



इंडियन रेलवे फाईनेन्स कॉरपोरेशन लिमिटेड

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

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INDIAN RAILWAY FINANCE CORPORATION LTD.

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

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No: IRFC/SE/2022-23/15

30th May, 2022

National Stock Exchange of India Limited Listing department, Exchange Plaza, Bandra- Kurla Complex, Bandra (E) Mumbai- 400 051	BSE Limited Listing Dept / Dept of Corporate Services, PJ Towers, Dalal Street, Mumbai -400 001
Scrip Symbol: IRFC	Scrip Code: 543257

Sub: Transcript of the Earnings Conference Call

Sir/ Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015, as amended from time to time, please find attached transcript of earnings call held with analysts and investors, to discuss the Financial Results of the Company for Q4/FY22 and Year Ended 31st March, 2022.

This is submitted for your information and record.

Thanking You,

For Indian Railway Finance Corporation Limited

(Vijay Babulal Shirode)

Company Secretary & Compliance Officer

Encl: As Above





**“Indian Railway Finance Corporation Limited
Q4FY22 and Year Ended 31st March, 2022
Results Earnings Call”**

May 24, 2022



**MANAGEMENT: MR. AMITABH BANERJEE – CHAIRMAN & MANAGING
DIRECTOR - INDIAN RAILWAY FINANCE
CORPORATION LIMITED
MS. SHELLY VERMA – DIRECTOR FINANCE, INDIAN
RAILWAY FINANCE CORPORATION LIMITED**

**MODERATOR: MR. PRITESH BUMB – DAM CAPITAL ADVISORS
LIMITED**

Moderator: Ladies and gentlemen, Good day and welcome to the Indian Railway Finance Corporation Limited Q4 and FY22 Earnings Conference Call hosted by DAM Capital Advisors Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Pritesh Bumb. Thank you, and over to you, Mr. Pritesh Bumb.

Pritesh Bumb: Good afternoon, everyone. We, on behalf of DAM Capital, would like to welcome the management of Indian Railway Finance Corporation. Today we have with us Mr. Amitabh Banerjee – Chairman and Managing Director, along with Director Finance and other members of the management team.

We will have opening remarks from Chairman and Managing Director and then move on to the Q&A. Thank you and over to you sir.

Amitabh Banerjee: Good afternoon all my dear friends. So, we have come to the end of another year, 2021-2022 and we have got a robust financial performance this year too. I just go through the presentation that has been already circulated to you, hopefully everybody has got it. So, going through the first slide:

IRFC plays a very strategic role in the growth of Indian Railways. This has been the story since 1986 when we were formed as a Special Purpose Vehicle of Indian Railways to be the sole borrowing arm to fund this CAPEX capital expenditure requirements of Indian Railways. This is a dedicated market borrowing arm and the AUM, the Asset Under Management has grown very rapidly at a rate of 15.32% year-on-year and as on date, it stands at Rs. 4.15 lakh crores that is for like Rs. 4,15,238 crore approximately. It is a business which is characterized by low-risk and it is a cost-plus business model. All the costs incidental to lending and borrowing are all pass through to Ministry of Railways, including the cost of hedging and it is a low-risk business model for obvious reasons because no cost is being borne by us, although the margin is not that substantial that we charge on the cost element.

We have got a strategic relationship with the Ministry of Railways and that enables us to have a low-risk profile and also a very high-credit rating from both the domestic and the international credit rating agencies. We enter into a cost-plus standard lease agreement every year with Ministry of Railways and there is a consistent spread on that we charge over the weighted average cost of borrowing on both the rolling stock assets as well as the project assets.

The long-term ratings from ICRA, CRISIL and CARE are all AAA that has been the trend all through its journey and we are rated at par with the sovereign as far as the overseas credit rating agencies like Moody's, Standard & Poor's, Fitch and Japanese Credit Rating Agency are concerned.

There is a diversified funding source that we have, which covers various maturities and currencies of loans and we also keep the cost of borrowing very-very low. That is the basic mandate of IRFC, you must all remember that the basic mandate of IRFC is to afford the least cost funding, Ministry of Railways with a view to making the underlying projects and the underlying assets viable in the long run.

IRFC borrows on a long-term basis to align with the long-term tenure of the assets financed. So, we have ALM as our major focus. Asset Liability Management is the major focus of IRFC this being an NBFC.

The net worth of the company has grown to about Rs. 41,000 crore. In fact, the revenue from operations has grown by about 29% year-on-year to end of this financial year and the profit has grown at 38% year-on-year in FY22. We are characterized by low overheads and administrative costs and they have very high operational efficiency probably we are one of the least cost companies in the world. Only 0.13% of our total revenue is the establishment cost of this company and the return ratios are also pretty healthy as return on net worth at about 15%, return on assets at about 1.5% which compares well with the industry average.

As on date, we are not paying any tax, not because we are exempt from any tax but because of the existence of unabsorbed depreciation balance which helps me in keeping the taxable income at zero.

Now, if you go to the next slide, it shows the coverage of Indian Railway Network per million population, which is relatively low. As on at the end of FY2017, it was about 50 kilometer per million population as against 600 in Russia or about more than 460 in USA. So, there is a lot of scope for CAPEX expansion of Indian Railways.

