

Indian Renewable Energy Development Agency Limited

Company Overview:

IREDA Limited 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 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. The Company was notified as a Public Financial Institution (PFI) under Section 4A of the Companies Act, 1956 and is registered with the Reserve Bank of India as a Systemically Important Non-Deposit-taking Non-Banking Finance Company (a NBFC-ND-SI), with Infrastructure Finance Company (IFC) status.

Key Highlights:

1. Product offerings: The company offers a comprehensive suite of financial products and services including various fund-based and non fund-based products. Key fund-based products for RE developers are long-term, medium-term and short-term loans (for projects, manufacturing and equipment financing), top-up loans, bridge loans, takeover financing, and loans against securitization of future cashflows. The company also provide line of credit to other NBFCs for on-lending to RE and EEC projects. IREDA provide loans to government entities and also provide financing schemes for RE suppliers, manufacturers and contractors. The non fund based products include letter of comfort, letter of undertaking, payment on order instruments and guarantee assistance schemes. The company provide consulting services on techno-commercial issues relating to the RE sector.

2. Total loan sanctioned: In FY23 and 6MFY24, total loans sanctioned of Rs 32,587 cr and Rs 4,745 cr, respectively, included Rs 27,687 cr and Rs 3,842 cr of term loans for RE and EEC projects, Rs 849 cr and Rs 280 cr of short-term loans to RE developers and Rs 152 cr and Rs 374 cr of guaranteed loans and letter of comfort. In FY23, total loans sanctioned included Rs 3,750 cr loan facility to State Utilities and Rs 98 cr under the Guaranteed Emergency Credit Line. The company have a geographically diversified portfolio, with term loans outstanding across 23 States and five Union Territories across India, as of 6MFY24.

3. Strong rating profile: The company has been rated highly by credit rating agencies. As of the date of this Red Herring Prospectus, India Ratings had rated the company's debt instruments AAA (Stable), ICRA has rated the company's Bonds ICRA AAA (Stable) and Acuite has rated the bank loans Acuite AAA Stable.

Valuation: The company is valued at P/BV of 1.0x/1.1x based on 1HFY24 book value at the lower and upper price band respectively on post-issue capital. It operates with a distinctive business model tailored to a niche market. The government's increased focus on renewable energy, aiming for 50% of energy needs to be met by renewables by 2030, serves as a pivotal driver for the sector. The company is poised to capitalize on this opportunity.

Issue Details

Date of Opening	21 st November 23
Date of Closing	23 rd November 23
Price Band (Rs)	30 – 32
Issue Size (Rs cr)	2,150
No. of shares	67,19,41,177
Face Value (Rs)	10
Post Issue Market Cap (Rs cr)	8,063 – 8,600
BRLMs	IDBI Capitals Markets, BOB Capital Markets, SBI Capital Markets
Registrar	Link Intime India Private Limited
Bid Lot	460 shares and in multiple thereof
QIB shares	50%
Retail shares	35%
NIB (HNI) shares	15%

Objects of Issue

	(Rs Cr.)
Gross proceeds of the Fresh Issue	-
Less: Fresh Issue related expenses*	-
Net Proceeds	-

To be determined on finalisation of the Offer Price and updated in the Prospectus prior to the filing with the Registrar of Companies.

Shareholding Pattern

Pre-Issue	No. of Shares	%
Promoter & Promoter Group	2,28,46,00,000	100.0
Public & Others	-	0.0
Total	2,28,46,00,000	100.0

Post Issue @Lower Price Band	No. of Shares	%
Promoter & Promoter Group	2,01,58,23,529	75.0
Public & Others	67,19,41,177	25.0
Total	2,68,77,64,706	100.0

Post Issue @Upper Price Band	No. of Shares	%
Promoter & Promoter Group	2,01,58,23,529	75.0
Public & Others	67,19,41,177	25.0
Total	2,68,77,64,706	100.0

Source: RHP, SSL Research

Risk Factors

- **Asset quality:** The business and financial performance could suffer if the company is unable to effectively manage the quality of the growing asset portfolio and control the level of the non-performing assets (NPAs).
- **Interest rate:** Volatility in interest rates could adversely affect the business, hedging instruments, net interest income and net interest margin, which in turn would adversely affect the business, results of operations and financial condition.
- **Borrowings:** The company may be unable to secure borrowings on commercially acceptable terms and at competitive rates, which could adversely affect the business, results of operations and financial condition.
- **RBI compliance:** The business is subject to periodic inspections by the RBI, and any non-compliance with observations made by the RBI during these inspections, or significant lapses identified by the RBI in course of inspections, could expose the company to penalties and restrictions.

