

## RETAIL EQUITY RESEARCH

# Indian Renewable Energy Development Agency Ltd.

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Price Range Rs.30 - Rs.32

## The front runner in renewable energy financing.....

Indian Renewable Energy Development Agency Ltd. (IREDA), a government owned NBFC with 36 years of experience, promotes and finances new and renewable energy projects, along with energy efficiency and conservation initiatives. As a Systemically Important NBFC, IREDA offers a range of financial products and services, spanning project conception to post-commissioning, covering various value chain activities including equipment manufacturing and transmission. IREDA has a diverse term loan portfolio, financing projects in various renewable energy (RE) sectors like solar, wind, hydro, transmission, biomass, waste-to-energy, ethanol, compressed biogas, hybrid RE, EEC, and green mobility.

- India's renewable energy capacity has reached 179 GW (2023), growing at a 10% CAGR between FY15 & FY23. Projections foresee a significant rise to 595 GW by FY32, necessitating an investment of ₹24.43 trillion for capacity additions. Financing requirements for sectors like solar and wind are poised to expand substantially.
- As of September 30, 2023, the company maintains a geographically diversified term loan portfolio of ₹47,514cr across 23 states and five Union Territories.
- Net Interest Income (NII) grew to ₹1,285cr in FY23 at a CAGR of 14% between FY21-23, while net interest margin (NIM) is 3.3% in FY23, which was in-line with the peers.
- The company has a healthy RoA which improved from 1.1% in FY21 to 2.0% in FY23, while the RoE improved from 12.6% to 15.4% over the same period, which is impressive within the industry.
- IREDA recorded a net profit of ₹579cr on a total income of ₹2,320cr in H1FY24, with net interest income rising by 20% YoY to ₹729cr in H1FY24. IREDA has the best asset quality among compared peers, with gross NPAs decreasing to 3.1% in H1FY24 from 5.1% in H1FY23 and net NPAs declining to 1.7% from 2.7%.
- IREDA benefits from access to diverse and cost-effective long-term borrowing sources, facilitated by its classification as a public finance institution and its favorable credit ratings.
- At the upper price band of ₹32, IREDA is available at an P/B of 1.4x (FY23), which is at a discount to its peers. Power-financing NBFCs are expected to continue this growth momentum, and this growth is likely to be driven by an increase in power demand, a rise in population, renewable integration, and the sustainability goals of the country. With consistent growth in loan books, healthy return ratios, and varied financial products, IREDA is well placed to capitalize on the growth in the RE sector. We assign a "Subscribe" rating on a medium- to long-term basis.

## Purpose of IPO

The IPO consists of a fresh issue of shares up to ₹1,290cr, and the offer for sale is worth ₹860cr. The proceeds from the fresh issuance augment the capital base to meet future capital requirements and the onward lending and benefits of listing the equity shares on the stock exchanges.

## Key Risks

- 61% of the total term loans are concentrated in five states.
- Highly dependent on the Indian RE sector.

## Peer Valuation

Company	MCap(₹ cr)	NII(₹ cr)	NIM(%)	BV(₹)	EPS(₹)	RoE (%)	RoA (%)	P/BV	P/E(x)	CMP(₹)
IREDA Ltd	8,601	1,285	3.3	22.1	3.8	15.4	2.0	1.4	10.0	32.0
REC Ltd	86,962	13,999	3.4	219	42.0	20.4	2.6	1.5	7.9	330
Power Finance Corp.	102,369	26,389	3.3	207	60.0	20.3	2.5	1.5	5.2	310

Source: Geojit Research, Bloomberg; Valuations of IREDA are based on upper end of the price band (post issue), Financials as per FY23 consolidated.

Issue Details	
Date of opening	November 21, 2023
Date of closing	November 23, 2023
Total No. of shares offered (cr.)	67.19
Post Issue No. of shares (cr)	268.8
Price Band	₹ 30- ₹ 32
Face Value	₹10
Bid Lot	460 Shares
Minimum application for retail (upper price band for 1 lot)	₹ 14,720
Maximum application for retail (upper price band for 13 lot)	₹ 1,91,360
Listing	BSE,NSE
Lead Managers	IDBI Capital, BOB Capital, SBI Capital
Registrar	Link Intime India Pvt. Ltd.

