

“Indian Railway Catering & Tourism Corporation Limited Q3 FY-20 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Indian Railway Catering & Tourism Corporation Limited Q3 FY20 Investor Call hosted by IDBI Capital Markets & Securities. 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 telephone. Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Urmil Shah from IDBI Capital. Thank you and over to you, sir.

Urmil Shah: Good evening everyone. On behalf of IDBI Capital, I welcome you all to the IRCTC Q3 FY20 earnings con call. From the management, we have Shri Mahendra Pratap Mall – Chairman & Managing Director of IRCTC and Shri Ajai Srivastava – CFO & Group General Manager – Finance.

I would like to thank the management for giving us the opportunity to host the call and also congratulate them on a very strong performance in Q3 FY20. I would now request Mahendra sir to give a brief on the company's performance for the quarter, post that we shall have the Q&A session. Over to you, sir.

Mahendra Pratap Mall: Good evening, gentlemen and ladies. I will request my CFO – Mr. Ajai Srivastava to give you the brief. Then I will be ready for your questions.

Ajai Srivastava: Good evening everybody. We welcome you all to the con call of IRCTC Limited for the quarter and the 9 months ending 31 December 2019. Yesterday as you must be aware the company has announced the unaudited financial results for the third quarter and the 9 months ended FY20. And the same have been disclosed on both the stock exchanges also.

So I shall first talk about the Q3 FY20 result, post which we can have the question-answer session.

Let me first begin with the overview of the financial results. In Q3 FY20 the revenue from operations have been to the tune of Rs. 716 crores which implies a growth of 39% on a QoQ basis and 65% on year-on-year basis. The service charge on the e-tickets booked through IRCTC platform which was introduced with effect from 1 September 2019 which has been the main driver of growth in revenue in this quarter.

The EBITDA margin for the quarter have been a 37.1%. PAT in this quarter has grown up by Rs. 206 crores, a growth of 106% QoQ and 180% year-on-year.

Let me now move to the business segments of the company.

The first being catering. In this segment in Q3 FY20 the revenue for the segment was Rs. 259.2 crores which implies a growth of 8.2% year-on-year, and this is similar to that in Q2 FY20 also. The PBT margin was at 11.11% and it is the same as was that in the previous quarter.

So prime facie it would appear that there is a year-on-year decline in the PBT margin but this is primarily because prior to the listing there were certain provisions which we made in the quarter 4 and post listing we are including these provisions in the respective quarters and because of this, these changes are there.

So on a comparable basis, the EBIT margins are stable in year-on-year basis in this particular segment. In this quarter, Indian Railways has also approved the revision of tariff for premium and non-premium trains as well as the static units. Also there has been a change in the menu keeping in mind the customer preferences. Impact of these changes will come in to effect in the coming months.

While these changes will increase absolute revenue and profit from the sector, the company would target to maintain the margins and enhance the quality monitoring and control to enhance the customer experience.

Now moving on to the next segment, that is internet ticketing.

This Q3 FY20 saw full quarter impact of the service charge introduction on internet ticketing. And which led to the revenue in this segment growing up by 94% on quarter-to-quarter basis. The income from service charge for Q3 FY20 was about Rs. 160 crores with around 7.75 crores tickets being booked through IRCTC in this quarter.

For the nine months in FY20, about Rs. 23.3 crores tickets have been booked through IRCTC and the revenue from service charge has been to the tune of Rs. 211 crores for the period ending December 2019.

There has been also a good growth in the other revenue streams which has contributed to the tune of Rs. 182 crores in the 9 months as against Rs. 146 crores for the entire year in the previous fiscal.

Moving on to the third segment that is tourism. In Q3 FY20 the revenue has been at Rs. 161 crores which is more than double on a QoQ basis.

Growth has been driven by both the tour packages business as well as the state business which have picked up in this particular quarter. Moving on to the new trends that we have taken over. In this quarter Lucknow, Delhi Tejas train was launched on 4 October 2019 and operated for almost the full quarter and gross revenue was around Rs. 15 crores.

The Mumbai-Ahmadabad train has been launched in this quarter from 17 January and is doing better than our expectations. We are also going to soon launch the Indore-Varanasi train and the commercial run of which shall begin from 20 February.

Now the next segment that is RailNeer. In this particular segment in Quarter 3 FY20 the QoQ growth has been to the tune of 7%. In this quarter, we have also added two new plants at Bhopal and Jagi road and we also intent to add two more plants in the coming quarter which will be at Sankrail and Jabalpur.

And the current capacity with the operation of these plants is around 12.3 lakh liters per day and which shall increase to around 14.08 lakh liters per day when these other two plants also become operational by the end of FY20.

The Board of directors of our company have also approved interim dividend of Rs. 10 per share and this is in line with the payout trends that have been followed in our company in the last three years.

We can now move on to the question-and-answer session.