Growth Strategy

- **Leadership:** Maintaining leadership in RE sectors such as solar, wind, hydro power and biomass, biofuels and co-generation.
- **Industry expertise:** Leveraging industry expertise to enhance presence in new and emerging green technologies.
- **Borrowing cost:** Optimizing borrowing costs to enhance competitiveness and profitability.
- **ESMS:** Continue to focus on the Environmental and Social Management System (ESMS).

Loan Book, Profitability and Asset Quality

Particulars (Rs cr)	FY21	FY22	FY23	CAGR (FY21 - FY23)	6MFY23	6MFY24
Loans Sanctioned	11,001.3	23,921.1	32,586.6	72.1%	11,765.4	4,744.5
Loans Disbursed ⁽¹⁾	8,828.4	16,070.8	21,639.2	56.6%	4,006.3	6,273.3
Net worth	2,995.6	5,268.1	5,935.2	40.8%	5,638.3	6,580.6
Gross NPA ⁽²⁾	2,441.6	1,768.3	1,513.4	-21.0%	1,708.8	1,486.1
Net NPA ⁽³⁾	1,510.2	1,035.4	768.0	-29.0%	895.7	771.1

(1) Disbursement is for the respective period, including in connection with projects that may have been sanctioned previously.

(2) Gross NPA represents Term Loans Outstanding pertaining to loans which are required to be classified as NPA as per the Income Recognition, Asset Classification and Provisioning norms issued and modified by RBI from time to time.

(3) Net NPA represents Gross NPA reduced by NPA provisions as of the last day of relevant period.

Source: RHP, SSL Research

Term Loan Outstanding Based on Sector

	Sector										
		FY21		FY22		FY23		6MFY23		6MFY24	
		Term Loan Outstanding (Rs cr)	% of Total Term Loans Outstanding	Term Loan Outstanding (Rs cr)	% of Total Term Loans Outstanding	Term Loan Outstanding (Rs cr)	% of Total Term Loans Outstanding	Term Loan Outstanding (Rs cr)	% of Total Term Loans Outstanding	Term Loan Outstanding (Rs cr)	% of Total Term Loans Outstanding
1.	Solar Energy	7,840.2	28.2%	8,505.8	25.1%	14,348.9	30.5%	8,480.4	25.1%	14,243.1	30.0%
2.	Loan Facility to State Utilities ⁽¹⁾	7,135.0	25.6%	11,171.6	32.9%	11,331.8	24.1%	9,233.9	27.3%	9,115.2	19.2%
3.	Wind Power	6,082.0	21.8%	6,219.3	18.3%	8,892.5	18.9%	6,210.2	18.4%	9,918.5	20.9%
4.	Hydro Power	2,862.9	10.3%	3,925.5	11.6%	5,437.9	11.6%	5,170.8	15.3%	5,447.2	11.5%
5.	Manufacturing ⁽²⁾	448.4	1.6%	624.2	1.8%	1,516.2	3.2%	1,165.9	3.5%	2,291.0	4.8%
6.	Ethanol	203.9	0.7%	392.3	1.2%	1,096.8	2.3%	549.1	1.6%	1,506.7	3.2%
7.	Biomass Power and CO - generation	1,339.6	4.8%	1,166.8	3.4%	1,076.6	2.3%	1,131.7	3.4%	1,156.3	2.4%
8.	Hybrid Wind and Solar	62.5	0.2%	-	0.0%	1,006.8	2.1%	190.0	0.6%	1,006.7	2.1%
9.	Short Term Loans to Private Entities ⁽³⁾	1,020.9	3.7%	705.4	2.1%	916.4	2.0%	576.5	1.7%	1,004.0	2.1%
10.	Waste to energy	390.6	1.4%	460.9	1.4%	483.3	1.0%	437.2	1.3%	492.5	1.0%
11.	Electric Vehicle (Ev)	-	0.0%	35.7	0.1%	365.1	0.8%	142.8	0.4%	477.8	1.0%
12.	Guaranteed Emergency Credit Line ⁽⁴⁾	145.2	0.5%	396.9	1.2%	300.9	0.6%	211.6	0.6%	287.1	0.6%
13.	Transmission	205.4	0.7%	162.9	0.5%	165.2	0.4%	162.4	0.5%	429.4	0.9%
14.	EEC	60.5	0.2%	117.5	0.4%	91.9	0.2%	109.9	0.3%	79.1	0.2%
15.	Biomass (Briquetting, Gasification and Methanation from Industrial Effluents)	0.0	0.0%	0.0	0.0%	43.3	0.1%	8.3	0.0%	57.9	0.1%
16.	National Clean Energy Fund	10.4	0.0%	3.2	0.0%	2.3	0.0%	2.7	0.0%	1.9	0.0%
17.	Bridge Loan	46.5	0.2%	42.6	0.1%	-	-	-	-	-	-
	Total	27,854.0	100.0%	33,930.6	100.0%	47,075.5	100.0%	33,783.4	100.0%	47,514.5	100.0%

