



इंडियन रेलवे फाइनेंस कॉरपोरेशन लिमिटेड

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

पंजीकृत कार्यालय : रूम नं. 1316 & 1349, तीसरी मंजिल, दि अशोक, डिप्लोमैटिक एन्क्लेव 50-बी, चाणक्यपुरी, नई दिल्ली-110021

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INDIAN RAILWAY FINANCE CORPORATION LTD.

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

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No: IRFC/SE/2023-24/18

2nd June 2023

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 herewith transcript of earnings call held with analysts and investors on Monday, 29th May 2023, to discuss the Audited Financial Results for Q4/FY23 & Year Ended 31st March 2023.

This is submitted for your information and record.

Thanking You,

For **Indian Railway Finance Corporation Limited**

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VIJAY BABULAL
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Date: 2023.06.02
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(Vijay Babulal Shirode)
Company Secretary & Compliance Officer



Enclosure: As above

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“Indian Railway Finance Corporation Limited
Q4 FY23 and Year Ended 31st March 2023
Results Earning Call”
May 29, 2023



MANAGEMENT: **MS. SHELLY VERMA – CHAIRMAN AND MANAGING DIRECTOR, (ADDL CHARGE)-CHIEF EXECUTIVE OFFICER AND DIRECTOR FINANCE – INDIAN RAILWAY FINANCE CORPORATION LIMITED**
MR. SUNIL KUMAR GOEL – GROUP GENERAL MANAGER, FINANCE AND CHIEF FINANCIAL OFFICER – INDIAN RAILWAY FINANCE CORPORATION LIMITED
MR. P.K. OJHA – GENERAL MANAGER, FINANCE – INDIAN RAILWAY FINANCE CORPORATION LIMITED

MODERATOR: **MS. ANIFA FERNANDES – DAM CAPITAL ADVISORS LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Indian Railway Finance Corporation Q4 FY '23 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 star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Anifa Fernandes from DAM Capital Advisors Limited. Thank you and over to you.

Anifa Fernandes: Thank you, Renju. Good afternoon, everyone. A very warm welcome to Indian Railway Finance Corporation Q4 FY '23 Results Conference Call hosted by DAM Capital Advisors. On the call today, we have Ms. Shelly Verma, CMD, Additional Charge CEO and Director Finance, Mr. Sunil Kumar Goel, GGM Finance and CFO, and Mr. P.K. Ojha, GM Finance to take us through the results and then we will open the floor for Q&A.

With that, I'll hand over the call to Ms. Shelly Verma for opening remarks. Thank you and over to you, ma'am.

Shelly Verma: Thanks, Anifa. Good evening, everyone. I welcome you all to this conference call and would also like to thank DAM Capital for organizing this call. We have declared our audited financial results for FY '23 on 25th May and have organized this call to share our performance during the year. We have already circulated our investor presentation. I'm sure you have received it by now.

As you're all aware, IRFC plays a strategic role in supporting the Indian Railways Infrastructure Development Plan. And is a sole market-guarding arm of Indian Railways to meet their entire extra budgetary resource requirements for capex funding, whether it is a rolling stock or various railway infrastructure projects. There has been a big government push for infrastructure development in the country and in line, railway capex is also increasing over the years. In fact, in the Union Budget for FY23-24, the railways got a very high budgetary allocation of INR 2.4 lakh crores, which is all-time high, as compared to INR 1.59 lakh crores during the previous year.

And focus areas of investments are construction of new railway lines, doubling, tripling of track, electrification, station redevelopment, freight corridors, introduction of new next-gen trains, and setting up of Gati-Shakti terminals, and all the investments which is required to meet the Indian Railway target to become net zero carbon emission network by 2030. And all this capex requirement of Indian Railway is funded by the budgetary support and extra budgetary resources, which include borrowing from IRFC.

From financial year FY21-22, budgetary support for Indian Railways has increased tremendously and correspondingly, EBRIF has been scaled back. And if you talk about IRFC, apart from funding Indian Railways, IRFC has a mandate (MoA) to finance projects which have a backward and forward linkage with railways. Accordingly, we are very actively looking at funding such projects in the entire railway ecosystem, apart from funding Indian Railways.

We are currently in the process of setting up various mechanisms, creating due diligence frameworks, and also in the process of tie-up with certain agencies for lending to such projects. And we are basically exploring business opportunity as far as charter-like projects like leasing of rolling stock to entities other than Indian Railways, funding of railway infrastructure being developed through various state JVs, upcoming dedicated freight corridors, multi-modal logistic paths, and renewable energy which is for the, required for the railway network.

In fact, in our last board meeting, we had given an in-principal approval for finance lease of rolling stock to NTPC under general purpose wagon investment scheme of the Ministry of Railways. Further, we are also in the advanced stage of discussion to finalize the terms of sanction for a connectivity project of Haryana Orbital Rail Corridor for which we had given in-principal sanction in the previous year.

Now, we are coming to the financial highlights for FY 23. Our asset under management stand at INR 4.67 lakh crores as on 31st March '23 as compared to INR 4.29 lakh crores as on 31st March 22, a growth rate of 8.63%. And if you see the breakup of this AUM, 98.73% pertains to Indian Railways and 1.27% is for loan to RVNL and IRCON. And if you see the further breakup of 98.73%, 38.8% is for rolling stock lease receivables, 13.42% for project lease receivables, and 46.44% is for advanced against railway infra projects for which lease agreements are yet to be signed.