Moderator:

Thank you very much. Ladies and gentlemen, we will now begin the question-answer session. We take the first question from the line of Sanjay Bambalkar from Canara Robeco. Please go ahead.

Sanjay Bambalkar:

Sir, my first question is on the internet ticketing vertical. So could you please give us some more color as to revenues apart from this convenience fees which you mentioned, what is driving this growth in this part of revenue?

Mahendra Pratap Mall:

See mainly our main revenue which is almost 77%- 78% is from convenience fee of this segment. And in this segment also still we are covering only 73% of total reserved tickets of Indian Railways. So still that gap of 27% is there, of course though it is broad based this is growing at a rate of about 2% to 3%. That is number one and the second is addition of more and more trains by Indian Railways. So these are the two major things.

And then now we are concentrating more and more on monetization of our website. As you see around 23%-24% income is from monetization of website monetization, monetization of transaction charges and other miscellaneous things. We are concentrating more on that along with advertisement on website. So that is the scenario.

Sanjay Bambalkar:

Secondly, my next question is on the catering vertical. We have taken menu price increases, and what is the time line for the menu price increases to get reflected in our revenues? Do you have any timeline with respect to when we should see bump up in the revenues for that vertical?

MahendraPratap Mall: Yes, in fact you see there are two types of trains. If you talk of trains, one is pre-paid trains which are trains like where you pay for the food along with fare, that is RajadhaniShatabdi, Duranto type of trains. And secondly normal where you buy the meal. So you see our revenue will pump up from revision of the license fee of all these trains. we have to do this sale analysis for it. By whatever amount the sale has increased license fee will increase accordingly, right.

So this has already taken effect from 19th of November. Now we have to do the sale assessment and then accordingly we will revise the license fee retrospectively. So this will come in from 19th of November. Now coming to this pre-paidtrainsRajadhaniShatabdi, Duranto since money for food is taken along with fare and there are advance reservation period of four months, so keeping that window this will be effective from 28th of March. So 28th of March onwards, there will be revised tariff also and in this also license fee will be revised almost in the same fashion.

Sanjay Bambalkar: Sure. And sir what are the plans to upgrade the pantries? Any CAPEX which is earmarked for this purpose and number of pantries etcetera, this will also give us some bump up with respect to the sharing with railway will reduce?

MahendraPratap Mall: Actually we had put two consultants for this job. They have given the design, we have submitted it to railways. It is to be cleared by Research, Design and the Standard Organization of Railways and they had raised one or two issues which we have clarified. So this should be cleared by them, may be within next 8 to 10 days.

Then we will introduce this design in some of the new pantry. And once it is done in some production unit we will apply this to existing pantry cars and the moment we apply, our revenue share will reduce from 40% to 15%. So this will be a CAPEX neutral I can say.

Sanjay Bambalkar: Last question is on the Rail Neer segment. I just wanted to understand what is the current utilization at overall Rail Neer segment for us?

MahendraPratap Mall: See I mean Rail Neer what happens whenever we set up a plant because there is a production issue and there is a logistics issue, distribution issue also. So whenever we set up a plant normally for first year, we operate that plant at a capacity of 50% to 60% and second year we increase it to around 80% and third year onwards we take it to full capacity. So all those plants which are functioning today which are more than 2 years old, are working at about 93%, 94% capacity and other plants depending on the age they are functioning.

Moderator: Thank you. Next question is from the line of Parag Gupta from Morgan Stanley. Please go ahead.

Parag Gupta: Just had three questions. Firstly, on the internet ticketing charges. You talked about Rs. 160 crores is the convenience fee on 7.75 crore tickets, so that is roughly about Rs. 20, Rs. 25 per ticket on an average. Could you just give us some understanding of how should we think about

this going forward, can this increase or are these kind of regulated by the governments or no real possibility of an increase out there?

And related question to that is that how should we think about these convenience charges going forward, is there anything from the government that suggest that these will not be taken away and hence this is a revenue stream that will continue? So that is the first question.

And the second question was, how should we think about your growth drivers going forward? So within your current segments, which segments do you believe are good or still show significant growth and are there any new business streams that can potentially come up, that could potentially get monetized and add to your revenues? So those were my two questions.

MahendraPratap Mall:

So you had 4, 5 questions in two. Anyway I will answer it. Earlier this convenience fee on internet ticketing was Rs.20 and Rs. 40 on non-sleeper and sleeper and this was shared with Ministry of Railways 50-50. Now when it was reintroduced in September, we were given freedom to fix it and there is no sharing with railways. So we put it at Rs.15 and Rs. 30 with no sharing with railways.

That is number one. Along with this to promote all these UPI, Bhim and RuPay; any transaction on these instruments we levy a charge of Rs. 10 and Rs. 20. Now second thing you asked basically about upside of this, so I do not see in the near future we will increase it because ultimately we are a government company and it is basically a public service also and in any case we are making profits so we should not be greedy.

