

# इंडियन रेलवे फाइनेंस कॉरपोरेशन लिमिटेड

(भारत सरकार का उपक्रम) (सी आई एन : L65910DL1986GOI026363)

पंजीकृत कार्यालय : रूम नं. 1316 & 1349, तीसरी मंजिल, दि अशोक, डिप्लोमैटिक एन्क्लेव 50-बी, चाणक्यपुरी, नई दिल्ली-110021

दूरभाष : 011-24100385

## INDIAN RAILWAY FINANCE CORPORATION LTD.

(A Government of India Enterprise) (CIN : L65910DL1986GOI026363)

Regd. Office : Room Nos. 1316 – 1349, 3rd Floor, The Ashok, Diplomatic Enclave:- 50-B, Chanakyapuri, New Delhi 110021

Phone : 011-24100385, E-mail : info@irfc.nic.in, Website : www.irfc.nic.in

No: IRFC/SE/2021-22/35

24<sup>th</sup> August, 2021

<b>National Stock Exchange of India Limited</b> Listing department, Exchange Plaza, Bandra- Kurla Complex, Bandra (E) Mumbai- 400 051  <b>Scrip Symbol: IRFC</b>	<b>BSE Limited</b> Listing Dept / Dept of Corporate Services, PJ Towers, Dalal Street, Mumbai -400 001  <b>Scrip Code: 543257</b>
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### Sub: Transcript of the Earnings Conference call

Sir/ Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015, as amended from time to time, please find attached transcript of earnings call held with analysts and investors on 17<sup>th</sup> August, 2021, to discuss the financial results of the Company for Q1/ FY22.

This is submitted for your information and record.

Thanking You,  
For Indian Railway Finance Corporation Limited

  
(Vijay Babulal Shirode)  
Company Secretary & Compliance Officer

Encl: As Above





# “Indian Railway Finance Corporation Earnings Conference Call”

August 17, 2021



**ANALYST: MR. KUNAL SHAH – ICICI SECURITIES**

**MANAGEMENT: MR. AMITABH BANERJEE - CHAIRMAN AND MANAGING  
DIRECTOR - INDIAN RAILWAY FINANCE CORPORATION  
MS. SHELLY VERMA – DIRECTOR FINANCE -  
INDIAN RAILWAY FINANCE CORPORATION  
MR. PRASANTA OJHA - INDIAN RAILWAY FINANCE  
CORPORATION**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Indian Railway Finance Corporation earnings Conference Call hosted by ICICI Securities Limited. 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. Kunal Shah from ICICI Securities. Thank you, and over to you Sir!

**Kunal Shah:** Thank you and good evening everyone present on the call. This is Kunal Shah from ICICI Securities. Today we have with us Mr. Amitabh Banerjee – Chairman and Managing Director and Ms. Shelly Verma – Director Finance from Indian Railway Finance Corporation to discuss the Q1 FY2022 earnings. Over to you Sir!

**Amitabh Banerjee:** Thank you very much and good afternoon ladies and gentlemen. Am I required to go through the slide presentation, or we can just go through the financials right away? What do you want me to do, do you want me to go through the slide presentation?

**Kunal Shah:** Yes, may be key financial.

**Amitabh Banerjee:** Fair enough. Starting with the company overview, you must have got the presentation. I will just dwell on the important points and the incremental ones because we have already gone through these slides earlier also.

Slide no.1, if you see the AUM has been locked at 3,66,155 Crores to the end of June 2021 which has grown at a CAGR of 32.9% over the last three years right from FY2019 to the end of Q1 FY2022. The networth has grown 237,416.5 Crores, the return on an equity and return on assets are 15.78% and 1.57% respectively. There is no NPA in our books as always and the tax liability as of now is nil.

The total debt stands at 3,28,347 Crores, NIM has grown to 1.66% on annualized basis and ratings of course from domesticated agencies are at AAA and A1+ for the short-term loans and net gearing ratio, the capital gearing ratio is at 8.78 times the networth and the capital adequacy ratio has grown to 468%.

Now coming to the main ratios, if you see, the total income has grown from 3669 Crores in June 2020 to 4581 Crores growing at 24.87% and the PBT has grown from 891.81 Crores in June 2020 to 1501.95 Crores logging an increase of 68.42% as compared to the corresponding quarter of the previous year.

The networth has grown from 31,192 Crores last quarter to 37,416 Crores registering an increase of 20% approximately and AUM has grown from 273,000 Crores quarter of the last year to 366,155 Crores registering an increase of 34% approximately. Total borrowings have increased from 234,000 Crores in Q1 FY2020 to 328,347 Crores Q1 FY2022 having an increase of 40.22%. NIM as I said earlier was at 1.66% which has grown from 1.43% that is Q1 of FY2020, the return on networth has grown from 13.34% in Q1 FY2020 to 15.78% to the end of Q1 FY2021 and the return on capital employed has grown from 4.45% to 5.62%, return on total assets has grown from 1.35% to 1.57%. Earnings per share have grown from 3.38 to 3.66 and book value per share has grown from 27.48 to 28.63. The PBT turnover is still at 32.78% which is grown from 28% last year. The debt equity ratio as I said was 8.78. It was 9 to the end of March 2021. So, these are the major financial parameters and coming to some of the slides. I would like to dwell on.

