

IRFC gets nod to raise \$1.17 bn through deep-discount bonds

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THE INDIAN RAILWAY Finance Corporation (IRFC) has received the government's approval to raise \$1.17 billion through deep-discount bonds, a senior IRFC official told FE.

These papers, which are issued at low interest rates and matures at face value, carries benefits similar to zero-coupon bonds to the borrower.

The approval has coincided with the IRFC's board giving nod to raise ₹60,000 crore in FY26 to support the capital needs of the company which has turned its focus from purely funding the railways' capex to sectors which have forward and backward linkages with the railways.

The funds will be mobilised through a mix of financial instruments across domestic and international markets, including bonds, bank loans, and external commercial borrowings (ECBs), the company said recently.

Apart from IRFC, PSUs like HUDCO and PFC have also been allowed to raise deep-discount bonds. Of late, these bonds are gaining popularity with PSUs like Power Grid Corp, REC, SIDBI, NABARD and IREDA who have shown interest in them as they mitigate reinvestment risks.

Deep-discount bonds are typically issued at a discount to face value and do not pay regular interest.

BIG BENEFITS

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With Indian Railways funding its capex requirements from gross budgetary support (GBS), the dependence on IRFC to fund railways' infrastructure projects and rolling stock needs has reduced sharply in the recent years. In FY26, over 96% of the total railways' capex (₹2.62 lakh crore) is funded through GBS which is a direct support from the central government.

As the business from railways has shrunk, IRFC started funding infrastructure projects in areas like ports, renewables, tourism, etc beginning FY25. In March this year, IRFC announced that it's funding two big projects in the power sector. For instance, the company emerged as the lowest bidder to provide ₹3,200 crore loan for Patratu Vidyut

Utpadan Nigam Limited (PVUNL) in addition to financing a ₹7,500 crore rupee term loan to NTPC Renewable Energy, a wholly owned subsidiary of NTPC Green Energy.

"There are more projects in the pipeline. We want to bring the cheapest cost of capital for our clients," Manoj K Dubey, CMD and CEO of IRFC had said.

Experts said that deep-discount bonds will help IRFC keep its cost of funds low, and improve its net interest margins (NIMs). To be sure, IRFC is also one of three entities which has been allowed by the government to raise through 54EC bonds which costs 5.25% annually. Additionally, IRFC is also looking at raising funds through zero-coupon bonds which are available at 6.25%.