

“Indian Railway Finance Corporation Limited Q3 FY  
'26 Earnings  
Conference Call”

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

**MODERATOR:** **MR. MANISH AGARWALLA – PHILLIPCAPITAL (INDIA)  
PRIVATE LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Indian Railway Finance Corporation Limited Q3 FY '26 Earnings Conference Call hosted by PhillipCapital (India) Private Limited.

As a reminder, all participants' lines will remain 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 the operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

I will now hand the conference over to Manish Agarwalla from PhillipCapital (India) Private Limited for opening remarks. Thank you, and over to you, Manish.

**Manish Agarwalla:** Good morning, ladies and gentlemen, and welcome to Q3 FY '26 Earnings Call of IRFC Limited.

We have with us Mr. Manoj Kumar Dubey – Chairman and MD & CEO; Mr. Randhir Sahay, Director (Finance) and CFO.

Now I request Mr. Dubey to take us through highlights of Q3 performance and outlook going forward. Post which we will open the floor for Q&A. Over to you, Mr. Dubey.

**Manoj Kumar Dubey:** Very good morning, Mr. Manish. And good morning to all participants. Very good morning from the team of IRFC. I am accompanied with my Director (Finance) as well as my Principal HOD and HOD is here.

We are very happy to talk to you today, post our Q3 Results yesterday. Numbers must be already with you. As we started this FY three quarters back, it was a new era for IRFC being entering into a diversification mode from single client system that we had for nearly 38 years to multi-client mode in the railway ecosystem. It was a little uncharted territory. We had given ourselves a tall guidance of sanctioning assets up to INR 60,000 crores for the whole year, as well as without having any pipelines, disbursement targets of INR 30,000 crores.

We really worked hard as a team for the first half. And based on those hard work and testing ourselves into the market through open bid procedures, Quarter 3 has really been something where we got the fruits of our hard work. When we ended on 31st of December, the numbers that came out have already surpassed our guidance given for sanction of assets. Our disbursement picked up in Quarter 3 and we have almost done three-fourths of what we set for ourselves for INR 30,000 crores.

As we envisaged in the beginning that whatever assets we will be getting, the margins would be quite better than what we used to get from Indian Railways in the line of 2x to 3x. Precisely the same is happening despite having very steep competitions with lowering of repo rates from the banks also. But our inherent strength of having low overhead cost as well as our positioning in

the borrowing market being zero NPA company, garnering cheaper rates are helping us in passing out these benefits to our customers.

The highlights of Q3 were raising our ECB loan for the first time after a break of nearly 3 years. That was a very, very attractive rate. Perhaps best in the market that anybody got in yen currency. We also tested zero coupon bonds and perhaps we are the only company in the country who successfully did it in the calendar year 2025. We got a good rate also.

Overall, the company is well positioned now with very healthy pipeline going forward, living to the expectations and the guidance that we have given that our PAT should grow every quarter. Our NIM should also grow every quarter. Our asset under management should also grow every quarter. These are the three indicators of efficiency and the yield which we are focusing on.

Going forward, the revenue of the company also will be looking up from next FY onward as the agreement will be signed within the railways. And the new assets that we are sanctioning, disbursement will speed up and all these will be adding to our top line also.

So, overall, here we are after the end of the three quarters on a very solid ground of our IRFC 2.0 version where we are remaining as the sole financing of arm of Indian Railways, but also, we are catering to the whole railway ecosystem at a very attractive rate. Thank you very much.

**Moderator:** Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. We take the first question from the line of Mohit Jain from Tara Capital Partners. Please go ahead.

**Mohit Jain:** Sir, just wanted to have your explanation for the amount which is appearing in provision and written off as a line item there. It has increased significantly in the current quarter. What is the reason behind it? Because I guess we still don't have any NPA in our books.

**Manoj Kumar Dubey:** You must be aware about the RBI guidelines. From 1st October onward, whatever assets that we are entering into agreement, there has to be mandatorily some provisioning to be done. So, it is those provisions which are just simply a provision. It is not NPA. So, this is for everybody now.

