

INTERVIEW

'IRFC at forefront of realizing PM's dream of Aatmanirbhar Bharat'

In an interview with Competition Refresher, IRFC CMD Sh. Amitabh Banerjee talks about the company's performance, its ongoing investments and future plans.

Competition Refresher (CR): What is the mission and vision of Indian Railway Finance Corporation Limited?

Sh. Amitabh Banerjee, CMD, IRFC: Indian Railway Finance Corporation (IRFC) is the dedicated market borrowing arm of Indian Railways. It is a Schedule-'A' Miniratna Central Public Sector Enterprise under the administrative control of the Ministry of Railways. The main objective of the company is to meet the 'Extra Budgetary Resources' requirement of Indian Railways through market borrowings at most competitive rates. The aim of the company is to be one of the leading financial services companies in the country, for raising funds from the capital market at the competitive cost for augmenting railway plan finances. IRFC's constant endeavour has been to diversify its borrowing portfolio in terms of instruments, markets and investors which has led to the company meeting the targeted borrowings year after year, through issue of both taxable and tax-free bonds, term loan from banks/financial institutions besides off shore borrowings, at competitive market rates. The dedicated approach of the company supporting the expansion and modernisation of Indian Railways keeps us perfectly poised to realise the dreams of tomorrow. Over the years, we have constantly diversified the borrowing portfolio and taken necessary steps to emerge as a reliable and efficient financial services provider.

CR: How has IRFC performed since the listing of its IPO in January last year?

Sh. Banerjee: IRFC has performed exceptionally well on all fronts since its IPO was listed on BSE and NSE on 29th January 2021. After the listing of IRFC on the stock exchanges, the expectation of the external shareholders and Ministry of Railways have increased manifold. Accordingly, the company has reoriented its business strategy in a short span of time to achieve that goal by way of maximization of growth of business, revenue, profitability and dividend. However, the company continues to ensure that its target of meeting the funding requirement of Indian Railways at the most competitive rates and terms remain intact. The Asset Under Management (AUM) has registered tremendous



growth and reached a level of Rs. 3,82,172 crore at the end of H1 FY 2021-22. The net worth has grown handsomely and reached a level of Rs. 38,917 crore at the end of H1 FY 2021-22. The revenue from operations has gone up to Rs. 4,690 crore to the end of H1 FY 2021-22. Correspondingly, the net profit has registered a tremendous growth and has reached Rs. 3,003 crore to the end of H1 FY 2021-22. The earning per share of the company grew by 45% and EPS of the company is at Rs.

2.30 (half yearly) in H1 FY 2021-22 as compared to Rs. 1.59 (half yearly) in H1 FY 2020-21. The company continues to raise funds at the most competitive rates and terms both from the domestic and overseas financial markets, which has helped keep its cost of borrowing low. The growth story of Indian Railways sector is depicted through the robust financial numbers of IRFC mentioned above.

CR: How has IRFC contributed to the making of Aatmanirbhar Bharat/self-reliant India?

Sh. Banerjee: IRFC, the sole market borrowing arm of Indian Railways, has been at the forefront of realizing Hon'ble PM's dream of Aatmanirbhar Bharat. For this, IRFC has been consistently supporting the growth, expansion and modernization of Indian Railways through funding of railway projects and capacity enhancement works. The company has played a significant role in its more than 30 years of existence in supporting the expansion of Indian Railways and related entities by financing a significant proportion of its annual plan outlay. IRFC has been instrumental in shaping Indian Railways' massive infrastructure plan covering railway electrification, gauge conversion, multitracking, station redevelopment and systems upgradation. The Government of India has set a target of investments worth INR 400 billion under "Make in India" initiative. The manufacturing companies have brought FDI of INR 11 billion. IRFC can also explore the opportunity of investing under "Make in India" initiative. The rolling stocks assets being financed by IRFC are already being manufactured in India, thereby, contributing to the making of Aatmanirbhar Bharat.

CR: Explain the contribution of IRFC to the Indian economy?

Sh. Banerjee: The outbreak of covid-19 pandemic had caused severe disruptions across the globe, resulting in contraction of India's GDP growth rate to (-)7.3% in FY20-21. The government consumption and net exports have cushioned the growth from diving further down. IRFC has reported a stellar performance year after year. The net profit for FY21 stood at Rs. 4,416.13 crore, an increase of 38.34% against Rs. 3,192.09 crore in the last fiscal. The total revenue from operations grew by 17.51%, year-on-year, amounting to Rs. 15,770.47 crore against Rs. 13,421.01 crore in the last fiscal year. The company paid annual dividend of Rs.1,372.19 crore which works out to 31.07% of PAT for FY 2020-21.

