

INDIAN RAILWAY FINANCE CORPORATION LTD.

(A Government of India Enterprise) (CIN : U65910DL1986GOI026363)
Regd. Office: Room Nos. 1316 - 1349, 3rd Floor, Hotel The Ashok, Diplomatic Enclave,
50-B, Chanakyapuri, New Delhi - 110021 Phone - 011 24100385
E-mail : info@irfc.nic.in, Website : www.irfc.nic.in

No: IRFC/SE/2021-22/19

5th July, 2021

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

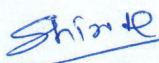
Sub: Transcript of the Earnings Conference call

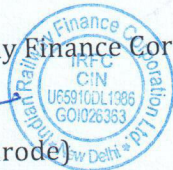
Sir/ Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015, as amended from time to time, please find attached transcript of earnings conference call held with analysts and investors on 30th June, 2021, to discuss the financial results of the Company for Q4/ FY21.

This is submitted for your information and record.

Thanking You,
For Indian Railway Finance Corporation Limited


(Vijay Babulal Shirode)
Company Secretary & Compliance Officer



Encl: As Above



“Indian Railway Finance Corporation Q4 & FY21 Earnings Conference Call hosted by DAM Capital”

June 30, 2021



MANAGEMENT: **MR. AMITABH BANERJEE – CHAIRMAN AND
MANAGING DIRECTOR, INDIAN RAILWAY FINANCE
CORPORATION**
**MS. SHELLY VERMA – DIRECTOR (FINANCE), INDIAN
RAILWAY FINANCE CORPORATION**
**MR. VIJAY BABULAL SHIRODE – COMPANY
SECRETARY, INDIAN RAILWAY FINANCE
CORPORATION**
**MR. PRASANTA OJHA – GENERAL MANAGER
(FINANCE), INDIAN RAILWAY FINANCE CORPORATION**

MODERATOR: **MS. ANUJA DIGHE – DAM CAPITAL**



Moderator: Ladies and gentlemen, Good day and welcome to the Indian Railway Finance Corporation Limited Q4 and FY21 Earnings Conference Call hosted by DAM Capital Advisors Limited. We have with us today from the management Mr. Amitabh Banerjee – Chairman and Managing Director, Ms. Shelly Verma – Director (Finance), Mr. Vijay Babulal Shirode – Company Secretary, Mr. Prasanta Ojha – General Manager (Finance).

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 ‘*’ and then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Amitabh Banerjee. Thank you and over to you, sir.

Amitabh Banerjee: Thank you very much and Good afternoon to all the listeners, all the investors ladies and gentlemen. In fact, on this momentous occasion when IRFC has posted an all-time high revenue and profit numbers for FY21 as a whole as well as Q4 21. I would like to share some of the important information pertaining to the financial results of Indian Railway Finance Corporation for the financial year 2021. IRFC which happens to be the dedicated market borrowing arm of the Indian Railways has posted a profit growth of 126% on year-on-year basis for Q4 FY21 which stands at 1,482.55 crore vis-à-vis 654.63 crore that was reported in Q4 2020. The net profit for FY2021 has grown by 38.34% to Rs. 4416.13 crore as against Rs. 3192.06 crore for the corresponding financial year ended 31st March 2020.

The total revenue from operations has grown by 17.5% on year-on-year basis for the same period which stand at Rs. 15,770.47 crore vis-à-vis 13,421 crore last year. The annual disbursement for IRFC has grown by humongous it is a record 46% on year-on-year basis from 71,392 crore in FY20 to Rs. 1,4369 crore for the financial year 2021. The AUM for FY21 stands at 3,60,079 crores as against 2,66,137 crore last year registering a growth of 35.29% on YoY basis. The capital adequacy ratio of IRFC continues to remain strong at 415.85% for FY21 as against 395.39% for FY20. The company continues to raise funds at the most competitive rates and terms both from the domestic as well as overseas financial market has helped to keep the cost of borrowing low. The CSR remains to be a focal area for IRFC as the company has spent 93.44 crore for FY2021 as compared to 49.45 crore for 19-20.

Now this in nutshell is the financial results of FY21 now I hope everybody has got the I do not know conversant with the presentation that I am going to have. I think most of you are already aware of the basic business model that IRFC works on, but for the benefit of the new comers as well as new investors who have joined I would like to mention a few things before we go ahead. IRFC has been registered with RBI is systematically important NBFC which is non deposit taking NBFC having an infrastructure finance company status. This is majorly owned by government of India about 86% and which acts with the Ministry of Railways, the Ministry of Railways basically has an 86% share and rest has been already divested through the IPO in January this year. This is the dedicated market borrowing arm for the Indian Railways.



