

**Rating: Subscribe for Long Term**

### Issue Offer

**Fresh Issue of 40,31,64,706 equity shares up to INR 12.9 bn and OFS of 26,87,76,471 shares by Promoters group taking the total issue size at INR 21.5 bn**

#### Issue Summary

Price Band (INR)	30-32
Face Value (INR)	10
Implied Market Cap (INR Mn)	8,600
Market Lot	460
Issue Opens on	Nov, 21, 2022
Issue Close on	Nov, 23, 2022
No. of share pre-issue	228,46,00,000
No. of share post issue	268,77,64,706
Listing	NSE / BSE

#### Issue Break-up (%)

QIB Portion	≤ 50
NIB Portion	≥15
Retail Portion	≥35

#### Book Running Lead Managers

IDBI Capital Markets  
BOB Capital Markets  
SBI Capital Markets

#### Registrar

Link Intime India Pvt Ltd

#### Shareholding Pattern

	Pre-Issue	Post-Issue
Promoters	100%	75%
Public & Others	0%	25%

#### Objects of the issue

- Repayment and/ or pre-payment, in full or part, of certain borrowings availed by the Company including redemption of Non- Convertible Debentures in full.
- General corporate purposes

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**Indian Renewable Energy Development Agency Limited (IREDA)** is a Mini Ratna (Category – I) Government of India Enterprise under the administrative control of Ministry of New and Renewable Energy (MNRE). IREDA is a Public Limited Government Company established as a Non-Banking Financial Institution in 1987 engaged in promoting, developing and extending financial assistance for setting up projects relating to new and renewable sources of energy and energy efficiency/conservation. The provide financial support to specific projects and schemes for generating electricity and/or energy through new and renewable sources and conserving energy through energy efficiency.

#### Investment Rationale

**largest pure-play green financing NBFC:** IREDA is a leading financial institution in the renewable energy sector in India, with over 36 years of experience and expertise. It has a diversified portfolio of term loans outstanding, amounting to INR 467.13 bn as of June 2023, up from INR 462.27 bn in March 2023. The Company has the largest share in credit towards the RE sector other than PFC, which is also present in other sectors such as infrastructure, roads, etc, while IREDA is completely focused on the RE sector.

**Pan India Geographical presence:** The Company has Term Loans Outstanding across 23 states and five Union Territories in India, as of September 30, 2023. Since inception, the company has been closely involved in the development and implementation of various policies and schemes for structural and procedural reform in the RE sector.

**Growing cognizance of ESG parameters among Investors to favour IREDA's work in future gradually:** They have expanded financing services in line with the RE priorities of the GoI such as solar, wind, hydro power, biomass, co-generation, among others. they provide consulting services on techno-commercial issues relating to the RE sector. The Company entered into an MoU with Brahmputra Valley Fertilizer Corporation for such consultancy services as well.

**Government drive to make India achieve 500 GW of Non-Fossil Fuel energy:** As of Sept 2023. the total installed Power Generation capacity stood at 425 GW, of which 42% comprised of the Renewable source of energy. The Government is targeting to achieve 500 GW of installed power capacity by 2023, i.e., 50% of India's energy requirement to be met through Renewable sources of energy.

**Valuation and View:** IREDA is the premiere company in India focusing on financing projects for renewable sources of energy. The Global investment in energy transition has increased to USD 1.1 tn in CY22 against USD 267 bn in CY11, i.e. a 15% CAGR growth in investments towards Green energy space. India being one of the densest populated nation with 17% of world population living in 2% of available land area, is already facing a scenario of excessive pollution as a result of meeting its energy demands through fossil fuel burning. Post IPO, IREDA intends to use the funds for their existing projects underway as well as for future projects to be financed in the Renewable space. The listing is also aimed at improving the company's brand image among its existing and potential customers. At the upper band of INR 32, the issue is valued at a P/B of 1.4x based on H1FY24 book value at issue price of INR32. We are recommending "Subscribe for Long Term" for this issue.

## Financial Statements

Income statement summary (INR Mn)	FY21	FY22	FY23
Interest Incomes	26,548	28,599	34,820
Interest Expenses	15,703	15,873	20,884
<b>Net Interest Income</b>	<b>10,846</b>	<b>12,726</b>	<b>13,935</b>
<b>Other Income</b>	<b>29</b>	<b>143</b>	<b>11</b>
<b>Total Income</b>	<b>10,875</b>	<b>12,869</b>	<b>13,946</b>
Employee Cost	474	588	631
Other Operating Expenses	1,290	2,143	1,257
Pre Provisioning Operating Profit	9,112	10,137	12,058
Provisions/Impairment Expenses	3,416	1,799	666
<b>PBT</b>	<b>5,695</b>	<b>8,338</b>	<b>11,392</b>
Share of profits associate & JV	0	0	0
<b>Profit before tax</b>	<b>5,695</b>	<b>8,338</b>	<b>11,392</b>
Taxes	2,231	2,003	2,746
<b>Net profit</b>	<b>3,464</b>	<b>6,335</b>	<b>8,646</b>
EPS (INR)	4.41	8.03	3.78

