

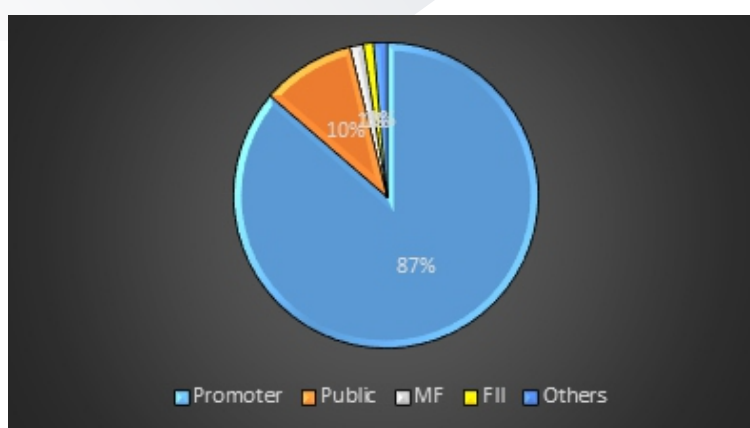
**Indian Railway
Finance Corporation
Techno-Funda
Stock Outlook**



Indbank
Merchant Banking Services Ltd
(A Subsidiary of Indian Bank)

STOCK DETAILS	
NSE Scrip code	IRFC
BSE Scrip code	543257
Market cap (in Cr)	45,478
52-week High/Low (in Rs)	37.4/19.3
CMP (As on 19.05.2023)	NSE: 33.60 / BSE: 33.50
Price Target (in Rs)	45

SHAREHOLDING PATTERN



INDUSTRY OVERVIEW

There has been a 16.9% increase in allocation in the Union Budget 2022-23 for railway infrastructure shows Government's commitment to strengthen the country's railway infrastructure.

As a sector, the NBFC's have been more profitable than banking sector owing to lower costs. This allows them to offer cheaper credit to customers, thereby bolstering the demand for their products.

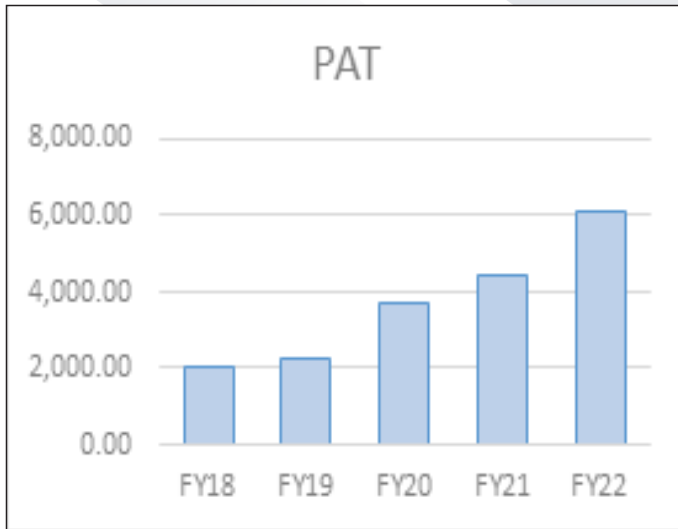
COMPANY OVERVIEW

The primary objective of IRFC is to meet the predominant portion of 'Extra Budgetary Resources' (EBR) requirement of the Indian Railways through market borrowings at the most competitive rates and terms. The Company's principal business therefore is to borrow funds from the financial markets to finance the acquisition / creation of assets which are then leased out to the Indian Railways.

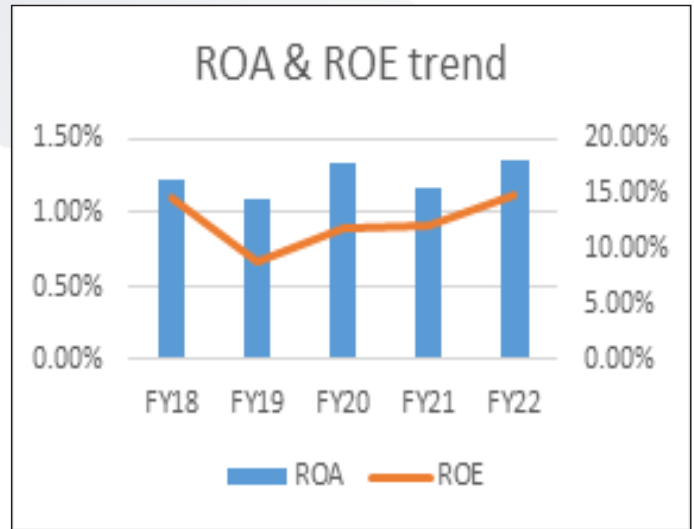
IRFC's cumulative funding to rail sector has crossed Rs.5.04 lakh crore as of 31st March, 2022. The funds are utilized for acquiring rolling stock assets and also building up infrastructure, constituting significant part of annual capital expenditure of Indian Railways. So far, it has funded acquisition of 13349 locomotives, 73979 passenger coaches, 259661 wagons, which constitute around 75% of the total rolling stock fleet of Indian Railways. From 2011-12 onwards, IRFC has forayed into funding of railway projects and capacity enhancement works.

