INVasset Knowledge Bank

INDIAN RAILWAY FINANCE CORPORATION

12th February, 2024

INVASSET

India's Best Performing and Most Customer Centric PMS

Indian Railway Finance Corporation Ltd. (IRFC), is a schedule-'A' Miniratna CPSE under the administrative control of Ministry of Railways (MoR) established in December 1986 by the Government of India (GoI) under the Ministry of Railways (MoR), plays a pivotal role in the Indian transportation sector. Registered with the Reserve Bank of India (RBI) as a systemically important non-deposit-taking, non-banking financial company (NBFC – ND-SI) and infrastructure finance company (NBFC-IFC), IRFC serves as the dedicated market borrowing arm for the Indian Railways (IR). With its primary mission to raise essential resources for the developmental needs of IR, IRFC specializes in acquiring and creating assets that are subsequently leased to IR through finance leases. The core focus of IRFC lies in financing the acquisition of rolling stock assets, encompassing both powered and unpowered vehicles such as locomotives, coaches, wagons, trucks, electric multiple units, and more. In addition to this, IRFC is actively involved in leasing railway infrastructure assets and contributing to national projects initiated by the Government of India, collectively referred to as "Project Assets." Moreover, IRFC extends its financial support to other entities operating under the MoR, GoI, thus aiding the growth and expansion of the entire railway ecosystem.

What sets IRFC apart is its ability to raise funds at the lowest possible cost among the Term Lending Institutions in India. This not only benefits IRFC but also directly translates into significant savings in finance costs for the Indian Railways. The company maintains its financial stability by charging a minimal margin (spread) over its already low-cost borrowing, a testament to its robust business model. As the 4th largest railway network in the world, Indian Railways is the backbone of India's transportation sector, facilitating the movement of millions of passengers and cargo across the country. In recent years, Indian Railways has embraced transformative changes with a vision to provide safe, efficient, affordable, customer-focused, and environmentally sustainable integrated transportation solutions. It has achieved remarkable milestones, such as its highest-ever freight loading in 2022-23, showcasing a 6.63% increase over the previous fiscal year. Freight earnings have also surged by 16%, further solidifying Indian Railways' position as a dominant source of revenue.

To support its ambitious vision, Indian Railways has set an unprecedented capital expenditure target of 2.60 lakh crores for 2023-24, aiming to modernize and expand its entire network. This monumental effort aligns with India's commitment to achieving net-zero carbon emissions by 2070 and enhancing rail-bound passenger and cargo movement, contributing to approximately 1.5% of the country's GDP and securing a 45% modal freight share in the economy. In essence, IRFC stands as an integral pillar of Indian Railways' journey towards transformation and growth, playing a crucial role in financing and facilitating the development of the railway infrastructure necessary to realize its grand vision for the future.

Stock Data	
CMP (12-02-2024)	132.95
52 Week High/Low	192.80 / 25.40
Face Value	10
Market Cap (In Crs)	1,73,745/-
NSE	IRFC
BSE	543257
Bloomberg	IRFC:IN
Sector	Financial Services

Shareholding Pattern (in %)		
	Sep-23	Dec-23
Promoter	86.36%	86.36%
FII	1.14%	1.15%
DII	1.63%	1.15%
Public	10.88%	11.34%

Price Performance (in%)			
(%)	1M	6M	1Yr
Nifty 50	0.33%	10.10%	20.80%
IRFC	32.82%	171.60%	341.69%

Key Ratios	
P/E	28.8
P/B	3.62
Debt To Equity	8.54
ROE	14.7
ROCE	5.32
Dividend Yield	1.13%

Investment Rationale

- Systemically Important Institution: IRFC is registered with the RBI as a systemically important Non-Deposit taking Non-Banking Financial Company (NBFC-ND-SI), indicating a strong position within the financial ecosystem and a low likelihood of failure.

- Government Backing: Being majorly owned by the Government of India through the Ministry of Railways, IRFC benefits from strong government support, which adds to its credibility and financial stability.

- Dedicated Financing Arm: As the dedicated market borrowing arm for the Indian Railways, IRFC has a unique role and responsibility in financing the acquisition and leasing of railway assets, which provides it with a stable and predictable business model.

- Robust Financial Metrics: The company has shown impressive Assets Under Management (AUM) growth with a Compound Annual Growth Rate (CAGR) of 23.90%, and has maintained a strong net worth, indicating healthy financial performance.

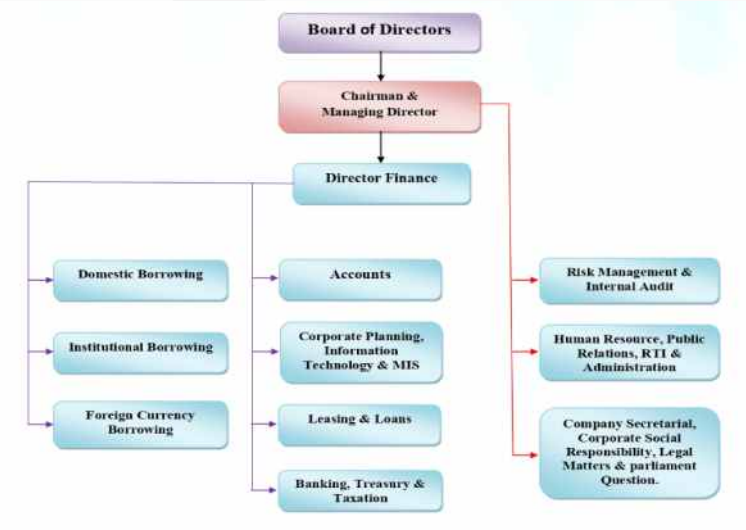
- High Credit Ratings: IRFC enjoys the highest credit ratings from multiple agencies like ICRA, CRISIL, and CARE, reflecting its low credit risk and strong debt servicing capability.

- Strategic Importance: IRFC plays a strategic role in the growth of Indian Railways, which is crucial for the economic development of the country, making it an integral part of the national infrastructure growth story.

- Tax Advantages: The company enjoys regulatory exemptions, including from the RBI's asset classification norms and is not required to pay 'minimum alternate tax' under certain sections of the Income Tax Act, improving its profitability.

- No Gross Non-Performing Assets (GNPA): With a GNPA of NIL, IRFC showcases exceptional asset quality and risk management, reducing the investment risk for shareholders and bondholders alike.

Navigating Excellence: Insights into the Dynamic Leadership of IRFC Ltd's Board of Directors




Ms. Shelly Verma

Ms Shelly Verma Chairman & Managing Director (Addl. Charge) & Director (Finance)

Ms. Shelly Verma is the Chairman and Managing Director (Addl. Charge) and Director (Finance) of our Company. She holds a Bachelor's degree in Commerce from Shri Ram College of Commerce, Delhi University and is also a fellow member of the Institute of Chartered Accountants of India. She has more than 30 years' experience in Financial Sector. Prior to her appointment to the Board of our Company, She has served in various capacities, including, most recently, as Executive Director (Finance) with the Power Finance Corporation Limited (PFC). In PFC, she was heading Key Financial functions including Resource Mobilisation, Banking, Treasury Lending Policy & Risk Management.