The initial target of disbursement for FY23 was INR 66,500 crores. However, the actual disbursement in the year was less at INR 32,378 crores. And the last quarter the disbursement was about INR 14,663 crores, as compared to INR 17,537 crores in the last quarter of the previous financial year. And as you are aware, our entire financing to Indian Railways is through a finance lease model. It's a low risk cost-plus model as all the costs incidental to borrowing, including the hedging and the currency risk and interest rate risk are passed through and we are getting a very consistent margin over the years. This margin is added to our weighted average cost of funds raised during the year, which is used for working out the lease rentals.

Net worth of the company has grown to around INR 45,470 crores as of 31, March and our revenue has for the year has grown at a rate of 17.7% from INR 20,298 crores to INR 23,891 crores. And during FY 23, we have signed lease agreement for projects funded in FY 16- 17 and national projects funded in FY19-20 after the completion of the moratorium period. Further, we are in the process of execution of lease agreement for EBR-IF funded during the year FY17-18.

Our profit for the financial year 22-23 is INR 6,337 crores and has grown at around 4% as compared to previous year. This is due to our low disbursement as compared to the initial target and we have also done a one-time adjustment in our WACC in the last quarter, which has resulted in low growth in the profits and the revenue. Our total borrowing as on 31st March stands at INR 4.19 lakh crores and we raised funds from diverse sources like taxable bonds, domestic market, ECB, tax-free bonds, 54 EC, loans from banks and financial institutions.

Our board has recommended the final dividend of INR 0.70 per equity share for the financial year 22-23, which is subject to the approval of shareholders in the Annual General Meeting. This is in addition to the interim dividend, which we had declared at INR 0.80 paisa per equity share

on 10th November. So the total dividend that we have declared for the financial year 22-'23 is INR 1.50 per share on the face value of INR 10 each. So that is all with respect to the financials we have wanted to share.

Now we are open to the question-and-answer-session. Thank you.

Moderator: Thank you. We will now begin the question-and-answer-session. The first question comes on the line of Santosh Keshri from Keshri Wealth. Please go ahead.

Santosh Keshri: Hello. Thank you for taking my question. Congratulations, ma'am, on taking charge of CMD.

Shelly Verma: Thank you.

Santosh Keshri: So I had one question regarding the disbursement. We can see that the disbursement is going down from INR 103,000 crores to INR 60,000 crores now in this year, INR 32,000 crores. And on the contrary, the capital planning of the Indian railways as well as the projects are like, unlike any other year. They are doing all across. What is the reason that our disbursements are going down and we are not able to keep pace even with our past year's performance? That's my first question.

Shelly Verma: As I mentioned in my opening remarks, the budgetary support for Indian railways is going up year-after-year. And this year, for FY23-24, the cross budgetary support, GBS support is of the level of INR 2.4 lakh crores all-time high. In the previous year also, there is a very high support of about INR 1.59 lakh crores. So this is the reason for a lesser EBR as compared to although the capex is going up year-after-year, but at the same time, budgetary support is also increasing. So that's the reason for the lesser EBR and lesser borrowing from IRFC.

Santosh Keshri: So what is the plan for the next year, Madam? Are you getting any guidance that it will remain at the level at which it is in FY 23 or it's going to have some better growth?

Shelly Verma: See, as far as EBR is concerned, it will all depends upon what kind of a capex will be planned for the next year and what budgetary support they will get. So as far as our understanding, this is one of the years and EBR may continue in the next year, but at the same time, it's very difficult to comment at this stage because the final numbers will depend upon the capex plan for the next year and how much of budgetary support they receive from the government. But at the same time, we are very actively looking at projects which are within our mandate of backward and forward linkage. So we are trying to create and reduce our business concentration rate and try to create an alternative vertical of other projects.

Santosh Keshri: Yes, ma'am, so even in the earlier calls, it is to be said that we are not looking at only Indian railways as business and partners. We are also looking at, as you were saying just now, for backward and forward integration, and even private players interested in railway projects will be considered for financing. So where do we stand on that? And may I ask that what is the percentage that's given to the private players engaged in the railway projects of the total AUM that we have now, or maybe the total disbursement that we had in FY 22-23?

Shelly Verma: In FY 23, our disbursement is to the Indian railways only. See, we have been, for years, we have been funding only to Indian railways through the leasing model. Now, for lending to other commercial projects, other projects outside the Indian railways, we need to set up a lot of framework and we need to have some strategic tie-up. And we have to onboard certain agencies for doing the various approvals. And we have to create an entire lending framework. So we have done that. We had hired an independent agency to create a lending framework for us, which is approved by the board. So we are right now in the process of setting up all this infrastructure for funding.

So this alternate vertical will take some initial time for setting up and then we will go ahead with the final sanction and disbursement of the project. So at the moment, we have sanctioned, given in principle sanction to one Haryana Orbital project. And in this board meeting, as I mentioned, we have given in principle sanction to NTPC for leasing of rolling stock. But we are in advanced discussion with various agencies. We might do some consortium funding also. So this process will take some time to structure.

