



“Indian Railway Finance Corporation (IRFC)  
Q1 FY2025-2026 Earnings Conference Call”  
July 23, 2025



**MANAGEMENT:** **MR. MANOJ KUMAR DUBEY – CHAIRMAN AND  
MANAGING DIRECTOR AND CHIEF EXECUTIVE  
OFFICER – INDIAN RAILWAY FINANCE CORPORATION  
(IRFC)**  
**MR. RANDHIR SAHAY – DIRECTOR FINANCE AND  
CHIEF FINANCIAL OFFICER – INDIAN RAILWAY  
FINANCE CORPORATION (IRFC)**

**MODERATOR:** **MR. PARTH JARIWALA – DAM CAPITAL ADVISORS  
LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to IRFC Q1 FY2025-26 Earnings Conference Call hosted by DAM Capital Advisors. 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 star then zero on your touchstone phone.

Please note that this conference is being recorded. I now hand the conference over to Mr. Parth Jariwala. Thank you and over to you, Mr. Parth Jariwala.

**Parth Jariwala:** Thank you. Good morning, everyone. Welcome to the Q1 FY26 Earnings Call of Indian Railway Finance Corporation Limited. From the management, we have with us Shri Manoj Kumar Dubey, Chairman and Managing Director and CEO, Mr. Randhir Sahay, Director (Finance) and CFO and other senior management with us.

I'll now hand over the call to Shri. Manoj Kumar Dubey for his opening remarks, post which we can open the floor for questions and answers. Over to you, sir.

**Manoj Kumar Dubey:** Thank you, Parth and very good morning to everybody. Today Delhi, has got a very good rainy morning. It's very pleasant and incidentally it's Shivratri also. So it's very auspicious time and we are also happy to supplement it with good numbers that we came out yesterday evening.

As you know, all the key parameters have shown good positivity, few in a decent manner and few in a steep manner. In fact, the top line has grown in a decent manner and the bottom line has grown in a steep manner. We'll discuss that in detail when we will do the Q&A session. So, I'm joined here with my Director (Finance) and CFO, Head of Business Development, other key senior executives.

As you've seen from all the numbers that we have published, we are "walking the talk" what we started two quarters back in Q3 of last FY. As you are aware, for the last two FYs before the beginning of this FY, disbursement to Indian Railways or in fact to any of the entities were nil for this company. So, that was a little lull period so far as disbursement was concerned.

And we embarked upon our new journey that we call IRFC 2.0, where we started looking for diversification within the whole of railway ecosystem, not limiting ourselves only to single client Indian Railways. Well, that was a new move in the history of the last 40 years of this company, but I'm very happy to share that the team IRFC, strong and small team, I can say, they rose to the occasion.

And as you see today in the last six months or so, we are sitting over a healthy order book of around INR 25,000 crores. Disbursement has started, Q1 has shown decent disbursement of nearly INR 3,000 crores, but we'll discuss in Q&A how we have got the plan in place that as per our guidance that we gave in beginning of the FY, our disbursement will see a kind of acceleration in Q2 and we'll be doing more than what is required to be done in HY1.

We continue to secure the lowest cost of capital among peers and true to our ethos, we are sharing this benefit directly to our customers. As you know, our overhead cost is also minimal in the

whole ecosystem, so this competitive edge strengthens our balance sheet coupled with zero NPA and stable cash flows.

This literally set us apart in the ecosystem. We are just not giving a very attractive pricing, but we are fostering a true partnership for a longer period. So this company, unlike other NBFCs will be seeing minimal or very less prepayment. That is something, a kind of ethos that we are going to put in our system.

If we are going to make some partnerships in terms of lending and borrowing with any of the partners, it has to be a long-term win-win scenario. This is going to give us the edge and the kind of query that we are getting from all over, all the CPSE, state government, metro railways. We are really excited to have those kinds of queries. In fact, the team is working overtime with a kind of inflow of the customers, which is for any company something which is very, very rosy.

People are happy to work extra for garnering more of the business. At the same time, with cuts of repo rate there is a pressure on the kind of margins that the whole ecosystem is facing nowadays. We are comfortable for the fact that our overheads are lowest in the ecosystem, so it hasn't affected us much.

But, yes, we are not only competing with NBFCs per se, we are competing with every efficient bank of the country. And that gives us a very interesting proposition that how IRFC positions itself, not only competing with the NBFCs, but also with the banks for arranging cheapest kind of resources in terms of the funding to anything coming in the whole of government approach.

And when I say the whole of government approach, the private entity fits in the manner that if any private entity is entering into any kind of joint venture or any kind of PPA or any kind of concession agreement with the government, for us they become akin to a government entity. So the pie is big, the team is set and we are looking forward to quarters coming every time when we walk the talk.

And the motto of the company is that every quarter should be better than the last in terms of top line, bottom line and in all the financial parameters. So now we are open to question and answer session. Thank you.

**Moderator:** Thank you. We will now begin the question and answer session. The first question comes to the line of Raghu with Travest Capital. Please go ahead.

**Raghu:** Hi, good morning. Thanks for the opportunity. Please excuse me if I'm missing out something. My question is regarding how is our cost of capital at 5% because the government bond yield itself is 6.3, 6.2 right now. How are we able to achieve this 5% of cost of capital?

**Manoj Kumar Dubey:** No, who said you 5%? I think there is some confusion regarding from where you get the 5% numbers.

**Raghu:** Yes, because the total borrowing is around INR4,14,000 crores. Per quarter we are paying an interest outgo around INR5,000 crores. So it makes INR20,000 crores per year, right?

**Senior Management**

**Sunil Kumar Goel, GGM :** So it's not about 5% that is because of our business model. We fund two types of assets. One is the project asset, another is the rolling asset. So major portion of the project assets, around INR2 lakh crores is still we have to execute the agreement for these assets.