(1) Loan Facility to State Utilities includes term loans extended to state-owned utility companies of a tenure of up to five years (excluding moratorium of up to one year) to meet renewable purchase obligations, for procurement of RE power, payment to RE generators, setting up RE infrastructure such as transmission lines, and similar purposes.

(2) Manufacturing includes the term loan extended to manufacturing projects in particular, for which the company obtains security by way of mortgage on land and buildings and hypothecation of assets, including plant and machinery.

(3) Short term loans to private entities includes short-term loans to developers, suppliers, contractors and manufacturers to meet their immediate funding requirements towards project development, implementation and operations of RE projects.

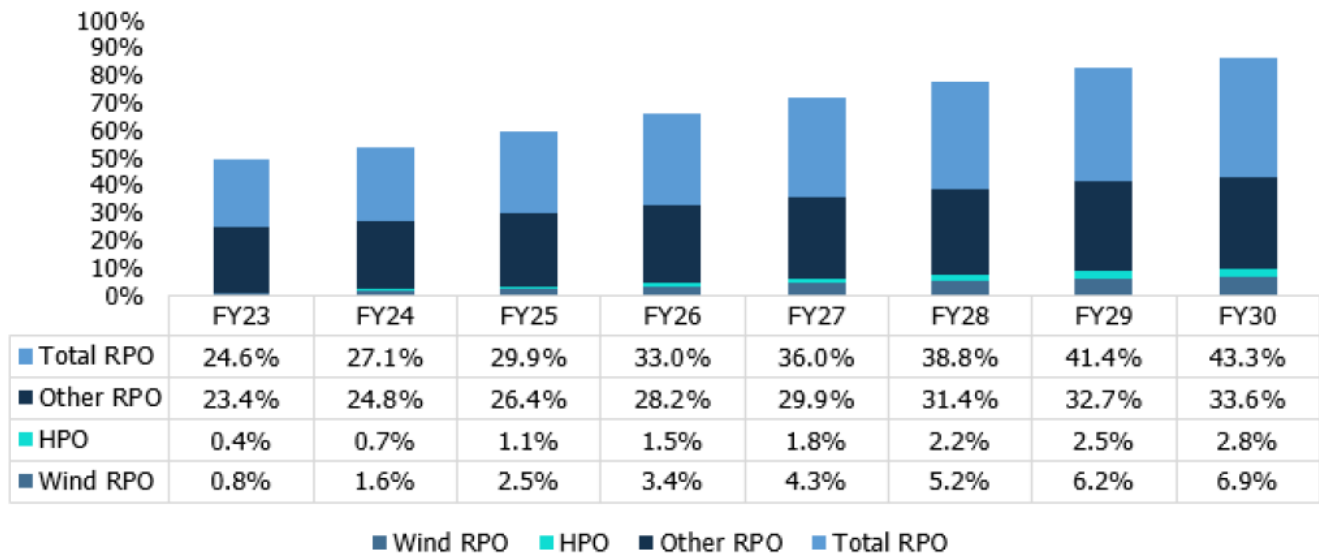
(4) The company is a registered member lending institution for providing term loans to existing borrowers under Guaranteed Emergency Credit Line Scheme. The loans under this scheme are fully guaranteed by the National Credit Guarantee Trustee Company which is a wholly owned company of the GoI set up to act as a common trustee company for multiple credit guarantee funds.