Shri Sunil Kumar Goel
Chief Financial Officer

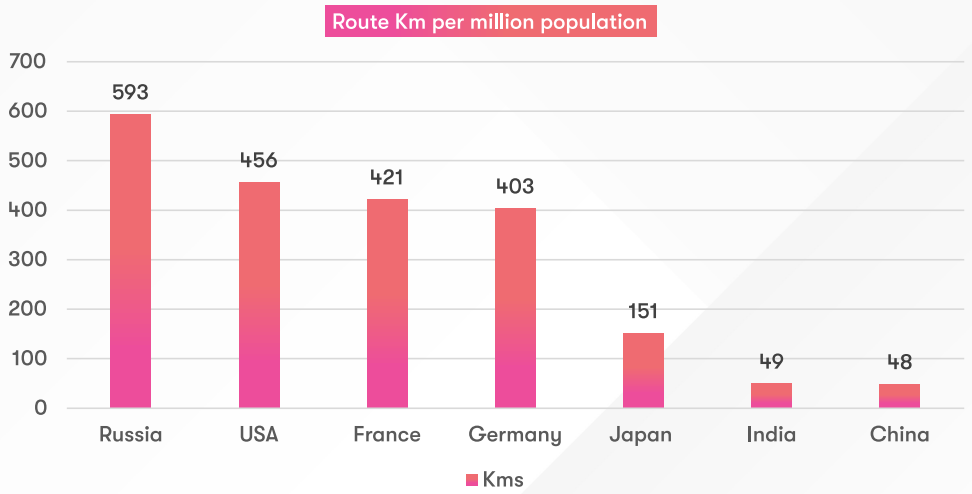
Shri Sunil Kumar Goel, Group General Manager (Finance) is designated as Chief Financial Officer (CFO) and KMP of the Company, w.e.f. 25th May 2023.


Shri Vijay Babulal Shirode
Company Secretary & Compliance Officer

Shri. Vijay Babulal Shirode, Jt.GM (Law) & Company Secretary has been appointed as the Compliance Officer of the Company.

Industry Overview

The railway sector in India is one of the largest and most vital components of the country's transportation infrastructure. With a rich history dating back to 1853, when the first passenger train ran between Mumbai and Thane, the Indian railway network has since evolved into an extensive and intricate system. It plays a crucial role in connecting different regions of the vast subcontinent, facilitating the movement of people and goods across the country. The Indian railway network is operated and managed by Indian Railways, which is a state-owned enterprise under the Ministry of Railways. It ranks among the world's largest railway networks, comprising thousands of miles of tracks, numerous railway zones, and a diverse range of trains, from high-speed express trains to local commuter services. The sector employs millions of people, making it one of the largest employers in the country. The railway sector in India is not only a means of transportation but also a symbol of national integration and economic development. It contributes significantly to the country's economy by enabling the efficient movement of goods, which is vital for trade and commerce. Moreover, it plays a pivotal role in reducing the burden on road networks and contributes to environmental sustainability by being a relatively energy-efficient mode of transportation. In recent years, there have been significant modernization and expansion efforts in the Indian railway sector. Projects such as the introduction of high-speed trains, the development of dedicated freight corridors, and the implementation of advanced technologies have aimed to enhance efficiency, safety, and passenger experience. The sector also continues to be a focus of government investment to further improve its infrastructure and services. As of March 31, 2019, Indian Railways operates approximately 13,523 passenger trains daily and manages a vast network of 95,981 kilometers of total running track. This scale allows it to transport around 23 million passengers per day. Despite these impressive figures, when compared on a population metric, the rail network's penetration in India stands at 50 rail route kilometers per million people, which is significantly lower than that of countries like the USA (464), Russia (592), and Germany (405). Over the years from FY01 to FY20, there has been growth in various aspects of the railway system. Total running kilometers of track increased from 81,865 in FY01 to 95,981 in FY20, while the electrified running track kilometers saw a significant rise from 27,937 in FY01 to 59,142 in Fy20.



Passenger and freight traffic also grew, with passenger earnings rising from Rs 105 billion to Rs 506 billion, and earnings from freight carried going from Rs 230 billion to Rs 1,231 billion in the same period. The Year on Year (YoY) growth has seen fluctuations but generally shows an upward trend in most areas. The Indian government is placing a focus on infrastructure, suggesting an investment of approximately USD 182.99 billion for railway infrastructure from FY 2020-2025. The intent is to support the growth of freight traffic due to industrialization, meet the rising demand for urban mass transportation, and improve safety and modernization through upgrading tracks, rolling stock, and operational efficiency.

Indian Railways is a departmental commercial undertaking of the Government of India, administered by the Ministry of Railways. It boasts 7,325 railway stations, operates over 21,000 trains, and carries over 22.15 million passengers daily. The rolling stock comprises 293,077 wagons, 76,608 coaches, and 12,729 locomotives, reflecting the vast resources committed to India's rail transport. In summary, while Indian Railways holds a dominant position in Asia in terms of its extensive network and high usage, it faces challenges in extending its reach and modernizing its operations to match global standards. The government's investment and policy focus on improving infrastructure, safety, and modernization indicate a strategic direction towards enhancing the rail network's capabilities and addressing its underpenetration relative to other countries.

Indian Railways with its more than 170 years of existence, is now making transformative changes. The vision of Indian Railways is to provide safe, efficient, affordable, customer-focused, and environmentally sustainable integrated transportation solutions to the country. IR aims to create world-class infrastructure at a sustainable cost, built with the latest technologies

Marching further ahead in the nation's Amrit Kal period IR's vision towards 2047 entails development of 7000 km of High-speed Rail Network by 2047 carrying a multitude of 10 billion passengers, expansion of Freight Corridors to 7800 km, Elevated Corridors (with speed 200+ kmph) of 10,000 km, Vande Bharat trains connecting all major cities, 1500+ Gati Shakti Cargo Terminals, Reduction in Operating Ratio to less than 70%, 100% Electrification of the network, enhancing electric traction capacity (2 & 25 kVA) over 30,000 RKm, Elimination of all remaining level Crossings, Hyperloop transportation on 2200 km, Station Development of more than 1200 stations, revamp of Ease of handling and divisibility of cargo units capturing the growing container segment, Manufacturing/ deployment of freight EMU for parcel/ e-commerce, coverage of the entire network with Kavach and enhanced usage of solar technology for energy needs. The Indian Railways has set ambitious targets to contribute approximately 1.5% to the country's GDP by developing infrastructure that can support 45% of the modal freight share of the economy. In keeping with the Prime Minister's vision of 'Make in India' Vande Bharat trains have been designed and built in India. In the fiscal 2023, 8 new Vande Bharat trains were introduced over various parts of the Country, thereby making a total of 10 Vande Bharat trains on Indian Railways as of 31st March 2023. The passenger experience has seen a paradigm shift with the introduction of Vande Bharat semi-high-speed trains. The overall passenger segment has registered the highest-ever revenue to the tune of 63,000 crores. This is 23% higher than the previous high of 51,067 crores in 2018-19.

Indian Railways achieved its highest-ever freight loading of 1512.07 MT in 2022-23 as compared to 1418.1 MT in 2021-22. There is a 6.63% increase in freight loading over FY 2021-22. Freight loading is the dominant source of revenue for IR, and incremental loading has been continuously achieved in recent years. The freight earnings have increased by 16% compared to the same period in the previous year. The Gati Shakti NMP aims to promote synergy between sectors of railways, shipping, roadways, telecommunications, pipelines, etc., by avoiding unnecessary duplication in infrastructure creation. In order to boost investment from the industry in the development of additional terminals for handling rail cargos, a new 'Gati Shakti Multi-Modal Cargo Terminal (GCT)' policy was launched on 15 December 2021.