CR: Elaborate the functions and business model of IRFC?

Sh. Banerjee: The primary business of IRFC is the financial leasing of rolling stock assets— both powered and unpowered vehicles – including locomotives, coaches, wagons, trucks, flats, electric multiple units, containers, cranes, trollies of all kinds and other items of rolling stock components, leasing of railway infrastructure assets and national projects of the Government of India and lending to other entities under the Ministry of Railways. The functions of IRFC broadly include leasing operations, lending operations and borrowing operations.

IRFC follows a leasing model to finance the rolling stock assets and project assets of Indian Railways. The lease period is typically for 30 years, comprising a primary period of 15 years followed by a secondary period of 15 years. As part of the lease, recovery of the principal component and interest is effected during the primary lease period and at the end of the lease, assets are transferred to the MoR at a nominal price. The Company adopts a 'cost plus' lease arrangement with the Ministry of Railways which ensures a net interest margin for IRFC. The MoR pays lease rentals to the Company on half yearly basis and the lease pricing comprise both principal repayment and interest payment.

IRFC also has presence in lending activities and have provided funds to various companies in Railway sector like Rail Vikas Nigam Limited, IRCON, Konkan Railway Corporation Limited, Rail Land Development Authority, RailTel Corporation of India and Pipavav Railway Corporation Limited.

IRFC strives to fulfil its funding requirements through various sources and aims to avail the lowest possible rates from the market. The company borrows funds from sources like taxable and tax-free bonds issuances, term loans from banks and financial institutions, commercial papers, external commercial borrowings etc.

CR: What are the career opportunities for the youth in IRFC?

Sh. Banerjee: IRFC has displayed unparalleled

operational efficiency despite operating with the leanest manpower strength of around 40 full-time personnel. The overhead to turnover ratio is less than 0.12% which is the lowest in the country and perhaps the lowest the world over. The highest degree of operational efficiency is attributed to the professionalism, diligence and sincerity of purpose exhibited by its employees. The company provides the best environment and career opportunities to its employees which is reflected in the fact that it has been able to attract and retain the best talent and it has the lowest employee turnover. IRFC has been able to tap the most talented manpower through recruitments in the open market as well as those through campus placement.

CR: What are the initiatives taken by IRFC under its Corporate Social Responsibility?

Sh. Banerjee: IRFC strives to remain a responsible corporate entity aware of its responsibilities to all the stakeholders as a part of its Corporate Social Responsibility and sustainability policy. The company supports sustainable development programmes of the government to save the Mother Earth and ensure healthy life for future generations. It also contributes to inclusive growth and equitable development in the society, through empowerment of the marginalized underprivileged sections. As part of our major CSR initiatives, IRFC provided fully-equipped advanced life support healthcare systems to hospitals, facilitated cleft care and surgery for 100 children born with cleft lip, cleft palate and other facial deformities through Mission Smile, installation of solar-powered infrastructure across districts in railway zones, construction of public toilets and installation of sanitary napkin vending machines and incinerators in selected government schools and colleges in the aspirational districts identified under Aspirational Districts Programme of the government and contributing towards skilling programmes for the physically challenged youth of the country. Further, IRFC contributed to the PM CARES Fund and Armed Forces Flag Day Fund in FY2020-21.

CR: What are the future plans of IRFC?

Sh. Banerjee: IRFC will endeavour to optimize the expectations of its stakeholders and its pivotal role as the most efficient funding vehicle of Indian Railways. The company will make selective forays into other profitable ventures without diluting its risk-free status. The capital adequacy ratio of more than 450% as against 15% prescribed by RBI for IFCs and nil NPA in its Books will help in its proposed transitions. In view of the facts brought out above, IRFC truly deserves a decent ranking among the fortune 500 Companies. I believe that the IRFC team will be sufficiently prepared to tackle upcoming challenges firmly and continue to adequately support Indian Railways in its future endeavours. The ingenuity and expertise showcased by our team of highly talented workforce gives me immense confidence to be extremely optimistic about our future.