Source: RHP, SSL Research

Industry Overview

Renewable Purchase Obligation (RPO) Trajectory from FY23 to FY30

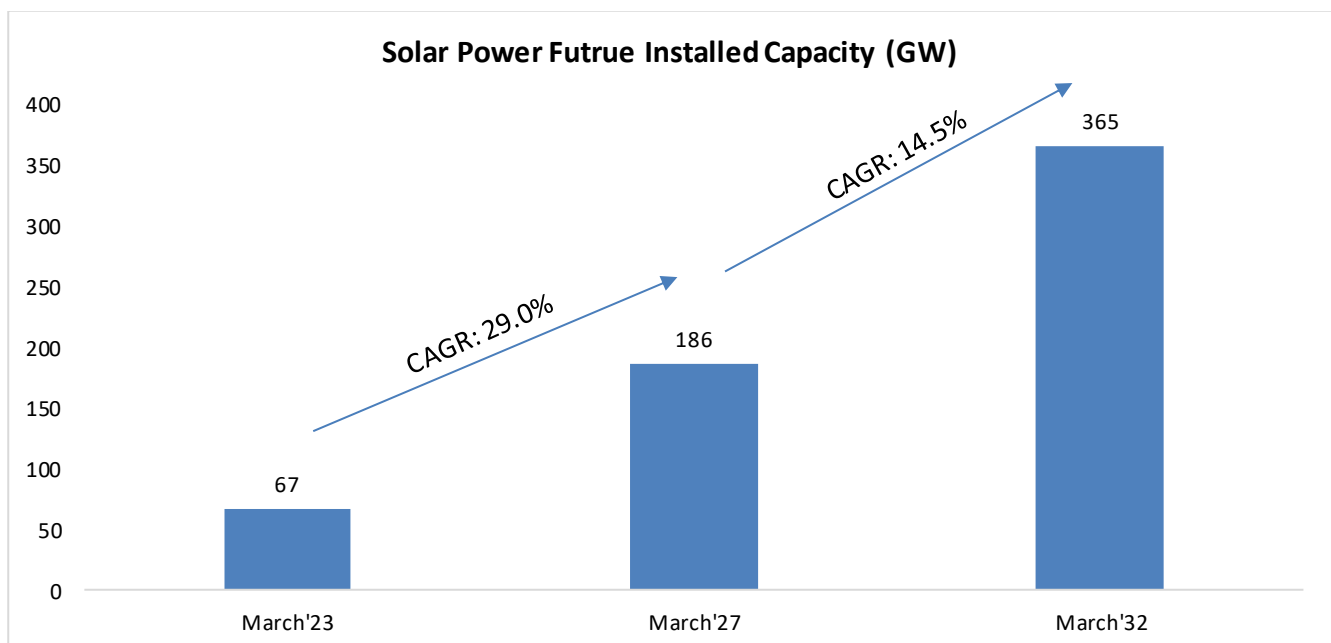
A joint committee under the Co-chairmanship of Secretary, Ministry of Power and Secretary, Ministry of New and Renewable Energy was constituted on December '20 and based on the recommendations, Ministry of Power has specified the RPO trajectory beyond FY22. As per the targets set, RPO of 43.3% is proposed to be achieved by FY30.