Santosh Keshri: Okay. Thank you so much, ma'am. Just one last question. So what could be the total amount that is sanctioned to this Haryana project and NTPC project?

Shelly Verma: Haryana has sanctioned INR 1500 crores and NTPC at the initial stage, we have sanctioned INR500 crores.

Santosh Keshri: Okay. Thank you so much, ma'am. Very useful.

Moderator: Thank you. Next question comes on the line of Kartik Gada from Multiple Wealth Management. Please go ahead.

Kartik Gada: Thank you for the opportunity. So a couple of questions. First, you mentioned something which impacted the profitability for the quarter. I couldn't understand it clearly. Can you please explain again?

Shelly Verma: See, actually, we calculate our lease rental based on our weighted average cost of capital plus the margin. For one of the years, the WACC calculation, there was some correction to be carried out. Because as you know that we have, from the last year only, we have started signing all these lease agreements, the methodologies and all that have been set up now. So there was certain correction to be carried out in the WACC, which is now approved by Ministry of Railways. So because of that, there was a one-time adjustment in the WACC and accordingly, the revenue.

Kartik Gada: Okay. So when I calculate the NIM with the numbers, it seems to be around 1.15%, 1.2% just for this quarter when I annualize it. So going forward to next quarter onwards, again, the NIM would be going back to 1.4%, 1.5% trajectory?

Shelly Verma: Yes, it will be around the same. There was certain, because of this adjustment and our low cost margin, but we are likely to maintain the same trajectory of NIM.

- Kartik Gada:** Okay. That was first. Second, as you mentioned about the budget, increasing budgetary support, so now considering that next year, there will be elections, so probably there won't be a budget initially, there will be just a presentation of the accounts. So what's the idea? I mean, next, when can we expect some clarity from the Ministry of Railways on increasing the budgetary support? Can it be done outside of the budget also or we will have to wait for the next full budget to be presented?
- Shelly Verma:** Are you talking about the current financial year 23-24?
- Kartik Gada:** Yes, 23-24 and even the next year because there will be elections in May 2024, so there won't be any budget presented initially.
- Shelly Verma:** See, 23-24, as I told you that generally whatever is the initial target during the year also the revisions keep happening. So maybe we will get more clarity in the second half of the financial year about the requirement from Indian Railways for the current year. But for the next year, I mean, it's too early to make any assessment about the projected capex and the budgetary support that will come from the government.
- Kartik Gada:** Sure, sure. So just one request from my end, as and when or whenever there is some clarity from the government side, as you mentioned during the second half or whenever, it would be of great help for investors if it can be published on the stock exchanges. That will be very useful.
- Shelly Verma:** Sure, if there is any further communication from Ministry, we will definitely keep our investors on board.
- Kartik Gada:** Right. And my last question is, along with the results, the board also, there was a resolution for borrowing programme of INR 50,000 crores. So can you help us to understand, our disbursement last year was INR 30,000 crores, INR 32,000 crores and now we are proposing for borrowing program of INR 50,000 crores. So what is the plan or this is, or is it just simply an enabling resolution?
- Shelly Verma:** This is in a way enabling resolution at the beginning of the year. But as I mentioned that we are very actively looking at projects within our charter. So based on our internal assessment of disbursement plus, our debt servicing requirements and we are also actively looking at refinancing of certain high-cost loans. So keeping all these things into consideration, we have kept this limit as INR 50,000 crores, which is a requirement under the Companies Act too, to the borrowing for the current.
- Kartik Gada:** Right. And lastly, so maybe very early days, but as we move away or move out of only lending to Ministry of Railways and when we move to private sector, so the model in the sense today our credit cost assumptions will be very minimal. The opex is already very minimal, but these will increase. So can you, would it be possible for you to guide us what can we expect, what kind of increases can we expect in terms of the assumptions and the numbers?
- Shelly Verma:** First of all, as you said, this is obviously the initial days, but we are very strategically going for the diversification. We are not in a hurry to disrupt the credit profile of our company as of now.

We are looking for projects, which in the sovereign space and initially with the project which are set up by the Ministry of Railways, state JV's and the government. And over the period when we have set up all the structures are in place, then we will go for the private sector. So I don't think the kind of projects we are looking at will be any impact on our cost of borrowing.