And whatever interest cost we incur for these assets, it will be added to the loan amount and it will get capitalized. So accordingly, it is not getting reflected in my P&L. That is why you are getting such a low number. Otherwise, my cost is around 7%.

**Raghu:** Okay. Cost of capital is around 7%?

**Manoj Kumar Dubey:** It is hovering around 7%. As you know, that was the accounting system that we have with the railways where the projects are having a moratorium of 5 years. So till the time it is agreement is not signed and the moratorium is going on, then it is all accruing in the interest.

And later on, it is transferred into the capital when the agreement is signed. So this is what my BD Head was telling you. And so far as cost of capital is concerned, yes, it is hovering around 7%, but still cheaper than what others are getting in the market.

**Raghu:** Okay. And just one more question I have is we have the presently there is no corporate tax for us on our for our company. So generally, what is your view of how long can this continue? Is there any indication or something which you have saying it can come sometime in the future?

**Manoj Kumar Dubey:** So I can only assure you that next 5 to 6 years, we did talk about it. And that's a longer period. So let's talk about it somewhere in 2030. I hope I answered your question.

**Raghu:** Yes, it's answered. Thank you so much.

**Moderator:** Thank you. Next question comes from the line of Mohit Jain with Tara Capital Partners. Please go ahead.

**Mohit Jain:** Sir we have a sanction and I think our annual target is to disburse around INR30,000 crores. You have witnessed so far we have disbursed INR2,500. So sir how do we...

**Manoj Kumar Dubey:** No, you are not audible clearly.

**Mohit Jain:** Can you hear me now, sir.

**Manoj Kumar Dubey:** Yes. But it is not audible in between. So be near to the voice.

**Mohit Jain:** Yes. I am moving to a better place now. Can you hear me, sir?

**Manoj Kumar Dubey:** Yes. Please go ahead.

**Mohit Jain:** Yes. So I'm saying, sir, we had a guidance of we said initially that we have INR60,000 crores sanction target for the current year and we plan to disburse around INR30,000 crores in the

current year. And I guess you hinted that so far, we have disbursed INR2,500 crores of loans. So how should we look at this number going forward for the entire year?

**Manoj Kumar Dubey:**

So that's a good question that has come to your mind, looking at the numbers. So the factual position today, I'm sitting over nearly INR25,000 crores sanctioned projects. And a few more big tickets are in pipeline. Now out of this INR25,000 crores sanctioned projects, you rightly mentioned that in Q1, we disbursed around INR3,000 crores which is pretty low in terms of the total target of INR30,000 crores.

But the key here is that out of this INR25,000 crores that we have sanctioned, many projects are of refinancing nature. Earlier, we were funding only to Indian Railways, not to even the SPVs of the Indian Railways in the ecosystem. They had very high-cost loans from the bank. So all are coming to our kitty now.

So all these loans are sanctioned and they are in the process of disbursement. And as you know, in case of refinancing the whole amount is disbursed in one go. So answer to your question is this that by Q2, we expect that we'll be doing 50% half year mark of what we have given the guidance for the whole year. Maybe we can exceed it also.

Even if we don't, but we are quite pretty sure that by Q2 with this kind of refinancing disbursements, things will even out. And we are pretty on track of what we have given the guidance in terms of disbursement as well as in terms of the sanction of the loans.

**Mohit Jain:**

Understood, sir. So the annual sanction is going to be around INR60,000 crores?

**Manoj Kumar Dubey:**

Correct.

**Mohit Jain:**

Okay. And sir, I guess moratorium of many of the projects have been over now. So what is the annual rundown that we expect from the existing loan book? Is it something like INR10,000 crores per year?

**Manoj Kumar Dubey:**

Absolutely. You're right, for next 3 to 4 years.

**Mohit Jain:**

So basically, should we expect INR30,000 crores of disbursement?

**Manoj Kumar Dubey:**

No. You say it again, your voice went out.

**Mohit Jain:**

Yes, I'm saying should we look forward to loan growth now because the disbursements are going to now exceed the rundown of the old book?

**Manoj Kumar Dubey:**

So you are doing my job. You are making it clear for everybody. you are bang on. So, this quarter, we just broke even at INR4.59 lakh crores, just nearly INR400 crores down last quarter of my AUM. So you are pretty on the point that going forward, every quarter, we'll be seeing a decent improvement in my asset under management also.

In fact, in the morning TV show, we were discussing that maybe the next FY, we see it growing past INR5 lakh crores again, which used to be our AUM 2 years back.