The primary business of IRFC is the financing of acquisition of rolling stock assets as well as infrastructure assets and both are leased out to Indian Railway. So, what IRFC does is that we procure these assets for Indian Railways and then lease them on the financial leasing terms to Ministry of Railways for a particular term. You also lend to other entities which are under the aegis of Ministry of Railways. At present there are two entities that we are lending to that is RVNL and IRCON, but 98% of our AUM is to the sovereign that is the Ministry of Railways and RVNL and IRCON only account for 2% of the remaining AUM. If you look at the AUM breakup about 46% of the AUM is on account of lease of rolling stock assets and 52% on account of project assets which constitutes 98% of the total AUM and 2% is to the loan to other entities. As I said earlier the AUM is of the order of 3,60,000 crore and which has been growing at a CAGR of 32.6% from FY19 to FY21 the last three years and the net worth stand today at 35,913.4 crore, the return on equity and return on assets are 13.34% and 1.35% respectively.

There is no NPA in our books as a matter of fact there has never been any NPA in the books of IRFC since its inception and we are a tax-free company we have become a tax free company from last year onwards from FY20 and the total debt of IRFC as on date that is to end of March 2021 stands at 3,23,111 crore. The NIM is at 1.43% it has gone up from 1.38% earlier. We are getting the AAA ratings in the domestic market, and we are rated at par with that of the sovereign from the international traded agencies namely Standard & Poor's, Moody's and Fitch. The net gearing ratio to end of March 2021 stands at 9x and the capital adequacy ratio as I said earlier is at 416%.

As far as the growth journey is concerned we have been declared as a public financial institution under section 4A of the companies act 1956 back in 1996. We had come out with public issue of deep discount bond at that time. We were categorized as NBFC, NDAFC by RBI about 10 years back. We have issued secured redeemable non-cumulative taxable bonds, we have issued tax free bonds till 2015-16. Government of India had permitted IRFC to raise tax saving bonds under section 54EC of IT act 1961 in November 2017. The financial statements for the year ended March 31, 2019, that is from FY2019 we are the first annual financial statements in the IndAS that is the new accounting standards that was with effect from FY2019 and this year we came out with a IPO and would be successfully listed on both NSE and BSE on 29th of January 2021.

The cumulative funding to Ministry of Railways since our inception to end of March 2021 for meetings its development expenditure stands at 4.43 lakh crore, we have made the highest ever disbursement of 1,04,269 crore to MoR in this financial year that is FY21 and in this year itself we have mobilized and aggregate sum of 4.075 billion USD the highest ever in a single year by way of external commercial borrowing. We were awarded Miniratna Category-I status about 4 years ago and we were granted exemptions from the applicability from AS 12 under IndAS as far as DTL was concerned the deferred tax liability and with effect from last year that is FY19-20 we have been also exempt from the provision of MAT. So, we have migrated to section



115BAA that is a normal corporate tax rate and because of the existence of high amount of accumulated depreciation, unabsorbed depreciation our net taxable income comes to 0 therefore we are not liable to pay any tax with effect from the last financial year.

Now the key strength of the company is the strategic role that we play in the growth of Indian Railways we happened to be the dedicated market borrowing arm of Indian Railways we do not compete with any other organization as far as financing of Indian Railways is concerned whatever is left behind after getting the budgetary grant for meeting its CAPEX requirements it takes recourse to IRFC that is Ministry of Railways takes recourse to IRFC funding and there is no other source of funding as far as the funding of CAPEX expenditure of Indian Railways. We also hold the advantage of having a very competitive cost of borrowings, we are getting the highest credit rating from the rating agencies both domestic as well as overseas rating agencies.

We have diversified funding sources this is known to you all including taxable and tax-free bonds till about 15-16 and Ministry of Finance have not allowed the issuance of tax-free bonds thereafter. We are also getting term loans I mean mobilizing funds through term loans from banks and financial institutions, ECB as I have said earlier and of course internal accruals, asset securitization and so on and so forth. It is a low-risk cost plus business model that IRFC works on. Since we have a strategic relationship with the sovereign that is the Ministry of Railways which enables us to maintain a low risk profile as a matter of fact the NPA is absolutely zero because all the receivables of IRFC by way of lease receivables from incorporated in the Union budget.

So, once it is passed by parliament this money automatically comes to IRFC. It is a cost-plus standard lease agreement that we enter into with MoR every year. So, we calculate the weighted average cost of the borrowings during a particular year and then add a certain percentage by way of the margins to cover our administrative cost and re-arrive at the total lease rental that is payable by Ministry of Railways for the entire term of that lease agreement. Expenses incurred with respect to any foreign currency or interest hedging cost and so on and so forth they are all built into the weighted average cost of borrowing. So, all the cost incidental to lending or borrowing are pass through to Ministry of Railways. There is a strong asset liability management in place, we have a risk management committee in the organization at the apex level which meets at regular intervals, and we take a call on how much and when to hedge.

We do not go for outright hedging we are not required to go for outright hedging as per RBI guidelines and the interest rate fluctuations risks and the currency fluctuation risk are taken care of through the process of selective hedging as and when required and as and when necessary.

