

## Indian Railway Finance Corporation Ltd : Good Issue IPO Note : Profit making dividend-paying PSU with Good growth and No NPA Ranking\*\*\*



**INDIAN  
RAILWAY  
FINANCE  
CORPORATION**  
(A Government of India Enterprise)

### Issue details

Price band (Rs)	Rs.25-26
IPO Opening Date	18/01/21
IPO Closing Date	20/01/21
Issue Size	Rs.4633.33 Cr.

### Recommendation

Total revenue grew at a **CAGR of 20.73%** from Rs.9207.80 Cr for the FY 2018 to Rs.13421.09 Cr for FY 2020 and **Net Profit grew at a CAGR of 26.29%** in the same period. Net profit grew from Rs.2001.16 crore to Rs.3192.06 crore in this period. For the first six months ended on September 30, 2020, it has earned a net profit of Rs. 1886.84 cr. on total income of Rs. 7384.83 cr. As per offer documents, IRFC has no listed peers to compare with as it is a special purpose vehicle set up by Railway and Finance Ministry for funding requirements of railway infra projects. If we annualize FY21 first-half earnings and attribute it on fully diluted equity post IPO, then asking price is at a **P/E of around 9.02**, Thus the issue is priced attractively. As on September 30, 2021, it's paid-up equity capital of Rs. 11880.46 cr. is supported by free reserves of Rs. 19806.65 cr. The issue is priced attractively by a dividend-paying PSU. It is likely to get fancy post listing being the first mover in the segment. Investors may consider investment for long term.

### Highlights

- **Indian Railway Finance Corporation Ltd. (popularly known as IRFC) is the dedicated market borrowing arm of the Indian Railways.**
- **IRFC has paid a dividend of Rs. 0.36, Rs. 0.48 and Rs. 0.21 per share for the last three fiscals respectively. For the first half of the current fiscal, it has already paid an interim dividend of 0.53 per share.**
- **Over the last three decades, it has played a significant role in supporting the capacity enhancement of the Indian Railways by financing a proportion of its annual plan outlay.**
- **In Fiscals 2017, 2018, 2019 and 2020 (revised estimate), IRFC is responsible for financing 72%, 93%, 84% and 76%, respectively, of the rolling stock purchased by it and leased to the MoR**
- **In Fiscal 2020, IRFC financed Rs. 713.92 billion accounting for 48.22% of the actual capital expenditure of the Indian Railways.**

### Company Introduction

Incorporated in 1986, the Indian Railway Finance Corporation (IRFC) is a public-sector enterprise that is wholly-owned by the Government of India. IRFC is primarily engaged in financing the acquisition of rolling stock assets, leasing of railway infrastructure assets, and lending to entities under the Ministry of Railways (MoR). Being the borrowing arm of Indian Railways, IRFC is responsible to raise funds for MoR that is required to procure rolling stock assets (wagons, trucks, electric multiple units, locomotives, coaches), its improvement, expansion, and assets management.

It follows a financial leasing model to finance rolling stock assets procurement for a lease period of 30 years. In fiscal 2019, the actual capital expenditures by the Indian Railways were Rs. 1,334 billion, out of which, IRFC financed Rs. 525.35 bn accounting for 39.34% expenditures.



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[www.irfc.nic.in](http://www.irfc.nic.in)

### Financial Summary (Rs. In Crore)

Particulars	Six months ended Sept. 30, 2020	FY2020	FY2019	FY2018
Total Income	7384.82	13421.09	10987.35	9207.83
Net Profit	1886.84	3192.09	2139.93	2001.16
EPS (Rs)	1.44*	2.44	1.63	1.53

\*EPS not annualized

Source: RHP and ACE Equity

### RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

IRFC is responsible for raising the finance necessary for such activities. Over the last three decades, it has played a significant role in supporting the capacity enhancement of the Indian Railways by financing a proportion of its annual plan outlay. The Union Budget proposed a capital expenditure of Rs. 1,610 billion for the Indian Railways for Fiscal 2021, which was higher than the capital expenditure of Rs. 1,480.64 billion in Fiscal 2020.

### Company Promoters:

The President of India acting through the Ministry of Railways (MoR) is the promoter of the company.

### Objects of the Issue:

- To augment company's equity capital base to meet business future growth requirements.
- To meet general corporate purposes.

### IPO Issue Proceed

To part finance its plans for augmenting equity capital base to meet future capital requirements out of planned growth, general corpus purpose, IRFC is coming out with its maiden IPO of Rs. 4455.17 cr. to Rs. 4633.38 cr. (based on lower and upper price band). The issues consist of 1188046000 fresh equity shares of Rs. 10 each and offer for sale of 594023000 equity shares. Thus the overall size of the issue is 1782069000 equity shares, that constitutes 15% of the post issue paid-up capital of the company. The company has fixed the price band of Rs. 25 - Rs.26 per share and minimum application are to be made for 575 shares and in multiples thereon, thereafter. The issue opens for subscription on January 18, 2021, and will close on January 20, 2021. Post allotment, shares will be listed on BSE and NSE. Post issue, its current paid-up equity capital of Rs. 11880.46 cr. will stand enhanced to Rs.13068.51. With the issue price at the upper cap, the company is looking for a market cap of Rs. 33978.12 cr.

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