- Moderator:** Since there is no reply from the line of Mr. Jain, we'll move to the next. That is Mr. Jeet from Pinpoint. Please go ahead.
- Jeet:** Sir, could you talk about your new disbursement yields versus your current book yields, please? What would be the difference and what explains the margin improvement in this quarter?
- Manoj Kumar Dubey:** So you see NIM that we have come out for this quarter is 1.51 which is quite above what we showed last quarter that was nearly 1.31. So, as I mentioned in the last concall also if you go through it, what we said that the new businesses that are coming, is not coming from IR, where there was a fixed 40 bps or 35 bps contract.
- So here, we are either competing or discussing across the table. In fact, most of the assets we are competing only for the good quality assets. Wherever we have got L1, we are still finding that because of our low overhead cost, which is giving us a lot of legroom.
- My margins are 2 to 3x of what I used to get from Indian Railways. So that will surely come into NIM. Now overall, because the total INR4.6 lakh crores is coming from the railways at 40 bps and 35 bps, if you ask for overall improvement, it won't be very steep right in the beginning.
- But for the additional asset that we are entering into our system, the NIM will be more than 2%. So to summarize the things going forward, you'll find that every quarter, IRFC's NIM is getting better and the yield on the PAT is also getting better, which is morning shows the days like this particular quarter, you saw my Q1 to Q1 PAT jumping in terms of double digits.
- It is precisely nearly 11% of the jump. So this story will keep unfolding going forward quarter after quarter.
- Jeet:** Okay. Understood. So NIM should structurally improve from here. On AUM, you're saying INR5 lakh crores by the end of this financial year itself?
- Manoj Kumar Dubey:** Next FY. Just correct yourself. I said that somewhere in next FY, that is '26-'27 we may see our net AUM going past INR5 lakh also the way we are looking at the kind of flood of the business that we are getting as query. Of course, we are doing the cherry picking. We are a net zero NPA company and that is our main focus.
- So out of all the queries, even for the government side that we are getting, we are doing the cherry picking. But still the pie is coming so big in terms of big ticket sizes that we feel that we are sitting in a very exciting time and good proposition.
- Jeet:** Sure, sir. That's clear. And just in terms of these new businesses including the loans and sanctions to NTPC. So this is a completely new field for you, which involves the power sector, which I presume would not have a lot of linkage to your existing business of railways?
- Manoj Kumar Dubey:** You may be aware that NTPC is one of the biggest suppliers of power to Indian Railways. So there is a clear linkage.
- Jeet:** Okay. But how much do you intend to grow in the power sector?

- Manoj Kumar Dubey:** You see the railways requirement today is 8 to 9 gigawatt. So, and 90% of that is coming from the other than railway sources. So all these power suppliers who are now shifting to renewable and Indian Railways also wishes to get net zero by 2030. It's a very challenging task. So we are moving towards that.
- So all renewable projects who are going to supply and get into a power purchase agreement with Indian Railways through their zonal units, they are our clients i.e., direct clients. There is a joint venture of railways called REMCL. We have already entered into MOU with them. They are facilitating the power purchase agreement of this renewable supplying companies to the units of Indian Railways.
- The moment they enter into PPA, they become our prospective clients. And, of course, because we are here to cater to them at a very attractive and a cheaper rate, we expect that anything in the renewable coming to the Indian Railways, which is going to be 8 gigawatts in the next 5 to 6 years, all are seemingly our business itself.
- Jeet:** Okay. Understood. That's clear. And what would be the reason that you don't have to pay any corporate tax?
- Manoj Kumar Dubey:** So let us hear from my BD Head.
- Sunil Kumar Goel:** It is because of the leasing business model we are following. So we have an unabsorbed depreciation for the assets what we lease to the railway. And from '18, '19 onwards, we have opted 115BAA. And because of that adoption, we are not liable to pay any tax under MAT.
- And we have a lot of unabsorbed depreciation that will be going forward also for a foreseeable future of 5 to 7 years, that will be sufficient to absorb whatever income we have i.e., whatever taxes on that income we have. So in the next 5 to 7 years, we don't expect any tax liability on the company.
- Manoj Kumar Dubey:** I hope we clarified you.
- Jeet:** Yes. That's clear. Thank you so much. Just one last thing. So these loans that you're refinancing, would these largely be from banks or would this be from other NBFCs and what is the rate differential that you're offering on these, please?
- Manoj Kumar Dubey:** So we will not be naming anyone. But, of course, once we have positioned ourselves cheaper than all the NBFCs and banks, of course, the business will be coming from both of them. Not only these guys, there are something bilateral foreign loans also, which we are going to replace because there also with the devaluation of rupee and dollars going high, has become very costly to our siblings in the railway ecosystem. So all these businesses are coming on the platter. So what was the second question that you asked?
- Jeet:** Yes that's it. Just want to know, is it from banks or NBFCs, but yes can you answer that?
- Manoj Kumar Dubey:** Everyone.
- Jeet:** And yes, what is the rate differential that you're offering how much?

- Manoj Kumar Dubey:** Rate differential is minimum 100 bps. At times, it is 150 bps also. So we are bringing a lot of comfort and relief to the entities who are working in the railway ecosystem. And that is what this company is meant for. But the beauty is that, that after subsidizing them by 150 bps, the other competitive rates were so high that we are still making good money and far more than what we used to make from Indian Railways. So that is what is giving us a very win-win and attractive solution.
- Jeet:** Understood. And sir, last question, if I may.
- Manoj Kumar Dubey:** There are others also in line. Go ahead with the last question.
- Jeet:** On the 100 bps for the repo cut that we've seen, are you passing it on to your borrowers at the moment on the back book?
- Manoj Kumar Dubey:** Absolutely. The ethos of this company is whatever we are saving in terms of the cheaper borrowing that we are getting in the market. In fact, a few weeks back, we raised one 5-year tenure bond at 6.45% or 6.5%. So these are the rates we are getting the bond. So whatever cheaper raw material of the financing we are getting, we are obviously passing it to our borrowers.
- And if you don't pass, then we can't compete. We are not in the business of high risk, high-margin assets. We are in the business of zero risk attractive assets. And incidentally, we found that they were also being funded at a very high cost. I mean government is not supposed to get a funding at 9.5% and 10%.
- In my view, that is not the correct kind of because government is also doing business. And anybody who is doing business has the right to get the fund at a cheaper rate. What we are actually doing is we are making more margins than what we used to get from the railways. Still we are becoming lowest in the government system and that is giving us a very good impetus acceleration.
- It's a win-win scenario for people in all CPSE parlays, government parlays, state government, they are coming to us because now they know that IRFC is funding to every government entity who are having good rating. And that is why we are feeling that going every quarter ahead, we'll be having good business on the hand. We have to do cherry picking and we have to ensure that we remain zero NPA going in the future also.
- Jeet:** Sure. That's very clear. Thank you so much.
- Moderator:** Thank you. Next question comes from the line of Raghu with Travest Capital. Please go ahead.
- Raghu:** Yes. Just a follow-up on the previous question somebody was asking. Your borrowing cost is 7%. What is the spread on suppose you're funding a metro project, what is the spread on that particular loan, which you'll get? Is it 2% or is it 2.5? What is the spread?
- Manoj Kumar Dubey:** So you see the metro as a project for us is something unique because we are a government-owned company in major like and metro is a necessity for the nation. It is not a business. As you



know, none of the metros including Delhi metros are profitable in terms of totality. Somebody is making cash profit, maybe Hyderabad Metro, Delhi Metro, but you think of Delhi without metro.