**Mohit Jain:** I am saying, so these are standard asset provisions, basically.

**Randhir Sahay:** Yes. It is a Standard Asset Provisioning.

**Manoj Kumar Dubey:** Absolutely. Otherwise, you can add this INR 50 crore into our profit, and you can safely say that our profit is INR 1,850 and nearly 13%, not 10%, year-to-year.

**Mohit Jain:** Yes, got it. And sir, as regards to AUM, I got the view that this is going to increase on a quarter-on-quarter basis. Any sort of a number or any sort of a growth rate that we can look forward for, let's say, for FY '27 right now?

**Manoj Kumar Dubey:**

When we started the year, we were really under hard pressed conditions because for the last nearly three years there was no disbursement to the railways, which used to be our single client. Now, you see how quantum jump is taking place in AUM. So, in one quarter itself, we jumped from INR 4.6 lakh crore to INR 4.75 lakh crore.

There are two things. One, our base is very big. So, we are not a small NBFC as Assets Under Management (AUM) is already INR 4.75 lakh crore. There are not many of the NBFCs which are running this balance sheet size. So, yes, what I said that we will be growing positively for the fact that whatever reimbursements will be coming from the railways for the old loans that we have given, we will surely be disbursing more than that.

Now, there are two good things about us. We are not looking for any small ticket kind of business. So, we are strictly into B2B, and our efforts are that we should look for the clients which are having potential of raising around INR 10,000 to INR 15,000 crore from us, and one ticket is not less than INR 5,000 crore. This is the kind of B2B system we are looking forward to.

So, if, say, three or four more assets we garner in the Q4, so you can put the numbers. I mean, disbursement norm typically for a greenfield project, it takes three to four years you disburse everything. So, numbers we won't be putting, but I can tell you one ballpark figure that this company will be hovering AUM around INR 5 lakh crore, which is not a small thing and more & more assets with bigger margins will be added up.

This morning at CNBC and other TVs also I spoke about next 5-year plan, 2030 plan that we have made. In this 2030 plan, we are looking forward to a mix of 60-40, 60 coming from the Indian Railways and 40% of the mix coming from the railway ecosystem, where the margins are nearly 3x of what we get from the railways.

So, better you put a number on our NIM. Better you put a number on our PAT. AUM, I can only tell you that it is going to grow, and it should be somewhere INR 5 lakh plus going ahead. This is what we envision here in the company.

**Mohit Jain:**

And sir, sorry, on the timelines for the INR 5 lakh crores, is it like a 2030 target or in the near future only?

**Manoj Kumar Dubey:**

We have set forth is a 5-year target where we are looking forward to 20 new entities for us, for whom we are doing cherry-picking and appraisal. These 20 entities, we intend to fund around INR 15,000 crore each. So, INR 3 lakh crore, we wish to add through 15 entities only in the next 5 years. So, here we are having AUM at INR 4.75 lakh crore. INR 3 lakh crore we want to add in next 5-year time. Through these 20 clients, it comes out to be nearly INR 8 lakh crore. So, there will be some reimbursement from the railways also. So, that is why I am not putting a specific number. What I answered to you is that we believe that going forward, AUM of this company will be INR 5 lakh crore plus.

**Mohit Jain:** And sir, just one clarification on the 40%, the non-railway ecosystem that we are looking forward to. Are we facing any kind of competition because the other players, the PSU players in the space, basically, they are having a slower growth rate right now, and they are trying to become more competitive? So, are we facing any competition out there, sir, in that 40% piece?

**Manoj Kumar Dubey:** Mohit, we are here for competition. In fact, we are inducing competition. We are strictly not in favor of any across-the-table discussions. We are a government company. In fact, anybody who is coming to us for across-the-table lending also, we are advising them to come out with an open RFP

And yes, the answer to the question is there is a very healthy competition for us for the fact that we are looking only for pristine, best kind of assets. So, the moment you look for those kinds of assets which are A rated, AAA rated, obviously there is competition, but it suits us. It suits us on two counts. One, it endorses our view for zero NPA kind of asset. Two, we were working all the way for 40 bps margin. So, we are getting 100 bps margin, 120 bps margin despite the competitions. So, our NIM is going ahead.

