



IRCTC IPO

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The IRCTC held an **Initial Public Offering (IPO)** on the National Stock Exchange on 30th September 2019.

What is an IPO?

- An IPO is the **first time** the owners of a company give up part of their ownership to stockholders. It is a time when a company initially offers its shares of stocks to the public, that is why it is known as Initial Public Offering.
- The company which is primarily privately-owned goes public for the first time by issuing IPOs, hence it is also called '**going public**'.
- **Benefits:**
 - The funds raised by IPO allows the company to **invest in new capital** equipment and infrastructure.
 - An IPO paves way for listing and trading of the issuer's securities on the Stock exchange market.
 - The IPO also allows the company to **attract top talent** because it can offer stock options to its employees. This enables the company to pay its executives fairly low wages initially. And later, in return, the employees as promised can cash out with the IPO.
- The number of IPOs being issued usually provides a **sign of the stock market and the economy's health**.
 - During a **recession**, the IPOs issuance drops. They aren't much worth as during a slowdown the share prices are already depressed.
 - When the number of IPOs increase, it usually means the economy is getting back on its feet again and there is a sign of a bullish stock market.

Why IRCTC IPOs are in Demand?

- The demand for Indian Railway Catering and Tourism Corporation Ltd. (IRCTC) IPO is unprecedented as compared to any other PSU disinvestment.
 - This is because of the demand for good PSU stocks in the backdrop of volatile markets, depressed investor sentiment and expected liquidity constraints in the market.
- The IRCTC's fundamental strengths and monopoly position in its business are amongst the other reasons, such as:
 - IRCTC has a monopoly in **issuing online tickets** for the Railways which accounts for over a third of its profits before tax.
 - IRCTC is also the chosen vehicle for the Railways' experiment operating **private trains**. Two of Indian Railways Tejas trains will be operated by IRCTC.
 - IRCTC has almost a monopoly share of **on-rail food catering** service which it does on over 350 trains & has outlets in over 500 stations apart from food courts.
 - IRCTC is a **debt-free company** with a high marginal tax rate.

Indian Railway Catering and Tourism Corporation

- Indian Railway Catering and Tourism Corporation Ltd. (IRCTC) is a **Mini Ratna Category-I** (conferred in 2008) Central Public Sector Enterprise that is wholly-owned by and is under the administrative control of the **Ministry of Railways**.
- It is a registered enterprise and its corporate office is situated at New Delhi.
- IRCTC was incorporated in September **1999** as an extended arm of the Indian Railways to upgrade, professionalize and manage the **catering and hospitality services at stations**, on trains and other locations.
- The firm currently operates in 4 business segments namely, **Internet ticketing, Catering, Packaging Drinking Water, and Travel and Tourism**.
- It is the only entity that is authorized by Indian Railways to provide catering services to railways, online railway tickets and packaged drinking water at railway stations and trains in the country.
 - This gives it advantages in increasing market share in e-ticketing, packaged drinking water, and in e-catering.

Source: TH