Balance Sheet (INR Mn)	FY21	FY22	FY23
<b>Financial Assets</b>			
Cash and cash equivalents	2,210	1,312	1,385
Bank Balance	3,823	3,955	8,162
Trade Receivables	30	45	49
Loans	2,69,056	3,31,744	4,62,269
Other Financial Assets	4,259	4,302	6,059
<b>Total Financial Assets</b>	<b>2,79,378</b>	<b>3,42,351</b>	<b>4,78,918</b>
<b>Non-Financial Assets</b>			
Tax Assets	3,195	4,519	4,449
Plant Property & CWIP	2,464	3,584	3,521
Other Non-Financial Assets	17,897	16,630	17,582
<b>Total Non-Financial Assets</b>	<b>23,556</b>	<b>24,733</b>	<b>25,552</b>
<b>Total Assets</b>	<b>3,02,934</b>	<b>3,67,084</b>	<b>5,04,470</b>
Equity Share	7,846	22,846	22,846
Reserves & Surplus	22,110	29,835	36,506
<b>Networth</b>	<b>29,956</b>	<b>52,681</b>	<b>59,352</b>
<b>Financial Liabilities</b>			
Debt Securities	91,203	92,291	1,08,433
Borrowings	1,42,306	1,77,347	2,86,727
Other Financial Liabilities	16,261	16,726	21,407
<b>Total Financial Liabilities</b>	<b>2,49,770</b>	<b>2,86,364</b>	<b>4,16,567</b>
<b>Non-Financial Liabilities</b>			
Provisions	6,025	10,560	11,182
Other Non-Financial Liabilities	17,184	17,479	17,370
<b>Total Non-Financial Liabilities</b>	<b>23,208</b>	<b>28,039</b>	<b>28,551</b>
<b>Total Equity &amp; Liabilities</b>	<b>3,02,934</b>	<b>3,67,084</b>	<b>5,04,470</b>

## Financial Statements

Key Ratios (INR Mn)	H1FY22	H1FY23	FY21	FY22	FY23
<b>Operations</b>					
Gross Loan Portfolio (GLP)	3,37,834	4,75,145	2,78,539	3,39,306	4,70,755
GLP Growth	(0.43)%	0.93%	18.29%	21.82%	38.74%
Loans Sanctioned	1,17,654	47,445	1,10,013	2,39,211	3,25,866
Loans Disbursed	40,063	62,733	88,284	1,60,708	2,16,392
<b>Asset Quality</b>					
Gross NPA	5.06 %	3.13%	8.77%	5.21%	3.21%
Net NPA	2.72 %	1.65%	5.61%	3.12%	1.66%
Provision Coverage Ratio	47.58%	48.11%	38.14%	41.45%	49.25%
Slippage Ratio	0.03%	0.10%	2.09%	0.10%	0.02%
Credit cost ratio	2.40%	1.51%	3.62%	2.37%	1.84%
<b>Return Ratio</b>					
Total Expenses to Average AUM	2.74%	3.20%	8.20%	6.72%	5.85%
PAT to Average AUM	1.17%	1.24%	1.36%	2.09%	2.16%
Return on Assets (ROA)	1.06%	1.14%	1.20%	1.89%	1.98%
Return on Equity (ROE)	7.52%	9.26%	12.56%	15.33%	15.44%
<b>Capital</b>					
Net Worth or Shareholders Equity	56,383	65,806	29,956	52,681	59,352
Total Debt to Net Worth	5.36	6.06	8.01	5.24	6.77
CRAR	23.55%	20.92%	17.12%	21.22%	18.82%
Total Debt/Total Assets	0.75	0.78	0.79	0.75	0.80
<b>Profitability</b>					
Net Interest Income	6,238	7,854	9,922	11,280	13,238
NIM	1.79%	1.68%	3.93%	3.75%	3.32%
Spread	1.43%	1.11%	3.26%	2.81%	2.21%
Average Yield on Term Loans Outstanding	4.65%	4.93%	10.41%	9.14%	8.44%
Average cost of borrowings	3.22%	3.82%	7.15%	6.33%	6.23%
Cost to Income ratio	60.95%	64.69%	78.57%	70.99%	67.29%
Profit per Employee	25.97	33.29	22.06	40.61	54.04
Operating Margin	39.04%	35.30%	21.34%	28.66%	32.69%
Net Profit Margin	26.00%	24.97%	13.03%	22.04%	24.82%
<b>Earnings Per Share</b>					
Basic EPS	1.8	2.54	4.41	8.03	3.78
Diluted EPS	1.8	2.54	4.41	8.03	3.78

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**Stock Rating Scale**

BUY  
 ACCUMULATE  
 HOLD  
 NEUTRAL  
 REDUCE  
 SELL

**Absolute Return**

>20%  
 12% to 20%  
 5% to 12%  
 -5% to 5%  
 -5% to -12%  
 <-12%

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