I mean, it is impossible to cater to the logistic requirement of this huge population without Metro. So, what is the answer? The answer is metro is going to be there. And it is the responsibility of the government per se to ensure that metro in India is flourishing. Today, we have got more than 50 metros either working or sanctioned or in a phased manner.

Having said that, all these metro requires funding and they require the cheapest kind of funding. The earliest experiment for these metro railways where the bilateral funding comes from Japan or World Bank or ADB or many other things. In last 20 years, the government has realized that these loans are not so straight and cheaper loans. They have got many riders on it.

There is currency fluctuation, there is SOFR & TONA rates. There are other tighter things that you buy things from that country only then you avail the loans. So these kinds of things are tying the hands of the state government and the central government. So what we are planning is we are because we have been funding cheaper to the Indian railways, maybe a model where we can tell metro railways that you have a cost-plus model and you have this 40 bps margins on that, we can agree to that also.

To summarize the answer to your question is, we are geared up to bring as cheaper as possible the funding to the metro railways of this country with the guarantee from state and central government, where my loan is guaranteed. But the margins, yes, we have agreed and ready to fund them as cheap as possible in the system because we want to set a benchmark that if government wants to invest money, and if they want to have extra budgetary resources, IRFC is a conduit who will bring in money not only from domestic market, but from the ECB market at the cheapest rate and all benefit will be passed on. And we will be having the minimum kind of markup on that. And that market is not anything to guess. We already have a benchmark with railways, which is 40 bps. This is the gamut we are trying to plan and this FY we will be coming out with a very clear solution for all the prospective metro railway funding in the country. I hope I clarified.

**Raghu:**

Yes. But because the reason I'm asking is the cost of capital for if suppose don't get me wrong because I'm quoting your competitor. For REC is something around 7.05% or 7.1%, okay? So they generally lend to anything with a spread of 2.5%. So that is the reason why I'm asking. So generally, for any infrastructure project, what will be your spread because you're expecting a NIM of more than 2%. So that means your spread...

**Manoj Kumar Dubey:**

You are asking the question and giving the answers also. So NIM I'm expecting a NIM of 2 and 1, what is their NIM? Theirs may be 3.5%.

**Raghu:**

Their NIM is 3.5%, spread is 2.5%?

**Manoj Kumar Dubey:**

Yes. So my spread will be obviously at least 100 bps lower than them. Why? The answer is also very clear. It's not secret. what is their overhead cost? If you've done your mathematics, then you must be knowing. What is the overhead cost of , REC, PFC and HUDCO?

**Raghu:** I think it is something around 0.4% to 0.6%.

**Manoj Kumar Dubey:** No, I suppose, it's around 0.8%, 0.9% and 2.5%.

**Raghu:** Okay.

**Manoj Kumar Dubey:** Respectively REC, PFC and HUDCO. Mine is 0.1%.

**Raghu:** Yes. But now because we are expanding into these new areas and all, don't you foresee our overhead also to a bit expand a bit?

**Manoj Kumar Dubey:** We have foreseen. We have got a very concrete plan. My upside will be from 0.1% to 0.15% itself. It won't cross 0.2%. So that's the plan. So we are in a business of B2B. The cutting edge is that we are not going to put any overhead burden on our system. We are committed to deliver in a manner which is cost effective.

And we have a plan in place. In the B2B model, we do not foresee that our workforce will grow to as big as our peers. You know their numbers and you know our numbers. So that is our advantage and we want to maintain it. To clarify it, we don't foresee our overhead cost going even 0.2% in next 2 to 3 years. So clear advantage of 70 bps will lie with us so far as compared to our peers.

**Raghu:** Okay. So can I ask you one more thing? So, are you interested in lending to even DISCOMs and things like that, if suppose some DISCOMs approaches you?

**Manoj Kumar Dubey:** No, absolutely not. This is not at all in our discussion right now. Let me be very clear. DISCOMs are for our siblings PFC, REC as it is their domain area. They are competitive in that. Yes, GENCOs, only those GENCOs who are supplying to Indian Railways. Let's also be very clear about it.

**Raghu:** So, for a normal conventional power project or something you are not interested, you are not going to fund them?

**Manoj Kumar Dubey:** So, you talk about DISCOM. DISCOMs we are not going to fund right now. That is not in our portfolio and we are not looking at that. You talk about GENCO, yes GENCO we are going to fund if they are having a linkage with the Indian Railways. Even the mining, coal mining if they're having a linkage with the Indian Railways, we are going to fund them.

**Raghu:** Okay. One last thing. Anything related to infrastructure, other infrastructure projects and all, even that is profitable right now?

**Manoj Kumar Dubey:** See Railways is defined as infrastructure. So even railways and projects having backward and forward linkages with railways..

**Raghu:** Apart from railways, maybe road or something?

**Manoj Kumar Dubey:** Let's be very clear. Right now, our mandate and our limitation is that we are funding anything which are having backward and forward linkages with the railways. So yes, like if you say a port

is coming, having a railway linkage, yes, we are going to fund it. A fertilizer factory is coming having a linkage with the railway line.