So increase in tariff I do not see in near future but increase in volume just I mean still 27% segment of railway reserve ticketing is on window. With the spread of internet and more and more smart phones and all that, this is gradually increasing by about 2% to 3% per year. So that is one. And secondly, I mean we are trying to monetize more and more our website by way of advertisement, transaction charges and promotional mailers, promotional SMSes. So that is our strategy for this segment.

Parag Gupta:

And how should we think about growth drivers going forward within your current segments and any new segments that can come through?

MahendraPratap Mall:

Currently as you know, of four segments, IT I mean internet ticketing I have already told you. Regarding catering, yes, tariff revision is one which will result in increase of revenue as well as profit. In addition to that recently Government of India I mean Indian Railways had announced that pantry car will be added to more and more trains, because there are still lot of long distance trains which do not have pantry cars. So with more and more pantry cars being added that business will come to us. So that is one. In addition to that we are putting emphasize on e-catering whereby sitting on your berth or seat you can order food.

So which is also increasing. And we have streamlined the system of train side vending. This is a service where there are no pantry cars in the train, somebody comes and takes the order and supplies the meal at next station. So we are working on all these segments, all these factors. So I am hopeful that this will grow. Now coming to state Tirtha if you talk, I mean recently Delhi elections were held and manifesto of AAP Party which had a thumping majority. In their manifesto they had mentioned that they will carry 10 lakh pilgrims senior citizen of Delhi to various pilgrim sites. And we are the only agency for them who rather we are the only agency we carry in bulk.

Last year we did business worth about Rs.70 crores with Delhi Government. Now with this kind of allotment this segment is likely to get a major boost. Coming to new segment, yes as CFO mentioned we have entered into operation of trains which is a new thing we started with one train and we are hoping that this will break even in by the end of the year two, that was Lucknow-Delhi Tejas train. But the performance is better than what we expected. Second train which we introduced between Ahmadabad and Mumbai, here the occupancy and response is much better than what we expected.

So now we are trying with third train which will be a slightly a different category of train, it will be a pilgrim train between Varanasi and Indore connecting three Jyotir Lings and there is a huge demand of pilgrims in this catchment area of Eastern UP and Bihar who are likely to take this train. So we will work on these three trains, consolidate for about 2, 3 months and then we will take forward with more and more trains, and the new opportunity which railways come in at 150 trains with new kind of rolling stock in different sectors. So we will participate in that also.

Moderator: Thank you. We take the next question from the line of Rajiv Mehra from JM Financial. Please go ahead.

Rajiv Mehra: I just wanted to know you just spoke about the Tejas trains where you are running between Ahmadabad and Mumbai and then Lucknow and Delhi, and you will be breaking even in the second year you are saying. And now the third one you are talking about Varanasi and Indore. Going ahead how many more Tejas trains are in the pipeline or are planned and how could we factor in what kind of growth rate could be coming in from this segment area?

Mahendra Pratap Mall: Initially we were offered to run two trains and we selected the routes. And as I told you we were expecting them to break even by end of year 2. But you will be happy to know that I mean the earlier train is in Lucknow, Lucknow Delhi Tejas is nearing breakeven in first quarter itself. So we are highly encouraged with this and Ahmadabad-Mumbai is performing even better, occupancy wise it is much ahead of Lucknow Tejas. So you can expect it to breakeven in the first quarter itself, I mean certainly this is breakeven in first quarter.

We are a small organization of about 300, 400 executives. Now to run more and more trains we need our own staff, so we have to go for a recruitment drive also. We will consolidate on

this, we will learn from the mistakes whatever has happened, assimilate the success of these trains and then we will go and operate more and more so that there is no short term measure.

Rajiv Mehra: Right, so sir if you could just tell me certain cost dynamics. Suppose if you have to run a train from a route, what kind of costing is really needed and what kind of additional recruitment would you have to do for the same?

MahendraPratap Mall: Operation of trains is managed by railways, I mean driver, guard, and all that and the station staff, signaling staff, track maintenance is done by railways. For that we pay Indian Railways a charge. There is a fixed formula as per which we pay them the charges. And for other services on board, which is catering, security, housekeeping, selling of ticket, ticket checking all this is on PPP mode. We engage one agency which does this, but yes for every train we need about 5 to 6 of our own staff to for supervision, because the moment we dilute this it will be uncontrollable.

Moderator: Thank you. Next question is from the line of Sujit Jain from ASK Investment. Please go ahead.

Sujit Jain: So you said 2% to 3% growth in the overall tickets that Indian Railways sell?

MahendraPratap Mall: That is number of tickets. There is 2% to 3% growth in passenger segment, that is number one. And then second is, passengers migrating from window booking to internet booking, that is another 2% to 3%.

Sujit Jain: Correct. That is the way to look at it, that kind of growth that can happen steady state. Once the next full year?

MahendraPratap Mall: Yes, plus the addition of this new trains like three trains we are managing that is straight away addition and now railways opening sector for 150 more trains. So obviously any party which takes one sector for 10, 12 trains they will not set up their own website.