The key strength as you know, we play a strategic role in the growth of Indian Railways and that still remains the case. We are strong characterized by very competitive cost of borrowing, the cost of borrowing as I said last time it has gone down by almost 86 BPS as compared to last year. Low-risk cost plus business model, we have been getting out a consistent financial performance, experienced senior management team. We are systematically important non-deposit taking infrastructure finance company, NBFC and as far as the regulatory exemptions are concerned, we are having dispensation from the asset classification norms provisioning norms, exposure norms and trade concentration norms.

We also exempt from the GST on the lease rentals on the rolling stock assets and the snapshots of key financials I have already told you. Key ratios we have also said, assets under management you can see on slide number 9 which has grown from 1,54,000 to 2017-2018 to 3,66,000 in Q1 to 2021-2022. The net gearing ratio is hovering around 9 or thereabouts, it has gone down in Q1 2021-2022, so we have still some room left for further borrowings assuming a 10:1 capital gearing ration and as far as the rolling stock is concerned, we have 87% of the total passenger coaches in our books, we are owning 87% of the total coaches of Indian Railways and 89% of the total locomotive population of Indian Railways is owned by IRFC and as far as trade wagons are concerned, it constitutes about 82% of the total population of the state wagons.

It is a low-risk cost plus business model that you all know and in FY2021 our weighted average cost of the incremental borrowing was 6.71% for rolling stock and it was 6.51% for deposit assets and I mean in case of IRCON it is 8.77% fixed charge over the disbursements and RVNL we are charging 88 bps over the which is average cost of capital. Balance sheet of course I have told you earlier, it has grown from 3,78,000 to end of March 2021 with 3,86,000 to end of June 2021.

At the end of 30 June 2020, the balance sheet size was 2,83,000 which has grown by more than 1 lakh Crores over the period of one year. I think that would be the end of the presentation. Now, I am open to questions.

**Moderator:** Thank you very much Sir. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Kunal Sharma from SMC private Work Limited. Please go ahead.

**Kunal Sharma:** Good evening Sir. Thanks for the opportunity. Couple of questions I have, the first one is how can we improve the net interest margin from the current level and how much are we expecting the same going forward is my first question?

**Amitabh Banerjee:** You see as far as the net increased margin is concerned, has grown a bit in this quarter, that is primarily because of the fact that the assets under management during this particular quarter was not that substantial and we have got the benefit of the interest for the entire year that we had on the disbursements that we had made last year, so that has actually contributed to the increase in NIM at 1.66% but going forward how to increase the NIM would be by way of once we diversify our loan portfolio beyond sovereign, that is one way in which we can do and also we are in talks with the Minister of Railways for increasing the margin also but you will appreciate that since it is loan to be sovereign and the entire receivables are all six short, therefore there is no much of a scope for substantial increase but an increase can be expected in times to come, so that is how we can improve the NIM going forward.

**Kunal Sharma:** Second, are we planning to increase the dividend payout policy going forward, please can you please throw some light on the dividend payout policy for FY2022 as well?

**Amitabh Banerjee:** We are going by the dividend payout policy as per the guidelines by DIPAM, so we have already paid more than 31% for PAT of our profits as interim dividend earlier about 1372 Crores which came to about 1.05 per share. So, 10.5% we have already given and that would remain, and this would remain so in years to come, we are not going to seek an exemption as far as payment from of 30% of profit is concerned, that will continue in future years also.

**Kunal Sharma:** Okay, fair enough. Thanks a lot.

**Moderator:** Thank you. The next question is from the line of Nidesh Jain from Investec. Please go ahead.

**Nidesh Jain:** Thanks for opportunity Sir. Firstly, on the equity capital requirement since we are growing at a pretty fast pace and our ROEs are bit lower than the growth that we are expecting, so when do you expect to come back for market in terms of equity capital ratio and is there a way to postpone that even the valuation at which the stock is trading currently?

**Amitabh Banerjee:** Yes, that is pertaining question. As far as fresh equity infusion is concerned, that is ruled out as in this financial year, we do not foresee any fresh infusion of capital this year and going forward, I mean we will see that how it pans out as such the mandate is concerned, so we are at presently at a mandate of 65,000 to 58 Crores from Indian Railways for this financial year but still we have 8.78x, so going by the capex also we are quite in a comfortable position without the occasion for to go in for fresh equity infusion and we also look at the opportunity of increasing our capital gearing issue to be on ten going forward. So, that would obviate the immediate following a capital infusion I mean for fresh equity infusion in the near future.