And every production of fertilizer is going to be hauled by railways, yes there is a linkage. So these kind of infrastructure projects, which are having a direct linkage to the railways, they are our baby, but something in stand-alone happening, yes, we are not having a look at that. There are other sibling NBFCs, as you know them, they are there to cater them.

**Raghu:** Okay. So if a port just has a railway line and a port cost maybe INR50,000 crores, IRFC is ready to lend them money if there is a railway linkage?

**Manoj Kumar Dubey:** Whatever part of it, yes we'll have a look for sure.

**Raghu:** Okay. No, that's great. I just want to find out the scale of the opportunity that's all?

**Manoj Kumar Dubey:** I am very happy that you are finding out and you are rightly asking and everybody is rightly asking this question. For the fact that we never dealt with these things, earlier. So, it's good that you are asking these questions and these things must get spread also that we are funding all the infrastructure projects having a backward and forward linkage to the railways.

Of course, a rider is there. We are very particular about the quality of the assets. As you know, we are perhaps the only zero NPA company and we wish to remain that. That tag for my investors, we intend to keep that tag. So, we are very, very critical about looking at the quality of the assets.

So, yes, if they fulfil our benchmarks if they are ticking all the boxes that we need to, then anyone who are having a linkage with the railways, we are going to have a look for funding.

**Raghu:** That's really great. Thank you so much.

**Moderator:** Thank you. Next question comes from the line of Naman Kumar an Individual Investor. Please go ahead.

**Naman Kumar:** My first question is with respect to the projected sanction of INR60,000 crores. So how much of that would be approximately on the leasing model and how much will be on the term loan model kind of a thing because right now, most of our assets are under leasing model. So just want to understand in the future?

**Manoj Kumar Dubey:** My BD Head will take up this question.

**Sunil Kumar Goel BD (Head):** Mainly it will be on the term loan model. Basically, we are also funding on the leasing model to some of the entities. But the quantum would be around INR2,000 crores to INR2,500 crores, but mainly it will be on term loan basis to various entities, those who have a linkage with the railways and those who are operating in the infra space.

**Naman Kumar:** Okay. And in case like there was a news article about funding of NTPC rolling stock wagon. So those will be on leasing model or those will not be all?

- BD Head:** Those will be on the leasing basis and we have some other inquiries from other entities also. But the total quantum would not exceed more than INR2,500 to crores. With NTPC, we have executed an agreement of around INR700 crores. And some deals are under discussion and they will get finalized in due course. But the total quantum would be around INR2,500 crores.
- Naman Kumar:** Okay. Got it. And my another question is with respect to the leasing model. So I understand that IRFC follows the primary lease period of 15 years and secondary of another 15 years, but most of the money is recovered from the Indian railways within 15 years. So initially I think in the beginning, there was no problem.
- But right now, because of too much investments on infra relating to railways, it is relating to railways. It is putting a strain on Indian Railways finances like paying within 15 years because most of the operations of Indian Railways are kind of on breakeven situation. They don't have extra money to pay.
- By any chance, is there any discussion or is there any thought process going behind the new projects assets which -- for which lease agreement will be signed to extend that primary lease period from, say, 15 years to 25 years, so that it doesn't put a strain on the finances of Indian Railways?
- Manoj Kumar Dubey:** So, you are giving a very good advice and solution to Indian Railways. So, it is for them to take a look. Right now, what model you mentioned is in the place. But what you proposed, I can only say that it is something for the Indian Railway to look at it. If proposal comes from their side of any kind of this, yes, it doesn't harm us in any way by increasing the tenure if they wish to, but right now, there's nothing such on platter.
- Naman Kumar:** Okay. And is there a way like possible for IRFC management to push like to put in place like this proposal to Indian Railways or most of the proposals come from their side only?
- Manoj Kumar Dubey:** That is something between CPSE and the government. It is not the domain where we should talk about. So there is a system in place. And as and when either side needs to talk about something in writing, they talk. But this is not meant to be discussed with the investors.
- Naman Kumar:** Okay. Got it. And one last question is with respect to like the new financing, which will be mostly on term loan model. So will the interest rate be fixed for long term or will it be a floating kind of a situation, which will keep on changing based on underlying rate?
- BD HEAD:** Till date whatever we have sanctioned, it is on the floating basis. As of now, in the ecosystem, nobody wants a fixed rate kind of a scenario and we have to operate as per the market condition. And if someone wants on a fixed rate basis, we are open to it and we can discuss and we can structure the deal as per the requirement of the prospective borrower.
- Naman Kumar:** Okay. And the floating rate underlying is like weighted average cost of IRFC internal funding or like external benchmark? Is it internal benchmark or external benchmark?
- BD HEAD:** We are using various benchmarks. We are using AAA benchmark. We are using repo rates as well. It is based on how the prospective borrower want the deal. And my lending rate would be

decided based on the credential of the project, based on the tenure of the project, what is the risk appetite of the borrower and what would be the interest rate scenario going forward and based on these parameters, we decide what benchmark we should use and how to structure the deal.

**Naman Kumar:**

Okay, got it. That's all from my side. Thank you very much.

**Moderator:**

Thank you. Next question comes from the line of Ritika Behera with Bandhan AMC. Please go ahead.

**Ritika Behera:**

Sorry, my questions would be a little repetitive, but if you could just reiterate your guidance on sanction and also on disbursement and AUM for this year and next year, if you've given for next year as well?

**Manoj Kumar Dubey:**

You want for next year also?

**Ritika Behera:**

Sir, if you've shared in the call, then yes, I missed something in the call?

**Manoj Kumar Dubey:**

That is quite wishful. I'm happy that you are covering us and you are having the interest. So I can only say the guidance that next year also, your interest will be intact as we are on the rising path. So whatever we have given the guidance for this year, that will surely remain a benchmark for next year also.

