

EQUITY RESEARCH | INITIATING COVERAGE | ALTIVUS CONSULTING

Indian Railway Catering and Tourism Corporation

NSE and BSE: IRCTC

A monopoly compounder facing its first real margin test

Key figure	Value
Rating	Hold (Accumulate on dips)
Current market price, 16 June 2026	Rs 522.90
Base case 12 month target	Rs 650
Analyst target range	Rs 537 to Rs 768
Implied upside, base case	about 24 percent
Market capitalization	about Rs 41,460 crore

Travel and Tourism | Consumer Services | Public Sector Enterprise

June 2026

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Executive Summary and Rating

Indian Railway Catering and Tourism Corporation, IRCTC, is the exclusive provider of online railway ticketing, onboard and station catering, packaged drinking water under the Rail Neer brand, and rail based tourism for Indian Railways. That exclusivity, granted and overseen by the Ministry of Railways, which retains roughly 62.4 percent ownership, gives IRCTC a business model that few listed companies anywhere can match: near zero customer acquisition cost, structurally high margins, and a captive market defined by the sheer scale of Indian rail travel, where the company processed over 700 million e tickets in fiscal year 2025 alone.

That monopoly has translated into consistently strong growth. Revenue from operations has grown from about 1,877 rupees crore in FY22 to roughly 5,215 rupees crore in FY26, while net profit has more than doubled over the same period, from about 660 rupees crore to nearly 1,394 rupees crore. The balance sheet remains effectively debt free, with negative net debt to equity and interest coverage above 85 times, a rare combination of growth and balance sheet strength among Indian listed companies.

The complication, and the reason this report does not initiate with an unqualified buy rating, is margin direction. EBITDA margin has moderated from around 50 percent in FY22 to about 38 percent in FY26, and the most recent quarter, Q4 FY26, saw net profit decline both year on year and sequentially even as revenue hit a record high. Return on capital employed, while still exceptional in absolute terms, has fallen sharply from a historical average above 400 percent to just above 100 percent on the latest annual reading, and to roughly 41 percent on a half year annualized basis, the lowest on record. The stock has responded accordingly, falling more than 32 percent over the past year and currently trading near its 52 week low even as the underlying business continues to grow.

On balance, we rate IRCTC a Hold, suitable for accumulation on further weakness rather than a fresh full sized position at current levels. The monopoly franchise, debt free balance sheet, and double digit earnings growth justify a premium valuation relative to the broader market, but the premium the stock still commands, a price to earnings ratio of roughly 29.75 times against a sector average near 17.42 times, leaves limited room for error if margin compression continues into FY27. Our base case 12 month target of Rs 650 implies roughly 24 percent upside from the current price of Rs 522.90, within a wider analyst range of Rs 537 to Rs 768 that reflects genuine disagreement about how durable IRCTC's margins will prove to be.

Key figures at a glance

Key figure	Value
Revenue from operations, FY26	about Rs 5,215 crore
Net profit, FY26	about Rs 1,394 crore

EBITDA margin, FY26, down from about 50 percent in FY22	about 38 percent
Net profit, Q4 FY26, down 8.9 percent year on year	Rs 326 crore
Price to earnings ratio, current	29.75 times
Sector average price to earnings ratio	17.42 times
52 week price range	Rs 492.65 to Rs 798.60
Government of India ownership stake	about 62.4 percent

Source: NSE and BSE filings, company investor presentations, ICICI Direct, MarketsMojo, Simply Wall St

1. Company Overview and Business Model

IRCTC was carved out of Indian Railways in 1999 and listed on Indian stock exchanges in October 2019, becoming one of the most closely watched public sector enterprise listings of the past decade. It operates as a Navratna central public sector enterprise under the Ministry of Railways, a status that grants it a degree of operational and financial autonomy unusual among government owned companies, while the Ministry retains majority ownership and ultimate oversight of the pricing and service mandates that define its business.

The company's revenue is built on four pillars. Internet ticketing is the highest margin segment and the one most closely tied to IRCTC's core monopoly: every reserved train ticket booked online in India runs through IRCTC's platform, and the company earns a convenience fee on each transaction. Catering covers both onboard meal service on premium trains and a large, growing e catering business that allows passengers to order food for delivery to their seat from local restaurants and IRCTC's own kitchens, alongside sales of Rail Neer, the company's packaged drinking water brand produced at its own bottling plants. Tourism includes packaged domestic and international tours, the Bharat Gaurav theme train program, and India's own luxury train offerings. A fourth, smaller segment covers unreserved ticketing through the UTS mobile application and other digital rail services.

