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INDIAN RAILWAY FINANCE CORPORATION LIMITED

Initial Public Offering of Indian Railway Finance Corporation Limited

Price Band ₹ 25 - ₹ 26 per Equity Share

Initial public offering of up to 1,78,20,69,000 equity shares of face value of ₹ 10 each ("Equity Shares") of Indian Railway Finance Corporation Limited ("Our Company" or the "Issuer") for cash at a price of ₹ 26* per equity share (including a premium of ₹ 16* per equity share) (The "Issue Price") aggregating up to ₹ 46,334* million ("Issue") consisting of a fresh issue of up to 1,188,046,000 equity shares aggregating to ₹ 30,889* million ("Fresh Issue") and an offer for sale of up to 594,023,000 equity shares by the President of India, acting through the MoR ("Selling Shareholder"), aggregating to ₹ 15,445* million ("Offer for Sale"). The issue includes a reservation of up to [] equity shares aggregating to ₹ 5.00 million for subscription by eligible employees (as defined herein) ("Employee Reservation Portion"). The Issue less Employee Reservation Portion is referred to as the Net Issue. The Issue and the Net Issue will constitute up to 13.64 % and [] % respectively, of the post issue paid-up equity share capital of our company.

* Assuming aggregate shares, amounts and/or percentage calculated at higher Price Band of ₹ 26.

Overview of the Company

Business Overview	<ul style="list-style-type: none"> Dedicated market borrowing arm of Indian Railways, wholly owned by Government of India acting through Ministry of Railways ("MoR") and registered with Reserve Bank of India ("RBI") as a systematically important NBFC – Infrastructure Finance Company (NBFC-ND-IFC). Primary business is financing the acquisition of rolling stock assets, leasing of railway infrastructure assets and national projects of the Government of India (collectively, "Project Assets") and lending to other entities under the MoR Financial leasing model for rolling stock assets is typically 30 years comprising a primary period of 15 years followed by a secondary period of 15 years, unless otherwise revised by mutual consent For all the Rolling Stock Assets acquired during a financial year by Indian Railways, the Company enter into a lease agreement with the MoR following the close of each respective Fiscal (the "Standard Lease Agreement"). Lease rentals include the value of the Rolling Stock Assets leased by the Company to the MoR in the relevant fiscal year, the weighted average cost of incremental borrowing as well as a certain margin, all in accordance with the terms of the Standard Lease Agreement. In Fiscal 2020, the Company were entitled to a margin of 40 bps over the weighted average cost of incremental borrowing for financing Rolling Stock Assets and a spread of 35 bps over the weighted average cost of incremental borrowing for financing Project Assets.
Industry Overview	<ul style="list-style-type: none"> The Indian Railways is the largest rail network in Asia, running approximately 13,523 passenger trains every day in Fiscal 2019 to transport approximately 23.12 million passengers per day in Fiscal 2019 The Indian Railways has constantly expanded its network, developed, and grown across various parameters including freight and passenger revenues. Indian Railways has always played a key role in India's social and economic development as it is a cheap and affordable means of transportation for millions of passengers and as a carrier of bulk freight, plays a significant role in various industries, including agriculture Indian Railways faces certain challenges such as overstretched infrastructure, with approximately 60% of the routes being more than 100% utilized and inadequate carrying capacity leading to decreasing modal share in freight and substantial unmet passenger demand The capital expenditure plan from Fiscal 2016 to Fiscal 2020 (planned outlay of INR 8,560.2 Bn) focuses on improving freight carrying capacity through capacity augmentation to achieve network decongestion, enhancing outlay for doubling third and fourth line projects, developing dedicated freight corridors and improving competitiveness of the Indian Railways through cost optimisation through electrification and improving customer experience by increasing outlay for safety, station redevelopment and passenger amenities. With the expansion of the freight network and passengers demand, the requirement of rolling stock will increase substantially