IRFC has also been lending to various entities in Railway sector like Rail Vikas Nigam Limited (RVNL), Railtel, Konkan Railway Corporation Limited (KRCL), Pipavav Railway Corporation Limited (PRCL) etc.

PAT Growth

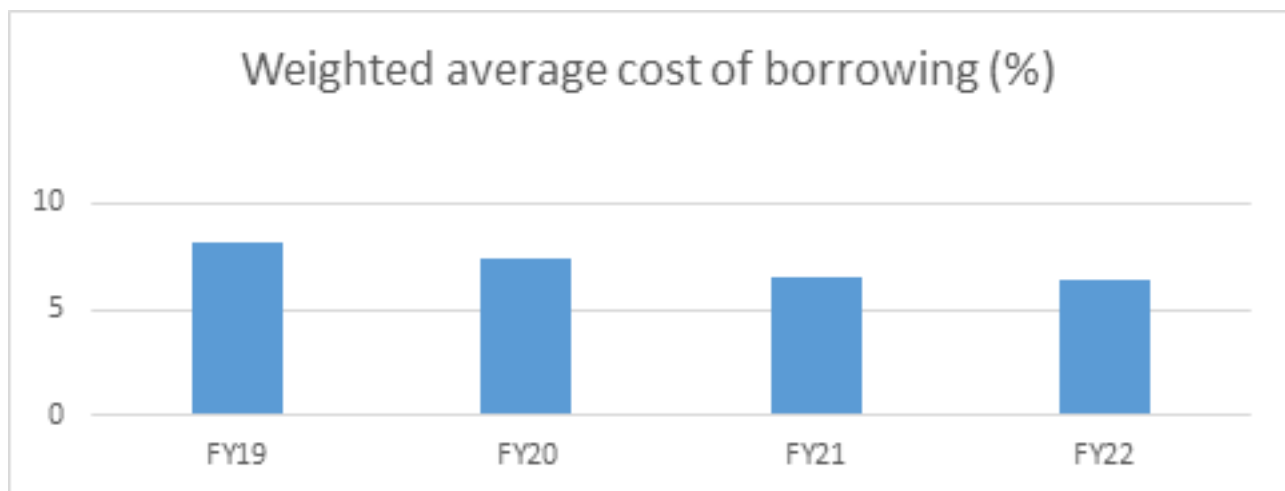


ROA & ROE



Decreasing trend in weighted average cost of borrowing

The cost of borrowing has been diminishing over the last 5 years. This provides a healthy visibility for the company's profitability.



RATIOS

RATIOS	FY21	FY22
	RoA %	1.16
ROE %	12.29	14.85
ROCE %	7.25	48.56
EV Per EBITDA	22.5	20.6
EV/net sales	22.4	20.5
D/E	9	9.5
Net Profit Margin%	28	30
Current ratio	2.3	1.1

ANNUAL PERFORMANCE

- 28.87% Y-o-Y growth in revenue
- 15.32% Y-o-Y growth in AUM

Narration	Mar-21	Mar-22	Mar-23E	Mar-24E
Sales	15,770.51	20,299.38	23,445.55	27,079.34
Expenses	11,350.28	14,197.42	16,397.86	18,939.34
Operating Profit	4,420.23	6,101.96	7,047.69	8,140.01
Other Income	0.33	2.22	2.56	2.96
Depreciation	4.43	14.03	1.45	0.46
Profit before tax	4,416.13	6,090.15	7,048.81	8,142.51
Tax	-	0.32	0.37	0.43
Net profit	4,416.13	6,089.84	7,048.44	8,142.08
EPS	3.38	4.66	5.39	6.23

CREDIT RATING

Credit Rating assigned by Rating Agencies are given below for FY 2022-23:

