INDIAN RAILWAY FINANCE CORPORATION LIMITED

Transcript of the 33rd Annual General Meeting held on 30th September, 2020

Shri Vijay Shirode - Good afternoon all the honourable members, shareholders, directors and special invitee for this 33rd Annual General Meeting of the IRFC. As per the provisions of the Companies Act Statutory Registers, Memorandum and Articles of Association are available for inspection. We are conducting this AGM through video conferencing, and it will be recorded as per the provisions of the Companies Act.

All the members are kindly requested to mention their names, places where they are joining the meeting, receipt of agenda papers and certifying that they are sitting alone. So, I will request the members to please introduce themselves. So, I will request first of all the Presidential Nominee, Honourable Shri Naresh Salecha Sir please.

Shri Naresh Salecha - Yes, I record my presence. Thank you, Sir. Now I will request FC Member Finance Ma'am to please.

Ms. Manjula Rangarajan - Hi, Manjula Rangarajan, Member Finance, Thank you, Ma'am. Now I will request Ashutosh Gangal Sir, please.

Shri Ashutosh Gangal - Good evening to all. Ashutosh Gangal, I am attending the meeting from my office chamber in Railway Board.

Thank you, Sir. Now I will request Member O&BD to please.

Shri Purnandu Shekhar - I am Purnandu Shekhar Mishra, Member Operations and Business Development. I am attending this AGM through video conference from my chamber. And I record my presence.

Thank you, Sir.

Now I will request Secretary Sir, Sushant Kumar Mishra Sir to say his presence.

Shri Sushant Kumar Mishra – I record my presence.

Yes Sir, thank you Sir. Sir, as the requisite quorum is present, I request the Chairman Sir to proceed with the meeting and address the forum.

Shri Amitabh Banerjee - Good evening to all the esteemed members of AGM.

I on behalf of IRFC extend a hearty welcome to you all at this 33rd Annual General Meeting. I extend my special thanks to the respected members of the Railway Board for having spared their valuable time to make their gracious presence at the AGM today. I also welcome all my colleagues on the board and the key officials of the company present here.

Now I take the opportunity to deliver the Chairman's address.

Chairman's Speech is already circulated. But I will be briefly touching on the salient aspects. Dear shareholders, it gives me great pleasure to welcome you all to the 33rd Annual General Meeting of your company.

We at IRFC have come a long way in the service of the nation by supporting developmental needs of the Indian Railways. The audited accounts of your company for the year ended 31st March 2020 along with the Director's report and its accompaniments are with you. I trust I have your consent to take them as read.

I am delighted to share that the financial year 19-20 has been a landmark and an eventful year wherein the cumulative funding to the railway sector crossed a monumental figure of Rs 3.39 lakh crore. The company has met the highest ever annual borrowing target of Rs 70,472 crore mandated by the Ministry of Railways during the year 19-20. Registering a year-to-year growth of more than 34% that is further complemented

with the reduced cost of financing from 8.2% in 18-19 to 7.37% in 19-20 which has seen a reduction of about 83 bps to the Ministry of Railways.

There has been an impressive increase of 67% in the net worth of the company as compared to the previous year that now stands at Rs 30,962 crore. This is primarily attributed to the reversal of deferred tax liability pursuant to the recent clarification issued by the Ministry of Corporate Affairs after consistent follow-ups and efforts. Further highlighting the accolades of performance vis-à-vis the target set out in the MOU for the year 19-20, the company is expected to be accorded excellent grading from the Department of Public Enterprises.

I would like to appraise you of some of the highlights of the company's performance during the year 19-20. Your company was mandated highest ever single year borrowing target of Rs 70,472 crore as I said earlier, including financing of rolling stock to the extent of Rs 33,940 crore, financing of railway projects under EBR IF of the order of Rs 31,440 crore, meeting the debt financing requirements of RVNL amounting to around Rs 1,408 crores, and financing of national projects amounting to Rs 2,500 crore by the Minister of Railways. Your company successfully met the aforesaid targets by transferring the required amount of funds before the closure of the fiscal.