	<ul style="list-style-type: none"> • Primary Sources of Funding for the planned capital outlay are Gross Budgetary Support, Internally Generated Funds, Public Private Partnership and Market Borrowings/ Leasing through IRFC and other sources (EBR-IF), Railway Safety Fund and Rashtriya Rail Sanraksha Kosh • The capital expenditure of Indian Railways for 2020-21 was ₹ 161,042 crore, which was higher than the revised estimate of 2019-2020 by ₹ 4,690.03 crore (2.99% higher than the revised estimate for 2019-2020)
Board of Directors	<ul style="list-style-type: none"> • Amitabh Banerjee is the Chairman and Managing Director of Company. He holds a bachelor's degree (honours) in commerce from the Shri Ram College of Commerce, University of Delhi and a master's degree in commerce from University of Delhi and is also a fellow member of the Institute of Cost Accountants of India. He is an officer of the Indian Railways Accounts Service (1988 batch). Prior to his current position, he was associated with Konkan Railway Corporation Limited as well as the Hindustan Paper Corporation Limited in the capacity of Director (Finance). He was associated with Konkan Railway Corporation Limited from September 2013 until October 2019 and Hindustan Paper Corporation Limited from September 2010 until October 2013. Additionally, he has also been associated with Delhi Metro Rail Corporation Limited in the capacity of General Manager (Finance). He was associated with Delhi Metro Rail Corporation Limited for a period of more than five years. Further, he has also been associated as a Director of the Government Accounting Standards Advisory Board (GASAB) secretariat, in the office of the Comptroller and Auditor General of India, Gol from July 2003 until December 2004. He has prior experience in the fields of finance, accounts, and general administration. • Other members of the Bank's Board of Directors are :- <ul style="list-style-type: none"> – Ms. Shelly Verma – Director (Finance) and CFO – Mr. Baldeo Purushartha – Part-time Government Director – Mr. Chetan Venugopal - Part time Non-official Director (Independent Director) – Mr. Ashok Kumar Singhal - Non-official Director (Independent Director) – Mr. Bhaskar Choradia - Part-time Government Director
Strengths	<ul style="list-style-type: none"> • Strategic role in financing growth of Indian Railways: <ul style="list-style-type: none"> – In Fiscal 2020, the Company financed INR 713.9 Bn accounting for 48.22% of the actual capital expenditure of the Indian Railways; For Fiscal 2021, the MoR, through its letter dated April 10, 2020, indicated its intention to borrow INR 580.0 Bn from the Company. Subsequently, the MoR, through its letter dated January 7, 2021, has revised the said target to be borrowed from IRFC to INR 625.7 Bn for Fiscal 2021 – From April 1, 2017 to September 30, 2020, the Company has financed INR 1.79 Tn to the Indian Railways in relation to capital expenditure plan from Fiscal 2016 to Fiscal 2020 • Competitive cost of borrowings based on strong credit ratings in India and diversified sources of funding: <ul style="list-style-type: none"> – As the Company is registered as an NBFC and classified under the category of an “Infrastructure Finance Company”, as per RBI guidelines, it is allowed to raise external commercial borrowings of up to USD 750 million or equivalent per financial year under the automatic route without the prior approval of the RBI – The Company has received the highest credit ratings from CRISIL – CRISIL AAA and CRISIL A1+, ICRA – ICRA AAA and ICRA A1+, and CARE – CARE AAA and CARE A1+ – Diversified funding sources including taxable and tax-free bonds issuances, term loans from banks/financial institutions, ECB's, internal accruals, asset securitization, lease financing, equity infusion from time to time by Government of India • Consistent financial performance and cost-plus model <ul style="list-style-type: none"> – Company has demonstrated consistent growth in terms of funding and profitability – Revenue increased by 19.33% and 22.15% in FY19 and FY20 respectively – Company's cost-plus based Standard Lease Agreement with the MoR has historically provided it with a margin over the weighted average cost of incremental borrowing determined by the MoR in consultation with the Company at the end of each Fiscal. Typically, the weighted average cost of incremental borrowing factors in any expenses incurred by the Company with respect to any foreign currency hedging costs and/ or losses (and gains, if any) as well as any hedging costs for interest rate fluctuations – Low overhead and administrative costs and high operational efficiency has resulted in increased profitability • Low risk business model: <ul style="list-style-type: none"> – Risks relating to damage to Rolling Stock Assets as a result of natural calamities and accidents are passed on to the MoR. Further, the MoR is required to indemnify the Company at all times from and against any loss or seizure of the Rolling Stock Assets under distress, execution or other legal process – As of September 30, 2020, the Company did not have any non-performing assets. The MoR has

