



## IPO Note- Indian Renewal Energy Development Agency Ltd. (IREDA)

21 November 2023

IREDA was incorporated in 1987 and is the largest pure-play green financing NBFC in India. It provides innovative financing in renewable energy (RE), energy efficiency and conservation (EEC) and environmental technologies. The Co. has financed projects across multiple RE sectors such as solar power, wind power, hydro power, transmission, biomass including bagasse & industrial co-generation, waste-to-energy, ethanol, compressed biogas, EEC and green-mobility. It also offers financial products and schemes for new and emerging RE technologies such as, biofuel, green hydrogen, battery energy storage systems, fuel cells and hybrid RE projects. IREDA is the largest pure-play green financing NBFC in India. To meet the net-zero emission target, the government has set a humongous target for RE installations by 2030. Considering its nodal agency status and varied financial products, IREDA is well placed to capitalize the growth in the RE sector.

### Key Highlights: -

- IREDA has played a strategic role in the Govt's initiatives for the promotion and development of the RE sector in India.
- Over FY21-23, IREDA's loan book has grown at a CAGR of ~30% to ₹47,076cr. Currently, 78% of its loans to RE power generating projects have already been commissioned and have therefore started generating operating income.
- Operating expenses were reduced over the years and are lower compared to its peers. This is because of the low employee base and continuous focus on digital.
- IREDA's asset quality in terms of GNPA has improved over the last few years and is in line with its peers. GNPA in H1FY24 was 3.1% down from 10.4% in FY20.

**Competitive Strength:** - 1) Track record of growth, geared towards high quality assets and diversified asset book and stable profitability. 2) Digitized process for borrower centricity and operational scalability, with presence across India. 3) Comprehensive data-based credit appraisal process and risk-based pricing, with efficient post-disbursement project monitoring and recovery processes. 4) Access to diversified and cost-effective long-term sources of borrowing with a judicious approach towards asset-liability management.

**Key Risks:** - 1) Volatility in interest rates could adversely affect the business. 2) Credit ratings downgraded in past, may happen in future also. 3) Business depended on concentrated sector RE, any risk in the sector may adversely affect the business. 4) Revision in RBI regulation.

### Outlook & valuation – SUBSCRIBE

We have a SUBSCRIBE recommendation to this issue on the back of a) strong growth of ~30% CAGR over FY21-23, b) focus on green initiatives aimed at enhancing overall efficiency, potentially leading to increased operating leverage, c) growth in rapidly expanding RE sector, and d) valuation of 1.3x P/BV (pre-money) and 1.1x P/BV (post-money) on a trailing basis is reasonable.

Key Financials (INR Cr)	FY21	FY22	FY23	H1FY24
Net revenue	1,087	1,287	1,395	729
PPoP	911	1,014	1,206	663
PAT	346	634	865	579
NIMs	3.9%	3.8%	3.3%	3.4%
AUM	27,854	33,931	47,076	47,514
GNPA	8.8%	5.2%	3.2%	3.1%
RoA	1.2%	1.9%	2.0%	2.3%
RoE	12.6%	15.3%	15.4%	18.5%
P/BV (pre money)				1.3
P/BV (post money)				1.1

Source: ABML Research, RHP, company presentation

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Rating	SUBSCRIBE
<b>Issue Details</b>	
Issue Opens	21-Nov-23
Issue Closes	23-Nov-23
Face Value (₹)	10
Price Band (₹)	30-32
Bid Lot	460
Issue Size at higher price band (₹ Cr)	2,150
Market cap @ upper price band (₹ cr)	8,601
Listing	NSE/BSE
BRLMs	IDBI Capital, BOB Capital, SBI Capital Markets.
Registrar	Link Intime India Pvt. Ltd.

### Shareholding Pattern (%)

	Pre-Issue	Post Issue
Promoter	100	75
Public	0	25

### Issue Structure (In cr no. of shares)

<b>Issue size</b>	<b>67.19</b>
OFS	26.87
<b>Break-up of net issue to public (%):</b>	
QIB's portion	50.0
Non-Institutional portion	15.0
Retail Portion	35.0

Source: ABML Research, RHP

### Analyst Details

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