

Research Report

Indian Railway Finance Corporation



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About

Established in 1986 as the dedicated financing arm of Indian Railways for mobilizing funds from domestic as well as overseas Capital Markets. IRFC falls under Mini Ratna 1 category and is a Schedule 'A' Public Enterprise under administrative control of Ministry of Railways, Govt. of India. It is also registered as Systemically Important Non-Deposit taking Non-Banking Financial Company (NBFC – ND-SI) and Infrastructure Finance Company (NBFCIFC) with Reserve Bank of India (RBI).

Key Business

- **Leasing-** Company follows a leasing model to finance the rolling stock assets and project assets of Indian Railways. The lease period is usually of 30 years.
- **Lending-** IRFC also engages in lending activities and have provided funds to various companies in Railway sector like Rail Vikas Nigam Limited (RVNL), Konkan Railway Corporation, etc. Limited
- **Borrowing-** IRFC has been seeking to meet its funding requirements from various sources to extract the lowest possible pricing from the markets.

Synopsis of Financials

- IRFC's asset under management stood at INR 4.67 lakh crores as on 31st March '23, with 98.73% pertaining to Indian Railways and 1.27% for loan to RVNL and IRCON.
- IRFC's revenue has grown at a rate of 17.7% from INR 20,298 crores to INR 23,891 crores, and the profit for the financial year 22-23 is INR 6,337 crores,

Stock data (as 3rd January 2024)

Nifty Price	: 21571.20
52 week High (in Rs.)	: 104
52 week Low (in Rs.)	: 25.4
Market Cap. (in Crore)	: 1,29,640
NSE Code	: <u>IRFC</u>

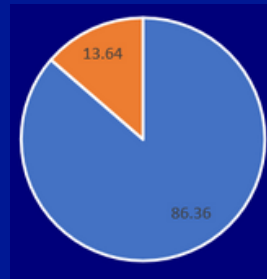
Stock data



-NIFTY50

- Indian Railway Finance Corporation

Shareholding Pattern (September 2023)



-PUBLIC GROUP

-PROMOTER GROUP

Financial Summary

Particulars	March 2023	March 2022	March 2021
Sales	23,892	20,299	15,771
Expenses	134	123	113
Operating Profit	23,758	20,177	15,657
OPM %	99%	99%	99%
Profit after tax	6,337	6,090	4,416
EPS in Rs	4.85	4.66	3.38

Quarterly Results



Particular	Mar 2022	Jun 2022	Sep 2022	Dec 2022	Mar 2023	Jun 2023	Sep 2023
Sales	5,932	5,627	5,810	6,218	6,236	6,679	6,767
Expenses	82	23	34	31	47	29	34
Operating Profit	5,849	5,605	5,776	6,188	6,189	6,650	6,733
OPM %	99%	100%	99%	100%	99%	100%	100%
Other Income	1	0	1	4	36	2	1
Depreciation	5	4	4	4	3	4	2
Profit before tax	1,493	1,662	1,714	1,633	1,328	1,557	1,550
Tax %	0%	0%	0%	0%	0%	0%	0%
Net Profit	1,492	1,662	1,714	1,633	1,328	1,557	1,550

Source: Screener

Key Ratios

Particulars	HY1 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 (Rs.)	36.49
EPS (Rs.)	4.75
Interim Dividend	Rs. 0.80 per share

Source: Annual Report

Yearly Results

Particulars	Mar 2023	Mar 2022	Mar 2021
Share Capital	13,069	13,069	13,069
Reserves	32,402	27,928	22,845
Borrowings	4,18,935	3,88,440	3,23,145
Other Liabilities	26,742	20,544	21,423
Total Liabilities	4,91,147	4,49,980	3,80,482
Fixed Assets	19	38	45
CWIP	0	0	0
Investments	14	10	12
Other Assets	4,91,114	4,49,932	3,80,424
Total Assets	4,91,147	4,49,980	3,80,482

Synopsis Quater Results

Con-Call JUN 23: Key Highlights

Capex Funding:

- IRFC supports Indian Railways Infrastructure Development Plan and is the sole market-guarding arm of Indian Railways to meet their entire extra budgetary resource requirements for capex funding.
- IRFC's disbursement for FY23 was less than the initial target, but the budgetary support for Indian Railways is increasing year-after-year.
- Various sources of funding and take the borrowing with the most competitive rate.