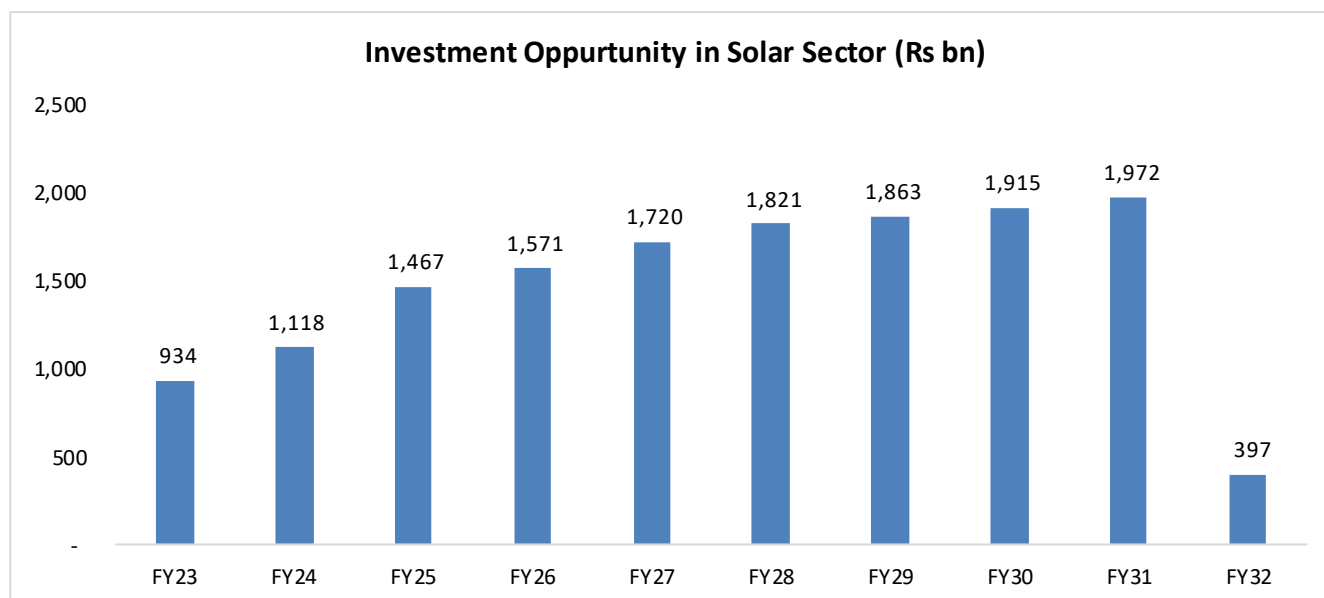
Source: RHP, SSL Research

Solar power-Trend in future installed capacity additions and investment opportunity in solar sector

As per the National Electricity Plan Vol-1 (March'23) 186 GW of installed solar power capacity is expected to be achieved by FY27 and 365 GW by FY32. This represents an investment opportunity of Rs 6.8 tn FY23 - FY27 and Rs 8.0 tn between FY28 – FY32. The year-wise expected investment opportunity in the solar sector to achieve the targeted installed capacity is given below.