Sujit Jain: So this 2% to 3% growth will go higher. In your estimate what that number will go up to?

MahendraPratap Mall: Yes. It is difficult to say because passenger movement dynamics is currently growth is only 2% to 3%, earlier it used to be 7% to 8%. So depending on the economy movement also increases. So I am being conservative when I say 2% to 3% in passenger growth and 2% to 3% in migration from window to web.

Sujit Jain: Okay, and of the Rs. 225 crores, Rs. 160 crores from convenience fees, the remaining Rs. 65 crores is from monetization?

MahendraPratap Mall: It is from advertisement on website and you see on our website there is a total transaction of almost Rs. 35,000 crores in a year. So now we are picking into that also a share of that. Then advertisement on website, then we are using our database for sending promotional mailers,

promotional SMSes, targeted marketing and then we have a network of agents, We charge them annual maintenance fee, this is all in the account.

Sujit Jain: So at what rate this piece can grow? What rate it has grown for nine months?

MahendraPratap Mall: Nine months it has grown up by about 12% to 13% and it will grow as more and more people are being I mean targeted marketing is one area where we are growing at about 12% to 13%. Last year our total revenue from this was Rs.145 crores roughly. You see this year within nine months we have touched Rs. 177crores. Of course there is lot of uncertainty because we are doing lot of pilot projects. So we exactly do not know what will succeed, but so far we have succeeded, and growth rate is appreciable.

Sujit Jain: Okay and in catering like you mentioned, actually it fits in for the trains prepaid trains almost at the end of the year that is from March end. And what you can buy off the shelf it sits in immediately, right? So for the company as a whole, IRCTC as a whole if you were getting Rs. 100 from catering both license and direct sales, because of the increase that you have in tariffs, on a blended basis what that number will go up by in the next year, by what percentage roughly it can go up by? That realization of Rs.100?

MahendraPratap Mall: We have to do a saleassessment of all the trains and then we have to work out the percentage. And then we have to co-relate it with price increase which has taken place.

Sujit Jain: No, but you already have the number of price increase that has happened in the menu, right?

MahendraPratap Mall: Number of price increase is there, but train volume whether it has gone up or gone down still we have to assess, because in RajadhaniShatabdi prepaid trains which I mentioned now railways have given the option of opting out also. So passenger has the option of not taking meals and purchasing only travel part. So all that assessment we have to do and we should be doing it by March end.

Sujit Jain: Just last one question related with this is that how much of the catering revenue for nine months is direct sales and how much is license and concession fee? And when you charge concession fee to the person who is handling the particular catering, what percentage of revenue you typically charge at IRCTC company level as a whole?

MahendraPratap Mall: See our turnover that is sale potential in RajadhaniShatabdiDuranto is for nine months it is about Rs. 430 crores right, and this license and concession fee which we take that is about Rs. 240 crores for first nine months. This will certainly go up but by what extent we will be able to tell only when we are able to do the sale assessment.

Sujit Jain: Sorry but that adds to only Rs. 670 crores you have done a turnover of Rs. 808 crores for nine months. You said Rs. 430 crores you know pre-book?

- MahendraPratap Mall:** This I told you about the mobile portion only, then we have a static unit like Food Plaza fast food units, refreshment rooms, Jan Aahar, sell kitchen, base kitchen, e-catering and all that is another Rs. 110 crores.
- Sujit Jain:** Okay, and one last question was that of the monetization on your website which you just spoke about, in terms of targeted marketing etc., the margins remain in line which is about 80% overall. Would they remain in line with what you get with the service charges?
- MahendraPratap Mall:** No, it depends. I mean it is difficult to charge margin of 80% from your marketing activity and all. But it changes from product to product.
- Sujit Jain:** What that would be, number?
- MahendraPratap Mall:** Like you see, advertisement on website, it has no cost. So the entire thing is margin. But when we go for sending promotional SMSes then margin is much less. Same happens in the case of payment gateway and financial transaction charges which we recover from the instruments. There is no cost as such. Whatever we get is margin only.
- Moderator:** Thank you. Next question is from the line of Jinesh Gandhi from Prabhudas Lilladher. Please go ahead.
- Jinesh Gandhi:** Thanks for the opportunity. Sir, I just want to know that on a sustainable basis what can be the annual operating cost for running the internet ticketing business? So in this quarter we reported an EBIT margin of 85% so I want to know whether this is sustainable or not?
- MahendraPratap Mall:** This internet ticketing has a peculiar feature that every five to six years you have to go for a major CAPEX which is almost Rs. 250 crores to Rs. 300 crores when you change over the entire system, right. After that it is only annual maintenance contracts and annual support, internet leasing charges, staff cost that is there. So margin of 85% what you are mentioning it will remain more or less same because the depreciation and all that is already provided in this. So it does not see any major changes.
- Jinesh Gandhi:** Okay and where are we in terms of timeline? You mentioned that after 5 to 6 years we will have to do major CAPEX. So is it nearby or I mean we are still far away in the cycle?
- MahendraPratap Mall:** No, it is nearby. FY21-22 we will do it. In any case this changeover it is not that overnight you buy a new server and put. This changeover itself is a two to three year exercise. So we keep on doing something, I mean next year we will start doing something we will do about 20%, 30% of the work in 20-21. Major work will be in '21, '22.
- Jinesh Gandhi:** Okay and secondly, does the service charge revenue have any receivable component from railways or is it a when a customer books the ticket and pays the money to us, we keep our service charge component and hand over the ticket fare to railways. Basically how does this transaction function?