New Business Opportunities:

- IRFC is exploring business opportunities such as leasing of rolling stock to entities other than Indian Railways, funding of railway infrastructure being developed through various state JVs, upcoming dedicated freight corridors, multi-modal logistic paths, and renewable energy required for the railway network.
- IRFC is setting up infrastructure for lending to other commercial projects outside of the Indian railways and has given in principle sanction to one Haryana Orbital project and NTPC for leasing of rolling stock.

Financials:

- The AUM growth is higher than the disbursement due to the capitalization of projects that are yet to be signed.
- It is difficult to predict AUM growth for FY 24 and 25 without more clarity in the second half of the financial year.

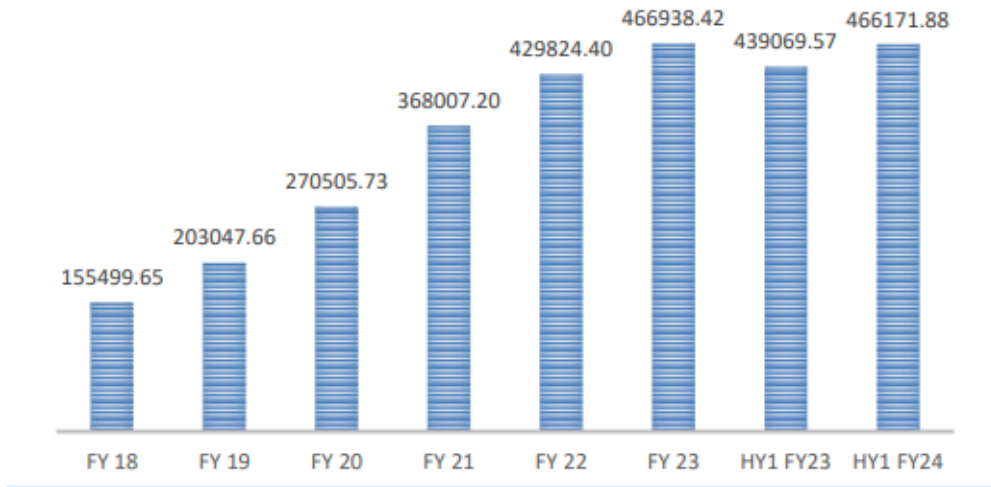
Miscellaneous:

- IRFC faced a one-time adjustment in the WACC calculation, which impacted the profitability for the quarter.
- MoR has been giving IRFC a consistent margin over the years, and all the risks are priced in. The margin is likely to remain consistently at this level.
- The average tenure of IRFC's assets is about eight to nine years.
- IRFC has not received any mandate in writing from MoR for the current year, and it will depend on how the capex shapes up and what support they get from the government.

