

Indian Railway Finance Corporation Ltd.
SECTOR Finance
Issue Highlights

Issue Open	January 18, 2021
Issue Close	January 20, 2021
Issue Price	Rs. 25 - Rs. 26/Share
Total Issue Size	Rs. 4,455 - Rs. 4,633 Cr
Of which	
Fresh Issue	118.8 cr shares
Offer for sale	59.4 cr shares
Face Value	Rs. 10 /share
Market Lot	575 Equity Shares
Issue Type	Book Built Issue

Offer Structure

QIB Category	50%
Retail category	35%
Non-Institutional	15%

Lead Book Running Managers

- DAM Capital Advisors
- HSBC Securities and Capital Markets (India)
- ICICI Securities
- SBI Capital Markets

Registrar To The Offer

- KFin Technologies Private Limited

About the Company

Incorporated in 1986, Indian Railway Finance Corporation (IRFC) is wholly-owned by the Government of India acting through the Ministry of Railways (MoR). It is registered with the Reserve Bank of India as a NBFC and are classified under the category of an 'Infrastructure Finance Company' under Section 45-IA of the Reserve Bank of India Act, 1934. It is the dedicated market borrowing arm of the Indian Railways. Its primary business is financing the acquisition of rolling stock assets, which includes both powered and unpowered vehicles (locomotives, coaches, wagons, trucks, flats, electric multiple units, containers, cranes, trollies of all kinds). The MoR is responsible for the procurement of rolling stock assets and for the improvement, expansion and maintenance of project assets. IRFC has played a significant role in supporting the capacity enhancement of the Indian railways by financing a proportion of its annual plan outlay. It follows a financial leasing model to finance rolling stock assets procurement for a lease period of 30 years comprising a primary period of 15 years followed by a secondary period of 15 years. In addition, IRFC also extend debt financing to other PSU entities. It maintains the highest possible credit rating both for domestic and international borrowings.

Objects of the Issue

- Augmenting its equity capital base to meet future capital requirements arising out of growth in the business
- General corporate purposes

Valuation

IRFC plays a crucial role in financing the operations of the Indian Railways. In FY20, IRFC has financed Rs. 714 bn which accounted for 48.2% of the actual expenditure of the Indian railways. Going forward, with government's increased focus on infrastructure and transport, rising income levels and urbanization, we anticipate the budget allocation would continue to increase in the coming years for Indian Railways. This would provide a significant financing opportunity for IRFC as it is the primary financing source for the Indian Railways. The company meets its funding requirements through various sources which includes market borrowings of various maturities and currencies. Its strong credit rating and diversified sources of funding allows the company to offer competitive cost of borrowing. It enjoys the credit rating of AAA from CRISIL and CRISIL A1+.

The financial performance has been encouraging for the company as its revenue and profits have grown at 21% and 26% CAGR over FY18-20. Further, given its strong relationship with MoR, the company maintains a low risk profile. In order to minimize interest rate and foreign currency exchange risks, IRFC enters into hedging arrangements with respect to a portion of its interest rate risk and foreign currency exposure, particularly arising from its external commercial borrowings. Going forward, the company plans to further diversify its borrowing profile by exploring additional fund raising options at cost effective rates, including Indian Rupee denominated bonds issued in international markets. It intends to broaden its financing portfolio by funding various Project Assets including those relating to the decongestion of the railways network and the expansion of the existing network of the Indian Railways. It also plans to leverage its significant and diversified experience in fundraising and financing activities for the Indian Railways to provide financial structuring advisory and consultancy services. Therefore, given the promising long term growth prospects and low risk business model, we have a positive view on the company for long term. On the valuation front, IRFC is valued at 1x Sep-20 BVPS. Investors having long term view can invest in the company.

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Statements on ownership and material conflicts of interest , compensation– Research Analyst (RA)

[Please note that only in case of multiple RAs, if in the event answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) below , are given separately]

S. No.	Statement	Answer	
		Yes	No
		Tick appropriate	
		Yes	No
	I/we or any of my/our relative has any financial interest in the subject company? [If answer is yes, nature of Interest is given below this table]		No
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		No
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
	I/we have received any compensation from the subject company in the past twelve months?		No
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		No
	I/we have served as an officer, director or employee of the subject company?		No
	I/we have been engaged in market making activity for the subject company?		No

Nature of Interest (if answer to F (a) above is Yes :

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Name(s) with Signature(s) of RA(s).

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above , are given below]

SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

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