What makes this business genuinely simple to underwrite, relative to most consumer facing companies, is the absence of meaningful customer acquisition cost or competitive substitution risk in its core ticketing segment. Every Indian Railways passenger who wants to book a reserved seat online has exactly one option. The strategic questions for IRCTC are therefore less about whether demand exists, Indian rail passenger volumes have grown steadily for decades and show no signs of plateauing, and more about how much of that captive demand IRCTC can monetize through convenience fees, catering attach rates, and tourism cross selling, and how government pricing policy on those fees evolves over time.

2. Industry Backdrop and Competitive Moat

Indian Railways carries more passengers than almost any other rail network in the world, and the structural growth drivers behind that volume, rising incomes, expanding rail capacity including new Vande Bharat and Amrit Bharat express services, and continued urban migration, remain firmly intact. Unlike most travel and tourism businesses, IRCTC does not need to win market share to grow; it largely needs Indian rail travel itself to keep growing, and for the government to continue routing that travel's digital ticketing, catering, and tourism spend through IRCTC rather than opening these segments to competition.

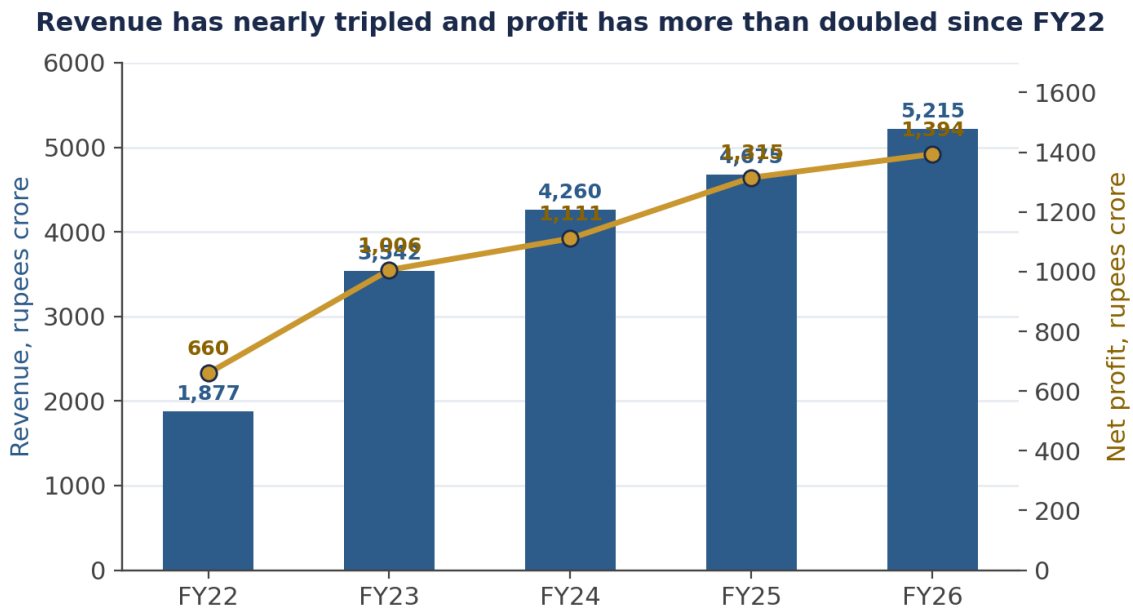
That last point is the central risk and the central asset wrapped into one. IRCTC's moat is not technological or brand driven in the conventional sense, it is regulatory and contractual, derived from its position as the designated service provider for Indian Railways. This makes the company unusually easy to underwrite on demand, since national rail ridership data is transparent and predictable, but unusually exposed to a single counterparty and policy maker, the Ministry of Railways, which sets the convenience fee structure, catering tariffs, and the terms under which IRCTC operates its tourism and ticketing franchises. Periodic fee waivers, tariff caps, or shifts in how the government chooses to monetize this captive demand represent the single most important variable an investor in IRCTC needs to track, more so than any conventional competitive threat.

How IRCTC Compares With Other Listed Railway Linked PSUs

IRCTC is frequently discussed alongside other listed railway linked public sector enterprises such as Indian Railway Finance Corporation, which finances rolling stock and infrastructure for Indian Railways, and Rail Vikas Nigam Limited, a railway construction and project execution company. Both are meaningfully more capital intensive and lower margin than IRCTC, and neither carries IRCTC's monopoly characteristics in a high margin, asset light services business. This distinction matters for relative valuation: IRCTC's premium multiple relative to these peers and the broader market reflects its structurally different, far less capital intensive business model, not simply sentiment toward railway linked stocks as a group.

