INDIAN RAILWAY FINANCE CORPORATION LIMITED

Transcript of the 35th Annual General Meeting held on 23rd September 2022

Shri Amitabh Banerjee: Good afternoon, all the shareholders of IRFC. I announced the quorum is in order, so we can start the proceedings. Thank you.

Shri Vijay Shirode: CDSL operator, please.

CDSL operator: Quorum is present, sir.

Shri Vijay Shirode: Now, you can start the meeting as quorum is present.

Shri Amitabh Banerjee: Please start the proceedings

Shri Vijay Shirode: Dear shareholders, good afternoon and warm welcome to you all to the 35th Annual General Meeting of Indian Railway Finance Corporation through video conferencing or other audio-visual facility. As a reminder, for the smooth conduct of the meeting, the members will be in mute mode and audio and video will be opened when they will speak at the AGM as per the pre-registration.

Further, all efforts have been made by the company to enable members to participate and vote on the items being considered in the meeting. Registers are open for inspection as per the requirement of statute. Now, I take privilege to introduce Board of Directors, nominee of the President of India and auditors of your company.

We have with us Shri Amitabh Banerjee, Chairman and Managing Director, Ms. Shelly Verma, Director Finance, Shri Bhaskar Choradia ji, Government Nominee Director, attending meeting through his office i.e. Ministry of Railway, Shri Vallabhbhai Maneklal Patel, Non-Official Independent Director, Chairman of Audit Committee and Nomination & Remuneration Committee, attending meeting through his office, Shri Baldeo Purushartha ji, Government Nominee Director, attending his meeting through his office i.e. Ministry of Finance, Smt. Sheela Pandit, Non-Official Independent Director, Chairman of Stakeholder Relationship Committee, attending meeting through her office, Shri Mohit Sinha ji, Member (Finance) and Additional Member (Revenue), Railway Board, Representative of the Honourable President of India, attending meeting from Ministry of Railways, Delhi, Shri D.K. Singh, Statutory Auditor from Delhi, Shri Navneet Arora, Secretarial Auditor from Delhi, Shri Deepak Kumar, Scrutiniser from Delhi. Now, I request Chairman and Managing Director, sir of your company, to address you all.

Shri Amitabh Banerjee: I, on behalf of the IRFC team, extend a hearty welcome to you all at this 35th Annual General Meeting. Thank you for your kind presence today. Dear shareholders, as the requisite quorum for the Annual General Meeting is present, I call the meeting in order.

I also welcome my colleagues on the board and the key officials of the company present here. With the permission of the shareholders, the notice convening the Annual General Meeting, Director's report along with its annexures, Auditor's report, comments of C&AG and reply of management thereto, Secretarial Auditor's report, its observations and reply of management thereto, had already been circulated to you, are taken as read. Now, I take the opportunity to deliver my chairman's speech in brief about the operational highlights of your company.

IRFC has consistently exhibited robust financial performance on the back of raising funds at competitive rates. This has helped us keep our cost of borrowing low. Strategic relationship with the Ministry of Railways enables us to maintain a low risk profile.

The financial year 2021-22 has been another year of strong financials. The total disbursement for financial year 21-22 was Rs 60,683.41 crore comprising Rs 28,100 crore for funding of rolling stock, Rs 31,883.41 crore for financing of railway projects under EBIF and Rs 700 crore to meet the debt financing requirements of RVNL. The cumulative funding to railway sector has crossed Rs 5.04 trillion that is Rs 5.04 lakh crore.

Assets under management stood at Rs 4,29,851 crore. Borrowings during the year include taxable bonds worth Rs 19,847.90 crore, external commercial borrowings of Rs 12,004.17 crore at exchange rate prevailing on the drawdown date, rupee term loans of Rs 42,900 crore and 54 EC bonds of Rs 1,161 crore were taken during this financial year. The weighted average cost of the pool of borrowings made by company during the year 2021-22 worked out to 6.42% semi-annual as against 6.51% during the previous year 2021.