Our company owns more than 80% of Indian Railways rolling stock fleet, comprising more than 11,000 locomotives, more than 64,600 passenger coaches, more than 2,41,000 freight wagons and 85 cranes and track machines, valued at over Rs 2.28 lakh crore, of which rolling stock assets worth Rs 33,544 crore were acquired in 19-20 itself. Additionally, the cumulative funding made by IRFC to the rail sector since its inception to the end of 31st March 2020 is of the order of Rs 3.39 lakh crore, out of which Rs 2.33 lakh crore has been funded during the period from 14-15 to 19-20, constituting about 69% of its overall contribution. Further, your company cumulatively has funded a sum of Rs 93,655 crore for railway projects under EBR IF to the end of March 2020.

In its endeavour towards further diversification of its borrowing portfolio, your company upgraded its Euro Median Term Note, i.e. EMTN Programme, to Global Median Term Note Programme, i.e. GMTN Programme, which facilitated its median issuance of bonds under Rule 144A/Reg-S Mode. The bonds under the GMTN Programme were issued in two tranches of USD 700 million and USD 300 million, with tenure of 10 years and 30 years respectively, carrying coupon rates of 3.25% and 3.95%. These were considered as benchmark deals from India. The coupons obtained by your company were one of the lowest amongst the issuances during 19-20.

Besides, the 30-year tenure issuance was the maiden issue by any Indian CPSE since independence. Further, IRFC has raised a sum of USD 300 million through 10-year USD Dollar Denominated Loan from SBI at an all-in cost of 150 bps over 6-month USD LIBOR. IRFC is the first CPSE in recent years to tap the domestic capital market with 15-year bond issuance and raised an aggregate sum of Rs 6,682 crore.

Your company continues to enjoy the highest credit rating from the three leading domestic credit rating agencies. During the financial end of 19-20, the company's long-term domestic borrowing programme was awarded the highest credit rating of AAA by CRISIL, ICRA and CARE. The company also got its short-term borrowing programme rated obtaining the highest rating of A1+, from each of these credit rating agencies.

Further, during the financial year 19-20, three international credit rating agencies namely Standard & Poor's, Fitch and Moody's have awarded BBB- with stable outlook, BBB- with negative outlook and BAA3 with negative outlook ratings respectively. Besides, the company obtained an issuer-specific credit rating of BBB+, with stable outlook, from Japanese credit rating agency. Each of the four credit ratings is equivalent to India's sovereign rating and is of investment grade.

IRFC continued to exhibit healthy financial performance for financial year 19-20. Revenue of your company has increased by Rs 2,700 crore from Rs 11,133 crore in 18-19 to Rs 13,838 crore in 19-20, showing a growth of 24.29%. Profit before tax of your company for the year ending 31st March 2020 was Rs 3,692 crore as compared to Rs 2,900 crore for the previous year, registering a growth of 27%. Profit after tax for the year ending 31st March was again at the same figure of Rs 3,692 crore, which is the same as profit before tax, as the company has not made any provision for tax in its books, pursuant to its decision to exercise the option of lower tax rate permitted under Section 115 BAA of the Income Tax Act 1961.

From this year onward, we have become a tax-free company because of exercising the option of 115 BAA, which has enabled us to reduce our tax to nil. That is primarily because of the fact that we have an

unabsorbed depreciation balance of more than Rs 6,500 crore, as a result of which the taxable income is less than zero. The current year poses tough challenges for your company.

It has been assigned an initial borrowing target of Rs 58,000 crore, which is expected to increase exponentially in the course of the year, on account of fiscal constraints of the Government of India as an aftermath of the pandemic. Excellent performance of your company on a sustained basis would not have been possible without unqualified and constructive support and cooperation of numerous individuals and organizations, starting with the Honourable Minister of Railways, the late Honourable MOSR, CRB, members of Railway Board, officers and staff of Minister of Railways, my colleagues on the Board of Directors, Minister of Finance, Minister of Corporate Affairs, Department of Public Enterprises, C&AG of India, Statutory Auditors, Internal Auditors, Secretarial Auditors, Banks, Financial Institutions, Securities and Exchange Board of India, Reserve Bank of India, BSE, NSE, National Securities, Depository Limited, Central Depository Services Limited, Registrar and Shares Transfer Agent, Investors and other stakeholders. I wish to place on record my sincere gratitude to all of them.