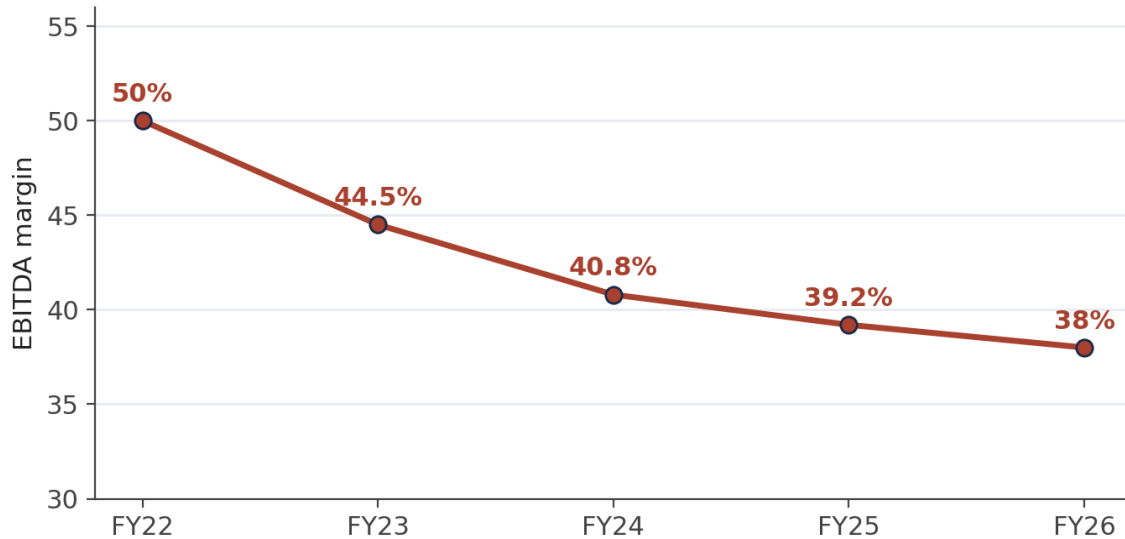
3. Five Year Financial Trajectory

IRCTC's growth over the past five fiscal years has been substantial and broadly consistent, even accounting for the unusual base effects created by the pandemic disruption to rail travel in FY21 and FY22. Revenue from operations grew from about 1,877 rupees crore in FY22 to about 3,542 rupees crore in FY23, 4,260 rupees crore in FY24, 4,675 rupees crore in FY25, and 5,215 rupees crore in FY26, a compound annual growth rate of roughly 29 percent over the period, though the more recent two years of growth, in the 9 to 11 percent range annually, are a more realistic guide to underlying run rate growth than the immediate post pandemic recovery years.



Source: Company filings; ACE Equity data as reported by Business Standard, June 2026

Net profit has followed a similar, slightly less linear path, rising from about 660 rupees crore in FY22 to roughly 1,006 rupees crore in FY23, 1,111 rupees crore in FY24, 1,315 rupees crore in FY25, and 1,394 rupees crore in FY26. The deceleration in profit growth in the most recent year, just over 6 percent against revenue growth of nearly 12 percent, is the first clear sign in this five year dataset that margin expansion, which had been a consistent feature of IRCTC's story since listing, has given way to margin compression.

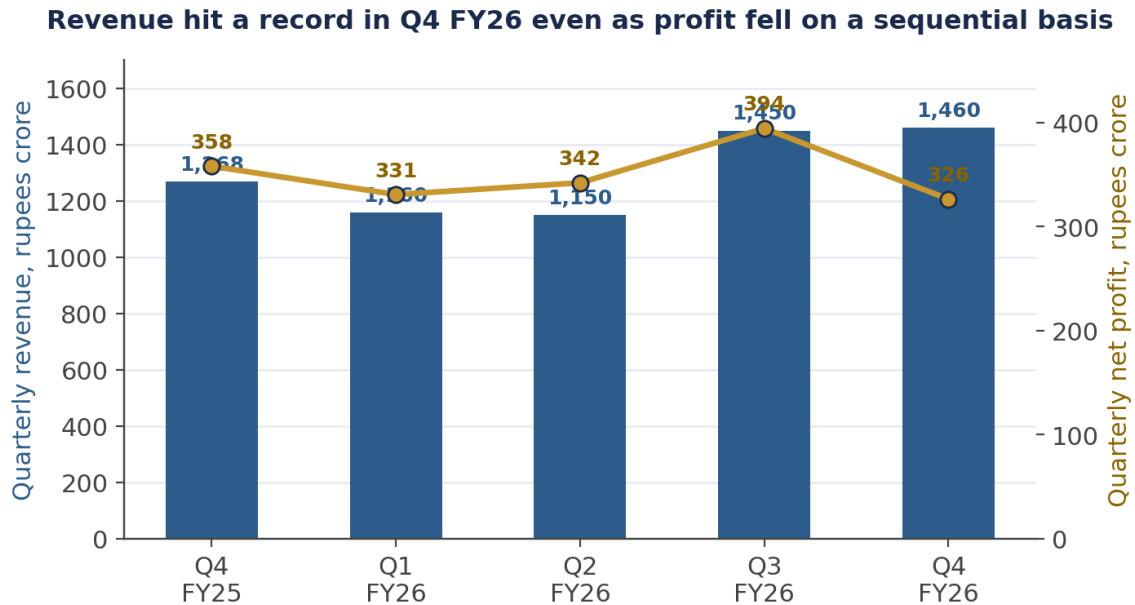
EBITDA margin has steadily moderated from around 50% to 38%