**Ritika Behera:**

That's very helpful, sir. But if you could just share the guidance again, which you've given already for this year? I actually missed the numbers?

**Manoj Kumar Dubey:**

Okay. This year we gave a guidance in the last quarter itself. When we began with this FY, we have targeted around INR30,000 crores for disbursement and around INR60,000 crores for sanction of the assets.

**Ritika Behera:**

And as I see in your presentation, you've given that total sanction already till date is INR23,000 crores. So you are expecting that another further some INR40,000 crores to come during the year. Is that the right way?

**Manoj Kumar Dubey:**

Yes. It may go up also. I mean it is a ballpark figure. So it is never like you stop at INR60,000, you don't go more than that. So it is a kind of ballpark. When we started in the FY, as you know, this was a first of its kind for this company. We never ventured outside Indian Railways. So with the kind of inquiries and enthusiasm that we found to our customers looking at our products, which are very cost effective and time effective also.

So we thought that this is the kind of good numbers that we should come out. And to give a flavor again, the last two concalls, I always give this comparison, INR30,000 crores that we wish to disburse, it should be akin to nearly INR75,000 crores to INR90,000 crores loan that we would have done to the Indian Railways for the fact that only 35 bps was coming from there.

So here the margin is more. So INR30,000 crores, if we are able to disburse, it will be akin to something of the highest that we used to do for Indian Railways in terms of the margin. So that is what we are targeting this year. So and as you mentioned numbers yourself, I think INR23,000

crores we have already done and we are right in the first part of the Q2. So I think we are well on the target. And we believe that by the end of the FY, we should meet it very comfortably.

**Ritika Behera:**

Sure, sir. Sir, if I could just extend this. So obviously, these are these being large projects, obviously, the disbursement takes time. And as I see that you've done INR3,200 crores disbursement this quarter, sorry, of the sanctioned of 23. So just two questions here.

How much of the INR60,000 so you roughly feel that 50% of the sanctions would be disbursed this year and that's how the INR30,000 crores number. Any color that you can give on the balance INR27,000 crores to be yet to be disbursed? What is like you have given?

**Manoj Kumar Dubey:**

I think you joined late. So, I have to repeat again.

**Ritika Behera:**

No, that's okay, sir. I'll maybe listen in the recording, not a problem.

**Manoj Kumar Dubey:**

So, the kind of project that we've sanctioned, quite a few of them are refinancing, okay? So, as you know, refinancing is done in one go. So, all these refinancing projects are already sanctioned, and they are already lined up with Q2 out of the INR23,000 crores. So we expect that more than INR10,000 crores will be disbursed in Q2. So, making it even for H1.

So, by the time we end up Q2, we believe that nearly 50%, maybe 40%, maybe even 50%, maybe a little more than that disbursement should take place. So we will not be very hard pressed going in H2. This is the crux of the answer that you wanted to know. So, all these numbers which were on, you see on the sanctioning of the project side, we are quite ahead in one quarter.

On the disbursement side, we are lagging behind. So, by the end of Q2, you'll find that we'll be, even in both, we'll be having nearly 50% of the disbursement done. And of course, nearly 50% or more of the loan sanctioned. So this is how the things are panning out. I hope I clarified and it is good to hear to you.

**Ritika Behera:**

Yes, sir, certainly. And lastly, you said that INR5 lakh crores for FY '26 is the number you gave me.

**Manoj Kumar Dubey:**

Somewhere I said in, FY '27.

**Ritika Behera:**

Somewhere around that.

**Manoj Kumar Dubey:**

FY '26 already we are on. I said that next FY, that is FY '27. I can't predict. I wish I could have predicted. But I believe that the way we are garnering the business, I believe that one of my young officers from my BD team gave me a presentation showing some rosy pictures. I'm not telling you the numbers. But yes, out of the rosy pictures, I believe that the way we are going ahead, sometime in FY '27, we should cross INR5 lakh mark of our asset under management for this company.

**Moderator:**

Next question comes from the line of Vikas Kasturi with Focus Capital. Please go ahead.

**Vikas Kasturi:**

Good morning, sir.

**Manoj Kumar Dubey:**

Good morning.

**Vikas Kasturi:**

Sir, you mentioned during this call, you mentioned 2x or 3x about ensuring zero NPA. and you also mentioned about that the company needs to tick a few boxes. So, if you could just provide some color on this, sir, how do you ensure, especially when you're lending to a private entity, and you have a 30-40 year track record of having zero NPAs. And now you are venturing into lending to outside Indian Railways.

So, what are some of these boxes that you look for to ensure that you have zero NPAs even going forward? And I have a related question to this, sir. If NPAs do arise, because that's the normal thing that happens whenever you do lending, would that affect your AAA rating?

**Manoj Kumar Dubey:**

So, fine that you raised this question. So first to answer your question, right now, let it be very clear, we have not funded anything private, nor we are looking right now to fund anything private. This is the first remark. Second remark, our mandate has extended to whole of government approach. So, the definition of whole of government approach in India is, of course, any entity of central government, CPSE, where majority of share is held by Government of India, and of course, the state government.

So, these are our prime customers now. Within the government system, we believe that there is negligible chances of any of the government entities getting bust and getting NPAs. This is the first flavor, the first box that we need to tick. Amongst the government assets also, we are doing our due diligence because today the government assets are also getting rated.

So, today the rating agencies of the country are very robust, and more than one rating agencies are there who are rating all the assets and they are quite convincing also. So, within the government also, we are looking for A-rated assets. This is another box we are ticking.