I also wish to place on record the highest appreciation for the hard work and sincere efforts put in by the small but highly effective team of IRFC. Their untiring commitment and application enabled your company to deliver excellent results. I profusely offer my gratitude to the Honourable Members of AGM for having spared their valuable time with their gracious presence in the meeting.

Thank you so much.

I just lost some of the salient aspects that IRFC has done in this particular financial year.
The major achievements:

- Stellar role in augmenting the development needs of IR: 69% of the cumulative funding last 6 years.
- Multiplier growth in borrowing targets: The Annual borrowing target registered a CAGR of around 45% in the last 5 years.
- Reduction in cost of Borrowing to MoR: It has come down without access to low cost funding instruments like tax-free bonds from 7.89% to 7.43% in 2019-20.
- Diversified sources of borrowing: 15 to 30 years Taxable Bonds, 10 year Green Reg-S Bonds, Ultra-long tenor offsore bonds of 30 years, Masala Loan from ADB of 750 million USD and long-term rupee loans linked to external benchmarks like Repo Rate/ T-Bills.
- Increased funding from overseas market: Highest single year overseas borrowing of USD 1.90 billion in 2019-20.
- More than 80% of the IR's Rolling Stock fleet is owned by IRFC.
- Funding of Railway Projects under EBR IF: We have done about 1.01 Lakh crore of cumulative funding including national projects of 0.076 Lakh crores.
- The highest possible Credit Rating from domestic & international agencies as I have already mentioned earlier.
- Contribution to CSR: We have contributed a sum of 195 crore towards CSR during the period from 2014-15 to date, as against 26 crores spent till 31st March 2013-14 since inception.

Some new major initiatives that IRFC has taken:

- Ultra-long tenor bond issuances in domestic market: Tenor of 15 to 30 years in Bond issuances.
- Participation by Bharat- bond ETF: We have issued 790 crore in 10-year bond, INR 1,000 crore in 3-year segment and INR 950 crores in 11-year segments of Bharat bond ETF.
- Access to competitive external benchmark – linked loans: Long term loans from Banks with door-to-door tenor of as long as 15 years with 5 years moratorium at interest rates at as low as 5.46%.
- We have upgraded the Euro Medium Term Note to Global Programme.
- Deeper penetration into low cost 54 EC Capital Gain bonds: Through innovation and concerted approach we have achieved subscription of over 850 crore last year with the CAGR of more than 251% since its inception in Nov'17.
- Continuous Re-negotiation/ Refinancing & Restructuring of borrowing portfolio: The same has been resulted in a saving to the tune of around Rs. 2500 crores to MoR, over the residual life of the borrowings.
- The upcoming IPO is the major landmark that is facing IRFC, this is basically due to unlocking the company's true intrinsic value, through a mix of offer for sale by 5% by GoI and additional issuance by IRFC to the tune of 10% of issued share capital.
- Diversification of Business: Company will be going for selective business diversification by funding Projects with forward and backward linkages with IR.

- And diversification of borrowing portfolio: We seek to explore the possibility of perpetual bonds in domestic capital market as well as ultra-long tenor bonds of 30 years/ 50 years and even 100 years perpetual bonds in overseas capital market.

Thank you very much. Thank you.

Please, the next item is the 33rd annual report of the company containing director's report along with its annexures, financial statements along with auditor's reports thereon have already been circulated to members, C&AG comments on the annual accounts have been circulated with nil comments, with your permission these may be taken as read. I request company secretary to read the observations given in secretarial audit report and C&AG comments. Over to the company secretary.

Thank you very much. Company secretary.

Shri Vijay Shirode - Good afternoon to all honourable members.

Secretarial Auditor has given two observations which are on the page no. 47 of the annual report which was circulated to all the members, I will just explain in brief. There are two observations.

One observation is the filing of one form of the CHG-1 in which the company has taken a loan from the NSSF of Rs 7,500 crore, but due to certain non-availability of the signatory at the Ministry of Finance personnel, we were not able to file the form, but subsequently we chased with those people and this form was filed subsequently on 6th August 2020 and it was also approved by the Ministry of Corporate Affairs. And second observation was relating to, that is, the filing of certain RBI returns with the RBI, but due to certain technical problems at the RBI portal, we were not able to file it on time. So, the Secretarial Auditor has observed that the company has to take adequate measures to file it on time and we are assured to the Secretarial Auditor that in future we will file all the returns on time.