We have been presenting out a consistent financial performance over the years where the net profit has been growing at a CAGR of 31.5% in the last three years. We are a company with



very low overheads with admissible cost which is about only 0.11% of our turnover which happens to be I think one of the lowest in the International arena and we are aided by a very experienced senior management team. IRFC being a systematically important NBFC to enjoy certain regulatory exemptions we are exempt from the asset classification norms, provisioning norms, exposure norms of RBI and of course they do not apply to the 2% of our AUM which is to RVNL and IRCON if we do we are subject to repositioning norms in those cases, but in case of MoR all these norms are not applicable to IRFC. We are getting an exemption from RBI in these respects. As I said earlier we are exempt from both DTL as well as NIM alternate tax and we have adopted 615 BAA and we are no more under the provision of 1,615JB with income tax act under which we used to pay MAT. So, hence no tax liability with effect from FY19-20 for the company. We are also exempt from the applicability of GST as far as the leasing of assets to MoR are concerned.

Giving a snapshot of the annual key financials of IRFC for the FY2021 revenue from operations is 15,770 crore which is 17.51% growth as compared to last year. The PAT has grown by 38.35% because since PBT and PAT are the same, so it is about 4,415 crores as compared to 3,192 crores last year 38% higher. Net interest income is 4533.4 crores and revenue from operations has grown by 38.98% profit before tax as far as the Q4 results are concerned revenue from operations has grown by 39%, profit before tax has grown by 126% as far as the case with profit after tax.

As far as the disbursement to Ministry of Railways by IRFC is concerned the disbursement of 8,700 crore was made in Q1 9,865 crore was in Q2, 16,550 crore was disbursed in Q3 and about 69,246 crores was disbursed in Q4 making a total of 1,4370 crores. The net interest margin as of now stands at 1.43% just grown as I said earlier which has grown from 1.38% in the last year. The return on networth is 13.34% vis-a-vis 11.57% last year, interest coverage ratio is 1.39 as against 1.31 last year, debt equity ratio is 9x as against 7.74 last year and capital adequacy is 416% as against 395% last year. The asset under management I have told you earlier is about 3,60,079 crore, net interest income is 4533 crores as I mentioned just now and NIM is at 1.43%, return on asset is 1.35%, return on equity is 13.35%, capital adequacy is 416% and the net gearing ratio is 9x, the borrowing highlights of FY2021 an amount of 61,300 crores was raised through rupee term loans from the commercial bank and financial institutions and majority of these term loans which were drawn from the commercial banks were structured on a 5 plus 10 year basis that is 5 year moratorium and 10 year repayment so it was a 15 year term loan comprising 5 years of moratorium and 10 years repayment and this was the first time that we got a moratorium from the commercial banks and most of this amount was utilized for disbursement to MoR as well as retiring high cost loans that we had taken earlier.

External commercial borrowing saw a record high this year with 4.075 billion being raised in a single year that is in FY2021 an amount of USD 750 million was through the issuance of 144A 10-year bond at a coupon rate of 2.80% and we executed two bilateral USD loans with SBI for 3 billion USD.

As far as the domestic bonds are concerned we raised about 27,727 crore through 9 issuances last year that is in FY21, 4 issuances of 20-year bonds we made 4 issuances of 20 year tenure bond for 13,972 almost 14,000 crore at very competitive rates of interest and one issue of 20 year bonds of 1,375 crore was we got it at very competitive rate of 6.8% at the fag-end of the financial year in the month of March 2021. If you look at the borrowings it stands on date about it is about 3,23,000 crores is a total debt that we have in our books out of that 47% is accounted for by the domestic bond 47.39% about 33% is accounted for by the long-term rupee term loans and the ECB portion has really risen from about 10% earlier or 9.5% earlier to 16.87%.

So, ECB has taken quite a portion of the pie this financial year. As I said earlier we are getting the AAA ratings from CRISIL, ICRA and CARE and Moody's, S&P and Fitch as well as Japanese credit agencies they rate at par with the rating of the sovereign that is government of India. Moody's has given us a rating of Baa3 which is stable outlook, Standard & Poor BBB minus with a stable outlook, Fitch BBB- with stable outlook and Japanese credit agency BBB plus with a stable outlook. The strategic role that IRFC is playing in financing the growth of Indian Railways is borne out by the fact that almost 82.25% of the total wagon population on Indian Railways is owned by IRFC and 87% of passenger coaches and 89% of locomotives that ply all over India in Indian Railways are owned by IRFC and they have been given on lease terms to Ministry of Railways by IRFC.

As far as the low risk of this business model is concerned you all are aware of the business model, the financing model of IRFC. I will just mention this in short, every year we are calculating the marginal weighted average cost of mobilizing fund from various sources during a particular year, and we arrive at a unitary rate that is the weighted average cost and on top of that we add 40 basis points as our margin to arrive at the lease rental payable by Ministry of Railways to IRFC for a particular set of assets. You will be glad to know that the weighted average cost of incremental borrowing for IRFC, we have registered a saving of 85 basis points as compared to last year. The weighted cost last year 7.36% is a total with an average cost and this year it has come down to 6.51% which covers the cost of financing for both rolling stock as well as EBR-IF that is Extra Budgetary Resources Infrastructure Financing as a project assets, but only for rolling stock assets it was 7.37% last year, this has come down to 6.71% this year.