Railway Electrification is another area where significant focus is being given. IR achieved the highest-ever commissioning of 6565 RKm of Railway Electrification in Fiscal 23. This is in line with the Mission 100% Electrification by December 2023 and the commitment of Indian Railways to contribute towards Energy Security, saving of precious foreign reserves towards the fuel bill, and environmental sustainability. Indian Railways have introduced One Station One Product (OSOP) scheme on a pilot basis with the objective to provide opportunities for enhanced livelihood through skill development to local artisans, potters, weavers/ handloom weavers, craftsmen, etc., through the provision of sale outlets at railway stations across the country. The scheme is envisaged to encourage individuals at the bottom of the pyramid, marginalized and weaker sections, and self-help groups under this scheme to meet the objective.

Indian Railways are now poised to take a transformational leap in the Amrit Kaal of the post-Independence period and fulfill the vision of 'Viksit Bharat' which includes Modern, faster, available on-demand passenger services and facilities, a substantial share in freight cargo with ancillary services in logistics parks, and domestic industry-driven rail infrastructure of the highest standards. A record capex target of 2.60 lakh crore in 2023-24 is targeted to initiate the necessary changes for this vision, across the entire network. Achieving India's commitment of net-zero carbon by 2070 will rest in part on more rail-bound passenger and cargo movement.





Railway Sector Outlook Amid Industry Shifts

Headwinds in the Indian Railway Sector: Financial Challenges: Indian Railways faces financial constraints due to rising maintenance and expansion costs, lower passenger revenues, and the urgent need for significant infrastructure upgrades. These financial hurdles can hinder its growth and modernization efforts.

Operational Efficiency: Despite attempts to enhance operational efficiency, the railway network still grapples with issues like delays, overcrowding, and outdated infrastructure. These operational challenges diminish customer satisfaction levels, affecting the overall quality of service.

Safety Concerns: Ensuring the safety of passengers and cargo remains a significant challenge. The occurrence of accidents and derailments at times raises concerns, necessitating continuous efforts and investments in safety measures and infrastructure upgrades.

Competition from Other Modes of Transport: Competition from roadways and air travel presents a significant challenge. To stay competitive, Indian Railways must focus on improving services, offering competitive pricing, and enhancing travel speed to retain passengers and cargo.

Land Acquisition and Environmental Issues: Acquiring land for new railway projects can be a protracted and costly process. Environmental concerns also require careful consideration, potentially leading to project delays and increased costs.

Tailwinds in the Indian Railway Sector: Dedicated Freight Corridors (DFCs): The development of dedicated freight corridors, like the Eastern and Western DFCs, aims to streamline cargo transportation by separating passenger and freight traffic. This initiative is expected to boost efficiency and reduce congestion.

Electrification: The ongoing electrification of railway lines reduces reliance on fossil fuels, resulting in lower operating costs and environmental benefits. It contributes to a more sustainable and eco-friendly rail network.

High-Speed Rail Projects: Ambitious high-speed rail projects like the Mumbai-Ahmedabad High-Speed Rail Corridor promise to revolutionize passenger transportation in specific regions by offering faster and more comfortable travel options.

Investment and Modernization: Government commitment to infrastructure, technology, and rolling stock modernization is a positive step forward. Encouraging public-private partnerships and foreign investments helps in securing funds for development.

Digital Initiatives: Digitalization has improved ticketing, reservation systems, and passenger services, significantly enhancing the overall customer experience, making travel more convenient and efficient.

Make in India: The "Make in India" initiative promotes domestic manufacturing of railway equipment. This not only reduces costs but also generates employment opportunities and strengthens the railway industry within the country.

Connectivity to Remote Areas: Expanding railway connectivity to remote and underserved regions can stimulate economic development, facilitate tourism, and enhance accessibility for people living in these areas.

Privatization and Reforms: The government's efforts towards privatization and reforms aim to enhance efficiency and competitiveness. These measures, including private sector participation in certain operations, can potentially bring fresh ideas and innovations to the sector.

The Dedicated Freight Corridor (DFC) initiative of Indian Railways is a significant infrastructure project aimed at transforming the freight transportation system in India. Here is a macro overview of the Dedicated Freight Corridor initiative:

Purpose and Objectives: The primary purpose of the Dedicated Freight Corridor initiative is to create dedicated rail lines exclusively for freight transportation, separate from the existing passenger rail network.
The main objectives include improving the efficiency, speed, and reliability of freight movement, reducing congestion on existing rail lines, and promoting economic growth.

Key Corridors:
The DFC project comprises two major corridors:
- Eastern Dedicated Freight Corridor (EDFC): Running from Ludhiana in Punjab to Dankuni near Kolkata in West Bengal, this corridor spans approximately 1,839 kilometers.
- Western Dedicated Freight Corridor (WDFC): Stretching from Dadri near Delhi to Jawaharlal Nehru Port (Nhava Sheva) near Mumbai, this corridor covers around 1,499 kilometers.

Freight Categories: The DFCs primarily cater to high-density freight categories, including bulk commodities like coal, iron ore, steel, cement, and containerized cargo.
These corridors aim to decongest existing routes by diverting a substantial portion of freight traffic to the dedicated lines.

Benefits and Impact: Improved Efficiency: DFCs are designed for higher speeds and heavier axle loads, allowing for faster and more efficient freight transportation. Capacity Expansion: By segregating freight traffic from passenger trains, DFCs help increase rail capacity for both categories. Cost Reduction: Reduced transit times and increased efficiency lead to cost savings for freight shippers and logistics providers.
Environmental Benefits: Electrification and modern technology adoption in DFCs contribute to reduced greenhouse gas emissions and environmental sustainability.

Electrification and Modernization: DFCs are electrified, reducing dependence on diesel locomotives and promoting cleaner and more energy-efficient rail operations. The corridors incorporate state-of-the-art signaling systems, double-stack container operations, and advanced track and rolling stock technology.

Funding and Financing: The Dedicated Freight Corridor Corporation of India Limited (DFCCIL) is the implementing agency responsible for constructing and managing the DFCs.
Funding primarily comes from the government of India, multilateral agencies, and financial institutions.

Progress and Challenges: The DFC project is a long-term endeavor, and different sections of the corridors have been commissioned gradually. Challenges include land acquisition, environmental clearances, and coordination among various stakeholders.

Economic Impact: The DFC initiative is expected to stimulate economic growth by facilitating smoother and faster movement of goods, reducing logistics costs, and attracting investment in industrial regions along the corridors.

Future Expansion: There are plans to extend the DFC network to other regions of India, including the East Coast and South India, to further enhance freight connectivity.
The Dedicated Freight Corridor initiative is a critical infrastructure project that has the potential to significantly improve the efficiency and competitiveness of India's freight transportation system, benefiting industries, businesses, and the overall economy. It represents a major step toward modernizing and expanding the Indian railway network for the 21st century.