These were the only two observations given by the Secretarial Auditors and in relation to the observation of the C&AG, C&AG has given the Nil comments which is also circulated to all the honourable members and directors. Now, I will request the CMD sir, to please proceed with the proceedings of the meeting. Over to you, sir.

Shri Amitabh Banerjee - Now, I take up the following business items of the agenda given in the notice. Adoption of financial statements and related reports, etc.

Shri Naresh Salecha - I move the item number one of the notice to approve the audited financial statements of the company for the financial year ended 31st March 2020 together with the reports of the directors and auditors thereon and reply of the management thereto.

We can adopt my only two observations as Vijay mentioned about RBI stipulation and your commitment to RBI, henceforth you will be complying all the things. I understand earlier also RBI has been probably mentioning about delayed submission of certain statutory requirement. I will request company management to ensure that all RBI stipulations on for that matter all regulatory body stipulations are met with, this can be recorded.

And second, this thing my request would be this thing instead of rushing to the last date, of course, I am aware of the COVID period and this extension by the statutory authorities, the extension of dates for the AGMs and other thing, this finalization accounts could have been completed much before. At least, I am not pointing for this particular year. Normally, it should have been completed in June or so.

Henceforth, next year onward you kindly take care. So, this can be taken care of and it can be completed well in time. These are my two observations subject to this.

I propose we can adopt the final accounts. I will request FC ma'am to second it.

Ms. Manjula Rangarajan - I second it.

Thank you, ma'am. Yeah, Thank you, ma'am.

Shri Amitabh Banerjee - Thank you, I put the item number 1 to the meeting for voting by show of hands.

It is taken as approved. I declare that the item number 1 is passed. Company secretary to record the resolution in the minutes.

Shri Vijay Shirode - Thank you, sir.

Shri Amitabh Banerjee - Number 2 is declaration of final dividend. I move the item number 2 of the notice to declare the payment of final dividend of Rs 500 crore for the financial year 19-20.

I would request FC ma'am to propose it.

Ms. Manjula Rangarajan - Hello, I propose it.

Shri Amitabh Banerjee -Thank you, ma'am. I would request Secretary of Railway Board to kindly second it, sir.

Shri Purnandu Shekhar - He is not there.

Shri Naresh Salecha - I second it.

Okay, sir. Thank you, sir.

Shri Amitabh Banerjee - I put the item number 2 to the meeting for voting by show of hands. Of course, we agree to approve it. I declare that the item number 2 is passed. Company secretary to record the resolution in minutes.

Shri Vijay Shirode - Thank you, sir.

Shri Amitabh Banerjee - The special business is that, I move the item number 3 of the notice to authorize Board of Directors of IRFC to fix the remuneration of auditors appointed by C&AG based on the recommendation by the Audit Committee.

I would request member operations to kindly propose. If he is there. Hello, sir.

Shri Purnandu Shekhar - I am in AGM. Or we can... I am in AGM.

Shri Amitabh Banerjee - Ma'am, you can kindly propose, ma'am.

Ms. Manjula Rangarajan - I propose. Thank you, ma'am.

Shri Purnandu Shekhar - AM Revenue, sir. If you can kindly second.

Shri Purnandu Shekhar – I Second Amitabh, I suggest large number of members are there. I mean, instead of only me, others can second the proposal.

Shri Amitabh Banerjee - Thank you, sir.

Shri Purnandu Shekhar - We have already done. So, Ashutosh, this 3 has already been done. Henceforth, I request other shareholders because it will look better in corporate governance practice also, perspective also.

I can see Mr. P. C. Sharma is also there. Mr. P. N. Mishra is also there. I mean, all members are there.

Shri Amitabh Banerjee - Sir, I had requested member operation but probably he was not there. Vijay, please take over.

Shri Vijay Shirode - Yes, sir. Now, I will request the DF, ma'am.

I will request the item number four is relating to the noting of the appointment of the CMD, sir, I will request the DF, madam, to take over the chair for this item. So please, ma'am.

Ms. Shelly Verma - Good afternoon, everyone. I move the item number four of the notice, which is with respect to appointment of Shri Amitabh Banerjee, DIN number 03315975, as managing director, with effect

from 12th October, 2019, and chairman and managing director with effect from 21st May, 2020. Now, I request member finance to kindly propose.