**Nidesh Jain:** It is driven by regulation, or it is driven by credit rating agencies?

**Amitabh Banerjee:** No, there is no regulation on the capital gearing ratio, it is an internal policy matter of the company, and we can go beyond 10, there is no issue especially when the capital adequacy ratio is 458%, we feel that there is a scope for increasing our gearing ratio.

**Nidesh Jain:** Hypothetically if you reach like 12 times gearing ratio even then we do not foresee any issue in terms of our credit rating or credit reading?

**Amitabh Banerjee:** No, there is no issue on that side. The credit rating would not be hampered in anyway and there would be any kind of an adverse impact especially because they have got a good buffer of capital adequacy at 458%, so I do not foresee any kind of credit downgrade or anything of a sort in which we go beyond 10 as far as the gearing ratio is concerned.

**Nidesh Jain:** Understood and Sir, secondly on the spread that is decided between us and Minister of Railway, so for FY2022 is it already decided, or it will be decided at the end of the year, how it is decided?

**Amitabh Banerjee:** At the end of the year. The margin is decided at the end of the year, the margins that we decided for FY2021 that was decided after March of 2021, so only after the completion of the financial year, the rates are decided.

**Nidesh Jain:** That was 40 basis points on our rolling stock and same margin that we were having?

**Amitabh Banerjee:** Same margin, 40 on rolling stock and 35 on project asset.

- Nidesh Jain:** Do you expect some improvement in this year over next year?
- Amitabh Banerjee:** We have talked to them. I mean these are, see the country is going through trying times especially in view of the pandemic, so they are budgetary constraint, so in this scenario it is not expected that government will take an immediate call on this on increasing the margin as of now, but we are already in talks with Minister of Railways on that front too.
- Nidesh Jain:** Understood. Sure. That is, it from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Naman Kumar, an individual investor. Please go ahead.
- Naman Kumar:** Thank you for providing me the opportunity. My question is with respect to the return on equity, so for this quarter and live spaces if you see the return on equity is 15.78% but if you see the business model of IRFC, right now the leveraged at 8.78% so 40 basis points margin will suppose say it is 9%, so 3.6% plus whatever is the weighted average cost of borrowing, so it is 8%, so I think return on equity for this business model cannot exceed 12% or 13% at max, so how do we reconcile the return on equity of 15.5%?
- Amitabh Banerjee:** Yes, it is a matter of calculation but the point is that we are also leveraging the fresh equity infusion that we have as well as the retain profits which do not bear any cost, so that accounts for the delta portion that you have between...
- Naman Kumar:** Even after the accounting products, is the weighted average....
- Amitabh Banerjee:** That would be a matter of calculation I mean I am glad that you have started in that points also but that would be the matter of calculation and this has been checked and cross checked by the auditors, the accounts are unaudited but I mean they had all gone through, so these figures are absolutely examine, so we need to reconcile, so the reconciliation needs to be done between you and our people as far as takeaways are concerned.
- Naman Kumar:** Okay because maybe I am not sure you guys like is more close to the numbers but somehow as per business model it seems like the return on equity for the company cannot exceed 12% or 13%, I guess there is something....
- Amitabh Banerjee:** Yes, that you need to get in touch with our people, we will be too glad to share information with you.
- Naman Kumar:** Sure, sure I will reach out, to whom should I reach out to for that?

**Amitabh Banerjee:** Mr. Ojha who is in the line, you can always reach out to him. He is the General Manager who is looking to these accounting matters.

**Naman Kumar:** Okay, perfect, I will reach out to him. Thank you.

**Moderator:** Thank you. The next question is from the line of Nitin Dharmavat from Arum Capital. Please go ahead.

**Nitin Dharmavat:** Thank you for the opportunity. I just have one question. I just wanted to understand what is the dividend distribution policy if you can explain that?

**Amitabh Banerjee:** Dividend distribution policy as per the policy which has been enunciated by DIPAM, and accordingly they had issued guideline that we are going as per those guidelines, and we are distributing 30% of profits after tax. We have already distributed the dividend for the last year by way of interim dividend amounting to 1,371 Crores which was about 31% of total PAT and going forward, we will continue distributing the dividend at 30% of PAT.

**Nitin Dharmavat:** Got it and this year whether we are expecting dividend to come, just some idea of that?

**Amitabh Banerjee:** Yes, that will be towards across the later part of the year of the financial year.

**Nitin Dharmavat:** Got it, Thank you.

**Moderator:** Thank you. The next question is from the line of Ralston, self-employed. Please go ahead.

**Ralston:** Good afternoon Sir. My question was related to the recent announcement from the Prime Minister Modi on the Independence Day about the Gati Yojana where there is an expenditure plan of around 100 lakh Crores, what is the kind of benefit that we are looking towards coming our way for this particular opportunity?