The third thing is, if we are going to fund assets like metro railways and all, where the fare Box model is not seemingly sufficient to take care of the loan responsibilities. We will have a clear-cut comfort from state government and the central government who are the promoters. Without that, we won't go ahead. So, these are the boxes we are ticking, which we're talking about of ring-fencing ourselves to ensure that going forward, we do not get into any kind of NPA whatsoever.

Now the last thing, how the private players will come into the picture? Yes, private players can also come into the picture if they are entering into a joint venture or a kind of long-term PPA agreement or any kind of concession agreement with the government.

For example, I'll give you a flavor of railways. Railways has got a joint venture model where they create SPV. In that SPV, minimum 26% of equity comes from one of the CPSEs of the railways and 74% theoretically can come from a private entity also. However mostly they are all state governments and other CPSEs.

Now this entity is not a CPSE entity. It's a SPV. But the modality is that the land is owned by Indian Railways and concession agreement goes for 25 to 35 years. End of the concession

agreement, the whole project, which is tangible will come back to the railways. Now think of a scenario that something happens in between, say, 10 years, 15 years.

Now this property is on the land of Indian Railways, so everything will come to Indian Railways. So, I still have the comfort that I'm dealing with my promoter itself and it's a tangible asset. So that risk is heavily minimized. So, we are looking in these terms only.

So far as CPSE is concerned, we have funded to NTPC, they are AAA-rated assets. We are funding to renewables where the ratings are always AAA or AAA stable. So, the answer to your question is within the government parlance also, we are doing our cherry picking. Why we are doing cherry picking? We are doing cherry picking because we are not into the high risk, high margin business. We are not looking for 2.5% and 3% or 300 bps margin.

We know that our margins will be at the max touching 120 to 150 bps. And that also is a very wishful thinking if I'm getting 100 bps or 50 bps in this kind of scenario if the asset quality is extremely good. Because we were working in a field where we were getting 40 bps, 50 bps or 100 bps with surety of the business that it is zero NPA kind of asset, it is extremely gratifying and satisfying to us and to my investors also. So, I hope I've given you the clarity on how we wish to be zero NPA in coming future also by funding to entities in the government, having a whole of government approach other than IR.

**Vikas Kasturi:**

Okay. Got it, sir. And a related question, sir, in one of the first conference calls that IRFC had, the then MD had said that there is a backstop arrangement with railways that in case any day IRFC is unable to service its debt, it would be done by the Indian Railways. So now that you are lending to all these other entities, would that arrangement still continue?

**Manoj Kumar Dubey:**

I mean for the railway funding that we have done to IR, yes, that arrangement, whatever you mentioned is there. Whatever I'm funding other than IR, we are doing on the strength of our balance sheet. We have got a very robust network with us. So, we know how to do the business on these lines. And that is why we are not going berserk in the attracting business. If you do that, maybe I'll be able to garner more than INR1 lakh crores in 1 quarter, the kind of queries we are getting.

But as you know, we are going very safely and in a very steady manner. As I clarified you that we are not looking right now for anything private, even having a very good rating because my platter is full with what queries I'm getting from the government entities. And that is our mainstay, and we wish to remain to that mainstay for next 2- 3 years. Later on, we'll see how things are panning out.

**Moderator:**

Next question comes from the line of Pranav Gupta with Aionios Alpha Investment Managers.

**Pranav Gupta:**

Hello.

**Manoj Kumar Dubey:**

Yes.

**Pranav Gupta:**

Yes, good morning, sir and thanks for the opportunity. Most of my questions have been answered. Just a couple of clarifications. When we look at the new entities that we're lending to



that are either forward or backward linked with the railways, and obviously, we have the comfort of the multiple comfort that you mentioned earlier.

But is there any specific guarantee that is being provided by these entities or by the state governments? Or is it just based on an understanding that eventually, obviously, the projects will go to the railways and the railways will sort of service the debts?

**BD HEAD:**

See basically, it depends upon what type of asset I'm funding and to whom I'm funding. And what is the tenure and what is the structure of that deal. In some of the cases, where we have a concern regarding the future cash flows, so we generally ask for ring-fencing of those risks. But wherever we feel that the external rating is very quite good and they have a robust financial model in place and their cash flows are quite predictable, in those scenarios we may exempt. We don't ask for the government guarantees. Hope I'm clarified.

**Pranav Gupta:**

Understood. Just a follow-up on that. So, if you think of, say, a metro project that we are funding, in those cases where cash flows might vary versus that are done at the initial part of the project, in those cases, I would assume that you would have a ring-fencing on the cash flows of that project eventually when it gets commissioned.

**Manoj Kumar Dubey:**

I think for metro, we discussed at length, and I clarified very clearly that metro is not a model where fair box model will be enough to cater to the disbursement I mean, servicing the loans. So of course, when we are going to fund the metro, in the past also, whatever bilateral loan to metro has come, it has come through DEA, Department of Economic Affairs and there is clear guarantee from state and central government.

So, if at all we are going to fund anything, which we are already in process of discussion, we are going to follow the same model. In case of metro railways, 100% guarantee has to come from the promoters who are central government and the state government in a similar manner as they are guaranteeing it to the bilaterals and multilaterals.

**Pranav Gupta:**

Understood, sir.

**Manoj Kumar Dubey:**

Once that is done, we are safe and we are happy to fund. Yes, in a lighter note what I'm very clearly telling everyone that with the metro railway, I'm not here to make very huge margin. That is not done. So, metro railway is something is the nation service. And with my robust balance sheet, with my low overhead cost, if I'm making 30-35 bps out of that, it's very good, and we are very happy doing that. Because we have got some other mix in the bag where we are earning more also.

**Pranav Gupta:**

Understood, sir. That's very clear, very clear. Sir, the second clarification was around the other bit of book where the spreads are slightly higher than what we do in the railway or metro sort of financing. Is it fair to assume that those loans also come with, say, probably a 70, 80, 100 basis point spread at best?