Sir, member operations, sir, can you propose?

Shri Purnandu Shekhar - I propose.

Ms. Shelly Verma - I request FC, ma'am, to kindly second it. I request the advisor, sir, to kindly second this. Ashutosh, sir, can you please second it?

Shri Ashutosh Gangal - I second the motion, Ashutosh Gangal, AM Planning.

Ms. Shelly Verma - Thank you, sir. I put the item number four to the meeting for voting by show of hands. I declare that the item number four is passed. Company Secretary to record the resolution in the minutes, please. Thank you.

Shri Vijay Shirode - Thank you very much, for chairing the meeting. Now, I will request the CMD, sir, to continue with the meeting.

Shri Amitabh Banerjee - Proceedings of the meeting. Item number five of the notice, the appointment of Ms. Shelly Verma, DIN 07935630, as director of finance, with effect from 1st September, 2020 till 30th April, 2025. That is the date of her superannuation or until further orders, whichever is earlier.

I would request member operation and BD to kindly propose, sir.

Shri Purnandu Shekhar - I propose.

Shri Amitabh Banerjee - Thank you, sir. I would request Ashutosh sir, to kindly second.

Shri Ashutosh Gangal - I second the motion.

Shri Amitabh Banerjee - Thank you, sir. The item number five is passed. Company Secretary to record the resolution in the minutes.

Shri Vijay Shirode - Thank you very much, sir.

Shri Amitabh Banerjee - I come to the next item, alteration of certain articles of association of the company. I move the item number six of the notice for alteration of certain articles of association of the company under section 14 of Companies Act, 2013. I would request member operations to kindly propose it, sir. Member operations, sir.

Shri Purnandu Shekhar - Amitabh, PC Sharma is available there. In fact, he has just talked to me. Please acknowledge his presence.

Shri Amitabh Banerjee - I would require, sir, I would request Sharma, sir, to kindly second it, sir.

Shri PC Sharma - I second the motion, sir.

Shri Amitabh Banerjee - Thank you very much, sir. I declare that the item number six is passed. Company Secretary to record the resolution in the minutes.

Shri Vijay Shirode - Thank you, sir. The authorized share capital of the company is the next item. I move the item number seven of the notice for increasing the authorized share capital of the company under section 61 of Companies Act, 2013 by the shareholders.

I would request Mr. Sharma, sir, to kindly propose, sir.

Shri PC Sharma - I propose.

Shri Amitabh Banerjee - I would request member of operations to kindly second it, sir.

Shri Purnandu Shekhar - I second the motion.

Shri Amitabh Banerjee - Thank you, sir. I declare that the item number seven is passed. Company Secretary to record the resolution in the minutes.

Shri Vijay Shirode - Thank you, sir.

Shri Amitabh Banerjee - Initial public offerings of equity share by IRFC is the item number eight of the notice. I move item number eight of the notice by IRFC pursuant to relevant provisions of the Companies Act, 2013 by the shareholders. I would request FC mam to kindly propose it.

I would request member operations to kindly propose it.

Shri Purnandu Shekhar - I propose.

Shri Amitabh Banerjee - Thank you, sir. And I would request the advisor, I mean AM Revenue to kindly second it, sir. I second. Thank you, sir.

I declare that the item number eight is passed. Company Secretary to record the resolution in the minutes. Thank you, sir.

I would now request the director of finance to deliver a vote of thanks.

Ms. Shelly Verma - Thank you, sir. Good afternoon, I on behalf of Board of directors and employees of IRFC would like to thank all the shareholders for their support and would like to share that IRFC is moving ahead with intense focus on targets and deliverables and with your support we are sure to reach new heights and I once again convey my sincere thanks to all present and assure you of our best efforts. Thank you, Thank you so much.

Shri Vijay Shirode - Now, CMD Sir please continue sir.

Shri Amitabh Banerjee - Thank you very much Director Finance, I on behalf of entire IRFC fraternity to convey my sincere thanks for having spared their valuable time, Honourable members of the AGM to have grace the occasion by your presence thank you so much, and I now declare the meeting as concluded, Thank you.

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