In case of project asset, the model remains the same except the fact the margin is 35 basis points vis-a-vis 40 basis points in case of rolling stock. As far as the pricing of RVNL loans are concerned, the range of margin is 65 to 88 bps over the weighted average cost of borrowing and IRCON we have been charging at a flat rate of 8.77% we have been charging on a yearly basis that for a period of one of loan for a period of 5 years.

And if you look at the financials, P&L statement and balance sheet and balance sheet I think they are all known to you we have got a balance sheet price of 3,78,000 crores this year and the important factor that we would like to mention in this perspective that we do not have any

kind of we do not keep much of a balance in our cash balance or bank balance in our books because it is all back to back kind of a financing that we do, whatever money we raise we are immediately passing on to the Ministry of Railways or to RVNL or to IRCON without keeping any money in bank.

So, basically we are operating on a very low cash or bank balance. As far as the business model is concerned, we do not keep the money idle for a day. The day we raise the money the same day we disburse the amount either to Ministry of Railways or to any of the SPVs of Ministry of Railways.

So, our team is ready for any questions that you may have if I come to the end of this presentation and the introduction to IRFC. Now we are open to questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ashok Shah from LFC Securities. Please go ahead.

Ashok Shah: Sir, we as per this page 6 of presentation we have some interim dividend declared twice, so can you just give me information that what percentage of dividend was declared that was first division and second was I think 10.05% in fact we had paid two tranches of dividend one dividend was for the earlier year and that was 500 crores and the next was about 1,370 crores that was the interim dividend for the last year 19-20 and that was about it came to 1.05 per share was the dividend rate that was about 31% of our profit after tax that we have paid as interim dividend.

Ashok Shah: So, full year dividend comes to Rs. 1.05 paisa?

Amitabh Banerjee: No that interim dividend of 1,370 crores came to Rs. 1.05 per share.

Ashok Shah: So, no other dividend was declared during the year?

Amitabh Banerjee: No other dividend pertaining to the last year.

Ashok Shah: As you stated in presentation that all income is tax free for the company IRFC?

Amitabh Banerjee: Yes.

Ashok Shah: So, whatever the dividend distributed is also tax free or what?

Amitabh Banerjee: I mean you would like to come in, are we deducting any tax at source I do not think so we are not deducting any tax.

Moderator: Thank you. The next question is from the line of Anuj Jain from ValueQuest Capital. Please go ahead.



Anuj Jain:

Sir I have few queries number one in the recent results we have noticed that board has approved the enhancement of borrowing limits from 4 lakh crores to 8 lakh crores, so can you throw some light on this it is done and are we planning to go beyond the gearing of 10 times in near future?

Amitabh Banerjee:

First question is regarding 4 lakh to 8 lakh actually this is the borrowing limit that we will be approaching AGM when we have hold the AGM because you need the shareholders consent for a particular borrowing limit. We had taken this borrowing limit about three, four years back of 4 lakh crore. So, we are edging towards 4 lakh crore I think we will be surpassing this 4 lakh crore. So, that is why we have a time span of about 4 years to 5 years in mind when we go to AGM for a blanket approval of the borrowing limit. Having said that every year we are approaching board of directors for every financial year we approach the board of directors for the fresh borrowing that we will be doing during a particular year. So, this is a blanket approval that we are taking because keeping in view the future CAPEX requirements of Indian Railways in the light of the National real plant 2030 vision document of Railways 2024 the huge CAPEX requirement of Indian Railways that is in the offering in the next decade or so. We feel that this much would be required the approval would be required. So, we are taking this approval for a period of about 3 years, 4 years going forward and you see in the last year itself we were given an original target of the original mandate of IRFC was only 58,000 crore to begin with which went up finally to 1,04,000 crore. So, in one year we are getting a demand of 1 lakh crore. So, if this pace of disbursement continue then of course I mean this another 4-lakh crore in four, five years would not be complexed. So, that is why we are going to the AGM we have taken the Board's approval for approaching the AGM for taking this blanket approval to increase our borrowing limit, borrowing ceiling from 4 lakh to 8 lakh crore and as far as your second question is concerned that is whether we can go beyond the capital gearing ratio as of now we have not taken any call on that and we are well crossed with keeping ourselves within the 10x limit that we have set for ourselves this is an internal decision that we have taken and this in keeping with the general the other NBFCs also in the public sector follow this kind of a thing, follow this kind of a capital gearing, but keeping in mind the high level of capital adequacy ratio that we have about 416%. We may take a call on going beyond 10 I mean that is the possibility of going beyond 10 is not actually ruled out, but as of now we crossed with 9x as of now and we are not facing any kind of a breach in near future, but if as and when the time comes we will definitely take a call on going beyond 10 I mean that is not ruled out.