IRFC could achieve reduction in weighted average cost of borrowing by 9 bps in the financial year 2021-22 in comparison to the earlier year despite the fact that the G–sec rate moved up by 66 bps in FY 21-22 due to its diversified borrowing portfolio and tapping the market with the right instrument at the right time. Revenue from operations of IRFC has increased by Rs 4,528 crore from Rs 15,770.22 crore in 2021 to Rs 20,298.27 crore in 2021-22 showing a growth of 28.71%. Profit before tax of company for the year ended 31st March 2022 was Rs 6,090 crore as compared to Rs 4,416 crore for the previous year registering a growth of 37.91%. During the financial year 2021-22, IRFC was require to spend under corporate social responsibility Rs 70.06 crore against which the company has disbursed a sum of Rs 45.02 crore and the balance amount of Rs 25.04 crore would be disbursed on receipt of bills or claims from the implementing agencies in future. The disbursed amount includes interalia, Rs 38.91 crore contributed to PM CARES Fund, Rs. 3 crore to Clean Ganga Fund, Rs. 2 crore to Swacch Bharat Kosh, Rs. 99.96 lakh contribution towards Armed Forces Flag Day Fund (AFFDF).

I am pleased to report that IRFC has been ranked 96th in Fortune India 500 list of companies based on the financials of fiscal 2020-21. IRFC has also become the first central public sector enterprise to list USD 500 million green offshore bonds exclusively at NSE-IFSC and India INX in the GIFT City, Gandhinagar. The major achievements of the company are IRFC has become the largest government NBFC of India in terms of asset under management which stands at INR 4,29,851 crore as on 31st March 2022.

IRFC have posted the highest ever profit after tax of Rs 6,090 crore during the financial year 2021-22. On 28th March 2022, IRFC and MOR entered into lease agreement for the projects funded under EBI-IF 2015-16 and National Projects 2018-19. IRFC issued USD 500 million green bonds in FY 2022 with the same being priced at a cost of 3.57% and having a 10-year bullet.

JPY 130 bn Green loan transaction was one of the largest Green loan transaction originating from Indian in terms of size and tenor pegged at JPY 130 bn and 8-9 years respectively. I request the company secretary to explain electronic voting system procedure and agenda items. Thank you.

Shri Vijay Shirode: Thank you, sir.

I will read out electronic voting system procedure in pursuance of regulation 44 of the SEBI listing obligations and disclosure requirements regulation, 2015 and section 108 of the companies act 2013 the remote e-voting period which has commenced on Tuesday 20th September at 9 a.m. and ended on Thursday 22nd September at 5 p.m. and this facility was made available to all the shareholders of the company as on the cut-off i.e. 16th September 2022. E-voting on the CDSL platform was made available for all the shareholders to pass their vote.

E-voting facility is open since start of the meeting and shall remain active for 15 minutes after the conclusion of the meeting to the shareholders who had not casted their votes earlier to remote e-voting. Shri Deepak Kumar, Representing M/s Akhil Rohatgi & Company, Practicing Company Secretaries has been appointed as the Scrutinizer for scrutiny of the votes cast through the remote e-voting platform and electronic voting during the AGM. The results of the voting along with

scrutinisers report will be available at the website of the company at https irfc.co.in. I will now read out the agenda items.

Item number one: to receive consider approve and adopt the audited financial statements of the company for the financial 31st March 2022 along with the reports of the board of directors and auditors thereon and comments of the Comptroller and Auditor General of India - this being a ordinary resolution.

Item number two: confirmation of payment of interim dividend and declaration of final dividend on equity shares -this is also an ordinary resolution.

Item number three: reappointment of Ms Shelly Verma as a director finance -this is also ordinary resolution.

Item number four: appointment of Shri Vallabhbhai Maneklal Patel as the non-official independent director - being a special resolution and

Item number five: appointment of Smt. Sheela Pandit as Non-Official/Independent Director - being a special resolution.

Now I invite the shareholders who have pre-registered as shareholder speaker to speak relating to items of business as mentioned in the notice of the annual general meeting. Now I will request the CDSL team to mute the speaker shareholders.

I will just name out the speaker shareholders, the first person is Mr Ajay Kumar Jain.