IRFC has been funding at a really consistent level to Ministry of Railways. It went up from 36% in FY 2018, that has been moving up to about 48.2%. in FY 20. It went up to a peak level of 67.3% in FY2021.

The next slide shows the breakup of the AUM, about 50% of the total AUM is accounted for by the project assets, 48% by the rolling stock assets that means the lease receivables from rolling stock is 48% and the lease receivables on account of the project assets is about 50%. It is almost half and the rest of it is to the other SPVs that we have given money to that is the loans to that is RVNL and IRCON which accounts for only 2%.

Last year the disbursements were to the order of worth Rs. 60,000 crores. We have been charging a uniform spread of about 40 bps on the weighted average cost as far as the rolling stock assets are concerned and 35 bps will be project assets. 35 bps over the weighted average cost while arriving at the lease charges for project asset.



Next slide, as I have already mentioned shows the rating of IRFC, which is AAA at the domestic level and the sovereign rating at the international level. If you look at the borrowing mix as on March 31st, 2022, term loan accounts for 33% of my total portfolio, bonds are maximum at about 44% of the total portfolio, which includes the 54EC capital gain exemption bonds also, National Savings Fund which is about Rs. 17,500 crore that accounts for about 4% of our total borrowing portfolio and external commercial borrowing is at 17% of our total borrowing portfolio.

If you look at the other financial parameters, the net interest income and the PAT (profit after tax) as I have already mentioned, is about Rs. 6090 crores this year and the as I have already told you operating expenses are 0.13%. Return on Equity and Return on Assets, I have already mentioned earlier, the capital adequacy ratio is now at 440% as against 20% to end of last year and the net gearing ratio, the leveraging ratio as is now stands at 9.47.

Now, the net interest margin is about 1.6%. Return on Equity, as I have mentioned already, hovering around 15% and the earnings per share today stands at 4.66.

Now, the revenue from operations is at Rs. 20,300 crores to end of March 31, 2022, and other recent developments that has come about and in the journey of IRFC is that we have been ranked 96th in the Fortune 500 Indian Companies. This 96th rank has been obtained on the basis of 2021 results. So, we are awaiting the rank based on 2021-22 results also in a short while and we assure that we must have moved a few notches higher.

This year we have raised the green loan. This is the first of its kind. We have raised the green loan of USD1.1 billion USD in Yen terms from Syndicate Banks and we have also issued USD500 million green bond again which has been exclusively listed in the GIFT City stock exchanges both India and Singapore Exchange Securities Trading Limited (SGX).

This year we have also finalized the lease agreement for funding of railway project, both EBRIF, that is Extra Budgetary Resources Infrastructure Financing as well as the national projects. So, the railway projects EBRIF intent to have lease agreement for the loans that were given in the year 2015-2016 and National Projects loans which are given in '18-19. So, previous to this, we were entering into lease agreements only for rolling stock. From this year onwards, we have entered into a lease agreement for the project assets also with Indian Railways.

I think that brings us to the end of the presentation, you can look at the Financial, P&L statement and the Balance sheet. You will get to know that we have now become a 4.5 lakh crore balance sheet Company and this is all thanks for your support.

Now I am open to any questions.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Harsh Shah from L&T Mutual Funds. Please go ahead.

Harsh Shah: Congratulations for a very strong Financial Year 2022. Performance has been really strong, but I had few questions pertaining to this particular quarter. Sir ideally, our Q4 is comparatively the strongest quarter in terms of disbursements, but that has not been the case this time. So, has there been any spill overs?

Amitabh Banerjee: No, actually, what has happened is that last year, this 2021 was a one-off year it was a COVID year, the entire economy was for the major part of the year was under lockdown. So, there was a lot of fiscal constraints and therefore, the course of Indian Railways to IRFC funding was paid that much more as compared to other years. So, that was a one-off year. That is why the Q4 figures in last year was quite high, but if you see the financials of Q4 that has not been majorly impacted by the disbursements because the total turnover in Q4 has increased year-on-year by 33%, right and the expenditure has risen by 49%. So, that accounts for a lower growth in PAT that is your area of concern probably because it has only increased by 0.7%.

Harsh Shah: Sir PAT is not the concern. If you like for example, I was going through the Slide #4 of the presentation. If you look at FY20, total disbursement was around 71,000 crores FY21 was 1 lakh crores.

Amitabh Banerjee: Yes.

Harsh Shah: This year we have closed at less than 60,000 crores. So, even on a quarter-on-quarter basis compared in Q4 versus Q3 this sound somewhere around 5%.

Amitabh Banerjee: Yes. So, as I mentioned in my opening statement, that this year, I mean, this year, the GST collections were much better, the revenue position, the fiscal position of government was much better and therefore the GBS portion, the Government Budgetary Support, which funds major part of the CAPEX requirement of Indian Railway that was higher and that was comparatively much higher as compared to but as compared to FY2021. As a result of which the disbursements in Q4 proportionately was low as compared to Q4 of the last year that is all. That is the only reason why it was not because of any kind of a systemic change or any kind of different policy of the government nothing of the sort. It is only because of the better fiscal position of Government of India because everybody would like to have a lower loan portfolio for obvious reasons. I mean, if you can afford to fund your CAPEX requirements from out of your own revenues, why should we go to the market to raise loans and unnecessarily increase your fiscal deficit. So, that is the only thing.