- Kartik Gada:** Okay. Thank you so much. Thank you so much.
- Moderator:** Thank you. Next question comes from the line of Satinder Singh from Eon Infotech Limited. Please go ahead.
- Satinder Singh:** Yes. Thanks for the opportunity and mam, congratulations and best wishes. What are the top two or three risks that you see to the business at this point in time?
- Shelly Verma:** Sorry, I didn't get your question.
- Satinder Singh:** What are the top two, three risks that you see related to business at this point in time?
- Shelly Verma:** See, if you see if you analyse the business, current business of IRFC, there is hardly any risk. – If you see our leasing model, all the risks are priced into general.
- Satinder Singh:** Yes, ma'am, my question was more from the concerns point of view. So I understand it's what the risk free business is okay. So I meant from the what are the concerns in terms of, let's say the growth of the business, okay?
- Shelly Verma:** In the growth of the business?
- Satinder Singh:** What are the key challenges that you see to business performing to potential?
- Shelly Verma:** The initial challenge is first to because we have been used to only funding the Indian Railways. So we are not as organization geared up for commercial lending. So we have to set up all the internal processes. We have to scale up our manpower. We have to set up all the procedures. That is the initial challenge we are facing. And we are meeting this, as I told you, we have already created our Credit policy. Maybe in the initial part, we have to take help of certain agencies, like we had already signed an MOU with IIFCL. So we are looking at more such collaborative arrangement, which help us, and that is the one challenge there.
- And then when we go for the project but initially, we want to do the projects in which are in the, like a JVs with the state sector or government companies. Gradually, once we have gained a sufficient experience in this line, then we'll move out to the private sector and other's. But it will all depend upon project to project. But initial part is definitely setting up all the arrangements and setting up all the structures, which we are in the middle of doing.
- Satinder Singh:** Okay, okay, fine. Then we have this 40 bps and 35 bps arrangement with the Ministry of Railways. These seem to be very tight and they virtually put a lid on the ROE. We have a 14% ROE at a time when the cost of funds is fairly high and it's not expected to go up anymore. Once the cost of funds starts coming down, okay, then this ROE might fall further. And the ROE of

14% for NBFC will never get a very high pricing from the market, because you're typically looking at a high being 17%, 18% and so on and so forth.

So is there any option to increase this by working with the MoR, because the ROE is 14% and looking down going forward, so any option to increase this? Are we talking to the MoR for this, any opportunity there?

Shelly Verma: See, MoR has been giving us a very consistent margin over the years. And I think that all the risks are priced in. We are passing on all the risks to them, whether it is currency rate, interest rate, all the like, - last year we have seen a huge interest rate hike. And that interest rate hike we have passed on to this. So we did request to them, but I feel that margin are more likely to remain consistently at this level.

Satinder Singh: Okay. Conversely, ma'am, any risk of this being reduced, because earlier I believe it used to be 50 bps, then got reduced to 35 and then got brought up to 40. Any risk of this going down?

Shelly Verma: No, no, that I don't think so. That was long back and for the last four years we have been getting the same margin. So I don't think there's any risk of margins going down. But at the same time, I think they will maintain at these levels.

Satinder Singh: Thanks. And ma'am what is the weighted average tenure of the assets that we have? So because most of our assets are long-term, and I think that should be one of our qualifications as in the internet, we got long-term assets. But they don't come up in the presentation. So what's the weighted average tenure of these assets?

Shelly Verma: It's about eight to nine years. We are generally raised for a very long period. So if you see the current, I think average tenure would be ranging from eight to nine years.

Satinder Singh: Okay, ma'am, what is the borrowing mandate for FY 23-24 that you received as of this moment from the MoR?

Shelly Verma: For the current year, see, till last year, we used to get a mandate in writing from Ministry of Railways. This year, we have not received any mandate. So it will all depend upon how the capex shapes up and what is the support they get from the government, so if there is any shortfall, they'll be taking from us, but they have not given any mandate in writing to us this year.

Satinder Singh: Okay, ma'am, and what's the average cost of borrowings that we had, ma'am, for the year ended at FY 23?

Shelly Verma: I think last year we had an average rate of 7.52%.

Satinder Singh: Sorry, ma'am?

Shelly Verma: 7.52%.

Satinder Singh: 7.52%, okay. Okay, ma'am, thank you. I have a couple of other questions. I'll come back in between. Thank you. Thank you.

- Moderator:** Thank you. Next question comes from the line of Vikas Kasturi from Focus Capital. Please go ahead.
- Vikas Kasturi:** Yes, hello. Am I audible?
- Shelly Verma:** Yes, Vikas.
- Vikas Kasturi:** Okay. Thank you, ma'am. So, ma'am, I have two questions. So my first question is, so what would be the funding that the railways would need for their National Railway Plan by 2030? Is there some figure like that because I couldn't find that.
- Shelly Verma:** Just a minute. Even I think we don't have the figure readily available. We'll share with you separately.
- Vikas Kasturi:** All right, ma'am. So second question is, I'm referring to slide 4 of the presentation. And in that it says that the AUM grew by about INR 37,000 crores between last year and this year. That is FY 22 and FY 23. But when I look at the disbursement number, which is below, that is only INR 32,000 crores. So what am I missing, ma'am? I mean, the AUM growth is INR 37,000 crores, but disbursement is only INR 32,000 crores.
- Shelly Verma:** Yes, I'll explain that. See, actually, AUM also covers the capitalization that we do for our disbursement for the projects, which are yet to be like, for example, lease agreement is yet to be signed. So that capitalized amount also gets added to my AUM. This is where you are finding a difference between disbursement and growth in AUM.
- Vikas Kasturi:** All right, okay. Thank you, ma'am. That's it.
- Moderator:** Thank you. Next question comes from the line of Bhuvnesh Garg from Investec Capital. Please go ahead.
- Bhuvnesh Garg:** Yes. Thank you for the opportunity. Just a question on your presentation. In slide 5 of your presentation, so you have mentioned that the spread for FY23 is yet to be finalized by next year. So our understanding is that that spread is finalized at the beginning of every year. I just want to understand that is there any change in methodology or procedure?
- Shelly Verma:** No, no, actually, every year it is like that. We finalize the spread at the end of the financial year along with the WACC, like cost of funds that we have raised during the year. So both WACC as well as other at the end of the financial year.
- Bhuvnesh Garg:** Okay. At the end of the financial year. Okay. And then how is the accounting done for that financial year if you are finalizing the spread at the end of the financial year? Then how is the income accounting for that financial year?
- Shelly Verma:** It is at the same level. It is assumed at the same level of the previous year that we have, accordingly we account for it