Unlocking Logistics Efficiency: The Impact of Dedicated Freight Corridors: The introduction of Dedicated Freight Corridors (DFCs) in India has been a game-changer for the logistics sector. These specialized rail routes offer logistics companies a shot in the arm by streamlining freight movement. With faster transit times, reduced congestion, and the ability to accommodate heavier loads, DFCs have slashed transportation costs and improved supply chain reliability. The electrification of these corridors not only curtails operational expenses but also aligns with sustainability goals. As India's logistics landscape matures, DFCs stand as a cornerstone, catalyzing growth and attracting investments. They are not just railroads; they are pathways to a more efficient, greener, and economically vibrant logistics ecosystem.

Greenhouse Gas Emission Analysis of the Dedicated Freight Corridor: The greenhouse gas (GHG) emissions associated with India's Dedicated Freight Corridor (DFC) project. It compares two scenarios: with and without DFC implementation. The study, adhering to international guidelines like the GHG Accounting Protocol and ISO 14064, projects a 30-year period starting from 2016-17. Key findings include significant GHG emission reductions with DFC implementation, mainly due to the shift from road to rail freight and the adoption of energy-efficient technologies. The DFC's Eastern and Western corridors are expected to handle substantial freight volumes with varying GHG contributions, emphasizing DFC's role in promoting low-carbon freight transport in India.

Comprehensive Investment Rationale

Indian Railways Finance Corporation (IRFC) Ltd plays a pivotal role in the remarkable journey of Indian Railways, which boasts the fourth-largest rail network in the world. Indian Railways has been the lifeline of transportation in India, connecting millions of passengers and facilitating the movement of cargo across the country. In the wake of the post-pandemic scenario, Indian Railways has strengthened its foundation and is now poised for further progress with unwavering momentum.

IRFC is an integral part of this transformation, dedicated to supporting the vision of Indian Railways. Its primary objective is to provide financial solutions that fuel the growth and efficiency of the railway system. As Indian Railways achieves unprecedented milestones, IRFC plays a crucial role in financing its initiatives and projects, contributing significantly to the nation's economic development. The main objective of the company is to meet the predominant portion of 'Extra Budgetary Resources' (EBR) requirement of the Indian Railways through market borrowings at the most competitive rates and terms.

IRFC's achievements are noteworthy, with its highest-ever freight loading of 1512.07 million tonnes in 2022-23, a remarkable 6.63% increase over the previous fiscal year. This underscores the company's pivotal role as freight loading is a dominant source of revenue for Indian Railways.

With a record capital expenditure target of ₹2.60 lakh crores in 2023-24, IRFC is poised to spearhead transformative changes across the entire rail network. This ambitious endeavor aligns with India's commitment to achieving net-zero carbon emissions by 2070, as rail-bound passenger and cargo movement will play a significant role in this endeavor.

As Indian Railways sets ambitious targets, IRFC emerges as a vital financial institution dedicated to supporting the nation's economic growth, contributing approximately 1.5% to the country's GDP by facilitating infrastructure development and bolstering the modal freight share of the economy. In essence, IRFC embodies the financial backbone of India's railway revolution, poised to propel the nation towards a modern, efficient, and sustainable transportation future.

Company's Vision, Mission

Vision: To be the pivotal and premier Financial Services Company for the development of Rail Transport Sector while maintaining its symbiotic relationship with the Ministry of Railways.

Mission: To make IRFC one of the leading Financial Service Companies in the country, for raising funds from the capital market at competitive cost for augmenting railway plan finances, duly ensuring that the Corporation makes optimum profits from its operations.

Business Overview: Indian Railway Finance Corporation Limited (IRFC) is a vital financial institution closely associated with the Indian Railways. Its core mission is to serve as a dedicated financing arm for the Indian Railways, facilitating the acquisition of rolling stock assets, leasing of railway infrastructure assets, and participating in national projects of the Government of India (GoI) within the railway ecosystem. Here is an overview of IRFC LTD.

Ownership and Government Support: IRFC is majority-owned by the Government of India (GoI), with the GoI holding a significant stake (86.36% as of December 31, 2022). This strong government ownership underscores its strategic importance in the Indian Railways' infrastructure development plan.

Financial Role: IRFC plays a critical role in raising funds from the commercial markets to finance various aspects of Indian Railways' operations, including the acquisition of rolling stock assets and the development of railway infrastructure. This funding is instrumental in meeting the planned capital outlay of Indian Railways.

Robust Financial Fundamentals: IRFC boasts strong financial fundamentals, including consistently profitable operations and a history of nil non-performing assets (NPAs). Its capitalization profile is comfortable, with a Capital to Risk-Weighted Assets Ratio (CRAR) exceeding regulatory requirements.

Sovereign Backing: IRFC's risk profile is virtually zero due to its lease receivables being backed by the sovereign, the Government of India. This sovereign backing minimizes the risk of default. Additionally, favorable lease agreements with the Ministry of Railways (MoR) protect IRFC against exchange rate volatility, interest rate fluctuations, and liquidity risks.

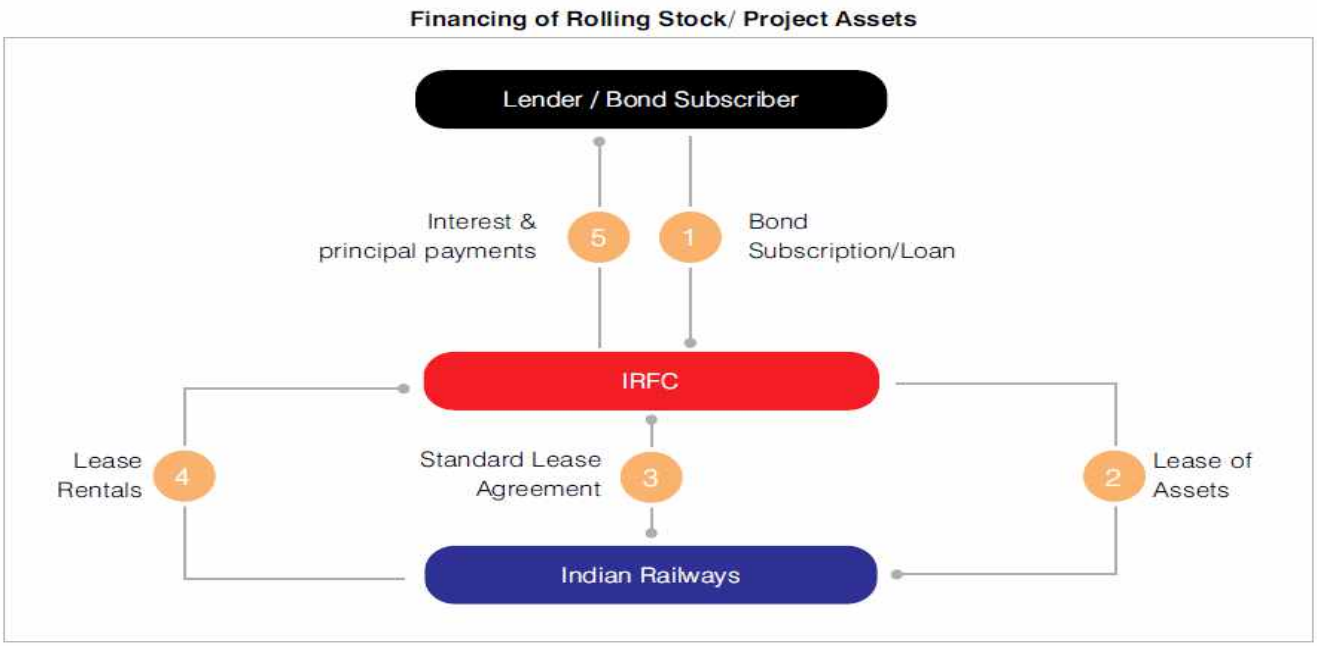
Strategic Importance: IRFC is considered strategically important for the Indian Railways, given its role as a dedicated financing arm. This strategic significance is further reinforced by its majority government ownership.