So, the answer to the question on competition is, we are inducing competition in the market, and we are very happy doing it. We are getting good competition with banks also. NBFCs are by and large not very competitive with us because of the fact that our overhead cost is low and our cost of borrowing is also cheaper. But few kind of assets at times banks are really competitive with us, and we are very happy competing with both the kind of entities.

**Moderator:** Thank You, We take the next question from the line of Amit Agicha from H.G. Hawa & Company. Please go ahead.

**Amit Agicha:** Thank you for the opportunity and congratulations on the good set of numbers. Sir, what is the expected execution timeline for INR 17,000 crore exposure where IRFC has emerged as L1? And how much of this can realistically flow into FY '27 AUM?

**Manoj Kumar Dubey:** It is pretty much online. And agreements will be signed very quickly. There is no issue in that. All due diligence is in place. Legal things are being done. And as I mentioned in the first question, that generally for a greenfield project, normally two to three years, we disburse everything in the agreement.

**Amit Agicha:** Sir, is there a long-term dividend payout policy that investors can anchor to, especially given the company's stable cash flow and nil credit costs?

**Manoj Kumar Dubey:** Please say it again.

**Amit Agicha:** Is there a long-term payout policy?

- Manoj Kumar Dubey:** Dividend policy is already in place. So, if you look at our dividends in the last five years we have been very steady in giving our dividends. This year, interim dividend was quite higher than what we paid last FY, and rest be assured if the PAT is growing, so dividends should also grow. This is my understanding, but the final call is taken by the board.
- Amit Agicha:** Sir, the last question from my side, how does management internally benchmark the company's valuation as a sovereign entity and infrastructure NBFC or a utility-like annuity business?
- Manoj Kumar Dubey:** So, let us hear from our BD head.
- ED (BD) :** Currently, we are focusing on the good quality asset, and we are following the whole of the Government of India approach. And in the near future, we are envisaging that we would be funding only to the government entities and the entities which have a strong linkage with the government. Going forward, we will intend to fund only those infra projects which have a backward and forward linkage by following the whole of the Government of India approach.
- Amit Agicha:** Thank you for the detailed responses, sir. All the best for the future.
- Manoj Kumar Dubey:** Thanks, Amit.
- Moderator:** We take the next question from the line of Deep Vakil from Bandhan AMC. Please go ahead.
- Deep Vakil:** Sir, I have been tracking IRFC since a couple of quarters on con call. So, what I understand is that our cost of funds is the lowest in the industry, which is approximately sub 5%. And earlier, we used to make margin of 40 bps on railway projects, which is now 100 bps points on, I mean, in the diversification plan 2.0 apart from railways.
- Earlier, there was no need of credit underwriting or something on those lines because it was, I mean, Indian Railways is sovereign, so there was no risk of default. But considering now we are moving into 60:40 trajectory with around 20-odd new exposures being added of around INR 15,000 crores each in next five years, so I heard that you mentioned all those entities will be linked to GOI backward or forward.
- But do we have some benchmark that it will be all AAA rated? I think you gave loan to NTPC. So, still risk of NPA remains nil in this IRFC 2.0 approach as well because the competition is pretty healthy, as you mentioned. But the only benefit what we have is the lowest cost of funds. So, can you just throw some light why we have that benefit and what is the cost of funds as of, I mean, the recent weighted average cost of borrowing?
- Manoj Kumar Dubey:** So, you understand the fact that you mentioned in the beginning that whatever low overhead cost that we had earlier, it was all being passed on to Indian Railways as a single client. Now that we are giving loans to the entities who are having many linkages with the railways, of course, this 70 to 80 bps points benefit that we had with lower cost of overhead, that is being

now divided between the customer as well as ourselves. So, nearly, I believe, 40 to 50 bps is coming out of that low overhead cost to our kitty as profit.

Perhaps you wanted to know about our risk factor that going ahead with 40% of loans. So, you see, we funded one for DFC, Dedicated Freight Rail Corridor. We funded for NTPC. All our assets are all in public domain. You can see their ratings. Rating, as you mentioned, we are obviously going for all A rated assets. We are cherry-picking even the GENCOs. We are not going for any GENCOs and TRANSCOs who are not rated A generally in the system. So, our cherry-picking in all the ecosystem that we are doing, it is up for to be seen by the investors or the potential investors.