- Bhuvnesh Garg:** Okay, okay. So assuming it to be the same. Okay. Now, in case for some reason, the spread is increased or decreased for FY 23, then would there be any restatement of FY 23 financial?
- Management:** I think that will be covered under the change in the estimate, and it will be accordingly accounted in the next financial year. Whatever change will happen due to revision in the margin, that will be considered as a change because that is event after balance sheet date and accordingly it will be accounted in the next financial year.
- Bhuvnesh Garg:** Okay. Got it, got it, got it. And sir, about the disbursement, so you have mentioned that you haven't gotten any guidance from Ministry of Railways. So in the meantime, how are you going about it? Are there any internal targets, which you are working on for disbursement? What kind of disbursement for the year you are looking at?
- Shelly Verma:** See, as I mentioned, we are very actively looking at projects, but any disbursement clarity about the numbers, I think we will be able to give you in the second half of the financial year once we have set up, or we have sanctioned because there is a process in infrastructure projects, there is a sanction, then you do a documentation, disbursement and we are in the very initial phase of this discussion with various project authorities and the companies. So any clarity on the disbursement, we'll be able to give only in the second half.
- Bhuvnesh Garg:** Okay, okay. Fine, fine. And just lastly, on our assets that we see many of the engines, diesel engines are getting replaced by electric engines. So do we have any risk of obsolete assets and how are we dealing with this scenario?
- Shelly Verma:** See, so far we have received certain requests for return on assets, which are in the secondary lease period. So in the secondary lease period, by that time we have already recovered all our investments, so there is a very nominal rent that we get in the secondary lease period. So even if we, so generally they have been replacing the assets after about 15 years of this, which practically covers my primary lease period. So we don't see any major risk of shifting from diesel to loco in the total lease assets of IRFC. We have been transferring to them, but assets which are only in the secondary lease period.
- Bhuvnesh Garg:** Okay. Got it, ma'am. Thank you. Thank you for your responses and all the questions.
- Moderator:** Thank you. Next question comes from the line of Yogesh Soya from Sukhiya. Please go ahead.
- Yogesh Soya:** Hello.
- Shelly Verma:** Yes, Yogesh.
- Yogesh Soya:** One minute. Can you hear me? Can you speak in Hindi?
- Shelly Verma:** Yes, please. Please speak in Hindi.
- Yogesh Soya:** My answer is that since the listing has been done, there has been no major change in the share price. So the company is doing well, EPS is also good, and is giving dividends. So why is there

no change in the price? Like in the RVNL, it was given in INR 18, and now it has gone up to INR 145. So now it is between INR 25, INR 30. So when will there be a change in the price?

Shelly Verma: See, the moment has come for a good price in October. It is a good moment since the last five months.

Yogesh Soya: See, the government gave it in INR 26 and RVNL gave in INR 18. The INR 18 one has gone up five, six, seven times, but the INR 26 one is not going up till INR100.

Shelly Verma: See, what we can say is that the share price is a function of various market forces.

Yogesh Soya: No, no, tell in Hindi. I don't understand English.

Shelly Verma: See, what we can say is that the share price in the market has many reasons for increasing and decreasing. From our side, from the company's side, we can say that our business model is very safe and secure. Every year we are declaring a dividend of 30% of our profit, for our investors.

Yogesh Soya: I am giving you one more example. Titagarh Rail was INR 30 for a year. Now it has gone up to INR350. Our company is better than Titagarh Rail, right?

Shelly Verma: No, no.

Management: The share price is decided by market forces. The company has no role in it. The company's role is that our business model is safe and secure and very robust business model and we are following a consistent dividend policy. I think we are doing what we can.

Yogesh Soya: How much is the company's reserve? How much crores in the reserve?

Management: The net worth is INR 45,470 crores.

Yogesh Soya: Means INR 4,500 crores, right?

Management: INR 45,470 crores.

Yogesh Soya: Okay, means INR 47,00 crores.

Management: INR 45,470 crores.

Yogesh Soya: Okay, okay. You are saying that the price will come, right?

Management: No, we are not saying anything. Our job is not to decide the share price. It is decided by the market. Yes, we can say that the company is doing well. The company's business model is secured and safe. And we are following a consistent dividend policy.

Yogesh Soya: Yes, that is right. The company's work is to pay the railway company? And what is the other thing?