IPO and Divestment: In January 2021, IRFC conducted an initial public offering (IPO) to raise equity capital, partially divesting 5% of its shares. However, the GoI continues to maintain a substantial stake in the company.

Leverage Potential: IRFC's financial model allows for significant leverage. Its CRAR is well above regulatory requirements, enabling it to raise substantial debt without the need for additional equity infusion. This positions IRFC to scale up its operations efficiently.

Potential Risks: While IRFC has a strong financial position, it is subject to government decisions on spreads for incremental borrowing. The fixation on gearing ratio and government intervention could impact the extent of leverage IRFC can utilize. Additionally, the GoI may choose to borrow directly rather than through IRFC.

Valuation and Growth: The company's book is experiencing healthy growth, which should lead to increased earnings.



Financing Rolling Stock and Project Assets: IRFC Ltd specializes in financing the rolling stock and project assets required by the Indian Railways. It operates on a leasing model where assets are provided to Indian Railways under a standard lease agreement. The financing structure involves IRFC raising capital by issuing bonds or taking loans from lenders and bond subscribers. The money raised is then used to purchase assets, which are leased to the Indian Railways. The lease has a primary term of 15 years, during which IRFC recovers the principal and interest components as lease rentals. Following this, a secondary lease term of another 15 years commences, during which IRFC receives nominal rent. At the end of the secondary term, the assets are typically transferred to the Ministry of Railways at a nominal amount. This cost-plus leasing agreement ensures a steady growth in income and profitability for IRFC, with the Ministry of Railways paying half-yearly lease rentals that include both principal repayment and interest.

The financial relationship of the Company with the Ministry of Railways is based on a Financial Lease arrangement which is regulated by a standard lease agreement. The weighted average cost of the pool of incremental borrowings for the FY 2022-23 of Rolling stock assets is at 7.51% p.a. (Semi-Annual) and Project Assets under the head EBR-IF is at 7.52% (Semi-Annual).
During the year, Company has executed the Lease Agreements for the Project Assets funded during FY 2016- 17 (EBR-IF) and FY 2019-20 (National Projects) after completion of moratorium period

Lending Operations: In addition to leasing, IRFC extends its financial capabilities to support the growth plans of various railway entities. It has provided loans to organizations like Rail Vikas Nigam Limited (RVNL) and IRCON, enabling them to fuel their development projects. These lending operations are an integral part of IRFC's commitment to enhancing the railway infrastructure.

Borrowing Profile and Operations: As of March 31st, 2023, IRFC's borrowing profile is robust, showcasing a diversified portfolio with a significant amount of funds raised through various instruments. The company has raised funds through domestic bonds, rupee term loans, green borrowings, and external commercial borrowings, including 54EC bonds. The borrowing amounts stand at a staggering ₹1,84,531 Crores for domestic bonds, ₹1,59,041 Crores for rupee term loans, ₹16,422 Crores for green borrowings, and ₹71,738 Crores for external commercial borrowings.

Strategic Priorities

Diversifying Lending Portfolio: In its strategic initiative to diversify its lending portfolio, the Indian Railway Finance Corporation (IRFC) aims to broaden its financing scope within the railway ecosystem. By expanding its lending activities beyond traditional areas, IRFC seeks to mitigate concentration risks while leveraging its financial expertise to contribute to national infrastructure development. This strategic move not only strengthens IRFC's position in the financial domain but also creates opportunities for investment in sectors interconnected with railways, such as logistics, transportation, and infrastructure development. Through diversification, IRFC aims to enhance its role as a key player in facilitating the growth of the railway sector and fostering overall economic progress. By extending financing to a wider array of projects and initiatives within the railway ecosystem, IRFC can further support the modernization and expansion of India's railway infrastructure, thereby driving sustainable economic growth and enhancing connectivity across the country.

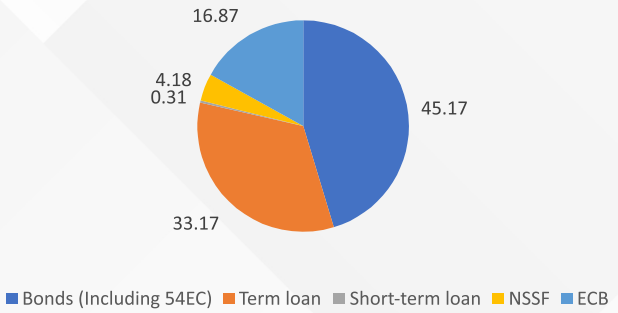
Maintaining Competitive Cost of Borrowings: IRFC places a paramount emphasis on securing funds at the most competitive rates to provide favorable lending terms to the Indian Railways. Through leveraging robust credit ratings and fostering close relationships with the Ministry of Railways, IRFC accesses funds from diverse sources, both domestic and international. This strategic approach ensures that Indian Railways benefits from cost-effective financing, enabling the efficient execution of railway projects and infrastructure enhancements. By maintaining competitive borrowing costs, IRFC not only supports the financial health of Indian Railways but also contributes to the overall economic efficiency and sustainability of the railway sector. Through prudent financial management and strategic borrowing practices, IRFC continues to play a crucial role in driving the development and modernization of India's railway infrastructure while ensuring optimal utilization of financial resources.

Prudent Financial Management: At the core of its operations, IRFC prioritizes prudent financial management practices to ensure operational resilience and financial stability. With a robust business model and a well-balanced funding mix, IRFC maintains a healthy balance sheet and liquidity position. The cost-plus leasing model employed by IRFC ensures consistent income growth and sustainable profitability, underpinning its long-term financial viability and capacity to support the railway sector's growth trajectory. By adhering to strict financial discipline and risk management principles, IRFC safeguards its financial integrity while efficiently allocating resources to support the development and expansion of India's railway infrastructure. Through prudent financial management, IRFC not only enhances its own financial resilience but also reinforces its role as a reliable and trusted partner in driving the sustainable growth of the railway sector. In addition to its robust financial management practices, IRFC also emphasizes the importance of maintaining a conservative approach towards leverage and debt servicing. By carefully managing its debt levels and ensuring adequate coverage ratios, IRFC aims to mitigate financial risks and maintain investor confidence. Through transparent reporting and proactive communication with stakeholders, IRFC demonstrates its commitment to sound financial governance and accountability, thereby reinforcing trust in its operations and enhancing its credibility as a leading financial institution supporting the railway sector's growth.

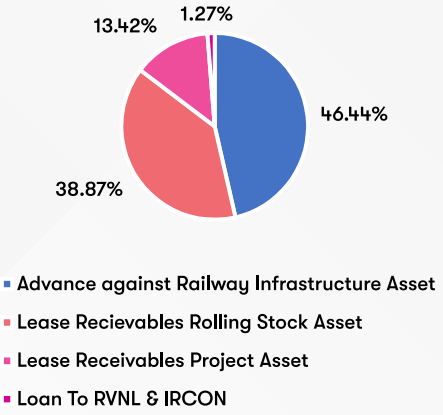
Diversifying Borrowing Portfolio: IRFC is committed to diversifying its borrowing portfolio by exploring various financial instruments at competitive rates. This includes tapping into opportunities in green bonds, loans, and partnerships with sovereign wealth funds, pension funds, and multilateral agencies such as the World Bank and the Asian Development Bank. By expanding its borrowing sources, IRFC aims to optimize its borrowing costs and enhance its financial flexibility and resilience in supporting railway infrastructure development initiatives. Through strategic partnerships and innovative financing mechanisms, IRFC seeks to broaden its access to capital markets and diversify its funding base, thereby strengthening its capacity to meet the evolving financing needs of the railway sector while maximizing value for its stakeholders.