MahendraPratap Mall: Actually we pay to railways in advance because railway earning is a Central Government earning and any Central Government earning has to go to Consolidated Fund of India first. Then only any party can have charge on it. So we maintain an advance with railway in a rolling deposit. Against that rolling deposit we purchase a ticket on behalf of all the passengers who book it and add on our service charge, convenience fee on that. And then replenish the rolling deposit with railways.

So you see in true sense our business cycle in internet ticketing is 48 hours. I am sure there is no other business or no other product which has a business cycle of 48 hours, maximum 72. I mean we give the ticket and get back the money along with profits within 72 hours is outer limit. Normally we get within 48 hours. Unlike a construction company or any other company where it may be 48 months.

Jinesh Gandhi: Okay, and one last question. Post this tariff hike in mobile and static catering, I understand that our license fee income will rise but does this income have any kind of cost attached to it apart from the railway share which we have to pay?

MahendraPratap Mall: No, on the license fee there are 2 major expenditure, one is railway share that we pay and second is our administrative cost. Railway share will obviously increase because it is a percentage function of the revenue. Our administrative cost will remain the same or maybe increase at the same pace with which the entire staff grows.

Jinesh Gandhi: Okay. So loosely speaking the increase in license fee is virtually a proxy for your EBIT right it will directly move down to your EBIT?

MahendraPratap Mall: Largely.

Moderator: Thank you.

MahendraPratap Mall: Can you just excuse me for one participant, Ajai I mean CFO will reply. In fact I have got sore throat despite that I am shouting. But just give me some relief, next participant our CFO will address, then I will come back.

Moderator: Sure, sir. The next question is from Manish Poddar from Nippon India. Please go ahead.

Manish: Just want to understand let us say you know the periods which we have been running this trains now what sort of revenue would we have clocked and let us say what sort of EBITDA would we have clocked? I understand it is for a smaller period, but just want to get a sense on that?

MahendraPratap Mall: This Tejas train?

Manish: Yes the two trains which you have.

AjaiSrivastava: No, actually in this particular quarter we have operated only one train that is Lucknow and Delhi Tejas and in which we have clocked a revenue of around Rs. 15 crores and almost

achieved a breakeven. And so far as the other train is concerned, it has been in operation only with effect from 17th of January so and it is so far as the figures and the indications are, the occupancy level in it is quite an encouraging and we hope that we will also be achieving the breakeven in this quarter itself.

Manish: And any update on the airline ticketing, how is that progressing, what are the roadmap of that?

AjaiSrivastava: Airline ticketing has also picked up and it has on an average if we see for the nine month period it has been to the tune of 4,750 tickets we are booking on an average per day. And specifically if we see it is in the October to December it is more than 6,000 tickets per day. So initially prior to this fiscal, it was around 4,500 tickets. So it has picked up significantly.

Moderator: Thank you. Next question is from the line of AshishAgarwal from Principal Mutual Fund. Please go ahead.

AshishAgarwal: Just wanted to get a sense why are our receivables so high? Just wanted to get some sense on that?

MahendraPratap Mall Receivables are largely from railways, It is more than 60% is receivables from railways in the sense that for all these pre-paid trains thisRajadhani, Shatabdi, Durantowe pay to the licensee and we get it back from railways and it used to take about 2 to 3 months. To overcome this we have worked out a merger with railways whereby 80% of this payment will be made to us on the day of journey. This will start from next financial year. So at least Rs. 700 crores of services which we offer, 80% we will get on the day of service.

And then for balance we will raise the bill and existing system will follow. So it will come down. Now coming to this year's outstanding there were some budgetary issues with the Railway Ministry and Home Ministry. So I mean it will be cleared in the month of April because for the Home Ministry we carry all these parameter stuff for elections and all that, so there our receivable is about Rs. 100 crores. With the coming of April we should get it.

AshishAgarwal: And what will be the cash in our balance sheet as of December end?

AjaiSrivastava: Rs. 1,160crores.

Moderator: Thank you. Next question is from the line of Manish Ostwal from Nirmal Bang. Please go ahead.

Manish Ostwal: My question on the revenue per ticket. In the 9 month it works out Rs.9.6 and in this quarter it is Rs. 21. So basically in the coming quarter this Rs.21 number should be sustainable number right, sir?