- Management:** Other than MoR, as per MoA and AoA, which is company's charter we also fund in the backward and forward linkage. We are actively exploring that. And the company wants to move forward in that.
- Yogesh Soya:** Okay, fine. If the price is good, it is good for the investor. We have been doing this for the past three years. But we are thinking that the moment we saw in RVNL, that is also a government company, and this is also a government company. So, there should be some change in this. Its EPS is around 6.5, and this is 5. So, there is no difference in EPS. The book value of my company is more than that. That is 31, and mine is 33.
- Management:** Yes, absolutely. But the share price is decided by the market, and it is not in the company's control.
- Yogesh Soya:** Yes, that is true. I think that the share price should be around that in six months, because there is not much difference between the two companies. So, I think that the share price should be around INR100. Okay, you cannot say about price. Okay, no problem. Thank you.
- Moderator:** Thank you. Next question comes from the line of Nitin Gard from Aviva Life Insurance. Please go ahead.
- Nitin Gard:** Hello, ma'am. Thank you for taking my question. Ma'am, can you, subjective question it is, can you throw some light on this budgetary support, how it actually works? Because numbers are really big, but I don't see any change in this, any remarkable change in borrowing makes. I don't see any remarkable change in the book. So, it might be I am missing anything. How does it work, ma'am, if you can throw some light? How does it, what are the nitty-gritties of this budgetary support?
- Shelly Verma:** You are talking about this budgetary support, railways of INR 2.4 lakh Crore –?
- Nitin Gard:** Yes, ma'am. How does it comes to our company, and what all areas it affects during the year, and how will it impact the borrowing of the company?
- Shelly Verma:** See, this budgetary support is to Indian Railways for their various capex plans.
- Nitin Gard:** Okay.
- Shelly Verma:** So, either they do the EBR through IRFC or they take the budgetary support. So, for 2024, the budgetary support is INR 2,40,000 Crore, which as per the initial estimate meets their capex plan for the year. But in the year, this capex plan keeps on changing, and whatever, what is the final allocation of EBR, these are all initial estimates.
- So, whenever they have the requirement, they will get the budgetary support. So, if there is a higher capex and there is a need for EBR, they will send a communication to IRFC for the borrowing.
- Nitin Gard:** Okay. That means they can either straight away from their balance sheet give to the railways, or they can give authority to the IRFC to lend it to railways.

- Shelly Verma:** IRFC comes into picture only for the EBR, not for the budgetary support.
- Nitin Gard:** Yes, only for the EBR. So, that is what my real question is. Do we have any plan for this financial year, or any guidance from the government that that much money will be routed through EBR, through IRFC? Because we have to chalk down our numbers for IRFC for the borrowing for the current year.
- Shelly Verma:** No, as I replied earlier also, this year we have not received any written communication from MoR about the target for the current year. So, we will have to see as the year progresses, what is the capex, how much capex they finally do and how much is the support. So, any shortfall in that, the EBR will come. But there is no initial target given to the company for the EBR requirement.
- Nitin Gard:** There is no initial target. Secondly, ma'am, your approval for 50,000 is for term loans and this capital market borrowing both.
- Shelly Verma:** It is for both.
- Nitin Gard:** It is for both.
- Shelly Verma:** From any source.
- Nitin Gard:** So, ma'am, today as we speak, currently that thing prevails. The lower the cost, you will go for that mode of financing.
- Shelly Verma:** Yes. Whenever we need funds, we explore the various sources, whichever gives us a more competitive rate, we take that borrowing.
- Nitin Gard:** So, ma'am, in current market scenario, I think capital markets, bond borrowing might be acting as a lower cost of capital?
- Shelly Verma:** Yes Bond market has been easing in the market. So, accordingly, we'll look at whenever there is a need to raise the funds. We look at all the sources.
- Nitin Gard:** Because ma'am, FITD, only one issuance has come, I think, as per my knowledge. So, that is why I am asking.
- Shelly Verma:** Actually, our lease rentals come in the month of April. So, we get lease rentals in April and October. So, we got our lease rentals. So, now, as and when there is a requirement, we will be raising.
- Nitin Gard:** Okay. Thank you, ma'am. Thank you for accepting my question. Thank you.
- Moderator:** Thank you. Next question comes from the line of Parimal Mithani from Credential Investments. Please go ahead.

- Parimal Mithani:** Ma'am, thank you and congratulations for good numbers. Ma'am, I just wanted to know, since you are funding state governments through JV, is the, what you call, the NIM margin same for them, or they are going to likely change there also, ma'am?
- Shelly Verma:** It will all depend upon the profile of that particular project. So, here...
- Parimal Mithani:** No, since you are diverting, ma'am, from your IR, which is Central Railway funded, now you are going through the states also. So are the NIMs capped at the same level?
- Shelly Verma:** No, no, no. Definitely, the margins would be different. And we'll fix the margins looking at the risk profile of that particular project. But this model is totally different. So, there, our margins will definitely be higher than this.
- Parimal Mithani:** Margins will be higher and there will be no cap from the central side on this funding for this, right?
- Shelly Verma:** The margins will be decided by our Board.
- Parimal Mithani:** Okay, ma'am. Thank you, ma'am. Thank you.
- Moderator:** Thank you. Next question comes from the line of Nilesh Jethani from Bank of India Mutual Funds. Please go ahead.
- Nilesh Jethani:** Hi, good evening and thanks for the opportunity. My first question was on the AUM breakup. So, can you help me understand what's the difference between lease receivable project assets and advances against railway infrastructure assets to be leased? What's the difference between these two?
- Shelly Verma:** Yes, I'll explain. See, in case of project assets, there is a moratorium period of five years during, which we make like we have supposing we have disbursed in this financial year. So, the lease rentals will grow after five years. So, the next five years, we'll keep on capitalizing that amount. So, that will lie as an advance to Indian Railways. Once we sign the lease agreement, it will shift to lease receivable. So, these are the advance amount is basically the amount which we have funded in the past few years, for which lease agreement is yet to be signed. And project asset lease receivable is where the lease agreement has already been signed.
- Nilesh Jethani:** Got it. So, typically if I assume a five-year moratorium period, so I wanted to understand in FY 18-19, what would be sanctioned or given out, which will reflect in AUM growth for FY 24?
- Management:** I think, these advances are already part of the AUM. I think there will be no increase in the AUM because of this. Basically, it will shift from the advances to the lease receivable. In overall basis, the AUM will remain same because as of now, these assets are being reflected in our schedule line of our balance sheet as other financial assets and they are well-part of our AUM.
- Nilesh Jethani:** Okay. So, largely it will be reflected in the P&L going forward as soon as the moratorium is over. Is this understandable?