Source: Company filings; MarketsMojo financial analysis, June 2026

That margin trajectory is the single most important chart in this report. EBITDA margin has declined in every year of this five year window, from around 50 percent in FY22 to approximately 38 percent in FY26. Some of this moderation reflects normalization from unusually high, low base pandemic recovery margins, and some reflects rising operating costs, including catering input costs and expanded tourism operations that carry structurally lower margins than core ticketing. Distinguishing between temporary and structural drivers of this decline is the central analytical question for anyone modeling IRCTC's earnings beyond FY27.

4. The Latest Quarter: Growth With Margin Compression

The most recent quarterly results crystallize the bull and bear case in a single data set. IRCTC reported consolidated revenue from operations of Rs 1,459.72 crore in Q4 FY26, up 15.12 percent year on year and an all time quarterly high, supported by continued strength across catering, tourism, and internet ticketing. Total income for the quarter came in at Rs 1,526.24 crore, up 14.78 percent year on year.



Source: NSE filings; IRCTC Q4 FY26 consolidated results, 26 May 2026

Net profit, however, told a different story, falling 8.88 percent year on year to Rs 326 crore and declining 17.23 percent from the Rs 394.33 crore reported in the preceding quarter. EBITDA margin compressed to 27.33 percent in Q4 FY26, down from 30.39 percent in the year ago quarter and 32.11 percent in the immediately preceding quarter. Diluted earnings per share came in at Rs 4.08, down from Rs 4.48 a year earlier. Management has not yet provided detailed public commentary attributing the specific drivers of this compression, though analysts covering the stock point to a combination of higher operating and other expenses, possible pricing discipline pressure in the tourism segment, and a modestly higher effective tax rate, which rose to 26.93 percent from 25.49 percent in the prior quarter.

A Pattern Worth Tracking, Not Yet a Verdict

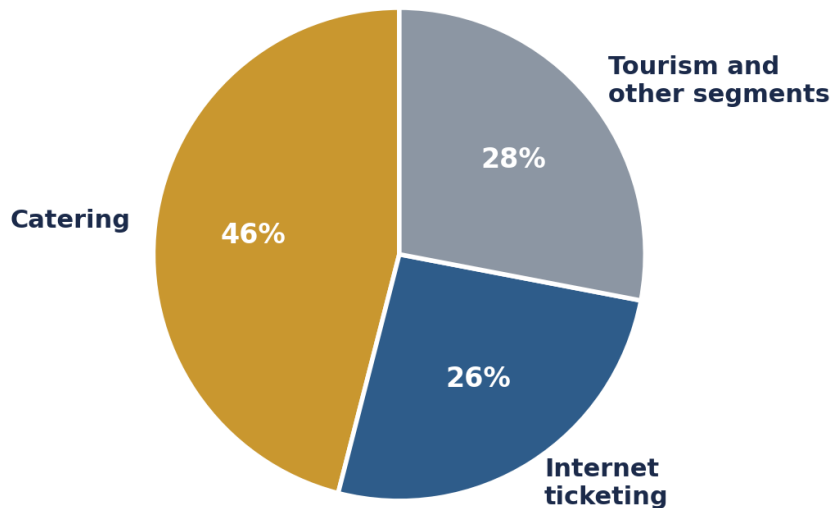
One quarter of margin compression following several years of margin expansion is meaningful but not, on its own, conclusive evidence of a structural shift in IRCTC's earnings power. The next two to three quarters, particularly any management commentary on cost trends and pricing strategy in upcoming earnings calls, will be far more informative than this single data point. We

flag this explicitly as the key variable to monitor before any upgrade to a more constructive rating on the stock.

5. Segment Mix: Where the Revenue and Profit Come From

Understanding IRCTC requires separating where its revenue comes from from where its profit comes from, since the two are meaningfully different. On a revenue basis, catering was the largest contributor in Q4 FY26, accounting for nearly 46 percent of total quarterly revenue, followed by internet ticketing at just over 26 percent, with tourism and other smaller segments making up the remainder.