Harsh Shah: So, sir of the total government CAPEX that was during FY 21 and FY 22 how has been our market share shift on a YoY basis for the full year.

Amitabh Banerjee: We funded about 67% of the total CAPEX of Indian Railways in 2021, right. It was about Rs. 14,357 crores out of Rs. 1,55,000 crores of CAPEX. Now, here in 2021-2022, the total CAPEX of Indian Railways was around one Rs. 1,90,000 crores. Out of which we funded up Rs. 5000 crores near about 32%.

Harsh Shah: Okay. So, as you rightly said the share has gone down, but again there is a possibility that it can again go up this year or how do you enforce this?

Amitabh Banerjee: Again I mean these things are very volatile and especially, I mean, you never know that the only thing that I will be able to tell you is that the expansion growth of Indian Railways as far as the infra expansion of Indian Railways is concerned that is on an even keel and that has been growing organically over the years and as per the National Rail Plan, which is a part of the NIP there is a, I have told this already, but that this could be a repetition, I again tell you that there is a huge CAPEX plan of Indian Railways, which is in the offering up to 2030 and even up to 2050. Right. So, there will be a CAPEX plan of about North of 10 lakh crore to end of 2030 starting from 2020 and IRFC would definitely be contributing at least 1/3rd of the total as it has been doing over the years. From 1986 to end of 2022, we have been funding about 33% to 34% of the total CAPEX requirements of Indian Railways that has been the proportion of the funding that we have been doing on average. So, this is the least that we can that we will contribute and depending on the requirements of the government, we can contribute more also. So, this year also it can go up because the initial mandate you see the initial mandate of last year was Rs. 65,200 crores. Finally, it ended up Rs. 60,000 crores that is a different matter, but, this year, the initial mandate has also been increased to Rs. 66,500 crore. In 2021 Yes, in 2021 the initial mandate was Rs. 50,000 crores, but it ended up somewhere at Rs. 1,04,000 crores. So, I mean, it all depends, you know how the how it pans out in course of the year. But one important point that I would like to mention here is that the growth of infrastructure, Indian Railways, that would go unabated, as per the national plan and that would be absolutely, that pace would not be disturbed, or that this could not be impacted. It is only a matter of how much of the total proportion would be funded through the government revenues and how much would be would the government required by way of a loan from IRFC.

Harsh Shah: Understood sir. Sir my second question is regarding, again, Q4 financials only Sir on a quarter-on-quarter basis, and in fact, also on a Y-on-Y basis, our cost of funds and incremental name has shot up significantly, and which has led to a dent in our net interest margin. So, what is the reason for that?

Amitabh Banerjee: I don't think that is borne out by the facts. Our cost of funds as a matter of fact, despite the fact that the 10-year usage yield has gone up in this financial year 2122 as compared to 2021 by 66 basis points from 6.18 to 6.84. Our weighted average cost of borrowing has gone down by about 9 bps from 6.51% in 2021 to 6.42%. So, we have actually decreased our average cost of

Harsh Shah: Sir I was asking from quarter-on-quarter so the exercise that I am doing is.

Amitabh Banerjee: Quarter-on-quarter as I told you quarter-on-quarter, if you see the turnover has grown by 33%. Expenditure has grown by 49%, this is only accounted for by the CSR expenditure that has been booked in Q4 that is the only reason not because of cost of funds.

Harsh Shah: 49% interest expenditure increase is even if you exclude the CSR?

- Amitabh Banerjee:** It is not interest expenditure.
- Harsh Shah:** Yes sir I am talking about pure interest expenditure. Your income has increased by 33%, your interest expenditure only excluding all the other expenditure employee, CSR, etc., is 49%.
- Amitabh Banerjee:** Okay. It is not like that. Sunil if you can answer that?
- Sunil:** Because this year, quarter-to-quarter my revenue increased by around Rs. 1475 crores and in same proportion my expenditure has also gone up and in expenditure side, our CSR expenditure has gone up and establishment expenditure has gone up by Rs. 50 crores that is why our quarterly profit are at the same level. In Q3 our profit at 1500 level and in Q4 also we have the profit at the same level.
- Amitabh Banerjee:** Yes, thank you.
- Harsh Shah:** I take this question offline but very helpful.
- Amitabh Banerjee:** Yes you can always connect offline for any kind of clarification.
- Moderator:** Next question is from the line of Rucha Amdekar from IDFC Mutual Fund. Please go ahead.
- Rucha Amdekar:** Yes, I have two questions. So, first one is, can you please guide on your incremental borrowing mix for the next couple of quarters? You can answer this then I will ask you the next question.
- Amitabh Banerjee:** Incremental borrowing mix, the point is we go to the market while raising money. I will tell you the whole procedure. Okay, the government gives us a mandate, the Ministry of Railways gives us a mandate for the entire year right and then in the meanwhile, we go ahead and try to get into various kinds of contracts with the banks and financial institutions for various tranches of loans. We do the drawdown of those loans or we go to the market for issuance of bonds, when we receive the indents from the Railways from time to time, so that we don't, we are not required to retain this amount bank otherwise, there will be a negative carry. So, what we do is, it is absolutely back-to-back kind of borrowing and lending. So, at that point of time, when we require the money to be given to Indian Railways, we gauge the market and we try to find out, which is the cheapest source of financing at that point of time with it, whether a repeat term loan would be a cheaper source or whether we should get the money through issuance of domestic bonds, or we should be going for any other instrument, it all depends on, or we should go for some short term loans to keep the cost low, but again, short term loans generally abridging arrangement. You cannot take a short-term loan for financing the requirements of Indian Railways, that is just a big deal the time gap between the receipt of these rentals from the Ministry of Railways and the requirement from Ministry of Railways. So, it all depends at that particular point of time, which is the cheapest source and accordingly we do that, so we do not pre-plan anything as far as the how much to be taken through bonds and how much to be taken through loans.