- Management:** Yes. In case of a P&L, I think till the time we execute the lease agreement, whatever income approved to the IRFC, that will be accounted as a pre-lease commencement interest income. And once the lease agreement is in place, after that we will account whatever revenue we receive from the MoR that will be accounted as a lease receivable in the P&L. Until the time, we did not execute the lease agreement this will be accounted as a pre-commencement lease interest income.
- Nilesh Jethani:** Does this mean that today's interest income is depressed because that moratorium is still in place for the AUM, which was disbursed five years back?
- Management:** In a way, whenever we during this whenever we are operating under this moratorium period, we are accounting only the portion, which belongs to IRFC, so that is our margin. That will get reflected in my P&L and whatever WACC, that is my cost of borrowing, that will capitalize over this moratorium period. And once the agreements are in place and we have to receive the lease rental, so that will consist of both. Whatever principal I have disbursed to the MoR and whatever margin we are receiving from that.
- And after execution of the lease agreement, both the portions will go to my P&L. So that way, going forward, my top line will increase, at the same time my finance cost will also increase, but my bottom line will remain the same.
- Nilesh Jethani:** Got it. Net interest income will remain the same, the interest income would be added and cost of fund would be added in the P&L, but my NIA number would be the same only. This does not include the volatility, because of that asset coming into – after moratorium into the books?
- Management:** Right, right.
- Nilesh Jethani:** Okay, got it. The second question was on this Vande Bharat. So, I wanted to understand what can this through opportunity to IRFC over the next three years, considering lot have been announced for Vande Bharat and most of them would be operated by Indian Railways only.
- Shelly Verma:** See, we have been funding, Vande Bharat is like the way we have been funding the leasing of rolling stock to Indian Railways. So we have already funded certain Vande Bharat trains. So if whatever is the procurement done by Indian Railways, Vande Bharat trains, if they resort to EBR, so it will come to us. Otherwise, if we talk about the capex required for this, then we'll have to talk to the new entities who are getting the contract, if there is some business requirement that we will explore. But as far as Indian Railways is concerned, any procurement of trains, we are already doing the financial leasing provided they resort to EBR and there is any fund requirement apart from the budgetary support.
- Nilesh Jethani:** Got it, got it. But largely now in FY 24, since the extra budgetary support number is largely not present in the budget report, so I wanted to understand what kind of AUM growth base case we should assume for FY 24 and 25?

- Management:** Yes, as of now it is difficult to say, but as Mam have already explained to you, if there is more clarity in the second half of the financial year, then we can inform you of the growth we can expect in AUM. As of now it is difficult to predict any more.
- Nilesh Jethani:** Got it. And my last question of this one-time adjustment, which you mentioned in the initial comments, I just wanted to understand that one-time adjustment is over and from Q1 of FY 24, largely means...?
- Management:** Going forward, I think we'll not have the impact of this one-time adjustment.
- Nilesh Jethani:** Okay, got it, got it. Those were my questions and thank you so much for replying to them.
- Moderator:** Thank you. Before we take the next question, a reminder to all the participants, please restrict yourself to two questions. Next question comes from the line of Satinder Singh from Eon Infotech Ltd. Please go ahead.
- Satinder Singh:** Ma'am, thank you for the follow-up. So, the government owns 86%, so as a listed company we have to bring it down to 75%, and I don't think we have much time. So what is the update on this, ma'am?
- Shelly Verma:** So far we have not received any communication on this side. But we will keep you posted, but so far we have not received any communication on this from DIPAM.
- Satinder Singh:** Okay. So we enjoy a tax-free status, because of the leased depreciation, which has accumulated with us. So what is this amount as of 31st of March, and what is the period over, which this will run down in business as usual mode?
- Shelly Verma:** See, unabsorbed depreciation as of date is about, I think around INR 4,000 crores. And so based on our this thing, we don't see any tax. Basically, we have become nil tax because of the adoption of Section 115BAA, we are exempt from the minimum alternate tax and we have been taking recourse to using this depreciation.
- So if we analyze our numbers for the next few years, we don't see any tax liability arising as we already have this unabsorbed and every year as we keep on signing the lease agreement, we are getting the depreciation on the asset. So for the next few years, we don't see any tax liability arising.
- Satinder Singh:** Right. Ma'am you said that the weighted average tenure for assets is about eight to nine years. When we look at AUM breakup, almost 50% and 46% of our assets are still advanced. So it means they are still in the morat period. And our understanding is that after morat, 15 years for the borrower to pay up. So if 46% has more than 15 years still to go, then our average should be more than eight to nine years, no?
- Management:** I think you are right. I think that eight to nine years is only for the whatever lease agreement we have already executed. If we consider whatever advance we have given, I think this will be more, you are right.