Anuj Jain:

And sir we have not declared any final dividend in these results, so have we got any exemption from DIPAM for paying dividends or it is still pending?

Amitabh Banerjee:

You see there is a proposal which is there and we have not taken a call as yet we can take a call on paying the final dividend also before the next AGM we have got the time limit with us. So, as of now we have not taken any call whether we will pay the final dividend or how much final dividend we will pay as of now that is not taken. So, in the next board meeting we will take

that thing that is before the next AGM is concerned. As per the regulatory provisions we can pay the final dividend before the next AGM.

Anuj Jain: And sir another question I have also noticed that there are no stock options for the management or any employee in our company, so do we have any policy regarding that are we thinking about anything on any option scheme?

Vijay Babulal Shirode: I would like to inform that there is no such kind of a employee stock option policy prevalent in the company because we are already governed and at this moment government has not given any mandates to have this employee stock option to any of the CPSEs at this moment.

Anuj Jain: Lastly as you told regarding the exemption granted from MCA regarding the DTL on MAT, so do we have any time frame like the time limits for this that this is valid for next 5 years, 7 years?

Amitabh Banerjee: That is perpetual.

Anuj Jain: So, therefore we do not foresee any tax?

Amitabh Banerjee: No as far as DTL is concerned.

Moderator: Thank you. The next question is from the line of Siddharth Gupta from Voyager Capital. Please go ahead.

Siddharth Gupta: First I have a comment before I have a few questions I would request you to present your results in lakhs and crores instead of millions because your PPT and your transcript you always talk about crore and we are an Indian company?

Amitabh Banerjee: Yes, we know that this decision has been already taken. It used to be in lakhs earlier, but in keeping with the uniformity of the financial statement that is there in the ecosystem I think we have gone with that and then the general opinion was that it should be in million that is the international yes it is because we are going for the issuance of bonds and also for the international practices actually dictate that they should be in million or billion that is we have gone for millions.

Siddharth Gupta: I have a few questions sir this is pertaining to footnote 7 of your results and Page #15 of the presentation where you talk about there are certain projects that you financed which are currently being built or have a sort of gestation period and hence there is no income coming from those projects as lease agreement has not been made, so could you let us know what would roughly be the value of these projects that are in place and what kind of income we could expect over the next few years?

- Prasanta Ojha:** Thing is that we are financing to Indian Railways towards development of railway projects and this projects are under development right now. So, we started this funding from 2015-16 onwards so that carries 5 years moratorium. So, after this moratorium actually that project capital is in MoR completion certificate and then agreement will be executed, but we are carrying a 35 basis point margin on that funding and we are booking income on that margin part.
- Amitabh Banerjee:** And he also mentioned the amount I think that comes from the other financial assets in the balance sheet which stands at about 1.97 lakh crores.
- Prasanta Ojha:** Right.
- Amitabh Banerjee:** You can just have a look at the balance sheet other financial assets and there since would be available.
- Siddharth Gupta:** This is the total worth of those projects, and we can expect them to be comeback over the next 15 plus 15 years model?
- Siddharth Gupta:** Sir has there been any delays in these projects due to COVID is the payment still on line or has been any specials?
- Amitabh Banerjee:** You see the point is that even if there is some time overrun or cost overrun it is the loans that we are giving to Indian Railways by way of leases. This is totally cost or time overrun agonistic it is not at all connected with the fact that whether these projects are getting delayed or not that does not impact the lease agreement between IRFC and MoR. So, that is totally independent of each other. We are not at all influenced by the timely completion or otherwise of these projects. So, the lease would start after the moratorium period of 5 years irrespective of whether there has been any time overrun or cost overrun.
- Siddharth Gupta:** Sir, my next question pertains to the fact that in our previous transcript in the previous presentation which we attended you spoke about how we are ready to fund private projects as well as who have forward and backward linkages with the Railways and there have been certain media reports about the same, so has there been any progress on this front have been entered into certain discussions and also would we fund from these projects at a certain higher margin then what we do for our MoR leases or would it be at the same base?
- Amitabh Banerjee:** No, of course it would be totally on commercial term the terms that we are having would it be sovereign and that has got nothing to do with these with the expected margins that we will be having in case we are going for other diversification of lending, but as of now not much progress has been made because there has been pandemic over long time so almost one and half years, but we do foresee that people will be coming specially in case of private train operations they might approach IRFC for the procurement of rolling stocks, assets or even for port connectivity projects people may come up even many other areas where IRFC can

actually come in because most of the point is that Indian Railways is connected with most of the sectors. So, nobody can really go untouched because there is any part of Bharatmala project or Sagarmala project we can come in as a financial for many of these projects, but yes since over the years we have been totally in burden with I mean the target that has been put for before the company has been quite challenging over the years and there was not much of an occasion to look beyond the sovereign, but we are open to funding to private sector as well and to other sectors as well which has a forward backward linkage within Indian Railways and we have had some preliminary discussions with other SPVs also like high speed rail corporation or dedicated freight corporation where we can always chip in.