Assets Under Management

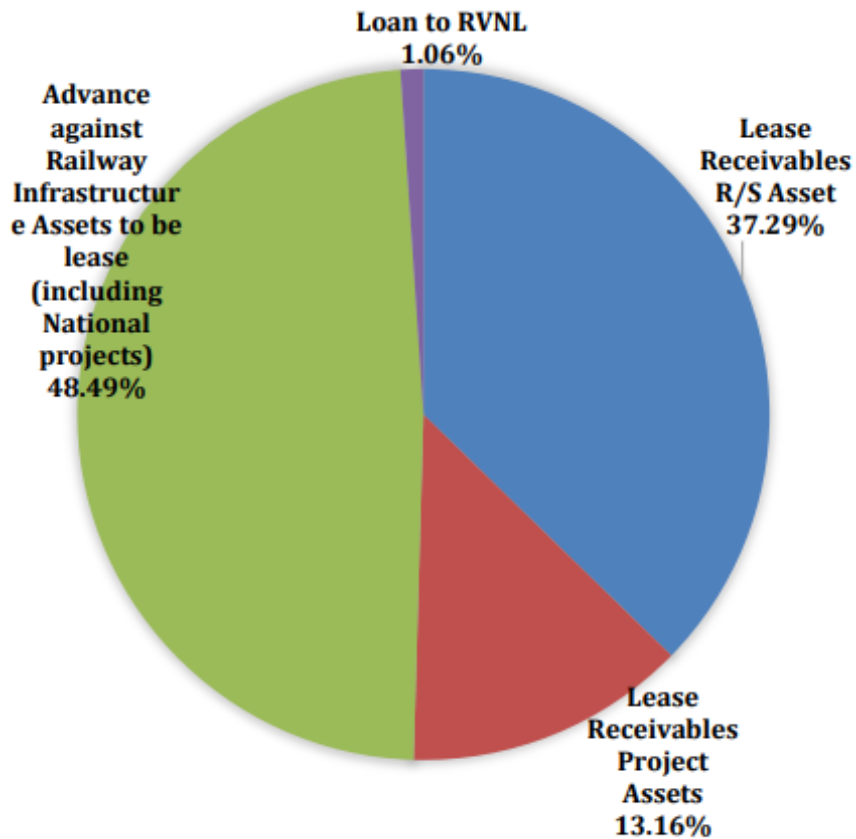
Assets Under Management

(Figures in INR crore)



AUM Break-Up (HY1 FY 24)

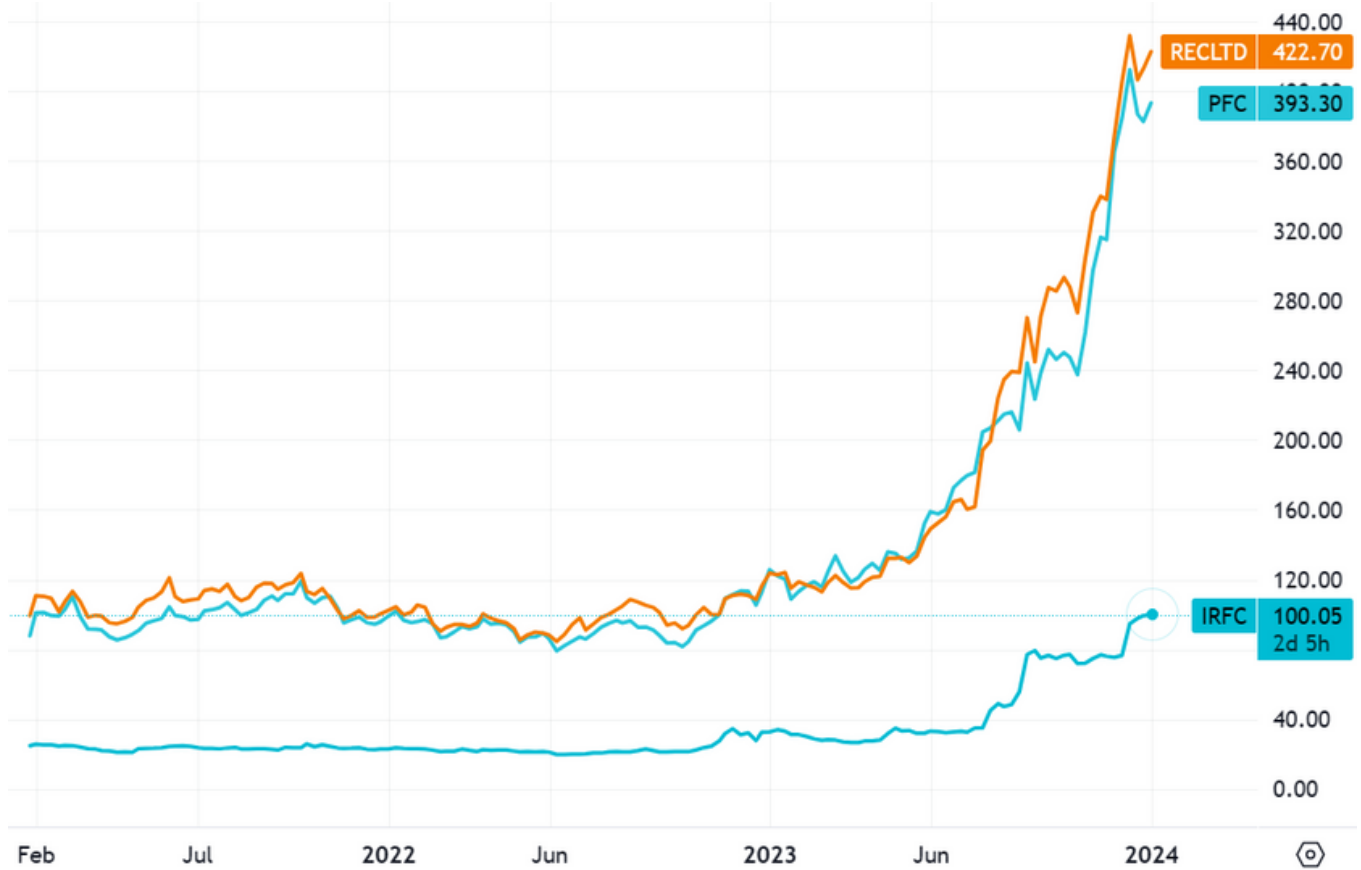
Minimal credit risk : 98.94% of AUM is exposure to MoR