**Amitabh Banerjee:** There is a national rail plan in place, national rail plan of 2030 which is about Rs. 11 trillion I mean 11 lakh Crores out of this 100 lakh Crores and that will make the Indian Railways ready for 2050 I mean infrastructure ready to cater to period up to 2050 and Indian Railway Finance Corporation will be playing a major part in this capacity expansion program of Indian Railways and you must have seen over the years, our proportion of funding the capex requirements of Indian Railways has been on the rise and that would really contribute to the robust growth of both topline and bottomline of IRFC going forward in view of this NRP which is a subset of the plan that Honorable Prime Minister announced on 15 August.



**Ralston:** My second question was with regards to the momentum of the Railway Ministry going for the increase in the investment as far as railway infrastructure is concerned and we have seen, we have been one of the direct beneficiaries with 1 lakh Crores being increased in the last one year, do you see that the momentum will continue to increase over the coming future, foreseeable future?

**Amitabh Banerjee:** Yes, we do foresee that and that is primarily because of the fact that it all depends on the gross budgetary support that Government of India is able to provide to Ministry of Railways for financing of capex needs. Now, going forward I mean there is a limit on the GBS portion and especially in a pandemic environment when the revenues hard to come by, it is a bit of there is a constraint on the GBS portion and therefore the railway is taking recourse to the Extra Budgetary Resources requirements as it is what we call as the EBR requirement is that much heightened and there the role of IRFC actually comes in. so, therefore it will be I mean as you saw last time out of 1,51,000 Crores of total capex requirements of Indian Railways in FY2021, we contribute about 1,4,316 Crores, so it is almost 68%. Going forward, we feel that if not 68% but at least it will be more than 40% or so going forward because last time it was 16% because the fact that the requirement was much more than the GBS could support and the GBS for FY2021 was also limited because of the initial pandemic year when the government revenues were pretty muted, so therefore going forward I mean in this financial year, the GBS has been increased but despite that we have been given a target of 65,000 to 58 Crores as against 58,000 Crores that was given last year, so the initial mandate has been increased and going forward, this mandate may be revised upward but in the years to come of course, we will contribute a major proportion of the capex requirement of Indian Railways.

**Ralston:** Thanks a lot Sir. Congratulations for the fantastic results. Thank you.

**Moderator:** Thank you. The next question is from the line of Santosh Keshri from Keshri and Company. Please go ahead.

**Santosh Keshri:** Thank you for giving me an opportunity. I had couple of questions. One is about the incremental borrowing cost that IRFC had is 6.71% in Q1 FY2021, so my question is that is not that too high like an individual borrower, borrowing in India at this point of time, can easily borrow something like 6.5% - 6.25% when it is a top class customer, he is borrowing at 6.7% I is too pretty high, so why is that concern is that if you are borrowing at a lower cost then maybe you can initiate well with in Indian Railways for better margins because sovereign pain at 7.1% you may not be liking it and if you compare that with somebody like HDFC borrowing from international market, they will be borrowing at a much lesser rates, may be 5% so how is it that we are borrowing at such a high rate?

**Amitabh Banerjee:**

Your question is based on lots of hypothesis that you have in your mind. The actual situation is far from what you have just now described. The point is that yes it is 6.71 only for the rolling stock portion and which is average cost of total borrowing is around 6.51%, you still see that 6.51% is pretty high, now you have not probably factored in the tenure for which we take these loans from the market, number one and the kind of the tenure that we are lending to Indian Railways, you know to Indian Railways for the rolling stock, we are lending for 15 years, it is basically for 30 years period but the lease period is only for 15 years we get entirely interest rates for 15 years and we are borrowing for 20 years we are getting you will be surprised to know, we issued 20 years bond last year, the year tranche I still remember was about 6.8% which particular for me talking about HDFC, which particular company in India if you name any company in India which has been able to raise or any entity, any State Government entity you look at the loans update, the bonds update, the sovereign bonds, you compare with the sovereign bonds, 6.8% 20 year bond where do you get this I mean you need to look at the statistics if you look at this figures, as a matter of fair now you are talking about the kind of benefits that we are passing on to Indian Railways, you will be glad to know that in 2021, we reduced the weighted average cost of borrowing by 86 basis points because 7.37 early it was not 6.51%. 6.51% for long-term loan I do not think that is safe on a higher side and that is in fact even Minister of Railways is pretty happy with this and even the bankers that I mean we are getting long-term loans, we have got long-term loans for 15 years with a moratorium of 5 years even at 5.9%-5.95% last year, this is the weighted average cost, 6.51% is the weighted average cost of all the borrowings put together from either ECB or through the repeat term loans that we get from the domestic market or the domestic bonds, ECB has the 144A bonds or Reg-S bonds, you see this current year in January 2021, we raised \$750 million at 2.75%, this is the lowest and that was about I think 15 basis points lower than our secondary yield in the market, our own IRFC papers were trading at a higher prices than that, so we mobilize the funds from all over the world at the lowest cost possible, no other NBFC, you just tell me any NBFC which is able to raise money at this cost accept well of course there is no NBFC but accept EXIM Bank, which is policy banker of Government of India they are in our league no other NBFC be it the private sector, be it the public sector can match our rates in the market. Because we are almost Quasi Sovereign, so we get the best deals in the market, and we pass on the entire benefit to Minister of Railways. We just take the margin over that and that is all as we pass on the entire benefit to Minister of Railways and in this railway has been benefited by the money that we are able to mobilize they have been benefited and they have recorded the appreciation also.