Siddharth Gupta: I just have a couple of more quick questions I mentioned in the previous call as well sir when then the company considering housing its projects and assets under subsidiaries or through raising more money to InvIT because this would unlock fantastic value for the company and will also actually help you with your internal gearing ratio policy of 10 is to 1 because that would raise the equity that the company has, so is this something that has a hold or the company generally considered has this come up in discussion with the MoR because that has been done with other PSUs in terms of GAIL and Power Grid?

Amitabh Banerjee: Yes that is a good suggestion and yes it has been deliberated, but yes we have not yet taken any call on this, but the suggestion is well taken.

Siddharth Gupta: And sir just a one quick question in your last call you had mentioned you have raised about 750 million \$US out of a planned 4.5 billion \$US to external commercial borrowings and you did mention that you have increased it from roughly 9% to 16% in the previous FY, but what is the target that we are setting for this year because from what I understand we have been able to due to our sovereign rating we have been able to raise money at a very competitive rate not that it affects our business model at the end of it because we do get a weighted average from the government, but what is our target for this FY for our external commercial borrowings?

Amitabh Banerjee: External commercial borrowing last year was a record one that was 4.075 already 750 billion was through the 144a Reg S route others were all the syndicated loans that we got from SBI and some other agencies in Yen bonds in Yen loans also we had taken. So, this year I mean we have raised the GMT and program from 4 billion to 7 billion that will be approaching so then we will take the call as to how much amount by way of ECB that we take a call based on market dynamics, but we have a good amount of ECB in mind this year also like last year.

Moderator: Thank you. The next question is from the line of Kayur Asher from PNB Metlife. Please go ahead.

Kayur Asher: I just had a follow up on the project asset book of portfolio so I understand this portion of the book has been increasing in terms of the share, so you mentioned that large portion I think 1.9 trillion of it is into this would this be the entire book sir?

- Amitabh Banerjee:** As far as this is concerned I mean if you see other financial assets you will get the details of the leasing of project assets. They have not been taken into revenue because they are still under construction so that is there and any other light that you can throw Ohja on this whether this is the entire book or there is something more to it.
- Prasanta Ojha:** No this is the entire book inclusive of accrued interest on that advances.
- Kayur Asher:** You mentioned a lease agreement, standard lease agreement is yet to be executed, so would it be fair to assume that the entire book is right now in a way under moratorium as to we are not receiving lease payment?
- Amitabh Banerjee:** Moratorium for those projects which we had financed in 15-16 that moratorium period is over and we are about to receive the lease rental. We are in the advance stage of finalizing our lease agreement for the project asset. Everything is almost ready except the certain one or two issues that is left behind which are in the final stages of being getting ironed out between Ministry of Railways and IRFC and very shortly we shall be coming be coming out with these standard lease agreement as far as the project assets are concerned.
- Kayur Asher:** And just to clarify here this would be all the assets finance post 2016 that would be?
- Amitabh Banerjee:** Yes. There was one of project in 11-12 that we had done for 2,089 crores for some railway electrification. There were also project assets and those the moratorium period is already over and we are getting the lease rentals from them that was a one of thing, but the EBR-IF portion that is the extra budgetary resources infrastructure financing what we call as the project asset leasing actually started in a big way from 15-16 onwards. So, that was which was done 15-16 that moratorium period is over the lease pertaining to the assets lease during that particular year that will start from this financial year. So, the lease rental of those assets will start streaming in from FY22 onwards and similarly in the next year the ensuing years will follow.
- Kayur Asher:** Sir I understand for the rolling stock book we have I mean agreements with MoR to give certain advance rentals to basically manage the ALM, so do we have a similar provisions in the project asset book as well because I understand this is a significant?
- Amitabh Banerjee:** That is a standard clause that we are building in all our standard lease agreement if just in case IRFC fall short at the time of redemption of its bonds or its liabilities by way of term loans from banks and we are falling short of the liquidity then Indian Railways will chip in with the necessary amount well in advance so that at no point of time IRFC faces the risk of defaulting and experience. Although, in all its years of its existence we have never had the occasion to invoke this clause, but this standard clause will always be there for giving that added comfort to the investors and the other stakeholders.

Kayur Shah: One follow up on the project asset book so do we envisage any other risk on this part of the book given that I think the book is still I mean bulk of the assets are under construction, so does IRFC has exposure to any risk any construction risk?

Amitabh Banerjee: No, we are not prone to any construction risk whatsoever and all the techno commercial aspects you must be clear on this particular point that is very important point that you have raised all the techno commercial aspects of construction of these projects including that of rolling stock that we have been giving for so many years they all devolve on Ministry of Railways, none of it devolves on Indian Railway Finance Corporation IRFC. So, we are totally protected from any of the risk attendant there too.

Kayur Asher: And sir one last question from my side is on one of the disclosure that we have made on the finances point number 6 where we are showing certain reconciliation items, so can you explain what was the cause for this difference in amount?