We believe that those government entities which are having very strong balance sheets, strong cash flows, and the kind of new venture that they are going in, there is absolutely negligible chance of NPA, As per the RBI guidelines, even for entity like DFCCIL, where the payments will be coming directly from GOI to us, still provisioning norms are there for capital adequacy as well as for the assets.

But our capital adequacy or CRAR today also is nearly 160% against the norm of required number of nearly 25%. So, we have a lot of legroom still to go for these kind of assets, As you said, provisioning has to be done, and it is being done by everybody in the line of RBI guidelines. So, those provisions are just a provision. They are not any actual cash hit on the balance sheet.

So, yes, we are entering into the ecosystem other than railways, but our appraisal team is very, very particular about the fact that what kind of assets we are cherry-picking. And that will remain our mainstay. And we believe that by having this kind of scenario within the whole of government approach, we will be able to maintain our pristine zero NPA system going ahead also.

**Deep Vakil:**

And what is the cost of funds, weighted average cost of funds, as on date?

**Manoj Kumar Dubey:**

Cost of fund is approx 7%. So, we can't give you the numbers, but if you look at our numbers, we raised our deep discount zero coupon bond at 6.80% for 10-year bullet payment. We raised 5-year bond sometime 6 months back at 6.5%. We raised our ECB loans in the Japanese yen at a very, very attractive rate. And even if we add a 5-year hedging cost on that, it is coming somewhere around 6.2% to 6.3%. So, if you add all together with the repo rate coming down, our RTL also is quite attractive nowadays. So, it keeps varying every year depending upon the mix and the kind of rates that is being offered in the market.

But overall, as you rightly mentioned and you are tracking us, that we are nearly 20 to 30 bps cheaper than anybody in the ecosystem as our peers. And overall cost is always remaining less than 7%. This is what now at times it may be quite attractive even to 6.5%-6.6% level. If you ask me the target, we are looking forward to a borrowing mix which is cheaper than the G-Sec rate. This is what at IRFC we are aiming for. I hope I answered your question.

- Deep Vakil:** Yes, sir, last question broadly. It's all floating rate-linked, right? External benchmark or MCLR ? I mean, eventually...
- Manoj Kumar Dubey:** Not necessarily. We have got all kind of mix. bond is a fixed rate. So, if you are buying any 5-year, 10-year bond or 15-year bond, rates are fixed. Banks, of course, it is linked to either T-Bill or repo rate, whatever you have. In ECB market, it is linked to the currency fluctuation mainly. And of course, the hedging cost if you are going to hedge.
- Deep Vakil:** But still, after adding 100 to 120 bps to this, still, our rates are still competitive as compared to competition rate, which is primarily banks.
- Manoj Kumar Dubey:** So, that is why we are winning the bids. But we are losing few also. It is not that we are winning everything we are bidding. That is the best part. And one of the good things that we take out of participating into RFP, whatever asset we have participated, participations were as large as 7 to even 15 participants from the financial sector. That is a reinforcement of the fact that we are entering into the area where 10 to 15 companies are doing their due diligence, and they are finding the assets as pristine. So, whether we win the bid or we lose the bid, we are clear about one thing, that the jury is out on that asset, that it is a good quality asset. And that is something which is very, very important for IRFC.
- Deep Vakil:** Sir, one last thing. As you mentioned that 40% asset will be majorly A-rated, so I just want to understand, is it only A, AA, or AAA-rated, or we have some benchmark that we will cater majorly to AAA?
- Manoj Kumar Dubey:** Let us not go into those details. The overall thing, as an investor, you can know that we are going for A rated. Rest, board has its own powers. They look at every asset in a different manner. And finally, everything is sanctioned by the board. And board of IRFC is very, very particular about ensuring that the asset quality should be very good.
- Moderator:** We take the next question from the line of Vikas from Focus Capital. Please go ahead.
- Vikas:** Hearty congratulations to you on this fantastic performance last quarter. Sir, just one question in your answer to the previous participant, you said we don't win all the bids. Some of the bids, we don't win. So, what is the reason for us to not win, given that we would be among the lowest-priced competitors?
- Randhir Sahay:** It is a competitive bid. Every company gives their bid, and we also gave our bid, which is the best suited to us. So, in the market, you do not know which company will give what rate. So, it is just a healthy competition, nothing else.
- Manoj Kumar Dubey:** So, to add to my Director (Finance), banks today with deep cutting repo rates for a few of the assets where they don't have exposures, at times, one of the banks gets very aggressive in quoting. So, that's fair enough. So, that is why we are very open to talk about it, that it is not