**Santosh Keshri:**

Okay, that is really that you are doing that, in fact I was coming from the media report wherein it said that IRFC was able to place bonds at something like 2.51% as you said and

here, we are seeing the cost of 6.71%. So, in question related with this, that does this cost include the cost of SOP always for foreign borrowings or it is only the basic?

**Amitabh Banerjee:** Yes, we do load bearing cost over it and what happens is while calculating this cost we do loaded but at the end of the year we do not go for the full hedging of the entire ECB portfolio. So, whatever partial hedging we do depending on the circumstances prevailing at that point of time we pass on the remaining cost what you had that to Ministry of Railways we do not keep that hedge portion that we had already added on to the ECB portfolio. So, in that respect Minister of Railways is benefited by the partial hedging that we do on the ECB portfolio.

**Santosh Keshri:** Thank you so much. I have another question, that is knowing that IRFC is tax exempted entity it does not have to pay any tax we can see that in the balance sheet there is a current tax of Rs.867 Crores as of 30<sup>th</sup> June 2020 and that has gone up to Rs.930 Crores. So, what could be the reason as of 31<sup>st</sup> March 2021 that we have one in the first-place current across it and that is also growing?

**Prasanta Oza:** In fact, this notification came during September 2019 and that is two quarters advance tax we have already paid, so that is we are carrying in our balance sheet till date. Because that June quarter and September quarter advance tax we have already paid by the time we exercised the opted this option under the section 115BAA that is one thing. Second thing is whatever we received lease rent we received from Ministry of Railways there it is going to be deducted a very small amount of TDS out of that and that also deposited as advance tax on our behalf that we are carrying in our balance sheet.

**Santosh Keshri:** Sir we are not applying lower rewarding certificate from the government so that listed does not happen?

**Prasanta Oza:** We will demand for the refund and once the assessment will be done accordingly, they will see the sanction relief fund to us.

**Santosh Keshri:** Okay, I do get it. In fact, I was saying that certificate in advance can be taken from the income tax department saying that since we are not subject to tax the Indian Railways should not be deducting any tax and that certificate will be helpful, because that will free a Rs.1000 Crores that we have incremental not already refund cost?

**Prasanta Oza:** In fact, previously Ministry of Railways used to deduct 2% TDS and we have taken the certificate and exemption from the department and ministry is right now deducting 0.75% or 0.5% from our lease rent that is normal rate, I mean this as nominal rate. We had got the TDS exemption to the extent of 1.5%.

**Shelly Verma:** Just to supplement everywhere we have to take this specific exemption from the income tax authorities, so this year they have given us further links but earlier initially just after that we had exercised this option, they gave us instead 2%, 0.75% should be deducted. So, that is the reason and besides for every income as such we have to take the deduction, we are doing some small deposits in banks, so that also for specific those interest income from the bank deposit we have to take, and that specific bank has to be incorporated. So, that also sometimes happens that we do not give for the entire bank we have to frequently go, in between if we have done some investments there will be some deduction on that.

**Santosh Keshri:** Right, Madam. Thank you so much. And sir one last question I have, like our shares have been underperforming since the time of listing. So, any concrete plan you have to improve the performance. I mean if you look at the book value of the shares and the market price today or even about the past three months it has been always almost 90% to 85% lower than the book value. So, I am aware as this is such a highly rated company and such a lowest risk business it should be much more valued, we can say that it should be at the price more than Rs.40 rather than the price that we see today. So, any plan you have to convince the market?

**Amitabh Banerjee:** You see the market it is very complex phenomenon as far as the share values are concerned, sometimes it is very difficult to explain how the market behaves, there are loss making companies which has coming with an IPO and getting oversubscribed and getting a very handsome peak of it whereas the company like IRFC is battling for at least regaining its book value per share since its IPO in January 2021, yes we are coming to the market, we are disintegrating information but one factor which I feel concerned the way is our capital structure since we have the proportion of share capital as a part of networth is pretty very high as compared to other NBFCs and since basically we are lending to be sovereign so we cannot charge too much of margin also and we need to have that requisite capital gearing ratio. So, therefore we had to build up a very healthy capital base and that has resulted in overcapitalization from the market perspective. So, therefore the earning per share does not really register the increase which other companies do. So, that one of the reasons that it is not moving northward but going forward I think once we establish in the market because it is pretty nascent, we have just come in January 2021 just six months are passed by. So, we hope that going forward and with the robust performance that we are giving over the periods, I think we will be able to at least go northward at least will regain our book value per share and then think of going forward.