CDSL Operator: Sir, Mr Ajay Kumar Jain is not present in the meeting right now sir.

Shri Vijay Shirode: Okay sir now you can unmute Mr. Sahil Chowk.

CDSL Operator: Sir, Mr Sahil is also not available right now sir.

Shri Vijay Shirode: Then Ms. Lekha Satish

CDSL Operator: Ms Lekha is also not available and next speaker Mr Krishnan is also not available sir.

Shri Vijay Shirode: Okay then Mr Santosh Kumar Saraf.

CDSL Operator: Mr. Saraf

Shri Vijay Shirode: Yeah please.

Shri Santosh Kumar Saraf: Hello

CDSL Operator: Saraf you are unmuted.

Shri Santosh Kumar Saraf: Just a minute sir.

Respected Chairman and my fellow shareholders,
I am Santosh Kumar, a resident of Kolkata, and I extend my greetings to all of you from Bengal. I hope that all the directors and other officials are safe and in good health.

I will not say much, I just want to say that under your leadership, the company is performing well and I had sent the questions in writing earlier and your secretary may have received them, I had sent the questions in writing on the 11th and your secretary may have received them.

I had inquired about the audit of your CSR expenditure and the energy audit. I have also asked regarding the company's Capex plan and female employee? I asked that the number of women employees is very low, what steps have you taken to increase it? As you are aware, Modi ji, is making significant efforts to empower women in India. The appointment of a tribal woman as the President of India is a step in that direction. Furthermore, the government is promoting flexible working hours for women, especially for homemakers. I request the management to consider and adopt such policy in the company as well, to support and empower women.

You have delivered a very good speech. I would like to know capex plan in future of the company, in the context of the Atmanirbhar Bharat initiative and also with launch of new trains like *Vande Bharat* and others, how will it benefit the company. Lastly, I pray to God for the good health and well-being of employees of the company, directors and fellow shareholder, who are all listening to me through this video conferencing and I also encourage everyone to take their vaccine doses and to stay safe.

I would like to share that I had COVID two months ago. I had already taken all three doses of the vaccine; However, the vaccine didn't seem to work for me. With just some basic medicines for cough and cold, I recovered quickly.

It is difficult to say who might or might not get COVID, but i believe that if anyone does get infected, they can recover quickly by taking proper precautions and by using homemade remedies. I also request everyone to take advantage of the free medicines being provided by Modi ji.

Lastly, I would like to say that the video conferencing facility has been very convenient. I am a resident of Kolkata, but I am currently in Bangalore for my wife's medical treatment and I am attending this meeting from here only. This flexibility is very helpful and I request you to continue providing this option in the future as well. Even if physical meetings are being conducted in future, please keep a 10 to 15-minute hybrid session so that shareholders from across India can participate and ask their queries.

sir what more can I say, sir,
I wish a long life for all our officers, our directors, our employees and their family members and pray to God that the upcoming year 2022-23 bring wealth, health, peace and safety to everyone including you, sir.

I also wish that the company continues to move forward under your leadership and I also thank the entire secretarial team for their support and coordination.

Sir, I would like to bring to your notice that I had made three registrations for this meeting. Since there was a possibility that I might not be able to attend due to personal reasons, I registered two other names: Bharti Saraf and Sanjog Saraf as a backup.
However, I request you not to call their names during the meeting as this was only a precautionary measure, in case I was busy and could not respond myself.

Please take note and without taking much time, I again extend my greetings to all and grateful for allowing me to speak today.

Shri Amitabh Banerjee: Thank you

Shri Vijay Shirode: Thank you very much Saraf sir!!!! Now I will request the CDSL to please unmute Mr. V.S. Shankar

CDSL Operator: Sir, Mr. V.S. Shankar is not present in the meeting

Shri Vijay Shirode: Mr. Lokesh Gupta

CDSL Operator: Sir, Lokesh Gupta is available

Shri Vijay Shirode: If he is not here, please unmute Mr. Ashok Kumar Jain

CDSL Operator: Mr. Rajagopal Ramanathan, he is available.

Shri Vijay Shirode: yea, please

CDSL Operator: Mr. Raja, you are unmuted, kindly ask you queries.