- Shelly Verma:** And this 15 years is a total period and we do get the capital recovery. So average period is not 15 years, it's less.
- Satinder Singh:** Okay, okay, okay. Yes, I understand. So my suggestion is it would help for us to publicize this in our investor outreach, because this is one of our strengths that we got a lot of people with average term to be operated. With comfort on the consistency of revenue stream. So even though this seems to be FY 24 seems to be a challenging year, given that we have no mandate and our non-railway based business will have to ramp up only over a period of time. But the stability of top line and hence the profitability is still should not getting that much. So that's just it. This is my suggestion.
- Shelly Verma:** Yes, you're right. We have –huge AUM. Last three years our disbursement has been quite high. So we don't see any impact on the financials. And as and when we create a vertical of the non-railway assets, we'll see growth in our revenues and profits.
- Satinder Singh:** Finally, ma'am there was this point in previous call that that securitization is an option being considered. So where are we on this ma'am to generate funds for new lending?
- Management:** I think in the last year, in the month of October, we have explored this option. I think the results were not very favorable, but we are constantly monitoring this option and whenever we'll find a favorable option, definitely we'll explore through this way.
- Satinder Singh:** Okay. So, thank you very much, ma'am. You've been very forthright in this process. All the best to you. Thank you.
- Shelly Verma:** Thank you.
- Moderator:** Thank you. Next question comes from the line of Kartik Gada from Multiple Wealth Management. Please go ahead.
- Shelly Verma:** We'll be able to take about, I think, one or two questions more. We can take two questions more now.
- Kartik Gada:** Thank you for the opportunity again, ma'am. So somewhat of a subjective question. I don't know what would be the, I mean, how you'll be able to answer. What could be the reason for Ministry of Railways to not resort to EBR? And what I'm trying to understand is, has the Indian Railway become self-sustaining in terms of funding its own capex?
- Shelly Verma:** No, no. The reason is basically a very high gross budgetary support. So this is, this 23-24, the support is to the level of INR 2.4 lakh crores, which is unprecedented and extremely high. So that is the reason for not taking, giving us initial guidance on the EBR. So the reason is only the heavy budgetary support.
- Kartik Gada:** Okay, okay. But okay. Because what I was thinking is from MoR's point of view, apart from this budgetary support, to take funding from you is the best thing, right? Because there is no loading of tax, there is no loading of credit costs. The opex is very, very miniscule. So the

competitiveness of the yields, which you would be charging, nobody would be able to match, right? Not even the best of the banks.

Shelly Verma: No, no. You're absolutely right. The reason is not due to any cost thing. It is only due to the support they have got in this financial year.

Kartik Gada: Right. Okay. Thank you.

Shelly Verma: We can take the last question now, please.

Moderator: Thank you. Next question comes from the line of Pawan Tarodia, an Individual Investor. Please go ahead.

Pawan Tarodia: Hi. So if I see the other financial companies like PFC and REC, they have increased profit in this quarter, but your profit is decreased. So you mentioned there is one-time adjustment in this quarter that is the reason. So should we assume that it will not be there from next quarter, correct?

Management: I think there are two reasons for the lower growth in the profit. One is the level of disbursement we have done in the Q4 and in the full financial year. And second reason is because of the one-time adjustment. Going forward, I think as madam has already informed that initially we have got the new allocation from the MoR. So going forward, I think we'll have a lower disbursement through the first quarter itself. So whatever impact we'll have because of the lower disbursement, definitely that will get reflected in our Q1 number. But there will be no impact because of this one-time adjustment.

Pawan Tarodia: Okay. And any reason like why this one-time adjustment or impact is shown under, like it is absorbed in the finance cost. It is not absorbed or mentioned as an exceptional item. So any specific reason for that?

Management: Basically it is the change in the estimate and initially we have started this disbursement for against the project assets since 15-16. And initially whenever we have done this disbursement, we have raised the resources from many sources. And there was some ambiguity on what basis this WACC needs to be calculated. And since last year our first agreement got executed with the MoR and the required clarity got emerged. And based on the revised methodology, we have reworked this WACC and it has got approved from the MoR. Because of the revision in the number, this adjustment was carried out.

Pawan Tarodia: Okay. Thanks for your response.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. 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.

Shelly Verma: I just want to thank all the investors and analyst who have participated in this call. And I hope we were able to answer their questions. So still if there are any queries, information they need from us, they can separately mail to our investors cell, and they can reach out to us. We will be

more than happy to share whatever information is required from your side. Thank you so much.
Have a good day.

Management:

Thank you. Thank you so much.

Moderator:

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