rajesh Gora:** Okay, despite that you have done pretty well on the margin you have not let it decline significantly?
- Mahendra P Mall:** Largely in internet ticketing it is basically the fixed cost of server networks and software maintenance and manpower, which is a certain percentage and that remains as it is.
- Rajesh Gora:** Increasingly the catering side while the revenue decline was there from 269 to 236 the EBIT margin almost remains flat around Rs.29 Crores, so could you give some idea on that business what was the impact and as you explain for the internet ticketing in the fourth quarter?
- Mahendra P Mall:** For catering also this impact of reducing number of passenger was there, but margin was there because we change the working model also.
- Rajesh Gora:** What was the change?
- Mahendra P Mall:** Earlier there were many trains, which are outsourced on PPP model so instead of running them departmentally wherever our own men were running and we were getting lesser margin and it went to on PPP mode and we started getting license fee and other charges so this rationalization of working model resulted in margins remaining the same.
- Rajesh Gora:** Okay.
- Mahendra P Mall:** In some trains license fee was increased by about 10% for trains covered under standard bidding document so it was primarily on that one.



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- Rajesh Gora:** Okay. Thank you so much.
- Moderator:** Thank you. Ladies and gentlemen we will take the last question from the line of Priyank Chheda from Standard Chartered Securities Limited. Please go ahead.
- Priyank Chheda:** Just wanted to know the data points for this quarter, how many total tickets were booked approximately?
- Mahendra P Mall:** For this fourth quarter?
- Priyank Chheda:** Yes.
- Mahendra P Mall:** Number of tickets you are asking?
- Priyank Chheda:** Yes.
- Mahendra P Mall:** It was total 6.88 Crores number of tickets.
- Priyank Chheda:** That would be roughly around Rs.140 Crores kind of odd revenues, balance revenues Rs.50 Crores, Rs.55 Crores would be from the website monetization?
- Mahendra P Mall:** From the website monetization and this payment mechanism and other things.
- Priyank Chheda:** Second question is regarding the major capex that we do for internet ticketing in IT so you have guided earlier that five to six years is the time period after which you consider it ends, you have guided that based on capex that was getting planned for FY2021 and any update on that?
- Mahendra P Mall:** This replacement of entire ticketing system once replaced it works for about five to six years and then we do this replacement invoice, so 2021 we will start the replacement, but peak capex for this will come somewhere in 2022-2023. We will start the replacement this year.
- Priyank Chheda:** Based on that if there is some major change in the software for the capex that we do does incur in FY2022-2023 do we plan to change our ticketing reservation charges in the coming years?
- Mahendra P Mall:** Currently there is no such thought because when we decide the ticketing charge we provide for this.



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- Priyank Chheda:** Thank you Sir.
- Moderator:** Thank you. Ladies and gentlemen, due to time constraint we will take this as a last question. I would now like to hand the conference over to Mr. Urmil Shah for closing comments.
- Urmil Shah:** Thank you. I thank you all for participating in the call and I also thank the management for sparing time for the call. Take care and stay safe.
- Moderator:** Thank you. On behalf of IDBI Capital Market and Services Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.