that every bid, despite having this strength of low overhead cost and low cost of earning, it is not that every bid we are winning. And that is very good about it. . There are more than 10 banks that are participating. So, one of the banks at one time, they become very aggressive for one of the assets, and they are winning it. But yes, our strike rate is more than 60% in whatever bids we have participated.

**Vikas:** And one request, sir. If you could just earlier, we used to have, share the investor presentation. If you could just share the same thing and also give us a sense of how your liability mix is and some of the questions that the earlier participants also asked, like cost of borrowing, some of the, what do you say, your liability mix and so on. It would be very helpful, sir.

**Manoj Kumar Dubey:** Noted.

**Moderator:** We take the next question from the line of Gaurav Bansal from PVC Consultancy. Please go ahead.

**Gaurav Bansal:** My question is that there has been a dip in NIM and a substantial increase in the lease income. Any particular reason for that?

**Manoj Kumar Dubey:** Did you find dip in NIM vis-à-vis last quarter or general corresponding year to year?

**Gaurav Bansal:** Yes, quarter-to-quarter, .

**Manoj Kumar Dubey:** No This disbursement of a larger amount took place right at the fag-end of Q3. But if you compare with last year, NIM of Q3, that was 1.4, and we have landed at 1.51. So, just here and there in a quarter-to-quarter, you may not have the right comparison. But going forward, last year in total FY, we clocked around 1.4, but this year we will be clocking more than 1.5. So, that dip is mainly because of the fact that disbursement took place only in the fag-end of Q3.

**Gaurav Bansal:** I get it. And how about the quantum jump in the lease income? Quarter-to-quarter again.

**Manoj Kumar Dubey:** Quantum jump in lease income?

**Gaurav Bansal:** Yes. So, there is a jump here in the lease income.

**Manoj Kumar Dubey:** Let us hear from our accounts head. He will be talking about it.

**SGM (IV):** Yes. Basically, the lease income operates based on the lease agreement what we entered with the Ministry of Railways. So, in last year, we didn't execute any lease agreement with the Ministry of Railways. So, it got deferred. So, in the current year, we are going to execute the lease agreement what was due last year as well as in the current year. So, the impact of those lease income will accrue in the future periods. That is why there is a minor dip in the lease income in the current period as compared to the previous period.

- Gaurav Bansal:** And is there any plans for any buyback? I mean, looking at the share price dipping, and is the company planning to buy back to shore up the prices?
- Manoj Kumar Dubey:** We are the Government company. We don't decide for buyback or selling of the shares. It is the domain of Department of Ministry of Finance, DIPAM. So, they are the real owners sitting on 86% of shares. If they take a call, they will be telling the market about that.
- Gaurav Bansal:** I get it.
- Moderator:** Thank you. As there are no further questions, I will now hand the conference over to the management for their closing comments.
- Manoj Kumar Dubey:** Thank you, Manish. We had a good results in Quarter 3, and we believe that going forward also, the stellar show in terms of the numbers will continue. And we are sitting in a pretty good condition now, having a good pipeline with us. Yield also is looking up. So, going forward, the diversification plans that we have launched in the beginning of the FY, now is the time to consolidate on that. And going forward, we believe that all the kind of guidances that we have given, we will continue to achieve those things. Thank you.
- Moderator:** Thank you. On behalf of PhillipCapital (India) Private Limited, that concludes this conference call. Thank you for joining us, and you may now disconnect your line.