Rucha Amdekar: Okay, so let us put it this way. So, in the last call, you might have given the guidance that the borrowings from banks were in favorable terms as compared to bonds, the like directional guidance you have given. So, similar guidance you would like to share right now?

Amitabh Banerjee: No, I will give you a simple instance, right now, I don't have the figures of the source wise borrowing that I've taken it, but if you see this year for instance, since the bond yields have gone up quite a bit, as you are aware in this financial year so we have taken recourse to more of structured loans from the banks which we got a very economical rate and we did not take recourse of bonds to that extent to which we had gone in 2021. So, that depends on the market scenario. So, therefore, I think this year we have just gone for about Rs. 20,000 crores only one-third we have taken by way of bonds. So, that really it all depends. So, last year, we had taken more of rupee term loans, because we got a very competitive rate of interest. I mean, it all depends how the market pans out this financial year. Of course, it will be quite challenging with the repo rate having gone up and there is an expectation of further increasing in repo rate into June. So, we are all waiting that how the market behaves and the bond yields have also gone up pretty considerably. The international markets have also gone up because of the Fed Rate having been increased and further guidance on increasing Fed Rates for going ahead in this calendar year. So, the market is going to be quite challenging for us and we will have to take a very informed call and extremely cautious call because we have to keep the cost of our borrowing to the minimum from the available sources of funding and our basic aim is to actually diversify our borrowing portfolio. We are now trying to open other agencies also. We are in talks to various multilateral agencies whom we are not transacted with so far, like the BRICS Bank, the New Development Bank, as well as ABB. We are also in talks with World Bank for giving us a guarantee for green loans. So, they have already offered us a guarantee of US1 billion for raising green loans from international markets, which will help us in reducing not only reducing the cost of borrowing because they will have a greater gamut of lenders, but also the tenure of those loans can also be increased, that would go a long way towards balancing my ALM in position and so on and so forth. So, we it's a very dynamic call that we take from time to time.

Rucha Amdekar: Okay, understood. Sir my second question, actually, it is a clarification I wanted. So, I happen to notice that in the latest budget document in the expenditure profile section, this Rs. 66,500 crores which is mandate for FY23, it is shown under the internal resources column for IRFC unlike the other PSU like HUDCO or you compare with IOCL there the bifurcation is given as internal resources and whatever are the market borrowings are shown under the heads of whatever their respective source of borrowing. So, can you please explain what does this imply why is it like this for IRFC?

Amitabh Banerjee: This is something which is in the arena of the Ministry, actually we do not have a locus standi in that kind of thing because you can connect offline to our people and then we can get straight clarification from Ministry that why is it categorized sources unlike other PSUs that can be this question can be addressed offline.

- Moderator:** Thank you. Next question is from the line of Shabbir Kayyumi from Systematix group. Please go ahead.
- Shabbir Kayyumi:** About the margin sprayed IRFC has kept this margin spread consistent from last four years. So, is there a possibility of incremental by some bps in rolling stocks and project assets going forward as the borrowings from the Ministry of Railways is incrementing?
- Amitabh Banerjee:** We have placed our request with Ministry of Railways for increasing the margin. They are considering that request. So, it is up to the Ministry of Railways to actually the one thing that you must remember is that this will increase in margin of course, when we are offering increase in margin, but keeping in view the present state of the fiscals it will be a tough call from the Ministry of Railways but bigger as it may we have already placed our request for infusion margin from the present level and it is under consideration of the Ministry. As and when we get any information we will keep you updated.
- Shabbir Kayyumi:** Understanding the National Railway Plan of 2030 as they are playing infrastructural growth, so possibility of giving more spread margins to IRFC?
- Amitabh Banerjee:** Yes.
- Moderator:** Thank you. Next question is from the line of Priyank Chheda from Standard Chartered Securities. Please go ahead.
- Priyank Chheda:** Sir I just have one question on the dividend policy I have written that we are governed by DIPAM guidelines of 30% PAT or 5% net worth. So, just wanted to understand whether this is minimum dividend or there is no cap to the maximum or this is the maximum dividend?
- Amitabh Banerjee:** Yes, this is the minimum dividend that you should get that is a DIPAM guideline that it is either 30% of PAT or 5% of net worth whichever is higher. So, this is the minimum dividend. You can give any amount of dividends that you require I mean, as per the guideline.
- Priyank Chheda:** Yes. Thanks. Sir, we have declared Rs. 1.4 dividend for FY22, which is exact 30% of the FY22 EPS. This is in line with guidance with the minimum requirement, as you mentioned, so, Sir what stops us declaring more or higher dividends from here, given that we do not have any equity fund requirement going ahead?
- Amitabh Banerjee:** No, that's not true that we don't require any equity fund going ahead. You see, it's an NBFC. So, we have to work on it certain leverage ratio. Now, we have been working on a leverage ratio of 10 right from inception, and that is the industry average also. Generally, people limit their borrowings to 10x their net worth. Now, I am already at 9.47 to end of FY22. Now, if I want to take more loans since I am mandated to take to these loans from the market at a very substantial level, I have to ensure that my accretion to net worth, the net worth is augmented on a year-to-year basis at a rapid pace, otherwise, further infusion of equity would be required. So, we want