Asset-Liability Management: In its pursuit of prudent financial management, IRFC has developed a comprehensive asset-liability management framework to mitigate liquidity and interest rate risks. This framework entails meticulous analysis of the long-term liquidity profile of assets, liabilities, receipts, and debt-service obligations. By aligning strategic decisions regarding borrowing volume, maturity profiles, and asset-liability composition with the lease terms of funded Rolling Stock and Project Assets, IRFC ensures prudent management of its financial resources. Through proactive risk management and strategic asset-liability matching, IRFC aims to maintain financial stability and sustain its role as a reliable financier for the railway sector's development endeavors. By effectively managing its asset-liability dynamics, IRFC strengthens its resilience to market fluctuations and enhances its ability to support the long-term growth and sustainability of India's railway infrastructure. Furthermore, IRFC places a strong emphasis on continuous monitoring and evaluation of market conditions and regulatory changes that may impact its asset-liability management strategies. Through regular stress testing and scenario analysis, IRFC proactively assesses potential risks and adjusts its funding and investment strategies accordingly. By staying agile and responsive to changing market dynamics, IRFC enhances its ability to adapt to unforeseen challenges and maintain financial resilience over the long term. This proactive approach to risk management ensures that IRFC remains well-positioned to navigate uncertainties and uphold its commitment to providing stable and reliable financing solutions for the railway sector's development initiatives.

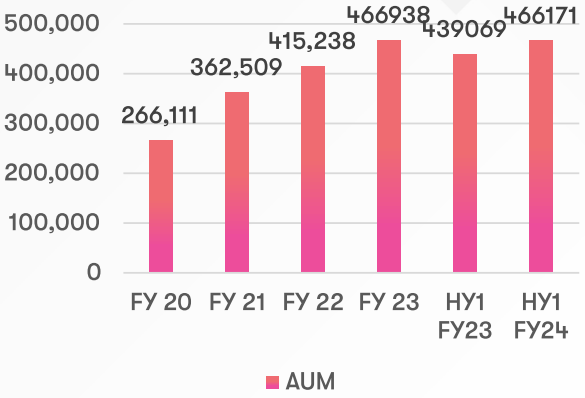
Borrowing Mix as on 31st March, 2023



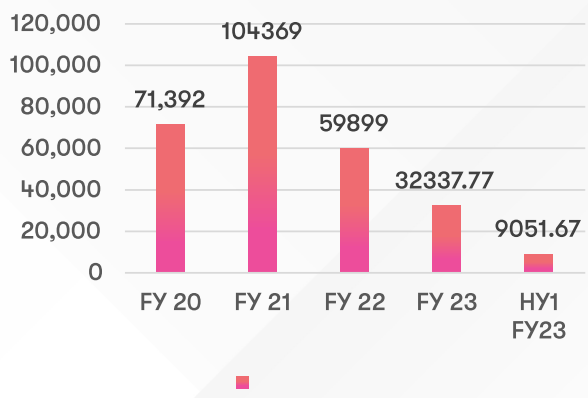
AUM BREAKUP FY 23 (%)



AUM (In Rs. Cr)

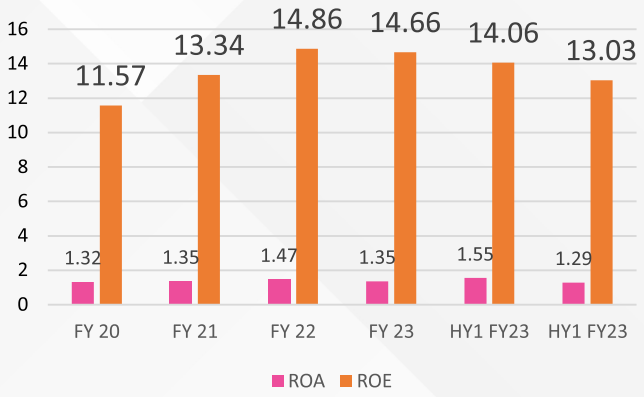


Disbursement (In Rs. Cr)

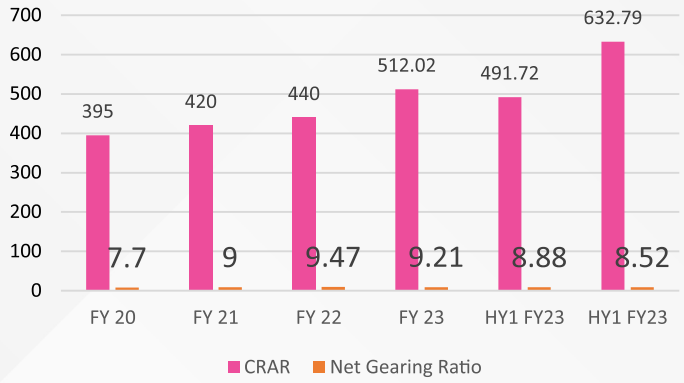


Particulars (30 th Sept, 2023)	Rating	Outlook
Domestics:		
Long term rating		
CRISIL	CRISIL AAA	Stable
ICRA	ICRA AAA	Stable
CARE	CARE AAA	Stable
Short term rating		
CRISIL	CRISIL A1+	-
ICRA	ICRA A1+	-
CARE	CARE A1+	-
International:		
Moody's	Baa3	Stable
Standard and Poor's	BBB-	Stable
Fitch	BBB-	Stable
Japanese Credit Rating Agency	BBB+	Stable

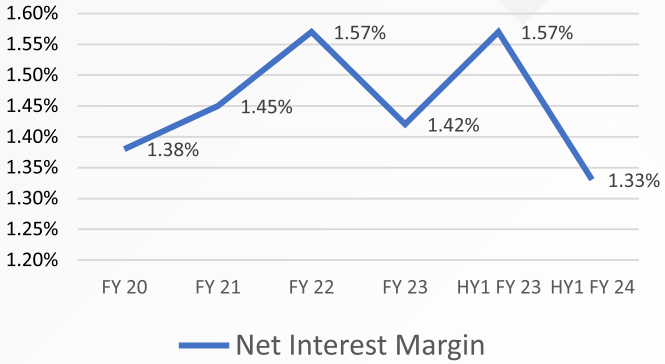
Return Ratios (In %)



CRAR and Net Gearing Ratio (In %)



Net Interest Margins



Key Ratios – FY 2023-24	
Net Interest Margin (Annualized)	1.33%
Return on Equity (Annualized)	13.03%
Net Gearing Ratio	8.52x
CRAR	632.79%
Book Value Per Share	36.49
EPS (Rs)	4.75

Other Key Points From Recent Concall :

- In a recent development, the Board has granted in-principle approval for two significant projects. Firstly, a finance lease for rolling stock has been sanctioned to support NTPC under the General Purpose Wagon Investment Scheme (GPWIS) of the Ministry of Railways. Additionally, a term loan has been greenlit for the Haryana Orbital Rail Corridor (HORC), a venture by the Haryana Rail Infrastructure Development Corporation Limited (HRIDC), a joint venture between the Government of Haryana and the Ministry of Railways, for a railway line connecting Palwal to Sonipat.