**Santosh Keshri:** Thank you so much. In fact, with this kind of performance the way you showed 68% increase in profits definitely those days are not far. Thank you so much. Wish you best of luck.

**Moderator:** Thank you. The next question is from the line of Pavan Tarodia an individual Investor. Please go ahead.

**Pavan Tarodia:** My question is regarding the margins, as you said we have 0.4% margin with railways and 0.8% with other railway companies. So, are there any chances of any renegotiation by railways on the margin front which may impact our profits?

**Amitabh Banerjee:** You see sometime ago I had replied to this question, that we are in regular talks with Ministry of Railways, this margin has actually arrived at after the negotiation with Minister of Railways on the part of IRFC and we have given a proposal and they are actively considering it but keeping the present pandemic situation in view and the constraint revenues of railways especially with the passenger traffic again getting a hit in the wake of the second wave of COVID-19, so the operating revenues of Minister of Railways has again taken hit this year particularly these thing into account it will be asking for too much if you expect Minister of Railways to immediately consider increasing the margin right now. But they have been apprise of this fact and they also appreciate that the margin can be increased, just it is a matter of time before that call is taken by Ministry of Railways.

**Pavan Tarodia:** Okay, so my question was on the reverse side, like is there any chance of lowering of the margin?

**Amitabh Banerjee:** No. That has already been replied to earlier also there is no something like that.

**Pavan Tarodia:** Okay, thanks for this.

**Moderator:** Thank you. The next question is from the line of Sriram Prasad an individual Investor. Please go ahead.

**Sriram Prasad:** Sir, good evening, and congratulations for the good set of results. My question is again specifically something I asked in the past as well, as to your plans on securitization if something was done already in this quarter going ahead what you are planning to, because the way I see it the previous debts are all at 8.7% and now the interest rates have fallen. So, if you securitize and tell there is a possibility of registering significant mark to market gains if is also a way to reduce gearing ratio and then we need not enter into these discussions of will you dilute and things like that. So, what are your thoughts on that is my first question, I will ask my second question after your answer to this question?

**Amitabh Banerjee:** We go for refinancing of the costly loans that we have taken earlier. So, that aspect is already taken care of we are doing it on a regular basis. As a matter fact on a regular basis we are doing this and most of these I doubt if there is any loan which stands in our books it

is more than 7%. So, they are all sub 7% on that core there is no issue we are regularly doing that refinancing the old loans and so the entire borrowings that we have is at a very affordable level and whenever any opportunity arises for securitization, we will definitely be ready for that, but as of now the occasion does not demand.

**Sriram Prasad:** Got it Sir, and my second question is with respect to book growth, is it always likely to happen that the significant amount of growth of the book happens in Q4 then we have a relatively flat Q1 and is that the trend going forward also?

**Amitabh Banerjee:** That has genuinely be the trend over the years and that happens not only with railways but Government of India in general that Q4 is pretty the borrowings and lending are all back loaded you cannot avoid it. Out of that Rs.104000 Crores that we did last year only Rs.34000 Crores odd were given till Q3 and the entire Rs.70,000 Crores was in Q4 and out of that Rs.70,000 Crores also more than Rs.60,000 Crores were disbursed in the month of March. So, that generally happens within it is not the pace of work that picks up only, but it is also the billing, the invoicing that picks up at the fag end of the year especially Q4.

**Sriram Prasad:** Correct, sure Sir. Thank you and one last question is with respect to, do you have any target ROE that you aim for in the sense of your decision to relax the leverage limit or whatever, is there a particular ROE that you are targeting?

**Amitabh Banerjee:** No, we are not having such kind of as of now we do not have that kind of a target ROE, but we will definitely look at the possibility of or the option of not going to market further infusion of equity into the company. So, that is one of the things that we have in mind that of course we are not nearing that kind of a critical situation going forward. But when the time comes then we shall definitely go for increasing our gearing to be on tenth, but our main objective here is to not go to the market in near future so that the share not.

**Sriram Prasad:** Another last question with respect to something that was written in the financial statement Sir, it said that there is a lease accrual of Rs.670 Crores odd against the Rs.6000 Crores asset issued during the quarter. I was somehow unable to reconcile those numbers, can you throw some light?

**Prasanta Ojha:** Actually, this number pertains to the assets as to us during this quarter particularly from 1<sup>st</sup> April to 30<sup>th</sup> June towards rolling stock actually rolling stock worth of that Rs.6000 Crores something that has been accrued during these quarters.