Catering leads on revenue, but ticketing drives most of segment profit



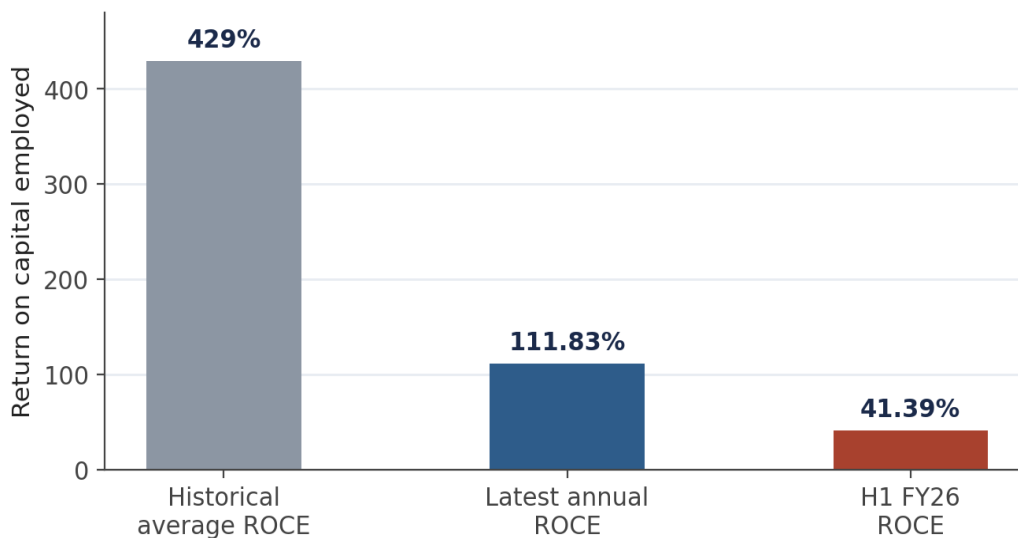
Source: NSE filings, IRCTC Q4 FY26 segment disclosures

Profitability tells a markedly different story. Internet ticketing, despite contributing only about a quarter of revenue, remained the primary driver of segment profit in recent quarters, contributing over 86 percent of total segment profits as of Q3 FY26, reflecting the fundamentally higher margin nature of a pure convenience fee, asset light business compared with catering, which carries food input costs, logistics, and labor expenses, or tourism, which involves significant third party vendor and accommodation costs. This disconnect between revenue mix and profit mix is central to how an investor should think about IRCTC's growth: continued catering and tourism expansion is good for the top line and for diversification away from a single segment, but further growth in IRCTC's earnings power depends disproportionately on the health and growth rate of the ticketing segment specifically.

6. Balance Sheet Strength and Capital Efficiency

IRCTC's balance sheet remains one of the cleanest among listed Indian companies of any size. The company carries effectively zero long term debt, with average debt to EBITDA of just 0.11 times and a negative net debt to equity ratio of negative 0.67, meaning the company holds more cash and investments than total debt outstanding. Average EBIT to interest coverage stands at 85.72 times, leaving negligible financial risk from leverage under almost any plausible operating scenario. Shareholder funds stood at roughly Rs 3,663 crore as of March 2025, up from Rs 3,230 crore a year earlier, while current assets of approximately Rs 5,680 crore comfortably exceed current liabilities, underscoring ample liquidity.

Capital efficiency remains strong but has fallen sharply from its peak



Source: Company filings; MarketsMojo capital efficiency analysis, February 2026

The more interesting balance sheet story is capital efficiency, where the picture is genuinely mixed. Return on capital employed has historically averaged an extraordinary 429 percent, a function of IRCTC's asset light model requiring very little capital to generate its profits. The latest annual reading of 111.83 percent, while still exceptional by almost any standard, represents a substantial decline from that historical average, and the half year annualized figure for H1 FY26 of just 41.39 percent is the lowest on record for the company. Some of this decline reflects a genuinely larger capital base as the company invests in catering infrastructure and tourism assets, and some likely reflects the same margin compression dynamics discussed in the preceding two chapters. Either way, a company whose investment case rests partly on best in class capital efficiency needs to be watched closely for further deterioration in this metric.

