



MSEARCH

IPO OFFERING

INDIAN RAILWAY FINANCE CORPORATION



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

About Company

Recommendation: Subscribe for Long term

Indian Railway Finance Corporation (IRFC) is 'Mini-Ratna Category-I' company promoted by the President of India, acting through the Ministry of Railways (MoR), Government of India (GoI). It is registered with the RBI as a NBFC & classified under the category of an "Infrastructure Finance Company". Their primary business is financing the acquisition of rolling stock assets, leasing of railway infrastructure assets and national projects of the GoI (Project Assets) and lending to other entities under the MoR. As of September 30, 2020, their total AUM consisted of 55.34% of lease receivables primarily in relation to Rolling Stock Assets, 2.25% of loans to central public sector enterprises entities under the administrative control of MoR ("Other PSU Entities"), and 42.41% of advances against leasing of Project Assets. Over the last 3 decades, IRFC has played a significant role in supporting the capacity enhancement of the Indian Railways by financing a proportion of their annual plan outlay.

Price Band	: Rs. 25 to 26 per share
Bid Lot size	: 575 Shares
Issue size	: Rs. 4,633 Cr
Issue Opens	: January 18 th 2021, Monday
Issue Closes	: January 20 th 2021, Wednesday
Min App Amount	: Rs. 14,950/- at upper band

Important Note: All retail applications compulsory in UPI mode*. Currently IPO through UPI Mechanism in Retail Category is available only on BHIM App. Application made using third party UPI Id Or ASBA Bank A/c are liable to be rejected.

Msearch View: We believe IRFC IPO gives investors an unique opportunity to invest in a dedicated market borrowing arm created by the Minister of Finance to support financing requirements of Indian Railways. Over the years, IRFC plays a significant role in supporting the capacity enhancement of the Indian Railways by financing the majority proportion of their annual plan outlay which gives a long term business visibility. Considering its monopoly in the industry, cost plus margins business model, receivable of lease rentals in advance, sound asset liabilities management, zero NPA risk and scope on high growth in railway infrastructure will act as strong levers and drive profitable growth for long term play. The good fact of this IPO is that the fresh issue money would be utilised for future capital requirement arising out of growth in IFRC business. **On valuations parse at upper price band (Rs 26/-), the issue is asking for market cap Rs 33,979 Cr with PE (annualised FY21) 8x and on P/BV basis it is available below 1x which seems to be fairly and reasonably priced to attract long term investors. Hence, in the view of the reasonable valuations and growth supportive rationales, we recommend investors to 'SUBSCRIBE FOR LONG TERM' while investors who look for listing gain only may see decent 10-15% listing gains in the best case scenario. We argue investors should look at this IPO offer only with a long term perspective wherein it can deliver healthy returns on investment.**

Kindly Contact Mehta Equities Ltd :

www.mehtagroup.in or Call @ 022-61507123/145

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BASIC FINANCIAL DETAILS

Particulars ₹ (in Cr)	2018	2019	2020	H1 FY20	H1 FY21
Equity Share Capital	6526	9380	11880	9380	11880
Reserves as stated	13798	15485	18419	16865	19806
Net worth as stated	20324	24866	30300	26245	31687
Long Term Borrowings	129039	168527	228251	177441	241230
Short Term Borrowings	4967	5405	6125	7190	4119
Revenue from Operations	9207	10987	13421	6575	7383
Revenue Growth (%)	-	19.34%	22.15%	-	12.29%
EBITDA as stated	9170	10939	13355	6568	7328
Profit Before Tax	2532	2755	3192	1630	1887
Net Profit for the period	2001	2140	3192	1630	1887
Net Profit (%) as stated	21.7%	19.48%	23.78%	24.79%	25.56%
EPS (₹)	3.07	3.26	3.40	1.74	1.59
RoNW (%)	12.33%	9.47%	11.57%	6.38%	6.09%
Net Asset Value (₹)	31.14	26.51	25.50	27.98	26.67
Dividend (%)	3.57%	4.81%	2.13%	-	5.33%

Source: Company RHP