Mr. Rajagopal Ramanathan: Hello, am I audible.

Shri Amitabh Banerjee: Yes, you are audible**.** Please, please go ahead

Mr. Rajagopal Ramanathan: Thank You!!! Thank you for the opportunity. I have sent few questions which the company secretary team has responded but as a part of this AGM, I thought about raising some specific questions as well.

I noticed that the performance of the company has been fairly satisfactory, but my questions are actually aimed at what should be the potential outlook going forward. Now, we understand that IRFC is in the financing business, therefore there is no point in actually talking about CapEx for IRFC, but from a business potential standpoint, what are you expecting disbursements to be for fiscal 2023? Because last year I believe in the annual report you have spelt out that there was a slight change in terms of what the funding expectations were from the Ministry of Railways and probably there was a little bit of an adjustment of sorts. So, do you think the disbursement levels for fiscal 2023 should be significantly higher than what was seen in 2022? That's the first question.

An often unasked and probably asked question at times of the quarterly interactions that you have with analysts is the Government of India's stake in the company. Now we all know that it's a significantly large stake in the company and over a period of time you will have to bring down Government of India's stake to 75% to ensure minimum float requirements. So, has the Government indicated what their divestment objective is and how do they propose to take this forward? Are they indicating a potential divestiture in fiscal 2023? Any insights on that or any discussions that you've had with them? It would be good for minority shareholders like us to understand that.

A related question is with the potential reduction in GOI ownership, will that also possibly lead to a change or a dilution in terms of IRFC's privileges on accounting norms, taxation etc. Because IRFC does not pay tax, you don't need to account for NPA if the situation so arises. Obviously, you are lending to a sovereign entity and clearly there are no risks on sovereign lending.

So, I'm saying that as you see a situation where say the Government of India holdings come down, will you then have to sort of fall in line with any RBI prescribed norms on lending, on risk weightages, will that start affecting your capital adequacy and possibly also in terms of your regular business. If you are subject to taxation, automatically that's likely to impact your ROA as well. Another question is, in the previous analyst calls you've highlighted that you would want to limit IRFC's capital leverage to not more than 10 times.

Now I actually question the rationale behind this 10x leverage restriction because clearly if you believe that there is going to be no potential dilution in the privileges of IRFC, then why are you stopping yourself at a 10x leverage? Because you can go out and expand more and obviously that will end up benefiting all shareholders. So, there is no specific reason why you should not go out and increase leverage and instead by consistently going in for an equity infusion, you are actually limiting the ROE potential for the company. So, what is the logic behind having this view? Because I perceive that unlike other financial institutions, credit rating agencies may have certain views on capital adequacy and in terms of prescribed debt equity leverage.

Shri Vijay Shirode: We have noted down all your points, sir. The last point which we were discussing about the leveraging, which we have already noted it down, sir.

Mr. Rajagopal Ramanathan: Okay, a couple of questions more.

With respect to public sector entities which are obviously owned by the government of India, there is a 30% minimum dividend payout. Now given that IRFC is sitting with such high levels of capital adequacy and high comfort levels on capital, what stops you from increasing dividend payouts? Let's look at it this way, sir. You are a utility. And if your capital is not getting consumed, then it is only fair that you increase payouts. And it benefits all shareholders, not just minority, even the majority shareholder. And over a period of time, that's what will finally help the company discover an appropriate equity valuation for the company itself.

So, I think that is something which you need to very seriously deliberate and action upon……..

Shri Vijay Shirode: I think, Mr. Rajagopal ji, I think there is some disturbances at your end. So, we have noted down your all questions and if you have any further questions, you are kindly requested to drop an email the management will definitely respond to you accordingly.

Now, I will request CDSL Team to please unmute Mr. Ashok Kumar Jain.

Shri Ashok Kumar Jain: Hello, am I audible?

Shri Amitabh Banerjee: Yes, please go ahead.

Shri Ashok Kumar Jain: A very good afternoon, chairman, sir, boards of directors and my co-fellow shareholders attending this e-meeting.