to avoid that particular option of augmenting my net worth through equity, so that my EPS does not suffer and that is why we try to keep a balance between the dividend payment and the accumulation of reserves and surplus. So, I must have good reserves in surplus also with me, especially because I am an NBFC and I have to raise loans based on the size of my net worth, I cannot go beyond a point. So, that is why we have to keep it balanced. Having said that, we are distributing dividend as per industry practice almost all the companies under the public sector they are paying 30% of PAT as the dividends and we are also following the same path.

Moderator: Next question is from the line of Santosh Keshri from Keshari & Co. Please go ahead.

Santosh Keshri: So, just one question I have looking at your balance sheet of March 31st, 2022, I can see the total equity funds of Rs. 41000 crores as of March 31st, 2022. Now, I understand that this also the assets representing this total equity has also been lent to the Ministry of Railways. So, can you tell me the yield on the equity funds. On Rs. 41,000 crores are we earning as much as 8% and if that is so, that can we say that on a steady state basis Rs. 3200 crore will be my profit every year, at least in yield on the equity.

Sunil Goel: Yield on equity is around 15% as our MD sir has already pointed out and we are hopeful will continue the pace in future years.

Amitabh Banerjee: 14.87% to be precise about 15%.

Santosh Keshri: Okay, so that means that only on equity, you should be earning something like Rs. 6000 crores every year.

Sunil Goel: We have equity of 41000 crores and we are earning profit after tax of Rs. 6090 crores for FY2022.

Santosh Keshri: Yes, so your expenses are minimum and on this equity, you are not paying any interest because this is your own fund.

Sunil Goel: Yes.

Santosh Keshri: This only bring up to something like Rs. 6000 crores profit because I am multiplying 15% of Rs. 41,000 crores and I am getting Rs. 6000 crores. That is a straight mathematics.

Sunil Goel: You are just multiplying the margin over the Rs. 41,000 crores, but that is not the case on my own funds. I am recovering the entire cost.

Amitabh Banerjee: We can take this offline and you can do this I will explain everything to you. I mean we will give the entire calculation.

Santosh Keshri: Sure, sir that will be very helpful. Thank you so much.

Moderator: Thank you. Next question is from the line of Pranit Rathi, individual investor. Please go ahead.

Pranit Rathi: Sir I have one question like you said starting this quarter or this year we are going to lend to some railway projects like right now 98% of our books is from Ministry of Railway. So, what other than the rolling effects? What other work we have started and what is our view and how big it can grow, or how it can add to our profitability in next coming quarters.

Amitabh Banerjee: You see we are basically funding the railways on two accounts. One is the funding of rolling stock, the rolling stock constitutes the train sets, the passenger train sets as well as the freight train sets, the locomotives, coaches and wagons and so on and so forth track machines and so on and so forth. This is what we call as the rolling stock technically. The other portion is the project assets. What we categorize under EBR(IF) in Government of India it is called Extra Budgetary Resources Infrastructure Financing. Now, this comprises of many elements, principle of them being say it gauge conversion from meter gauge to broad gauge. So, conversion of these tracks from meter gauge to broad gauge because those are a Uni-Gauge Policy which obtains on Indian Railways. So, we have to we have to have a uniform gauge throughout the country. So, that is one project, major project, then there is multi tracking. So, there is only a single line operating we have to double it. So, it's called doubling, where the two lines are there to augment the carrying capacity of Indian Railways, we can do it do triple tracking. So, either doubling or tripling or quadrupling of lines, it can be station development, station redevelopment, it can be up gradation of signal and telecom equipment, it can be IT development, Indian Railways, construction of service buildings and station buildings and so on and so forth there umpteen number of projects which we have, which comes under the project asset its portfolio. So, going ahead, this CAPEX expansion program for Indian Railways covers all these assets, besides augmentation of the rolling stock requirements. So, there is a huge scope for IRFC to fund these requirements to fund the CAPEX requirements of Indian Railways going forward as a part of the National Rail Plan 2030. So, this is the guidance for the next decade or so.

Pranit Rathi: Okay, thanks sir. In your last call as well, you said our net gearing ratio you said something about like we can go about 10 or.