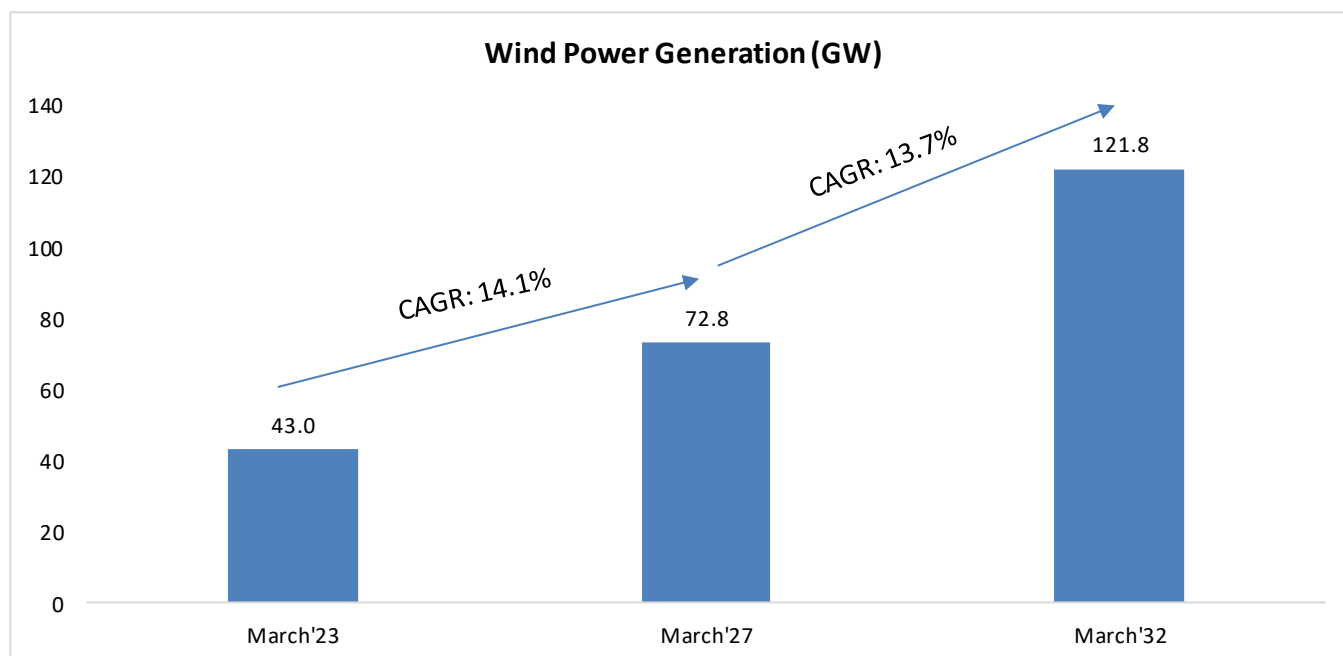
Source: RHP, SSL Research



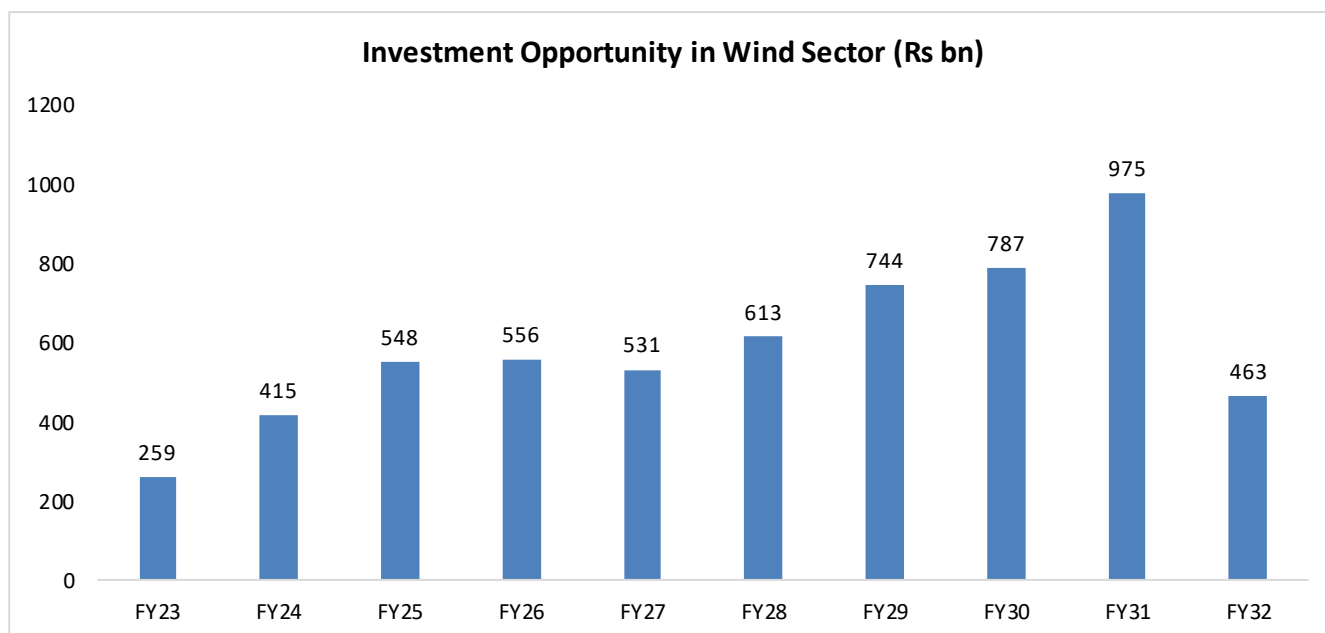
Source: RHP, SSL Research

Wind power projections outlook and investment opportunity in wind energy (including offshore)