MahendraPratap Mall: Rs. 21 is sustainable because we are charging Rs.15 and Rs. 30, and almost 45% of the tickets are in AC category. So this Rs. 20, Rs. 21 is the average yield for this. I do not know

wherefrom you got this figure of Rs. 9. It is perhaps on account of the fact that in that quarter this service charge we had levied for only one month that is September. And July and August were without any service charge.

Manish Ostwal: And the second question on the occupancy level of the first to Tejas trains what is the occupancy level in terms of percentage, sir?

MahendraPratap Mall: For this LucknowTejas it is around 65% and Ahmadabad is about 80% to 85%.

Manish Ostwal: Can you explain the revenue model in this Tejas train, how we are generating revenue, the revenue model can you explain to us sir?

MahendraPratap Mall: See these trains we have taken from railways on payment of lease charges. So that is one outgo. And second is, we pay to railwayshaulagecharge. haulage charge is payment to railways on account of operation of the trains. The engine of the train, the driver of the train, guard of the train, entire track, signaling, station, fuel everything is given by railways. So for that we pay them a haulagecharges. These are the two major outgo and then some expenditure on account of staff which we engage but that is a miniscule portion of overall expenditure.

Regarding revenue we have full freedom of fixing the fare in these trains. Unlike railway where it is administered price and only that much can be taken so we have introduced a concept of dynamic pricing just like airlines. And we get money from there and money comes directly to us. So that is the model. Out of that we pay to our service provider who gives catering services, who maintains the housekeeping, catering, and security.

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

Rahul Jain: My first question is for the tourism business. We saw a jump of Rs. 85 odd croresQoQ. What are the contributing factor here, I think Tejas contributed Rs. 15crores?

MahendraPratap Mall: Tejas is one of the reason which has contributed. The second biggest reason is our luxury train that we run Maharaja. It run only largely in winters. So it generally starts in last week of September and operates till end of March. So that entire revenue in previous quarters there was no revenue from this luxury trains. But this quarter was a busy season, that is number two.

Certainly you see there is a pattern in India that almost all tours, there is a massive tourist movement in third quarter. So tour packages and all that which we sell is accounted for in third quarter. And lastly we got an order of Rs. 70 crores from Delhi Government for carrying pilgrims to, sorry that is a State Tirthasegment. There also you will see a growth. There we took most of the passengers in third quarter.

Rahul Jain: Okay and in Tejas business I think you said on a media interview the revenue was Rs. 15 crores for the quarter. So why we say this is a breakeven? I thought based on the base fare computation the breakeven point must be much lower than this number?

- MahendraPratap Mall:** Are you aware about the costings?
- Rahul Jain:** I think what we said during the IPO that 70% utilization on base fare basis is what we should be able to achieve?
- MahendraPratap Mall:** Yes, 70% was conservative, around 65%, 66% is the figure which we arrived at. We have done some cost reengineering and we are reaching at about 65%, 66% occupancy for Lucknow Tejas and that is what I am saying. I mean still I stick to that 70% with minor costing reengineering we have reached a figure of 66% which we are achieving.
- Rahul Jain:** Okay and one question on the catering business. Last year Q4 we saw a good jump in catering revenue of around 18%. Is there any seasonality in Q4 in this business that we can expect this year also?
- MahendraPratap Mall:** See last year Q4 I mean we were not a listed company till last year, we were making all the provisions in the last quarter. And this year we are making provisions quarter-to-quarter. So there you must be seeing a drop in our margin in third quarter vis-à-vis last quarter. But it will stabilize in the last quarter, and annual accounts.
- Moderator:** Thank you. Next question is from the line of Harit Shah from IndiaNivesh. Please go ahead.
- Harit Shah:** Just wanted to get a sense so in your Rail Neer plants that you are expanding what would be the approximate CAPEX that would be required for that?
- MahendraPratap Mall:** See one Rail Neer plant what is our model that we buy the land from State Government or any state agency and then on a transparent bidding process we select one experienced party in packaged drinking water manufacturing and distribution and then depending on the capacity of the plant, we make an assessment that what is the likely CAPEX in that, for setting up the plant. So we in the bidding document itself we mention that this much money will be paid to you which is being paid based on the progress of work.
- So on an average our Rail Neer plant needs about an acre of land and since we buy it from government or government agency it is generally Rs. 2 crores to Rs. 3 crores maximum. And an average plant of about 6,000 cartons per day cost about Rs. 10 crores to Rs. 12 crores of CAPEX out of which 80% we give and 20% the partner has to bear it.
- Harit Shah:** Sir, did you say Rs. 12 crores?
- MahendraPratap Mall:** Yes.
- Harit Shah:** Okay fair enough. And this is like paid as you know upfront or it generally over the period of the construction of the plant?
- MahendraPratap Mall:** It is over construction of plant, construction linked and machinery supply linked. Like out of Rs. 12 crores there is construction worth about Rs. 3 crores and the rest is machinery. So based

on the supply of machinery, installation of machinery, commissioning of machinery and progress of civil construction work we I mean it is predefined in the bidding document.