Amitabh Banerjee: Now that still remains. Incidentally we are at 9.47 right now. We do not have the occasion to breach that 10 but we are absolutely okay with going beyond 10 with our capital adequacy ratio up to 440%. We are comfortably placed because most of the loans are sovereign. So, we do not face any kind of that kind of risk of our net gearing ratio going beyond it and I have maintained that earlier, I maintained that even now also if the occasion demands. If the requirements from Indian Railways goes past that level that we are forced to go beyond 10 because we do not want to infuse equity at this point of time. So, therefore, additional equity at this point of time unless the reserves and surplus is not adequate to raise my net worth level to that extent that I can borrow the requisite amount from the market then I am absolutely okay going beyond 10 as far as net gearing ratio is concerned I still maintain what I said like earlier as in when the occasion arises.

Pranit Rathi: Okay, sir my last question any idea by when like Government of India would be selling there or maybe OFS would come which would cause, right now sir as an individual investors we are thinking like maybe OFS will come and then the government will sell the stock at discount. So, that is that the reason like OFS people are thinking was that OFS would come and their share price would fall, so because our stock performance has not been going up to like the profits that we are doing.

Amitabh Banerjee: That call would be taken by the Government of India. That is for DIPAM to take a call. We do not take a call as that when you come would be with OFS or fresh issuance of shares. It all depends on how you what call the government takes on that we will not be able to give a prognosis so but as of now they we are okay with the equity portfolio that we have and we do not want to include as of now, but as and when the government comes up with the requisite instructions to go for the remaining 11%. We will definitely intimidate you.

Moderator: Thank you. Next question is from the line of Venil Shah, from PL India. Please go ahead.

Venil Shah: Thank you so much for the opportunity. A couple of questions have already been answered. I will just pose two more questions. The spread that we operate on, which is 0.4% for rolling stock and 0:35% for the project assets. Is there any scope for revision to this number for FY23 or do you envisage even for FY24, for that number to change and B my question is till when do we envisage the zero-tax status to continue for us? Those are my two questions. Thank you.

Amitabh Banerjee: Okay, as far as the first part is concerned, I have already given a detailed answer to that, we have already represented to Ministry of Railways and it is under active consideration of Ministry of Railways and number two the zero tax thing is going to go for quite some time because of the availability of the unabsorbed depreciation balance that we have and going forward with the acquisition of more assets the balance of this particular fund will increase and that would keep the taxable income by the zero level or below for quite a few years to come.

Moderator: Next question is from the line of Sri Ram Prasad, an individual investor. Please go ahead.

Sri Ram Prasad: Sir my question is lot to do with the share price performance? I mean, we are at a net worth of 40,000 crore with a market cap of 28, which is about 70% of book value, but we are still generating 50% ROE. We are at a net worth of Rs. 40,000 crore with ROE of 15%. But still the market price trades at a book value of about 70% or 75% of what the book value is. This to me seems like a very heavy undervaluation in the share. I know you are team is doing well on operating metrics and all, but I think everybody on this call has an interest in seeing the share price appreciate and I think the only way to do it is to increase dividends. For that the reason I keep hearing from you on multiple calls is that we have a gearing ratio limit of 10% because that is where NBFC trading do, but frankly no NBFC has a CRAR of 430%. So, that is the unique advantage that we have that risk weighted assets is so low. So, my question is why the fascination with respect to that gearing ratio, keeping it at 10% and not increasing the dividends and helping the share price and supporting the share price because I think the government is also interested

to increase the share price to offloaded stake, right and if you still believe that the 10-gearing limit is what we have to be at for some reason. Why is it that the company is not actively looking at securitization, so as another means of financing to actually incuse this price because on every call, we keep hearing this thing that dividend and we are always in that 10 limit.

Amitabh Banerjee:

All your points are extremely well and they are very relevant and very pertinent. Now I will give you one by one. As far as this dividend is concerned, as far as this share price is concerned, we are interacting with the investors on a regular basis. We are interacting, I am interacting with various fund managers and listening with major investors. I am interacting with other potential investors also who have not subscribed to our equity portfolio and on a weekly basis I am having calls with them and physically meeting them. I am traveling to Mumbai on a regular basis and meeting various investors and everybody has the same story to tell that there are certain issues with you, which has got nothing to do with dividend payout. Now, I have got a contrarian view that you should not be paying so much dividends and there should be more accretion to your reserves and balance, but if you look at the history of our share prices, if you look at the statement, you will see that even after declaration of dividend and even after interim or final, I have not seen a perceptible change in the share prices. So, saying that the share price would increase automatically with the raising of the dividend. I don't think that is borne out by the fact or that is borne out by historical data. So, that is a moot question, I mean, you can have an opinion, the opinion I respect, but there is a contrary view also that you should not be doing. But only point is that I am not paying dividends, which is below par or which is not in keeping with the market standard. So, this is not in keeping with the market tradition 30% of PAT is a pretty good dividend and most of the investors are already invested in our stocks, they have actually commended us for giving a good dividend yield even today it is about around about 6.7 or 6.8%, which is pretty good dividend yeild. Now, my point is that yes, we have got a huge equity base, which accounts for almost 30% of the total more than 30% of the total net worth. So, that is a bit on the heavier side. But of course, there was no alternative to that, we have to raise a lot of funds initially and with this kind of a margin prior to listing, obviously, the equity route was the only way in which we could raise money from the market. So, that we are able to have that the leveraging ratio up to 10. Now, yes, I mean, just to breach that 10 and in the bargain dole out dividends, more dividends, I think that would not be the right course of action that is what the Company feels. So, we are going as per the DIPAM guidelines and dividend payout ratio is pretty good. As well as we are also open to the idea of going beyond 10 as minimum ratio is concerned going forward. Now as far as your securitization issue is concerned, this is our priority area this year, and we are in the process of floating an RFP for securitization. Very shortly we will be coming up with an RFP and we will securitize considerable chunk of our receivable in near future, and we shall do it in tranches and this was suggestion given earlier also and we have taken a very different view on this and we will be going ahead with securitization in this financial year.