historically never defaulted in its payment obligations under the Standard Lease Agreement

- Although historically the Company has not been required to resort to such funding from the MoR, liquidity risk is also minimized as the MoR is required to cover any funding shortfall required by the Company for the redemption of bonds issued on maturity or repay term loan facilities availed by the Company.
- **Strong asset-liability management:**
 - The Company borrows on a long-term basis to align with the long-term tenure of the assets funded by them
 - In the event the Company does not have sufficient funds to redeem bonds or repay term loans owing to inadequate cash flows during the fiscal year, the MoR is required under the Standard Lease Agreement to provide for such shortfall, through bullet payments in advance prior to maturity of the relevant bonds or term loans. Such payments are required to be adjusted in the subsequent lease rentals payable under the respective Standard Lease Agreement.
- **Experienced senior management and committed team:**
 - Industry knowledge and experience of senior management has enabled the Company to develop and implement a consistent business plan and streamlined operational procedures, and maintain consistent business growth over the years.

Balance Sheet

Particulars (INR mn)	FY18	FY19	FY20	H1FY20	H1FY21
Networth	203,242.83	248,662.99	302,997.52	262,454.88	316,869.67
AUM	1,545,346.66	2,009,373.33	2,661,369.90	2,219,102.49	2,780,075.92
Total Assets	1,614,510.41	2,064,382.95	2,755,041.29	2,382,779.79	2,919,865.81

Income Statement

Particulars (INR mn)	FY18	FY19	FY20	H1FY20	H1FY21
Interest Income	9,885.72	17,230.71	27,479.98	14,034.90	17,167.76
Lease Income	82,179.06	92,637.69	106,724.27	51,712.78	56,661.12
Total Income (incl. other income)	92,078.39	109,873.55	134,210.90	65,768.91	73,848.29
Finance Cost	66,375.85	81,830.62	1,01,626.62	49,373.24	54,409.80
Total Expenses	66,758.96	82,320.12	1,02,289.94	49,464.98	54,979.88
Net Profit (Loss)	20,014.60	21,399.33	31,920.96	16,303.93	18,868.41
Earnings per Share (Basic)	3.07	3.26	3.40	1.74	1.59
Earnings per Share (Diluted)	3.07	3.26	3.40	1.74	1.59

Ratios

Particulars (INR mn)	FY18	FY19	FY20	H1FY20*	H1FY21*
Return on Average Total Assets (%)	1.38	1.16	1.32	0.73	0.66
Return on Average Networth (%)	12.32	9.47	11.57	6.38	6.09
NIM (%)	1.83	1.57	1.38	0.76	0.71
Cost of Borrowings (%)	6.82	7.09	7.27	3.91	3.55
Cost to Income Ratio (%)	1.49	0.76	1.97	0.56	2.94

*Ratios as of and for the period ended September 30, 2019 and 2020 are not annualized

Objects of the Offer

Net Proceeds of the Fresh Issue to be utilized for augmenting equity capital base for meeting future growth requirements and general corporate purposes
 Proceeds of Offer for Sale to be received by Selling Shareholder only
 Additionally, achieving the benefits of listing of Equity Shares on Stock Exchanges and enhancement of Company's brand name