**Sriram Prasad:** Right, but how does a Rs.6000 Crores asset give you Rs.600 Crores of lease income during a quarter, right that is what I was unable to reconcile?

- Prasanta Ojha:** Yes, that asset plus lease income what I mean to say regarding pre-lease income also put both together the funding that income we have derived in this quarter.
- Sriram Prasad:** Okay, so this is not just the interest component but the pre-lease income also, is that is what you are saying?
- Prasanta Ojha:** Yes.
- Amitabh Banerjee:** Yes, I mean it is both on the rolling stock as well project assets. The pre-lease is on the project assets and project we lease only after moratorium period five years. So, the pre-lease pertains to the project assets and the income refers to the rolling stock.
- Sriram Prasad:** Thank you Sir. That is it from my end.
- Moderator:** Thank you. The next question is from the line of Ravi Agarwal from UTI AMC. Please go ahead.
- Ravi Agarwal:** Thank you for the opportunity. I have one question about the borrowing plans for this year and how much is the incremental borrowings we are looking at and what is the gearing level the company is comfortable at?
- Amitabh Banerjee:** As far as the borrowing is concerned, it is a mix of variations markets, we intend to go to the CDA also in big way this year as we had gone last year, last year we have raised about 4.075 billion USD and this year also we have upsized our GNP program the global medium-term note programme by three billion more from 4 billion USD to 7 billion USD. So, we intend to raise a substantial of money through ECB as well as long-term loans from the domestic banks and financial institutions and some amount from the syndicated loans from overseas and in Dollar terms it can be Indian terms also and a considerable portion from bond issuance too, it can be ranging from 10 to 20-year bond issuances. So, it is a mix of various, it all depends upon the market conditions at the time of going for the issuance and accordingly they only think that the driving force is that we have to aim at the least cost borrowing at that point of time and this actually we try to leverage the positives of various sources of financing and a very optimal ways so that the end result is we will get a very optimum end result at the end of the year. Therefore, how much would be through ECB, how much through long-term loans or through bonds that all evolves in course of the year.
- Ravi Agarwal:** Without having any bifurcation as to how much it will be from any of these sources, what would be the targeted borrowing plan for this year and what would be the cost of borrowing we would be comfortable at? Considering the main margins we have, some pressures on the main margins also is there 1.66?

**Amitabh Banerjee:** That is okay, I mean the point is that for instance last year we did leverage the market conditions to advantage and we got 186 BPS lower weighted average cost as something it was pretty considerable, very, very considerable and 6.51% was the weighted average cost of all the sources put together, weighted average cost. So, that whether we will be able to repeat this 6.51% only the time will tell, but as of now going the way the Q1 has behaved, the market is not that liquid as we had seen in the corresponding quarter of the last year, in the corresponding quarter there was much more money in the market and the rates were much more benign. The rates have hardened since and that primarily because the fact that there have been lot of government borrowings during this period, but still considering that fact also we have been able to extract the best rates possible because IRFC does manage to get good rates when it comes out with bond issuance or when we are negotiating with the banks for the long-term loans and we are getting long-term loans for a longer tenure compared to earlier years with a moratorium period and the banks are pretty forthcoming because they feel that the arrangements with IRFC are generally less risk born and since they are all guaranteed by the sovereign therefore there is no question of any NPA in the books of IRFC. Therefore, we get a very good response from the major commercial banks be it in the public sector or in the private sector. So, on that point we are pretty even look forward to this.

**Ravi Agarwal:** Lastly Sir, on the any gearing levels in mind?

**Amitabh Banerjee:** Yes, gearing levels as I said earlier we are open to seeing the gearing levels moving north beyond 10 we have always restricted our level to ten times, but we are very well entrenched to that we have very comfortable capital adequacy of 58% or so. It is pretty okay and we can go ahead with beyond ten and we are open to going beyond ten only ensuring that we do not come to the market with fresh issuance, we do not intend coming to the market with any further fresh issuance.

**Ravi Agarwal:** Sure, sir. Thank you for this. All the best.

**Moderator:** Thank you. The next question is from the line of Siddharth Gupta from Voyager Capital. Please go ahead.

**Siddharth Gupta:** Good evening, Sir, and congratulations on posting a good size of numbers. I said this before on previous concall that continues to baffle me why the market does not respond to such excellent results, but I am sure they will. I just quickly cut to the chase and ask my question, I have raised this in the past as well someone is going go over it, but recently on Independence Day the Prime Minister announced that over the next 75 weeks, 75 Vande Bharat trains would be operated by the Railways. So, can we get a headcount as to has the order already been incorporated within our results, like I mean has there order already been



placed through IRFC or is it something that we can expect to be accounted for in the upcoming quarters, which is the only question I have? Thank you, Sir.