Sri Ram Prasad:

I just like to end with a clarification that I'm not saying that the dividend payout will necessarily increase the share price. But the fact that the dividend is high is a way of rewarding the shareholders who have not been rewarded with the share price. There is a difference as what I

am trying to bring out and maybe languishing at wherever it is because the dividend is not been enough. I mean, if the investors are happy with the dividend payout, the share price should be higher as my personal opinion, you might disagree, but I will leave it at that.

Amitabh Banerjee: I mean, we respect your views also. Thank you.

Moderator: Thank you. Next question comes from the line of Ashish Shah, from Business Match. Please go ahead.

Ashish Shah: I am slightly new to the company. So, please pardon my ignorance on the company and its understanding. I have one question on from your presentation on slide three, where we have shown our share funding to Ministry of Railway. Sir can you help me understand that in FY18, or 19, when the share was 36 and 39% where was the balance funding coming from? Was it government of India or where was the other share going to?

Amitabh Banerjee: Yes it was 36%. in FY18. Yes. Prior to that, it was still less. Yes. So, the balance was coming from GBS from government Budgetary Support that was coming from the government revenue.

Ashish Shah: Okay. So, so the other way to look at it, which would mean that whatever will be the debt borrowing of Ministry of Railways, we would remain the sole agency or the sole arrangers for debt for the Company for Ministry of Railways.

Amitabh Banerjee: Precisely.

Moderator: Thank you. Next question is from the line of Nilesh Doshi Prospero Investment. Please go ahead.

Nilesh Doshi: My question is related to incremental borrowing, disbursement, and AUM growth because I have gone through the quarter 4 results, there was a mention that incremental borrowing for the year FY22 was Rs. 63,908 crores whereas the disbursement is only Rs. 59,899 crores and AUM growth is only Rs. 55,159 crores, why the disbursement is lower than incremental borrowing and AUM growth is lower than the disbursement? Can you guide something on it?

Amitabh Banerjee: I would just like to mention here that the borrowing might be more than the disbursement primarily because we also borrow money to redeem our other loans for the purpose of refinancing of the costly loans, we sometimes refinance costly loans by substituting it by a low cost loan and other redemption requirements also so we have to redeem the bonds, we have to redeem the loans that fall for redemption in due course of time. So, that is why the amount that we raise would not tally with the amount that we disburse.

Nilesh Doshi: Sir is it incremental borrowing or only the borrowing because I consider the incremental means once you redeem that is not your borrowing and you are replacing the one low-cost borrowing by. So, therefore, I am asking the incremental means the net increase in the borrowing so that is

- Amitabh Banerjee:** I get the point. I mean, if you had the financing, then it is not incremental. That's well taken. But point is when it comes to incremental borrowing, that is 64000 will give reason
- Sunil Goel:** Basically, as our CMD explained we are following a leasing model and on half yearly basis, we are receiving the lease rental from MOR, this lease rental consists of two portions one is the revenue portion and another portion is towards the recovery of capital. This is basically treated as repayment of the loan. So, whatever lease rentals we received from MOR it contains a capital portion of it and that is deducted from the lease receivable. So, that is why my borrowing is for the disbursement and that going to add AUM and whatever capital portion we receive through the lease rental that get deducted from my AUM.
- Nilesh Doshi:** That is about the AUM. My question is are incremental borrowing is suppose our incremental borrowing is around Rs. 64000 crore and disbursement is Rs. 60,000 crore does it mean that we have capped the Rs. 4000 crore rupees which we could not lend it to the MOR or anything? I do not understand that discrepancy.
- Sunil Goel:** Okay. So, you have already understood the discrepancy between the increase in AUM and the disbursement that is well taken.
- Nilesh Doshi:** Yes that I understand.
- Amitabh Banerjee::** This 4000 extra is utilized for which purpose?
- P.K. Ojha:** Sir actually this was the utilized for the purpose of financing our bridge loan we have taken so that we have to we used to liquidate at the end of the year.
- Amitabh Banerjee:** Okay. So, that is what I was saying that we have to substitute high cost thing with low cost one or short term loans, we have to substitute to buy rupee term loan. Now, that short term loan would not be coming as part of our disbursements. So, that is why this extra that you are seeing Rs. 4000 odd crores that is to substitute these the short-term borrowings that we do off and on at the end of the year we try to replace it with the to the proper either up repeat term loan or bonds as the case may be. So, in this particular case, it was Rupee term loan that we had to retire the short-term loans to keep the short-term notes at the end of the year to be bare minimum.
- Nilesh Doshi:** Sir my next question is related to quarter 4 net interest income. See in quarter 4, our operating income has grown from on a quarter-on-quarter basis from Rs. 5095 crores Rs. 5931 crores at the same time our net interest income has fallen from Rs. 1604 crores to Rs. 1578 crores. Our operating income is growing by 18% and net interest income is falling, does it mean that we could not charge or because we are the fix margin business where we have a margin of 40 basis point or 35 basis points. So, our net interest income should grow whenever there is a growth in the operating income that is our understanding. Please explain.