Issue size (upper price)	Rs.cr
Fresh Issue	1,290.1
OFS	860.1
<b>Total Issue</b>	<b>2,150.2</b>

Shareholding (%)	Pre-Issue	Post Issue
Promoter & Promo. Group	100	75
Public & Others	-	25
<b>Total</b>	<b>100</b>	<b>100</b>

Issue structure	Allocation (%)	Size Rs.cr
Retail	35	750.5
Non-Institutional	15	321.6
QIB	50	1,072.1
Employee Reservation	-	6.0
<b>Total</b>	<b>100</b>	<b>2,150.2</b>

Y.E March (₹ cr) Consol.	FY22	FY23	H1FY24
Net Interest Income (NII)	1,126	1,285	729
% Change	13	14	-
Net Interest Margin (%)	3.8	3.3	1.7
PAT Adj.	633	865	579
% Change	83	37	-
EPS	2.4	3.2	2.2
P/E (x)	14	10	15
P/BV (x)	1.6	1.4	1.1*
RoE (%)	15.3	15.4	9.5
RoA (%)	1.9	2.0	1.3

\*Annualised

## Business Description

Indian Renewable Energy Development Agency Ltd. (IREDA) is a wholly owned Government of India (GoI) enterprise under the administrative control of the Ministry of New and Renewable Energy (the MNRE). The Company was notified as a "Public Financial Institution" (PFI) under Section 4A of the Companies Act, 1956 by the Department of Company Affairs, Ministry of Law, Justice and Company Affairs, Government of India on October 17, 1995 and is registered with the Reserve Bank of India (the RBI) as a Systemically Important Non-Deposit-taking Non-Banking Finance Company (a NBFC-ND-SI), with Infrastructure Finance Company (IFC) status. In September 2023, it has been upgraded from Schedule B to Schedule A in the list of CPSEs by the Department of Public Enterprises (DPE). IREDA also conferred with the Mini Ratna (Category I) status in June 2015 by the DPE.

It is a financial institution with over 36 years of experience in the business of promoting, developing and extending financial assistance for new and renewable energy ("RE") projects, and energy efficiency and conservation ("EEC") projects. The company provides a comprehensive range of financial products and related services, from project conceptualization to post-commissioning, for RE projects and other value chain activities, such as equipment manufacturing and transmission. As of September 30, 2023, it had a diversified portfolio of Term Loans Outstanding, amounting to Rs. 47514.48 cr.

## Strengths

- Track record of growth, geared towards high quality assets and diversified asset book and stable profitability
- Strategic role in Government of India's initiatives in the RE sector
- Established and trusted brand name operating in a rapidly expanding sector
- Digitized process for borrower centricity and operational scalability, with presence across India
- Comprehensive data-based credit appraisal process and risk-based pricing, with efficient post-disbursement project monitoring and recovery processes
- Access to diversified and cost-effective long-term sources of borrowing with a judicious approach towards asset-liability management
- Experienced senior management with in-depth sector expertise and professionally qualified employee base

## Business Strategies

- Maintain leadership in RE sectors such as solar, wind, hydro power and biomass, biofuels and cogeneration
- Leverage sector expertise to enhance presence in new and emerging green technologies
- Optimize borrowing costs to enhance competitiveness and profitability
- Streamline operating model to continue to support non-linear growth
- Continue to focus on the environmental and social management system

## Promoter and promoter group

The promoter of the company is the President of India, acting through the Ministry of New and Renewable Energy, Government of India.