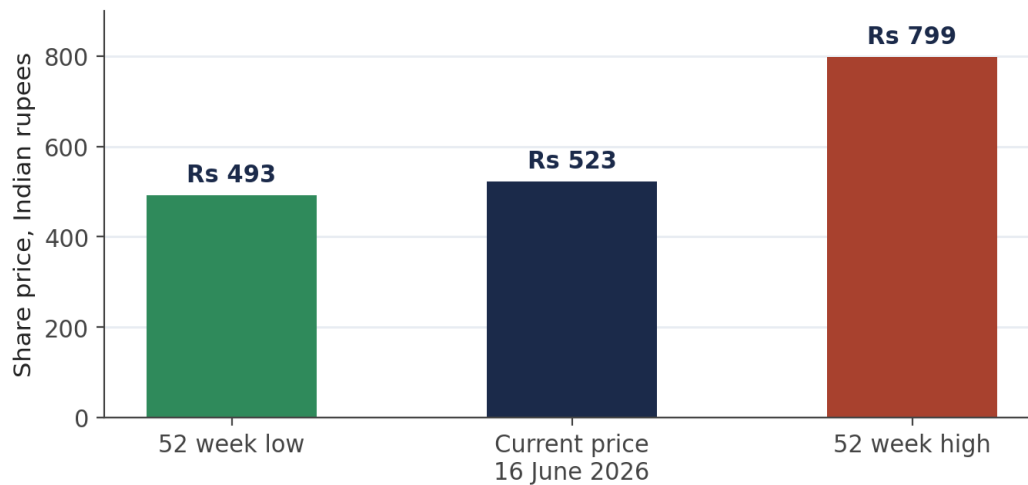
On capital allocation, IRCTC has returned the substantial majority of its profit to shareholders through dividends rather than reinvesting heavily in the business, consistent with its asset light model and majority government ownership. Total dividends per share have risen from roughly Rs

2 in FY24 to about Rs 4 in FY25 and to Rs 9 for FY26, split across two interim dividends and a final dividend, implying a dividend payout ratio of around 49 percent of earnings and a cash dividend payout ratio closer to 88 percent of operating cash flow, among the more generous payout policies of any Indian listed company of comparable size.

7. Stock Performance and Valuation

IRCTC shares have had a difficult run over the past year, falling from a 52 week high of Rs 798.60 to a recent low of Rs 492.65, before recovering modestly to close at Rs 522.90 on 16 June 2026, a decline of roughly 32 percent over the trailing twelve months and 22 percent over the trailing six months. The stock briefly touched a five year low in early June 2026 following the Q4 FY26 results, as the margin compression narrative described in earlier chapters weighed on investor sentiment.

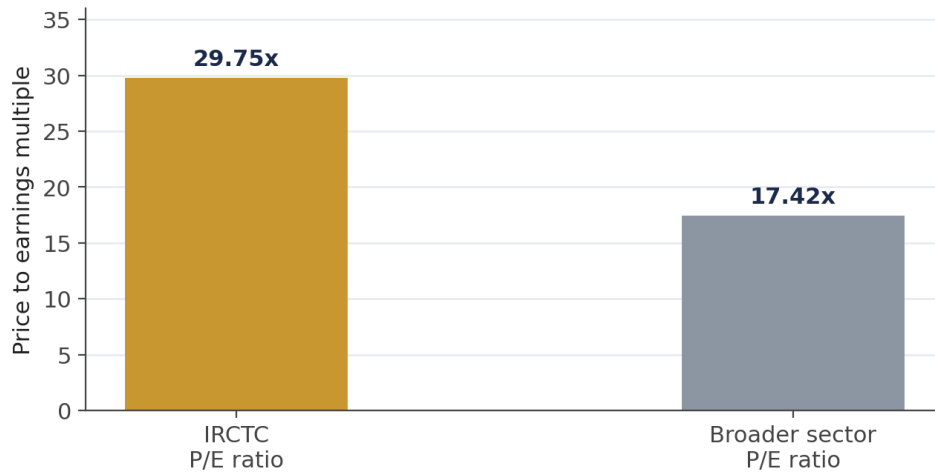
The stock trades 35% below its 52 week high after a year long slide



Source: NSE and BSE market data, ICICI Direct, 16 June 2026

Despite that decline, IRCTC continues to trade at a meaningful premium to the broader market on conventional valuation metrics, with a trailing price to earnings ratio of 29.75 times against a sector average of approximately 17.42 times, and a price to book ratio of 9.62 times, reflecting both the company's asset light balance sheet, which naturally produces a high return on book equity and therefore a high price to book multiple, and continued investor willingness to pay up for the monopoly characteristics of the business even after a year of share price weakness.