- Sunil Goel:** Sir basically we are financing, two types of assets, the rolling stock asset and the project asset. So, for the project assets we have a moratorium of five year. During the moratorium period we recognize as a pre disbursement lease income. So, that is the pre-disbursement interest income. The reason of increasing the less increasing Q4 is mainly because as the CMD sir explained we have signed the lease agreement for IRFC 15-16 and the National Project at '18-19 on these assets earlier we are recognizing the pre lease interest income that portion now the agreement has been signed. Now these assets have been shifted to the leased assets and on these assets now we are recognizing the lease income not the interest income this is main reason of the difference in the variation in interest income.
- Nilesh Doshi:** Sir does it went earlier we were earning the 40-basis point net margin and now it is under the 30 basis and that is the difference.
- Sunil Goel:** We continue to earn 35 bps on these project assets. Now the head has been shifted. Now it has been shifted from the pre disbursement interest income to lease income. We are constantly increase in my lease income.
- Amitabh Banerjee:** You have got a good question. If you can just connect offline because the other investors are also there. We will give you full clarification on your issues. Your issue is well taken and we will give a quick clarification. Please connect offline.
- Moderator:** Sure. Ladies and gentleman, please stick to not more than two questions per participants. Our next question is from the line of Shrivallabh Kulkarni, an individual investor, please go ahead.
- Shrivallabh Kulkarni:** Sir you might be used of delivering good results, which I can see. Congratulation for the same. I have two questions. One is related to MOA, whichever you changed 2-3 months back. I can see you have again took like you can finance to any infrastructure project now on. Does that mean you are going to finance for roll projects or any of the infrastructure projects other than a project? If so, then have you got any traction in that segment? Because I can see some of the comments from Nitin Gadkari and all other that they would like to take a separate NBFC for those kinds of activities.
- Amitabh Banerjee:** See, we have we are in the process of widening the scope of activity of the IRFC. As of now, the mandate states by the object clause of the memorandum of association that we can link to any sector, it can be public sector, it can be private sector, which has a backward and forward linkage with Indian Railways. Now, we wanted to have differently we have placed this proposal for widening the object clause from this to any infra sector. Infra sector means any infrastructure sector in the country we can finance to and this has already been approved by our board of directors and it is presently under active consideration of Ministry of Railways and we have already given a presentation to the Ministry of Railways and they are actively considering it as, as and when there is attraction on this in this particular regard, we will definitely keep the investor community informed.

Shrivallabh Kulkarni: Okay and my second question on the like we discussed several times about dividend and all the stuff but I do feel IRFC is not like a dividend income company it is growth company, ideally we do not to have good dividend that much. I believe I will be like recommending something and I will be recommending buyback because if you see the if you are trying to give the money dividend and the dividend yield down the line in 10 years will be much higher than the interest whichever you are going to raise from the market. So, if I will be recommending something I would definitely recommend that go for buybacks, aggressive buyback for each and every quarter that will reduce the equity the number of shares which are floating into the market. because if you see, IRFC will definitely grow over 10 to 15 years, there is no doubt about it. You can also envision easily about that. So, rather than spending dividend income, why cannot do buybacks, as you can see, it is a very cheap price and if you see down the line in 10 years, whichever the level you are going to give, it might be the same price which current share price or more than that. So, ideally if you have taken same 10 years interest or the borrowing from the market, rather than investing that dividend income or giving dividends as a loan.

Amitabh Banerjee: We take note of your opinion, we value your opinion and we shall definitely take into consideration. So, yes, I mean, this is this is one of the ways that we have discussed with other people also, there have been varying ways in which I mean they have come up with lots of suggestions and we will keep this suggestion also in our mind when we take a call from this.

Moderator: Thank you as there are no further questions and due to time constraints, I would now like to hand the call over to Mr. Amitabh Banerjee for closing comments.

Amitabh Banerjee: Well, thank you dear investors, I mean, you have been extremely cooperative and through the year and we would definitely thank with all sincerity, the kind of support that you have given to the company and I would like to mention my special thanks to the Government of India with special reference to Ministry of Railways, DIPAM, Department of Public Enterprises and other major stakeholders who have helped us in our endeavor to make this company vibrant and to keep it as a niche company as a niche NBFC company in the public sector and I thank you all for having spare your time, valuable time to be in this Investor Call and look forward to a very robust performance of your company IRFC in future also. We value your suggestions. We will take note of all your suggestions that you have given in this in this Conference Call and we will definitely take cognizance of all the suggestions. Thank you very much and god bless you all. Thank you.

Moderator: On behalf of DAM Capital Advisors limited that concludes this conference. Thank you for joining us and you may now disconnect your lines