Amitabh Banerjee: There is no such difference in amount only thing is that there are certain aspects of accounting which are still pending reconciliation with Ministry of Railways. It is a very in ordinary course of business this happens if the government department and we are a commercial entity, we have different sets of accounting procedures, different sets of accounting figure, so naturally we need to reconcile we have already reconciled with RVNL, IRCON because they are all commercial entities they are all PSU just like us so there is not much of a problem, but since there is a separate set of accounting rules for government they follow a government accounting policy in the Ministry of Railways. They pursue the government accounting practices we are following the commercial accounting practices. So, therefore it is a normal routine course this is not any exceptional item that we have, but this is as a sort of this what you call transparency in our policies that we have given this as a foot note just for the benefit of the stakeholders that we are still certain aspects are about reconciliation of certain items I mean this is just in ordinary course of business if we get reconcile in a few days there is no problem.

Kayur Asher: It was necessarily timing issues are not cash flow.

Amitabh Banerjee: There is no difference in reconciliation there is only it is just a normal audit point that we have sometimes reconciliation take time, so it is taking a bit of time that is all.

Kayur Asher: So, the normal timing difference otherwise no such?

Amitabh Banerjee: I mean it is not that there has been any kind of a difference found out which has been found out in reconciliation there is no such thing.

Moderator: Thank you. The next question is from the line of Bhavik Dave from Nippon India Mutual fund. Please go ahead.

Bhavik Dave: Sir couple of questions one is for next year how are we thinking about disbursements is there any rough Math that we have done what will be the disbursement because this year was extremely strong for us like we have done 34,000 odd crores in the first 9 months and then in the last quarter was extremely buoyant, just want to understand have we front loaded some of it or FY22 will also be equally strong in terms of disbursements?

Amitabh Banerjee: Business model is a bit of unique kind of business model we are totally driven by the demand coming from these sovereign. As far as the skew that we have in the disbursements between the various quarters that skew would always be there because that is the normal course of the momentum with which the projects can be executed and generally it achieves the crescendo only in Q4 and this time it has been extremely high, but I mean it is for future to say that we start off with 58,000 we ended at 1,04,000 let us see this year plans out this year started with 65,000 plus 65,258 crore to be precise is the mandate of this year and where it lands ultimately it is very difficult to say at this point of time, but we are ready for any eventuality and we have sources of financing are very much within our grasp. So, we are in talks with various financial institutions, with commercial banks we have the JLMs in place for the issuance of offshore bonds in 144A and Reg S markets. So, we have all the sources tried out. So, we will just await the nod from Ministry of Railways.

Bhavik Dave: Sir, just one last point on this disbursement so last year also we said we planned a 50,000 odd crore number and we exceeded that by like a significant margin, what kind of requirement would be because that year was a difficult year for a railway as a whole right because at the lockdown the lack of momentum across the country, so this year if things improve like just a matter of two, three months, will your requirement be higher or how do we think about it like will it be 55,000 odd crore that you mentioned or again this year also it will be...

Amitabh Banerjee: We do not really know in fact last year was a disruptive year because the pandemic came for the first time. So, the country was really gearing up its medical infrastructure there was a long lockdown period. So, there was some budgetary constraint last year which forced Indian Railways to take the course to more of extra budgetary resource funding EBR funding. This year of course I mean the situation is not that severe, but yes I mean the second wave has taken a toll on the revenues of Railways and in turn government. So, therefore it remains to be seen that how much recourse they will take to be EBR route on that basis the requirement of further funding would depend.

Bhavik Dave: The second question is have we decided the spreads or on the rolling stock?

Amitabh Banerjee: Yes we have decided the spreads it will remain the same as last year.

Bhavik Dave: For both the business?

Amitabh Banerjee: For both rolling stock as well as project asset.

Bhavik Dave: And last question sir 10 times leverage that you spoke about we are at 9x, is there a regulatory cap that we have or do we think that we can go up to may be 11x, 12x also before we go for capital raising because it will be critical when we raise capital mix, so how are you thinking about it, will you come to the market like in a one year time or you will extend to leverage yourselves to 11x, 12x before you come out and raise capital what are your thoughts on this?

Amitabh Banerjee: You see there are no regulatory guidelines on this. It is the internal decision of the management, and we are absolutely open to going beyond 10 also if the requirement arises as of now it does not, but if it is required we can definitely think about it and as far as coming to the market again I mean as per regulatory guidelines we have to again come to the market anyway in three years' time to divest up to 25%. We have just divested to 14% so 11% anyway we have to divest in the next three years, but beyond that I do not see any further reason to go to the market to raise more capital.

Moderator: Thank you. The next question is from the line of Anuj Jain from ValueQuest Capital LLP. Please go ahead.

Anuj Jain: Sir out of the total disbursement can you give breakup between rolling stocks and project assets financial?

Amitabh Banerjee: Well, I can give you a rough idea say rolling stock was about 29,000 and 74,000 was project assets then to RVNL we had given another 1,429 crores that makes a total of 1,04,000 crores.