- As per charter company can fund any entity which has backward or forward linkage with Indian Railways, Leasing of Rolling stock other than MoR Funding of Railway Infrastructure being developed through State JV Upcoming Dedicated Freight lines Non-conventional sources of energy including Renewable Energy for railway network

- The Indian Railways Finance Corporation (IRFC) plays a strategic role in the growth of Indian Railways, evidenced by a 23.90% AUM/CAGR from FY19-HY1FY24, and holds assets worth INR 4,66,171.88 crore as of September 30, 2023.

- IRFC boasts a low-risk, cost-plus business model with a strategic relationship with the Ministry of Railways (MoR), ensuring consistent spreads on rolling stock and project assets over the last five years.

- With top-tier long-term ratings of AAA from ICRA, CRISIL, and CARE, IRFC enjoys a competitive borrowing cost due to diversified funding sources and a commitment to maintaining financial prudence.

- The corporation has strong asset-liability management with no cumulative gap over five years, highlighting effective alignment of long-term borrowing with asset financing.

- IRFC has demonstrated consistent financial performance with a net worth of INR 47,683.95 crore in HY1 FY24, coupled with operational efficiencies leading to a healthy return on assets and equity, and enjoys tax exemptions under the Income Tax Act.

S — Strengths

- Central role in financing Indian Railways.
- Competitive borrowing costs and strong credit ratings.
- Consistent performance and reliable revenue model.
- Low-risk business due to stable government agreements.

W — Weaknesses

- Overdependence on Indian Railways for revenue.
- High debt-to-equity ratio due to long-term debt.
- Profitability tied to margins set by the Ministry of Railways.
- Limited revenue diversification beyond the railway sector.

O — Opportunities

- Expansion plans of Indian Railways indicate growing demand.
- Monopoly in niche financing sector for railways.
- Potential for increased government investment in railways.
- Unique positioning in the market offering growth potential.

T — Threats

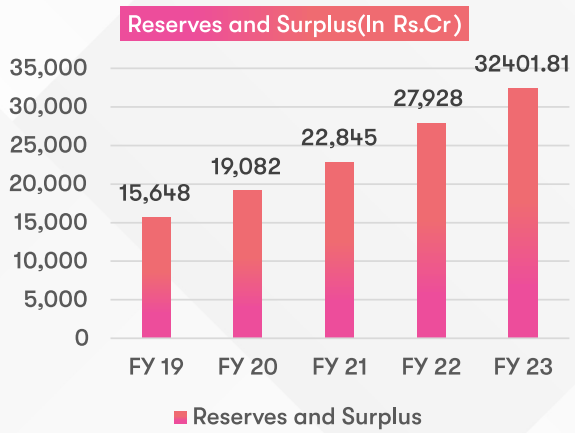
- Vulnerability to Indian Railways' performance and policy changes.
- Dependence on sustained, low-cost funding sources.
- Risk of adverse policy changes by the government or MoR.
- Potential fluctuation in profitability due to government influence.

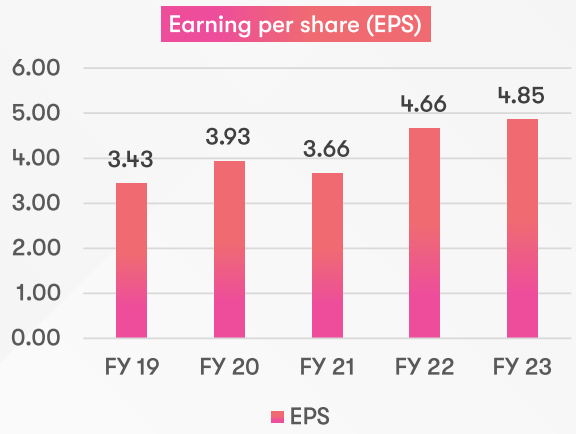
Peer Comparison

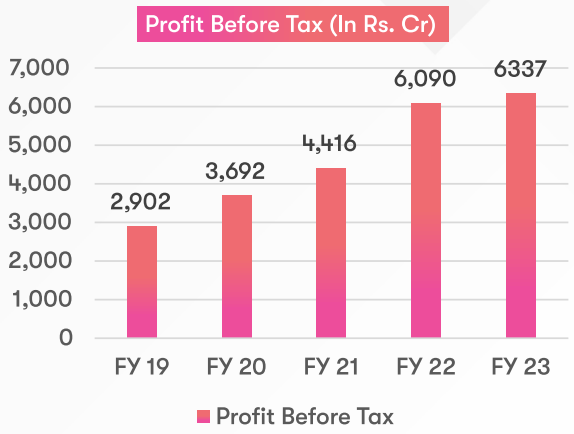
Particulars	IRFC	PFC	REC
CMP(Rs) (06-02-2024)	132.95	424.15	453.55
Revenue(Rs in cr)	23,932.63	77,625.19	39,520.16
EBITDA (Rs in cr)	23798.28	73,564.64	37,655.26
PAT(Rs in cr)	6,337.01	21,178.58	11,166.98
EBITDA Margin %	99.60	94.83	95.38
PAT Margin %	26.52	27.30	28.28
ROCE %	9.08	65.09	12.45
ROE %	13.93	18.88	19.41
Debt to Equity (x)	9.21	8.93	6.62
Basic EPS (Rs)	4.85	60.19	42.28
Diluted EPS (Rs)	4.85	60.19	42.28
P/E(x)	28.8	7.38	9.01
P/B(x)	3.62	1.53	1.86
P/S(x)	6.58	1.61	2.65
Enterprise Value (Rs in cr)	453,149.82	8,14,942.50	4,08,794.67
EV/EBITDA (x)	19.04	11.08	10.86
Market Cap (Rs in cr)	1,73,811	1,39,957	1,19,430
Current Ratio (x)	2.08	1.13	2.82
Book Value (Rs)	36.90	424.16	218.47
Dividend Yield %	1.13	2.49	2.76
Interest Coverage(x)	1.30	1.57	1.58
Asset T/O (%)	0.05	0.06	0.09
RoA%	1.35	1.77	2.39