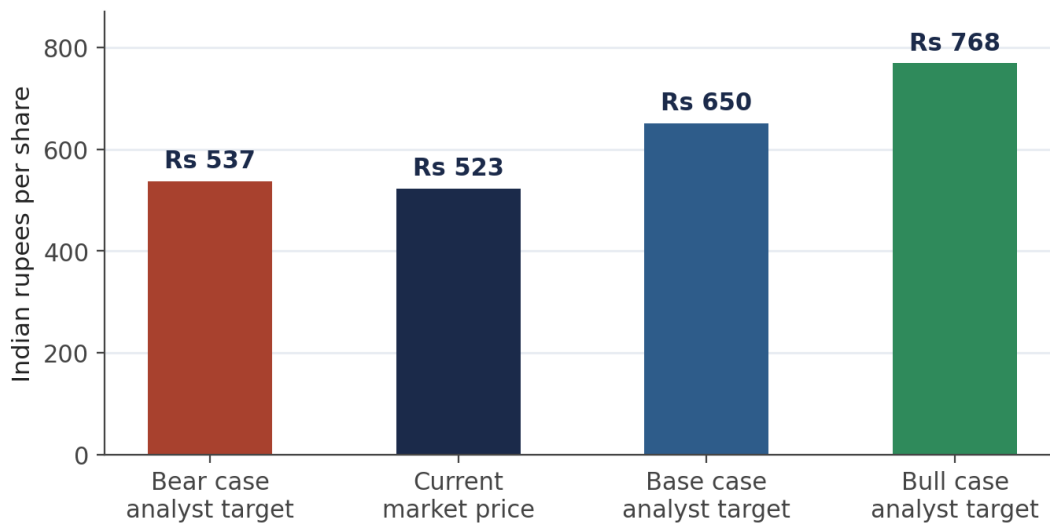
IRCTC still commands a sizeable premium to its sector



Source: ICICI Direct, Univest market data, 16 June 2026

Sell side and independent analyst views on fair value diverge meaningfully, reflecting genuine disagreement about how to weigh IRCTC's monopoly quality against its margin trajectory. Recent published targets have ranged from as low as Rs 537, implying the stock is roughly fairly valued to modestly overvalued at current levels, up to Rs 768.50, which would imply close to 47 percent upside, with the dispersion driven primarily by differing assumptions about future profit margin and the multiple the market should be willing to pay for IRCTC's earnings several years out.

Analyst targets span a wide range around the current price



Source: Simply Wall St analyst consensus data, compiled June 2026

8. Key Risks

- Policy and pricing risk: as a government controlled monopoly, IRCTC's convenience fees, catering tariffs, and the scope of its exclusive mandates are all ultimately set or can be altered by the Ministry of Railways, introducing a degree of policy risk that does not apply to most listed consumer companies.
- Margin compression risk: the trend identified throughout this report, declining EBITDA margin and a weaker than expected Q4 FY26, could prove structural rather than transitory, particularly if catering input costs or tourism segment competition continue to intensify.
- Single counterparty concentration: IRCTC's entire business model depends on its relationship with and mandates from Indian Railways and the Ministry of Railways, creating a degree of counterparty concentration uncommon in a diversified consumer business.
- Valuation risk: at 29.75 times trailing earnings against a sector average near 17.42 times, the stock has limited room for multiple expansion and meaningful downside risk to its premium rating if growth or margins disappoint further.
- Capital efficiency normalization: return on capital employed has already declined sharply from historical levels; continued normalization toward more conventional levels would reduce one of the more distinctive elements of the investment case.
- Demand sensitivity to broader travel patterns: while rail ridership has historically been resilient, tourism segment revenue in particular is more exposed to discretionary consumer spending and competitive pressure from other travel booking platforms than the company's core ticketing franchise.

9. Investment Thesis and Recommendation

The bull case for IRCTC rests on a simple proposition: a regulatory monopoly over a structurally growing, enormous addressable market, India's rail travel base, generating high margin, asset light revenue, with a debt free balance sheet and a shareholder friendly dividend policy, now available at a meaningfully lower valuation than it has commanded for most of its listed history following a 32 percent decline over the past year. Investors who believe the recent margin compression is largely transitional, reflecting normalization from unsustainably high pandemic recovery margins rather than a structural deterioration in the business, will likely view current levels as an attractive entry point into a rare combination of monopoly quality and balance sheet strength.

The bear case is equally straightforward: a company whose earnings power depends heavily on government pricing policy it does not control, now showing its first clear signs of margin pressure after years of consistent expansion, still trading at close to double the multiple of the broader market. Investors skeptical that margins stabilize, or concerned about further unfavorable shifts in convenience fee structures or catering tariff policy, have reasonable grounds to view the stock as still expensive relative to its near term earnings trajectory, notwithstanding the share price decline already realized.

We land on a Hold rating, with a base case 12 month target of Rs 650, implying approximately 24 percent upside from the current price of Rs 522.90. This reflects a view that IRCTC's monopoly characteristics and balance sheet strength remain intact and underappreciated at current levels, while acknowledging that conviction in a more constructive rating should wait for at least one or two further quarters of evidence on whether the Q4 FY26 margin compression proves temporary or structural. Investors with a higher risk tolerance and genuine conviction in margin stabilization may reasonably treat the current price as an accumulation opportunity; more conservative investors may prefer to wait for confirmation in the upcoming Q1 FY27 results before adding to a position.