Anuj Jain: And for this project finance loans is the terms similar that first 5 years of the moratorium and after that the actual interest expansion income starts?

Amitabh Banerjee: Yes that is only for projects as I said there is no moratorium for the rolling stock asset. In case of rolling stock there is no moratorium that is given, but this moratorium is definitely majorly given only because it is a project and that takes time the normal gestation period before it yields revenue. So, naturally that the construction time that we have to give when there does not been any revenue. So, that moratorium is absolutely in place that is why we are giving moratorium of 5 years for project assets.

Moderator: Thank you. The next question is from the line of Sri Ram Prasad Individual Investor. Please go ahead.

Sri Ram Prasad: Most of my questions have been already asked, but I would just like to stress on a few things which I need more clarity on like everybody was mentioning about the gearing it is already a 9x and the equity book is growing at 13.5 odd percent that is the ROE while the loan book itself is growing at a much higher rate, so it is inevitable that 10x limit will be breached in the near future is my observation, so in light of that I think the various numbers I have already mentioned various initiatives that you can take by way of InvIT or relaxation of the norm itself of 10x I wanted to know your views on securitization, was anything done so far from the

company side in terms of securitizing these receivables or project loan assets and selling it to parties and I also wanted to know your view on because the interest rates are falling, will there be a mark-to-market gain if you securitize these assets and sell I mean depending on how the accounting is being done because these are at 8.5% rate interest now the interest rates have fallen, so your views on securitization and what impact it will have if you actually sell these securitized is there a mark-to-market gain that will happen on an immediate basis that is my first question, sir my second question is with respect to I mean it is more of an observation as to why the announcement of results has taken place almost at the end of second quarter and what will be a timeline going ahead in terms of when you will be announcing the results because I think accounting is fairly straight forward to that extent, so at what time we will be usually declaring the results is my second question?

Amitabh Banerjee:

As far as this result is concerned let us come to the first question. We used to do securitization in the late 90s we had done some securitization thereafter we have not gone for any securitization because that did not make any economic sense at that point of time, but we are absolutely open to going for securitization we have done securitization earlier and we are open to securitization if it yields any mark-to-market gains we are open with that we are open to that instrument also and as far as the second question is concerned well we have come out with a results within the time limit that has been given by SEBI in view of the pandemic I think this has been extended by one more month it was 31st of May so it has been extended to 30th June and you see we have just gone public so it takes some warm up time is required so that is why we came in due course of time we shall take less time for announcing these results as we go forward.

Sri Ram Prasad:

Couple more questions your securitization initiative will be driven by mark-to-market gains or if you are briefing the limits you will do securitization as in what will drive such a behavior from your end?

Amitabh Banerjee:

That we will see when we take a call on securitization as of now we have not taken any call at that point of time we shall see both these aspects.

Sri Ram Prasad:

My last question in case your limits are being breached with respect to your 10x gearing ratio in terms of your book growth that is planned, will you ease the limits, or will you go for a capital raise which you have to anyway do within three years' time?

Amitabh Banerjee:

I would rather go for easing the limit than go to approach the market for fresh capital infusion because as of now I think I need to put because I am already quite adequately capitalized. So, I would rather go for this especially with a capital adequacy ratio 415% I do not see any reason why I should not go beyond 10 it does not make sense to stick to 10 and then having a huge capital adequacy ratio because almost all my loans are secured. So, I do not find any reason and I would rather exercise the first option.

- Moderator:** Thank you. We will take the last question from the line of Naman Kumar an Individual Investor. Please go ahead.
- Naman Kumar:** So, my question is with respect to lease income so for the entire financial year 21 the total lease income is around 11,826 crore right, so out of this how much is on the project assets because the note 7B of your quarterly results says there is some prelease income on financing of railway infrastructure projects has been accounted, so out of 11,286 how much is for the project?
- Prasanta Ojha:** Yes we have recognized pre lease income from project to the tune of 3,329 crore as against 2,159 crore during the year 2019-20.
- Naman Kumar:** And this is on the entire project asset balance which is standing on the balance sheet as of today or it on the initial years?
- Prasanta Ojha:** No entire.
- Naman Kumar:** And my second question is and this is the last question what is the weighted average cost of the total borrowing as of 31st March 2021 basically for the entire year?
- Prasanta Ojha:** 6.51%.
- Naman Kumar:** And this is for total borrowing which is standing on book?
- Prasanta Ojha:** Total including rolling stock project assets, RVNL all put together.
- Moderator:** Thank you very much. Ladies and gentlemen due to time constraint we will take that as the last question. I would now like to hand the conference over to Ms. Anuja Dighe for closing comments.
- Anuja Dighe:** Thank you. We thank the management of IRFC for giving us the opportunity to host the call. Thank you all the participant for patiently listening. Thank you and have a nice day.
- Amitabh Banerjee:** Thank you everyone. Thank you very much.
- Moderator:** Thank you. Ladies and gentlemen on behalf of DAM Capital Advisors Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.