**Amitabh Banerjee:** Now as far as the Vande Bharat trains are concerned or for that matter any other rolling stock requirement is concerned, be it the passenger coach or the locomotive or the freight wagons or any other track machines these are all rolling stock requirements. Over a period of time, we have seen that both rolling stock as well as projects are partly financed by government support and the rest of it comes through the IRFC financing that is the EBR finances, it is virtual financial. But over these last five years from 2015 – 2016 onwards we have seen that the entire fleet of rolling stocks has been financed through the IRFC model. That we have seen as per the capex outlay plan of Indian Railways that has actually dovetailed with the kind of financing that we have done only for rolling stock. So, we do believe that major portion of this rolling of the stocks that you are talking about seventy-five of them would be financed through IRFC that is what we believe but when we are getting the requisition it is not that way, we do not get the requisition that this is for which rolling stock that we are financing. So, the demand from railways comes on a lump sum basis that for rolling stock we require so much of money. So, we do not get to know the details of the allocation of our disbursements to a particular item of rolling stock. But we are definite about the fact that the major portion if not the entire portion about at least as of now more than 90% would be financed by IRFC.

**Siddharth Gupta:** Sir, and just a quick question, last year there was this policy floated by DIPAM asking PSUs to payout the dividends at a more regular interval and is that something like the company has been contemplating, is that something like we can expect obviously there was nothing this time around and not that I am complaining I would want the company to retain as much money as possible, but I would just like to know?

**Amitabh Banerjee:** No, we know about the fact, and we have, but as you rightly put it that since we are an NBFC we need to conserve the fund because that is again for that what our business model demands. But it is not that we are close to this idea of sitting on a quarterly basis or on a half yearly basis to start with we are not close to this idea, but we have not yet taken a call as yet, I mean as far as the new guidelines of DIPAM are concerned on the regularity or the periodicity of the announcement of dividend payouts.

**Siddharth Gupta:** Right, Sir my query was actually more on the lines of whether there has been any directive from DIPAM?

**Amitabh Banerjee:** No directive as yet. This is only a guideline.

**Siddharth Gupta:** Thank you, Sir. Thank you so much, Sir.

**Moderator:** Thank you. The last question is from the line of Pranay Jhaveri from JNJ Holdings. Please go ahead.

**Pranay Jhaveri:** Good evening, Sir. Thank you for this opportunity and congratulations on good set of numbers. I just have two questions, one is after seeing Q1 how do you see this year panning out and in another two years – three years, I am just trying to understand from broader view year-on-year growth for us?

**Amitabh Banerjee:** We see a very bright future as far as this year is concerned and we have been given an instant manner of Rs.55000 Crores this will definitely go up in course of time as the biggest years, I mean as is borne out by the trend in the previous years and as you are aware that there is National Infrastructure Pipeline in place and the National Rail Plan is the substitute of that national construction plan and we will be contributing major portion of that capex plan outlay of Indian Railways in the next decade or so and therefore as far as the growth momentum is concerned I hope that this momentum continues and it will definitely continue in view of the planned outlays of Indian Railways in the coming years.

**Pranay Jhaveri:** So, Sir can we see a 15% - 20% CAGR growth over on a two–three years?

**Amitabh Banerjee:** It is already more than that if you look at the presentation that we have given the CAGR is as far as the revenues are concerned I think it is 18% or so, the AUM is at 33% and the CAGR is all 15% - 20%, there is not a single parameter which is less than 15% in any of the parameters be it the topline or bottomline.

**Pranay Jhaveri:** That is what we can foresee for next two three years also?

**Amitabh Banerjee:** Yes, absolutely.

**Pranay Jhaveri:** Sir my last question, how much number of employees do we have?

**Amitabh Banerjee:** I have total number of employees just above one hundred, right this includes about 63 outsourced employees and rest of them are all own employees. So, just it is about 100 employees but on roll is less than 40 who are permanent employees of IRFC that is less than 40 as of now.

**Pranay Jhaveri:** Sir, my question was for the full year our employee cost is about Rs.8 Crores, so you are saying that this Rs.8 Crores pertains to these 40 permanent employees on our books plus?

**Amitabh Banerjee:** No, as I said that the total staff size is 100, so the entire staff strength would be added for that, the staff cost would be added.

- Pranay Jhaveri:** So, Rs.8 Crores for 100 people?
- Amitabh Banerjee:** Yes.
- Pranay Jhaveri:** Thank you so much. Wishing you all the very best.
- Moderator:** Thank you. Ladies and gentlemen, this was the last question for today. I now hand the conference over to Mr. Kunal Shah, for closing comments. Over to you, Sir!
- Kunal Shah:** Thanks Mr. Banerjee for patiently answering all the questions and thanks all the participants for participating on the call. Have a good day. Thank you everyone.
- Amitabh Banerjee:** Thank you Kunal, thanks so much. Thank you everyone.
- Moderator:** Thank you very much. Ladies and gentlemen, on behalf of ICICI Securities, that concludes this conference call. Thank you for joining us. You may now disconnect your lines.