Harit Shah: Secondly, I think earlier in the call you had mentioned that, so you charge the convenience fee from customers for internet ticketing. I think you had mentioned something about if they pay through UPI or RuPay you charge some additional Rs. 20 fee. Was that correct?

MahendraPratap Mall: It is like our normal charges are Rs. 15 for sleeper class and Rs. 30 for AC classes. For UPI, Bhim and RuPay instead of Rs.15 we charge Rs.10 and instead of Rs.30 for AC class we charge Rs. 20. It is less than normal.

Moderator: Thank you. Next question is from the line of AkshitNaredi from Naredi Investment. Please go ahead.

AkshitNaredi: So my first question is government decided to privatize 150 trains and in that private companies like Tata and Adani also shown interest in this offer. So how much trains we are expecting and what is the timeline to get those trains and anything you want to add in?

MahendraPratap Mall: They have just come out with RFP and we are also waiting for that. We have engaged consultant for entering into this segment and what should be the exact model whether we should enter through SPV or JV. Because this business basically has two components. One is investor or rolling stock provider, second is operator. So as on date in India there is no other operator other than IRCTC.

So we have to tie up with some manufacturer of rolling stock or some investor who can organize rolling stock for us. Obviously he will also come, and he is putting major investment so what structure will be more suitable for JV, SPV all that we are studying and we will certainly participate in that bid.

AkshitNaredi: Okay and my second question is the company is going to construct two hotels one in Lucknow and one in Gujarat, the Statue of Unity. So what is the actual budget of this and instead of managing the hotels why are we going for constructing and owning these hotels?

MahendraPratap Mall: You see Lucknow if you take example, Lucknow we had got a land for about Rs. 8 crores is the cost of land and we are constructing the shell only right and for furnishing and interiors money is being spent by PPP partners. So he is our partner for 25 years within which he will pay, number one, this opportunity cost of money which we say Lucknow hotel we have put in a cost of Rs. 20 crores for construction of shell which will pay him, and cost of land is about Rs. 8 crores.

So for this Rs. 28 crores he will give us a fixed return of 10% which we have worked out. That in any case he has to pay and once he starts operation he will share his revenue with us. So it is a safe model instead of keeping money in bank we are creating an effect which is generating

money more than banks as well as asset has been created. Same model we will follow for Khajuraho and Kewadiyaalso.

Moderator: Thank you. Next question is from the line of PriteshChheda from Lucky Investment. Please go ahead.

PriteshChheda: Sir, I have one question on the ticketing business stand. The one only balance business. So the ticketing business if you could tell us what is the net working capital number of days?

MahendraPratap Mall: You see as I mentioned we have to maintain advance with Railways. That is the perhaps only working capital required. On an average we issue tickets worth about Rs. 70 crores per day. Average I am telling. And normally we get our money back in to the bank in 48 hours. Our outer limit is 72 hours. So we have to maintain a balance of about Rs. 210 crores which is normal time. Now then we also study what is the peak time for booking because there are days when especially festive days and holidays and all that.

When we book tickets worth almost Rs. 200 crores per day. So that we study in advance and accordingly pull in more money in the rolling deposit. Then depending on the holidays I mean in any financial year there are four or five occasions when banks are closed for three, four days. Saturday, Sunday proceeded or followed by holidays. So then we have to make that extra provision.

PriteshChheda: So basically the year end number will only be about Rs. 200 crores because that is the March end number and there is no?

MahendraPratap Mall: Depending like last year what happened 31 March was Sunday. There were three holidays. And that is the peak time of booking because that is the peak time where Tatkal booking is highest. So we had to maintain a balance of almost Rs. 550 crores. Because the moment balance in this rolling deposit goes below Rs. 5 lakhs ticketing automatically stops. Then we cannot afford that situation.

PriteshChheda: My second question is on the non-ticketing business sum total? So all your verticals put together based on your business plans that you have what should be the projected growth that we can see in sum total of these businesses what will be your capital commitment there and what is the ROC that you speak on that capital commitment? So I am okay if you give sum total of non-ticketing, I do not want it individually.

MahendraPratap Mall: Being in hospitality our CAPEX requirement is not much except for the internet tipping which is spread over. Coming to it all other CAPEX as I said our business cycle is very short. So normally CAPEX if we are incurring something when we start getting result out of it that within a year or two.

Now it takes about 9 to 10 months for setting up of plant and we start getting our return within I mean immediately after one year. Pantry car upgradation which you mentioned it will take

about 45 days for upgradation and the day we upgrade our revenue share to Railways will go down. So that is the situation.

Moderator: Thank you. Next question is from the line of TusharBohra from MK Ventures. Please go ahead.