Congratulations to the management and all the staff employees for providing the excellent results during this year. Sir, there is no doubt in the financial statement as I fulfilled in the management. Sir, I want to know that what is the future growth? And my already question has been asked by the co-fellow shareholders.

Thank you, sir, for the and thank you to the company secretary who helped me to join this meeting through video conferencing. Thank you, sir.

Shri Amitabh Banerjee: Thank you, Mr. Jain.

Shri Vijay Shirode: Thank you, Mr. Jain.

Now I will request the CDSL team to unmute Mr. Kanankala Bharat Raj.

CDSL Operator: Sir, Mr. Bharat Raj is not present in the meeting right now.

Shri Vijay Shirode: Then you can unmute Mr. Pawan Tarodia. Now, if he is not present, then you can.

Shri Amitabh Banerjee: One Second

Mr. Pawan Tarodia: Hi, thanks for extending the opportunity to speak at the AGM.

My only query is regarding the percentage return we got on our equity portion in the last financial year, as that should not be margin based, unlike we get on the debt portion from railways. Also, what is the future projection on this equity earning that should be the primary portion of our overall earnings? Thank you.

Shri Amitabh Banerjee: Thank you

Shri Vijay Shirode: CDSL team, now you please unmute Mr. Naman Kumar.

CDSL Operator: Sir, Mr. Naman and Mr. Ravi is not available in the meeting.

Shri Vijay Shirode: Okay, now then the last speaker is Mr. Bansal, then you can unmute the speaker.

CDSL Operator: Mr. Bansal has also not joined the meeting, sir. Now, Mr. Ajay Kumar, who is the first speaker has joined the meeting.

Shri Vijay Shirode: Yes, please.

CDSL Operator: Ajay, you are unmuted, kindly ask your question.

Shri Ajay Kumar: Can you hear me?

Shri Amitabh Banerjee: Yes, please go ahead, Mr. Jain.

Shri Ajay Kumar: Good afternoon, sir. I am Ajay Kumar Jain from Delhi.

Respected chairman, sir, all board members and all my fellow shareholders who are present at this meeting. Greetings to all. I wish you all, you are in good health.

Sir, thank you very much for providing me the opportunity to speak. I thank the management for first sending me the annual report and AGM notice as well. I thank Mr. Chairman, sir, and his whole department for being very helpful and supportive to the shareholder and giving us an opportunity to speak.

I want to know what will your strategy for future growth as I believe very much in the chairman's leadership as our company profit is increased by 37% equivalent to 6000 crore this year. I support all your resolutions and I have full faith in you, sir, and your entire board. I hope that company will do well in the future as and will take the necessary steps for improvement of the company.

I wish all the best of the company and support all the resolutions. Thank you, sir, for your time.

Shri Vijay Shirode: Thank you, all the speakers.

As all the speakers have finished speaking, this is to inform to all that whatever the queries were received from the speaker shareholders that has been already replied to all the speaker shareholders and whatever the queries is raised during this call by all the speaker shareholders has been noted down by the company and it will be addressed through email to all those speaker shareholders. Now, I will give the vote of thanks. It gives me immense pleasure to propose the vote of thanks to our chairman & managing director, sir and, all other board members of the company, representative of the Honourable President of India, esteemed shareholders, statutory auditors, secretarial auditors and scrutiniser of the company and CDSL team.

I would also thank to M/s. Beetal Financial and Computer Services Private Limited, Registrar and transfer agent of your company but not the least the entire IRFC team. It is again informed to the shareholders that e-voting facility is open since start of the meeting and shall remain active for 15 minutes after the conclusion of the meeting to the shareholders who had not casted their votes earlier through the remote e-voting. It is further informed that the consolidated report on total votes cast in favour and against will be submitted by the scrutiniser within 48 hours at the conclusion of the meeting and the same would be submitted to the stock exchanges and hosting on the company's website and also on the CDSL website.

Now, I will request the operator to please go ahead and start the time limits of 15 minutes to cast the votes who have not already voted their votes. Over to the operator, please.

CDSL Operator: Voting has been started.

The members who have not casted their votes till now may cast their vote now.

Shri Vijay Shirode: Thank you, everyone.

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