**Manoj Kumar Dubey:**

Repeat the question again?

- Pranav Gupta:** So obviously, in the cases of projects that are sort of guaranteed by the government, where we are happy to make a much lower spread, for the other parts of the book where the spread is slightly higher, is it fair to assume that the spread sort of cap out at 90, 100 basis points?
- BD HEAD:** Right, right. You are right. Wherever we have a deal like CMD sir has apprised you, like in case of a metro, where all the risk got ring-fenced and we have a cost-plus kind of a model. So, we are happy to have a 40 bps kind of a margin. Wherever we have all the risk on my book, so I need to have more margin to cover those risks.
- And in that scenario, I would be charging margin more as we are getting in the past. But as of now, our main focus on the quality of the asset. Our main trust that we should fund the quality asset. And my margin to cover all those risks would be in the range of 80 to 100 bps as CMD sir has briefed you.
- Pranav Gupta:** No, absolutely, sir. And, sir, the last question for all the external borrowings, are the risks on forex fully hedged? Or is it partially hedged?
- Manoj Kumar Dubey:** So that's a business model that we have multiple models going by the tenure of the loans. So, we have hedging model also. At times, where it's a longer tenure, then we try to wait for a few years to get better yield. So that's a model being followed in this company. And as you know, borrowing side of this company is very strong that we have been doing for a number of years for Indian Railways. So, we are good at it. So, it's a mix. To answer to your question is, it's a mix.
- Pranav Gupta:** Absolutely, borrowing side is absolutely strong and totally get that. If you could give out any number as to how much of those borrowings will be hedged and how much would be unhedged that will be great, sir.
- Manoj Kumar Dubey:** Numbers, we won't like to share with you right now. but yes, as and when ballpark, I can tell you that anything which is within 5 years we tend to hedge it.
- Pranav Gupta:** Sorry, just to clarify, the shorter tenures are hedged and the longer tenures are not hedged?
- Manoj Kumar Dubey:** Any tenure which has come up within 5 years' time, we tend to hedge it. So, for now we'll be taking last question. We have already this time, you have stretched it, and I'm happy that a lot of queries are coming, but still that 1-hour time we should follow. So, the last question would come.
- Moderator:** The last question comes from the line of Tanuj with DSP.
- Tanuj Kyal:** Hi, sir. Just on the sanctions, the 230 billion sanctions this year, sir, what are the yields you expect in these business like the ones with NTPC? Yes, if you could share that?
- BD HEAD:** It would be in the range of 70 bps to 150 bps, what we are charging from various customers. But we can't tell you customer-wise, but this would be the band.
- Tanuj Kyal:** Sorry, 70 bps spread you mean, like 7% cost of fund and spreads above the...

**BD Head:** That is based on the quality of the asset, tenure of the loan, the credit rating. So, on case-to-case basis, we decide the spread and our spread would be in the range of 70 to 150 bps on a case-to-case basis. But customer-wise, we can't share with you.

**Tanuj Kyal:** Understood. Understood. Sir, and your employee count, how has that changed? Like will that increase materially over time because you're getting into newer segments sort of so.

**Manoj Kumar Dubey:** Both, we are expanding. In terms of percentage, we have grown 50%, but the base was so small that 50% has added only nearly 20 more employees. We are getting excellent talents from government as well as from other CPSEs right now. And again, there is cherry-picking in talents also.

So, as people are attracted to this company for business, similarly talents are also getting attracted to this company. So as CMD, I'm very happy that I'm able to garner the best of the talents available in government as well as in CPSE parlays. We are now around 60, and we look forward to be 100 or 110 in next 5 years' time.

And having said that, we still want to be the best of the talent in small numbers using the other facilities around right from the consultancy, advisory, AI, whatever you tell it. And since we are into B2B business, unnecessarily, we don't want to add the manpower numbers. So, we are going to stick to a good office, very technically sound office very soon by the end of this FY.

So, we want to invest more in the machines and the analytics than unnecessarily manpower. So, to answer to your question is the manpower will grow, but grow in a very considered manner. At the end of the day, we will ensure that my overhead cost is not getting higher than 0.15% in 2, 3 years. That's the answer.

**Moderator:** Ladies and gentlemen, due to time constraints, we have reached the end of question-and-answer session. I would now like to hand the conference over to the management for closing comments.

**Manoj Kumar Dubey:** So, thank you, DAM Capital. So, 2 quarters back, I started with you. We could hardly take the questions for 30 minutes. So, I'm happy that queries are more. This is my third quarter, and we could do it 1 hour and still see people are there to ask questions. That speaks volumes about the interest that we have generated into IRFC.

DAM Capital is a partner to the journey. I'm thankful to you that you are doing it on our behalf. We ensure to our investors, in fact, retailers are in a big number, that this management under the guidance of Minister of Railways and Ministry of Finance, are totally committed to deliver what is required for the investors.

We are on the growing trajectory. We are not very rash. We are driving very carefully. We have got our accelerator and brake in place. We'll tick all the boxes. We'll drive very carefully, but the speed will always go on and on in terms of our top line and bottom line.

Our country is having a very exciting time. Honourable Prime Minister has set 2047 as a target for Viksit Bharat. This is the real Amrit Kaal for the country. The next 20 years are the golden

time and everything will grow. And in the growth spectrum, IRFC is all geared to play a very important role.

And of course, since we are in business, we want to grow in a very positive manner, catering to the need of the nation, being a company national service and also growing our finances in a better manner. So, I wish that all my shareholders stay with us and be partners into this growth and the national service also. Thank you.

**Moderator:**

Thank you. On behalf of DAM Capital Advisors, that concludes this conference. Thank you for joining us. You may now disconnect your lines.