TusharBohra: Sir, just a few points. First there was a news article regarding some investment we were to make in Delhi about Rs. 600 crores for a five star hotel along with ITDC. So if you can just explain what would be IRCTC's role and say proposed investment in this and why are we looking at such a large number as spent?

MahendraPratap Mall: There was a talk but it is not relevant now.

TusharBohra: So we are not doing anything of the sort, right?

MahendraPratap Mall: No.

TusharBohra: And along the lines of the budget hotels proposed in Lucknow and couple of other places we are also making these Pods I believes we have started one already in Mumbai?

MahendraPratap Mall: Mumbai we have started with one. Yes, it is basically Pods and we do not investment in that. Pods are, if you have travelled in Railways there is a concept of retiring rooms and stations which are budget accommodation at stations. So this is primarily on PPP model and we get it from Railways and switch on to a partner who upgrades the retiring rooms, gives us minimum committed like license fee and then he operates and manages it.

TusharBohra: So we would not be investing again on these it would just be of your revenue share?

MahendraPratap Mall: Yes.

TusharBohra: Just how much would we be getting from retiring rooms etc right now and what could be this number say in three years as our target plan?

MahendraPratap Mall: In our scheme it is a comparatively much smaller business. Retiring room also there are license fee which we get is about Rs. 3 crores to Rs. 4 crores only but yes this has resulted in a much improved service to passengers. If you some of our retiring rooms they are as good as you can compare it to a three star hotel at a very nominal price in station like Katra, Jammu then Madurai and Erode, all that Lucknow, Gorakhpur. So it is more of a passenger amenity.

TusharBohra: Sir, the second very quickly. The newer initiatives that we had highlighted in the prospectus document, payment gateway wallet etc. If you can just share some light on what are the initiatives being done around those?

MahendraPratap Mall: Payment gateway we have already started. We have done a pilot project with one firm and normally we enter into this kind of agreement for one year then we go for open bidding

process. You see our revenue from iPay which is our payment gateway is Rs. 17 crores. So we have succeeded in this pilot. In the previous year it was Rs. 2.56 crores. This year first nine months we have made about Rs. 18 crores.

Moderator: Thank you. Next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: Sir, my first question revolves around your revenue. Now this is the quarter where we have seen a full impact of basically higher revenue in terms of your entire impact of service charges coming in. So with this base as a Rs. 715 crores on a quarterly number. So what sort of growth from this base is what we can envisage going forward?

MahendraPratap Mall: If you recollect I have already replied this because there is a growth in passenger it is currently because of recession this growth is about 2% to 3% only but in general it used to be 5% to 6% in railway passenger segment the growth was there. And then still 7% to 8% of reserved segment on web is unmet. People are still buying ticket from window. Gradually they are migrating to this and that growth is also on about 2% to 3%. Then addition of new trains, announcement of more and more private trains. These are basically the growth drivers.

Deepak Poddar: Sir, I heard that. Basically my question was more on the perspective overall revenue growth we are talking about because you are talking about other growth drivers as well, right?

MahendraPratap Mall: We are doing lot of experimentations on our website. As I replied in the previous question because the payment gateway was the thing which we have been experimenting for last two years and total revenue on payment gateway last year was Rs. 2.5 crores. This year in first nine months only we have touched about Rs. 18 crores. So now we have launched this payment gateway then we have launched our own card also iMudra. So there we are likely to get this transaction charges also.

So we are experiment and lot of pilots are in pipeline. This I am mentioning is some of the successful pilots. There are few where we have not been successful, but we have not invested anything. It is private partner who comes and invest and take the risk.

Deepak Poddar: Sir, my second question revolves around your margin. So sir, can you comment on sustainability of 37% EBITDA margin that you reported this quarter and any scope for improvement over and above that because of your tariff revision in catering business?

MahendraPratap Mall: In ticketing?

Deepak Poddar: In catering business.

MahendraPratap Mall: Overall yes next 1 to 2 years I do not see any problem because if you stay catering then revision of licenses due, Rail Neer we are getting more and more plant's commissions. The

plant which we commissioned last year will run at 60% this year and then okay this is catering. And the new trains which we are doing. It is showing good results.

Deepak Poddar: So sir, what is the scope of improvement on this 37% that we are kind of currently reporting?

MahendraPratap Mall: Scope is unlimited, and we are making our best efforts. Then you should be happy with 37%.

Moderator: Thank you. Well, ladies and gentlemen, that was the last question.

MahendraPratap Mall: Now I will suggest that question is taken by our CFO, Mr. Ajai.

Moderator: Sure sir, that was the last question. I would now like to hand the conference over to ShriMahendraPratap Mall for closing comments. Over to you, sir.

MahendraPratap Mall: Thank you. Closing remarks I think CFO will give.

AjaiSrivastava: I thank all the participants and if there are any queries at any point still left, you can write into us

Moderator: Thank you. On behalf of Indian Railways Catering & Tourism Corporation Limited, that concludes this conference. Thank you for joining. You may now disconnect your lines.