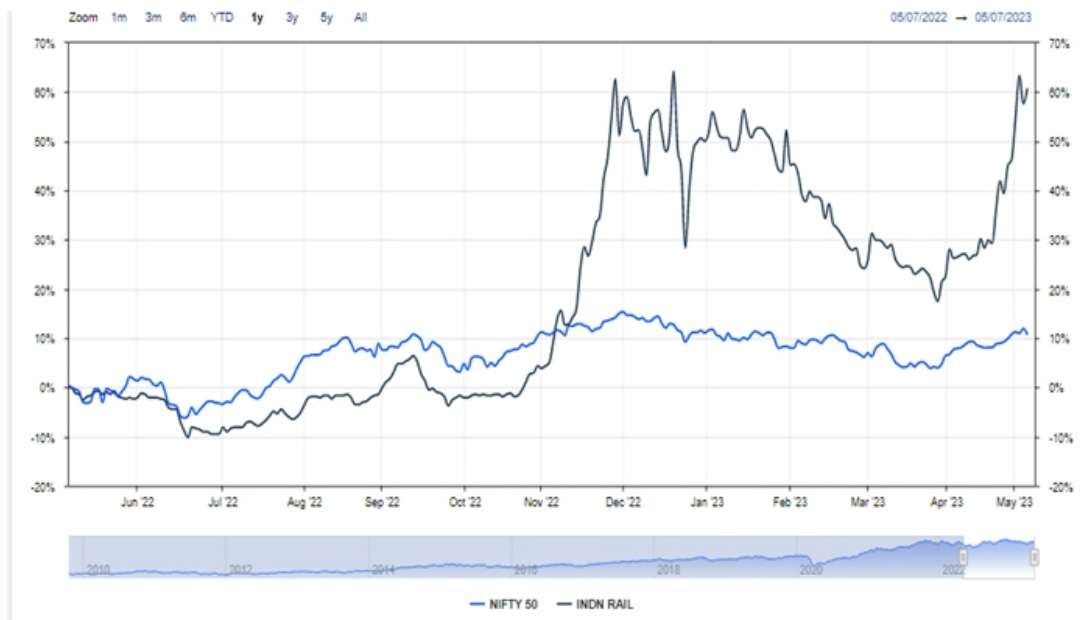
Instruments	Rating Agency	Rating	Outlook
Long Term Domestic Market Borrowing Programme- FY 2022-23	CARE	AAA/Stable	Stable
	CRISIL	AAA/Stable	Stable
	ICRA	AAA/Stable	Stable
Short-Term Borrowing Programme	CARE	A1+	-
	CRISIL	A1+	-
	ICRA	A1+	-
Long Term Instruments	S&P	BBB-	Stable
	Moodys	Baa3	Stable
	Fitch	BBB-	Stable

VALUATION AND OUTLOOK

The Indian Railway infrastructure is undergoing a substantial change. 75 Vande Bharat trains have been planned to be in operation by August, 2023. Indian Railways is also planning to acquire/ manufacture 400 new generation energy efficient Vande Bharat trains with better Energy efficiency and passenger riding experience. This provides robust revenue visibility for IRFC, whose primary business comprises of lending to Indian Railways.

IRFC is also looking forward to diversify into non-railway projects with a backward or a forward link with the Indian Railways. For this, company is broadening its scope of activities and bolstering capacity. Additionally, IRFC is also looking forward to add the World Bank, New Development Bank, National Bank for Financing Infrastructure and Development (NBFID) and a number of other European banks to company's list of borrowers. We value the company on FY24 EPS x 7.23, i.e Rs 40.86 per share, an upside of 17.25%

The stock has given 50% return against Nifty returns of 10% over the last one year



INVESTMENT RATIONALE

- Highest credit rating for an Indian issuer from ICRA, CRISIL & CARE.
- Exemplary operating margin of 99.28%, a highest among peers.
- Company has posted highest ever Profit After Tax of Rs. 6,090 Crore in FY22.
- Stock with low PE, less than 10.
- FII / FPI or Institutions increasing their shareholding.
- IRFC is exempted from paying taxes as per notification dated 5th February 2017 by MCA under Section 129(6) of the Companies Act, 2013, being a dedicated market borrowing arm of the Ministry of Railways.

- With launch Vande Bharat trains picking up pace across the country, it is expected that financing requirement from railways too remains robust. IRFC is expected to be one of the key beneficiaries in future.

TECHNICAL OUTLOOK

IRFC has recently given a good breakout from resistance levels of 33-34 and reached an all-time high of 37.40. Now stock is retracing the breakout levels and again expected to gather upward momentum. Medium to long term investors can consider entering the stock at current levels of 33 keeping stop loss at 26 and look for targets of 42-45 in the coming days.

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<https://corporate.indbankonline.com/Standard%20and%20General%20Disclaimer.pdf>

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Indbank Merchant Banking Services Ltd.

I Floor, Khiviraj Complex I,
No.480, Anna Salai, Nandanam, Chennai-600035.
Telephone No: 044 - 24313094 - 97.
Fax No: 044 - 24313093 www.indbankonline.com