## Brief Biographies of directors

- ◆ **Pradip Kumar Das** is the Chairman and Managing Director of the Company. He is also holding additional charge of the post of Director (Technical) of the Company. He has been a Director of the Company since May 6, 2020.
- ◆ **Dr. Bijay Kumar Mohanty** is the Director (Finance) of the Company. He has been a Director of the Company since October 12, 2023. He also holds the position of Chief Financial Officer of the Company since October 16, 2023.
- ◆ **Ajay Yadav** is the Government Nominee Director of the Company. He has been a Director of the Company since February 14, 2023. He is an Indian administrative service officer of the Bihar cadre from the batch of 2005. He is currently the joint secretary in the Ministry of New and Renewable Energy, Government of India.
- ◆ **Padam Lal Negi** is the Government Nominee Director of the Company. He has been a Director of the Company since February 7, 2023. He is, currently, the joint secretary and finance adviser in the Ministry of Civil Aviation and the Ministry of New and Renewable Energy, Government of India (additional charge).
- ◆ **Shabdsharan Narharibhai Brahmabhatt** is a part time non-official Director (Independent Director) of the Company. He has been a Director of the Company since January 28, 2022.
- ◆ **Dr. Jaganath Chennakeshava Murthy Jodidhar** is a part time non-official Director (Independent Director) of the Company. He has been a Director of the Company since March 31, 2022.
- ◆ **Ram Nihal Nishad** is a part time non-official Director (Independent Director) of the Company. He has been a Director of the Company since March 9, 2023.
- ◆ **Rohini Rawat** is a part time non-official Director (Independent Director) of the Company. She has been a Director of the Company since March 9, 2023.



## CONSOLIDATED FINANCIALS

### PROFIT & LOSS

Y.E March (Rs cr)	FY22	FY23	H1FY24
Interest Income	2,713	3,374	2,286
Interest Expense	1,587	2,088	1,557
<b>Net Interest Income</b>	<b>1,126</b>	<b>1,285</b>	<b>729</b>
% Change	13	14	-
Non-Interest Income	161	109	35
<b>Operating income</b>	<b>1,287</b>	<b>1,395</b>	<b>764</b>
Operating Expenses	273	189	59
Total Income	2874	3483	2320
Total Expenditure	1,860	2,277	1,615
<b>Pre-Prov.Profit</b>	<b>1,014</b>	<b>1,206</b>	<b>705</b>
% Change	11	19	-
Provisions	180	67	-114
<b>PBT</b>	<b>834</b>	<b>1,139</b>	<b>819</b>
Tax	200	275	240
Tax Rate %	24	24	29
<b>Reported PAT</b>	<b>633</b>	<b>865</b>	<b>579</b>
Adj.	-	-	-
<b>Adj. PAT</b>	<b>633</b>	<b>865</b>	<b>579</b>
% Change	83	37	-
Post Issue No.of Shares (Cr.)	268.8	268.8	268.2
<b>Adj. EPS (Rs)</b>	<b>2.4</b>	<b>3.2</b>	<b>2.2</b>
% Change	83	37	-

### BALANCE SHEET

Y.E March (Rs cr)	FY22	FY23	H1FY24
<b>Liabilities</b>			
Capital	2,284.6	2,284.6	2,284.6
Reserve & Surplus	2,983.5	3,650.6	4,296
Deposit	-	-	-
Borrowings	28,449.1	41,500.7	41,629.5
Provision & Other Liabilities	2,991.2	3,011.1	3,046.4
<b>Total Liabilities</b>	<b>36,708</b>	<b>50,447</b>	<b>51,256</b>
<b>Assets</b>			
Fixed Assets	247.8	228.7	347.7
Investments	1,773.2	1,868.5	1,831.1
Advances	33,174.4	46,226.9	46,712.9
Other Assets	986.3	1,168.0	901.8
Cash & Bank Balances	526.7	954.8	1,462.9
<b>Total Assets</b>	<b>36,708</b>	<b>50,447</b>	<b>51,256</b>

### RATIOS

Y.E March	FY22	FY23	H1FY24
<b>Gross Loan Portfolio Rs.Cr</b>	33,931	47,076	47,514
Growth	22	39	-
<b>Per Share Data (Rs.)</b>			
EPS	2.4	3.2	2.2
BV	19.6	22.1	24.5
<b>Key Ratios</b>			
NIM	3.8	3.3	1.7
Yield on Term loans o/s	9.1	8.4	4.9
Spread	2.8	2.2	1.1
Avg. Cost of Borrowing	6.3	6.2	3.8
Credit cost Ratio	2.4	1.8	1.5
<b>Capital %</b>			
CRAR %	21	19	21
Tier I	18	16	18
<b>Asset Quality %</b>			
GNPA	5.2	3.2	3.1
NNPA	3.1	1.7	1.7
PCR	41.5	49.3	48.1
<b>Return Ratios (%)</b>			
RoE	15.3	15.4	9.3
RoA	1.9	2.0	1.1
<b>Valuations</b>			
P/E (x)	14	10	15
P/BV (x)	1.6	1.4	1.3

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