10. Outlook, 2026 to 2030

Base Case

Revenue continues to grow in the high single digit to low double digit range annually, broadly tracking Indian rail ridership growth alongside steady gains in catering attach rates and tourism volumes. EBITDA margin stabilizes in the 36 to 39 percent range as cost pressures ease and the company demonstrates better operating leverage on its expanding catering and tourism infrastructure. The stock re rates modestly toward the upper end of its recent trading range as margin concerns fade, consistent with our Rs 650 base case target.

Bear Case

Margin compression continues for several more quarters, driven by a combination of rising catering input costs, continued tourism segment investment that has not yet reached scale profitability, and possible further policy changes affecting convenience fee structures. The stock's valuation premium compresses further toward sector average multiples, limiting upside even if revenue growth remains intact, consistent with the lower end of the published analyst target range near Rs 537.

Bull Case

Margin compression proves transitory, reversing within two to three quarters as one off cost pressures normalize. Continued digitization of rail ticketing, growth in premium tourism offerings such as the Bharat Gaurav program, and disciplined cost management restore EBITDA margin toward the mid 40 percent range, supporting renewed earnings growth acceleration and a re rating of the stock back toward its historical premium multiple, consistent with the upper end of the analyst target range near Rs 768.

Conclusion

IRCTC remains one of the cleanest monopoly franchises available to Indian equity investors: a debt free, high margin, government backed business with a captive market defined by the scale of Indian rail travel. The five year track record of revenue and profit growth presented in this report is genuinely impressive, and the company's balance sheet strength provides a margin of safety that few comparably sized businesses can match. The open question, and the reason this report initiates with a Hold rather than a Buy rating, is whether the margin compression visible in the most recent quarter marks the start of a more structural shift in the economics of the business, or simply a temporary stumble in an otherwise intact growth story. The next two to three quarters of results, and in particular any clarity from management on cost trends and government pricing policy, should go a long way toward resolving that question, and we would look to revisit this rating as that evidence accumulates.

Appendix A: Financial Summary Table

Table A1: Five Year Income Statement Summary

Metric, rupees crore unless noted	FY22	FY23	FY24	FY25	FY26
Revenue from operations	1,876.6	3,541.5	4,260.2	4,674.8	5,214.9
Net profit after tax	659.5	1,005.8	1,111.0	1,314.9	1,393.5
EBITDA margin	about 50%	about 44.5%	about 40.8%	about 39.2%	about 38.0%

Table A2: Recent Quarterly Performance

Quarter	Revenue, rupees crore	Net profit, rupees crore	EBITDA margin
Q4 FY25	1,268.5	358.0	30.4 percent
Q1 FY26	1,159.7	330.7	not separately disclosed
Q2 FY26	1,150.0	342.0	not separately disclosed
Q3 FY26	1,449.5	394.3	32.1 percent
Q4 FY26	1,459.7	326.4	27.3 percent

Table A3: Valuation and Balance Sheet Snapshot

Metric	Value
Current market price, 16 June 2026	Rs 522.90
52 week range	Rs 492.65 to Rs 798.60
Price to earnings ratio	29.75 times
Price to book ratio	9.62 times
Net debt to equity	negative 0.67
EBIT to interest coverage	85.72 times
Government of India ownership	about 62.4 percent

Appendix B: Glossary of Key Terms

- EBITDA margin: earnings before interest, tax, depreciation, and amortization, expressed as a percentage of revenue, used to measure core operating profitability before financing and accounting decisions.
- Return on capital employed, ROCE: a measure of how efficiently a company generates profit from the capital invested in the business, calculated as earnings before interest and tax divided by capital employed.
- Price to earnings ratio, P/E: a valuation multiple calculated by dividing a company's share price by its earnings per share, used to compare how expensive a stock is relative to its profits.
- Price to book ratio, P/B: a valuation multiple calculated by dividing a company's share price by its book value per share, often elevated for asset light, high return businesses like IRCTC.
- Net debt to equity: a leverage measure comparing a company's total debt, net of cash and investments, to its shareholder equity; a negative figure indicates a company holds more cash than debt.
- Navratna status: a designation given by the Government of India to select high performing central public sector enterprises, granting them greater financial and operational autonomy than standard government companies.
- Convenience fee: the transaction charge IRCTC earns on each online railway ticket booked through its platform, the core driver of its internet ticketing segment profit.
- Segment profit: the profit attributable to a specific business division, such as catering or ticketing, before unallocated corporate costs, used to assess which parts of a diversified business actually drive earnings.

Sources and Important Disclosures

This report draws on data from NSE and BSE company filings and investor presentations, IRCTC quarterly and annual results, and third party financial analysis and market data from ICICI Direct, Uninvest, MarketsMojo, IndMoney, Simply Wall St, Business Standard, and IDBI Capital. All figures are the most recently available at the time of writing and are subject to revision as the company and data providers update their disclosures.

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