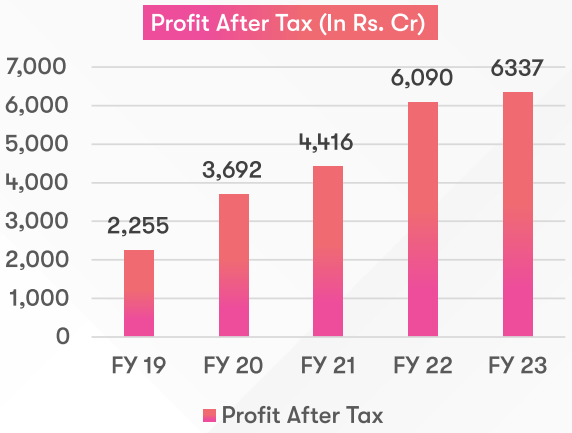
Financial Snapshot

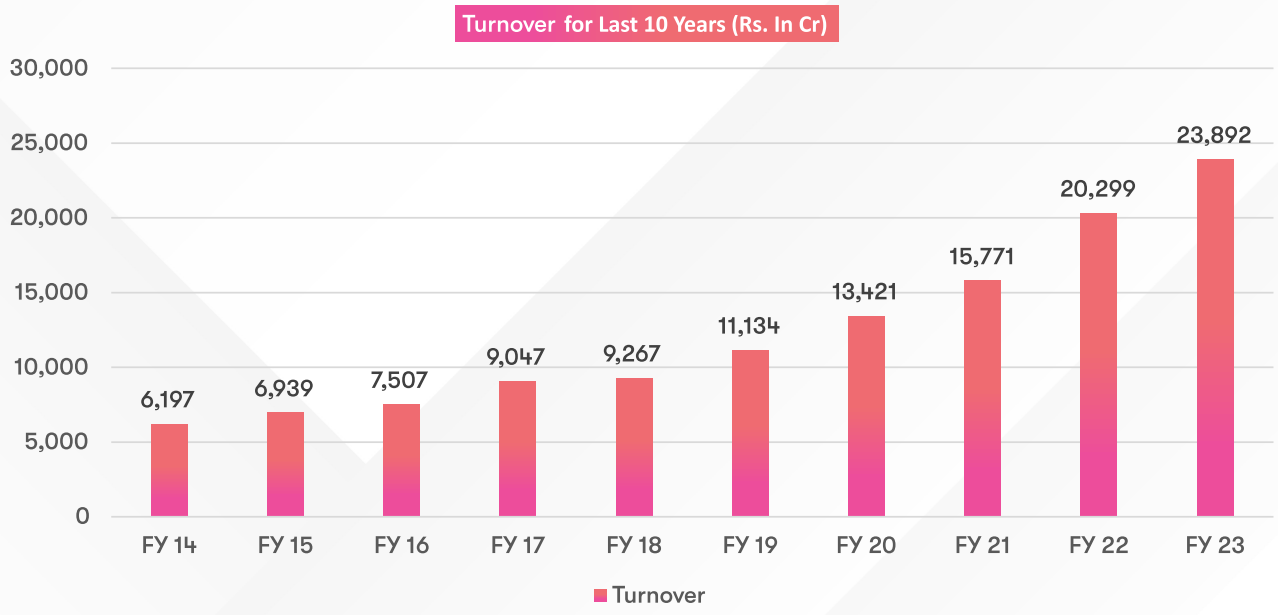
Particulars	FY 23	FY 22	FY 21	FY 20	FY 19
Financial Position				(₹ In Cr)	
Equity Share Capital	13068.51	13068.51	13068.51	11880.46	9380.46
Reserve & Surplus	32401.81	27927.83	22844.88	19081.97	15648.19
Total Non - Current Assets	14743.39	17169.30	7837.74	2069.99	1556.67
Total Current Assets	476403.36	432810.93	370213.98	273864.18	205046.94
Cash and Cash Equivalents	541.66	303.38	458.92	100.76	81.07
Total Current Liabilities	229392.32	408456.67	162154.47	89635.26	7622.70
Total Non-Current Liabilities	216284.11	527.21	179983.87	155336.48	173952.26
Contingent Liabilities	0.02	0.42	0.42	0.43	0.43
Total Income	23932.63	20301.60	15770.86	13838.54	11133.60
Total Expenditure	17595.62	14211.44	11354.73	10146.11	8232.01
Profit/(loss) before tax (PBT)	6337.01	6090.16	4416.13	3692.42	2901.59
Tax	0.00	0.32	0.00	0.00	646.84
Profit/(loss) after tax (PAT)	6337.01	6089.84	4416.13	3692.42	2254.75
PBDITA margin (%)	99.60	99.40	99.28	99.52	99.56
PBT margin (%)	26.52	30.00	28.00	26.68	26.06
Return on net worth (%)	13.93	14.85	12.29	11.92	9.00
Return on capital employed (%)	9.08	48.56	7.25	7.39	5.57
Return on asset (%)	1.29	1.35	1.16	1.33	1.09
Debt To Equity Ratio (x)	9.21	9.47	9.00	7.57	6.95
EPS (?)	4.85	4.66	3.66	3.93	3.43
Enterprise Value	453149.82	416145.19	352643.98	0.00	0.00
Operating Activities	-28583.83	-64412.28	-89906.65	-62717.59	-41748.19
Investing Activities	0.09	-4.72	0.42	1.47	1.31
Financing Activities	28643.28	64266.30	90202.04	62713.79	41749.45
Net Cash Flows	59.54	-150.70	295.81	-2.33	2.58


Reserves and Surplus(In Rs.Cr)
35,000
30,000
25,000
20,000
15,000
10,000
5,000
0
15,648
19,082
22,845
27,928
32401.81
FY 19
FY 20
FY 21
FY 22
FY 23
Reserves and Surplus


Earning per share (EPS)
6.00
5.00
4.00
3.00
2.00
1.00
0.00
3.43
3.93
3.66
4.66
4.85
FY 19
FY 20
FY 21
FY 22
FY 23
EPS


Profit Before Tax (In Rs. Cr)
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
2,902
3,692
4,416
6,090
6337
FY 19
FY 20
FY 21
FY 22
FY 23
Profit Before Tax


Profit After Tax (In Rs. Cr)
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
2,255
3,692
4,416
6,090
6337
FY 19
FY 20
FY 21
FY 22
FY 23
Profit After Tax


Turnover for Last 10 Years (Rs. In Cr)
30,000
25,000
20,000
15,000
10,000
5,000
0
6,197
6,939
7,507
9,047
9,267
11,134
13,421
15,771
20,299
23,892
FY 14
FY 15
FY 16
FY 17
FY 18
FY 19
FY 20
FY 21
FY 22
FY 23
Turnover

Technical Outlook



The stock price has respected this ascending trendline, bouncing off it several times, indicating strong trend support. However, the chart shows that after reaching a peak, the stock price has broken below the trendline and is in the process of retesting it from underneath. This could be a bearish signal, as what was previously support may now turn into resistance. Considering the Relative Strength Index (RSI) readings, the daily RSI at 42.26 suggests that the stock is neither in the oversold nor overbought territory, indicating a more neutral stance in the short term. The weekly RSI at 63.85 is closer to the overbought threshold, suggesting that there has been strong buying pressure in the medium term, but it may also indicate that the stock could be poised for a pullback or consolidation.

The volume bars indicate heightened trading activity during the price spikes and the subsequent sell-off, which is typical around key market moves. In summary, IRFC has shown a strong bullish trend that has recently been challenged by a break below a key trendline. The RSI levels point towards a cooling off of momentum, with the daily RSI showing neutrality and the weekly RSI indicating possible overextension of the recent bullish trend. Investors may be cautious and watch for potential resistance at the retest of the trendline, and whether the price will resume its uptrend or if the break signals a trend reversal.

Moving Averages Days	Simple Moving Average	Exponential Moving Average
5	159.9	160.1
10	165.1	161.1
20	158.8	153.2
50	118.6	127.9
100	96.8	104.3
200	68.6	80.2

Pivot Levels : FIBONACCI		
R1 160.75	Pivot 154.95	S1 147.90
R2 167.80		S2 142.10
R3 173.60		S3 135.05

	Daily	Weekly
Relative Strength Index (RSI)	42.26	63.85

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