Peer Comparison



Peer Stock Performance Indexed



Source: Trading View

Peer Financial Performance

S.No.	Name	CMP Rs.	Mar Cap Rs.Cr.	Assets Rs.Cr.	Debt Rs.Cr.	NP 12M Rs.Cr.	Sales Rs.Cr.
1.	IRFC	99.20	129639.57	497014.07	406442.51	6067.60	25900.39
2.	Power Fin.Corpn.	385.75	127301.42	975072.42	814064.71	23980.04	83083.49
3.	REC Ltd	416.55	109686.95	513180.97	419516.72	12738.65	42800.62
4.	Indian Renewable	100.85	27106.10	50446.98	40165.28	864.63	3482.92
5.	IFCI	29.15	7257.21	16260.42	5746.47	-87.16	1687.85

Source: Screener

Final Outlook

IREC: HOLD | LTP: 99.20

IRFC is moving towards lending to other ancillary railway related projects, with a project signed to the Haryana State Government, and there also chances that there may be some additional projects in the pipeline too. IRFC faced a one-time adjustment in the WACC calculation, which impacted the profitability for the current quarter. Moreover, company previously in its concalls mentioned that it has plans to do capex upto 10 lakh crores by 2030. IRFC reported a 9% decrease in net profit of ₹1,549.87 crore for the July–September quarter of fiscal 2023–24 (Q2FY24) on Thursday, November 2. This is in contrast to ₹1,714.28 crore for the same period the previous year. In comparison to ₹5,809.8 crore during the same period last year, the revenue generated by operations for the Indian Railway PSUs in the second quarter of the current fiscal year was ₹6,766.32 crore, representing a 16 percent increase. In addition, the business announced an interim dividend of ₹0.8 for each equity share of ₹10. November 10, 2023, has been decided upon as the official record date. IRFC announced a total dividend of ₹1,960.28 crore in the April-June quarter that before, equivalent to 30.93 percent of profit after taxes for FY 2022–2023.