As per the National Electricity Plan Vol-1 (March'23), 72.8 GW of installed wind power capacity is expected to be achieved by FY27 and 121.8 GW by FY32. This target translates into an investment opportunity of Rs 2.3 tn between FY23 - FY27 and Rs 3.3 tn between FY28 - FY32 for onshore wind plants. Additionally, Rs 274.0 bn would be required for offshore wind plants between FY28 - FY32.



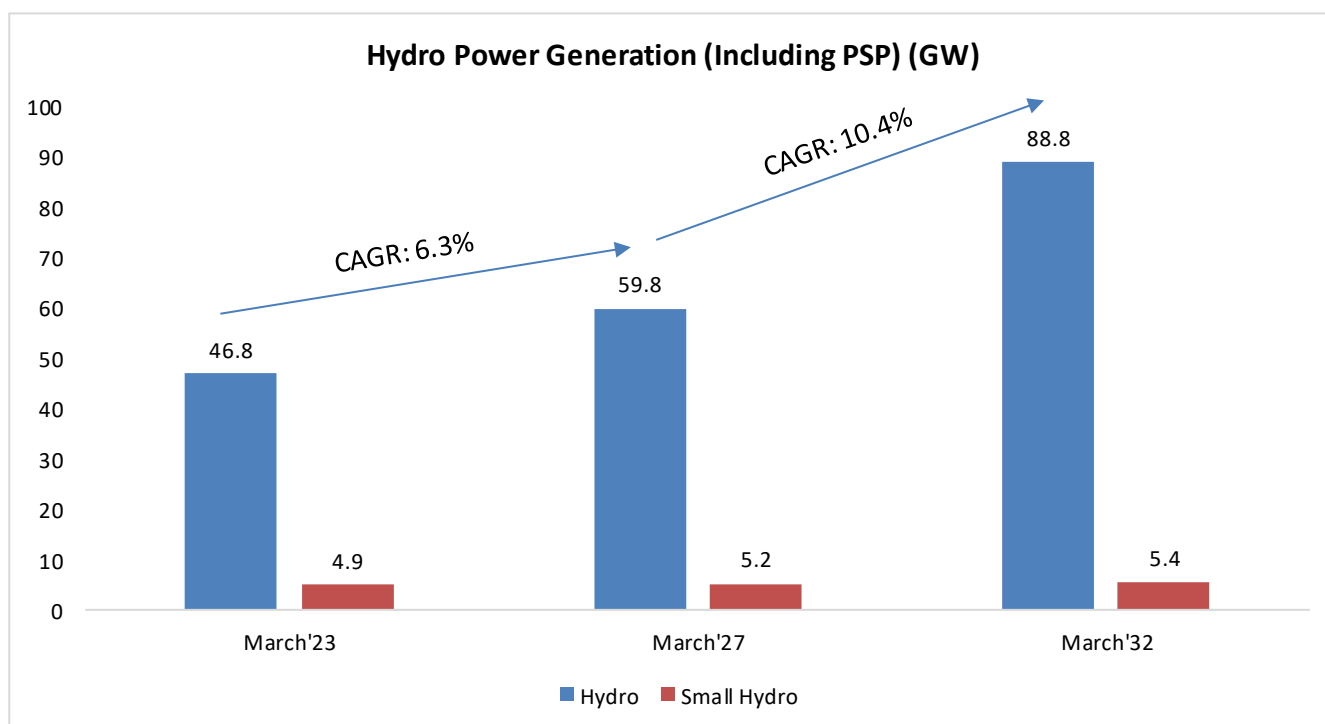
Source: RHP, SSL Research



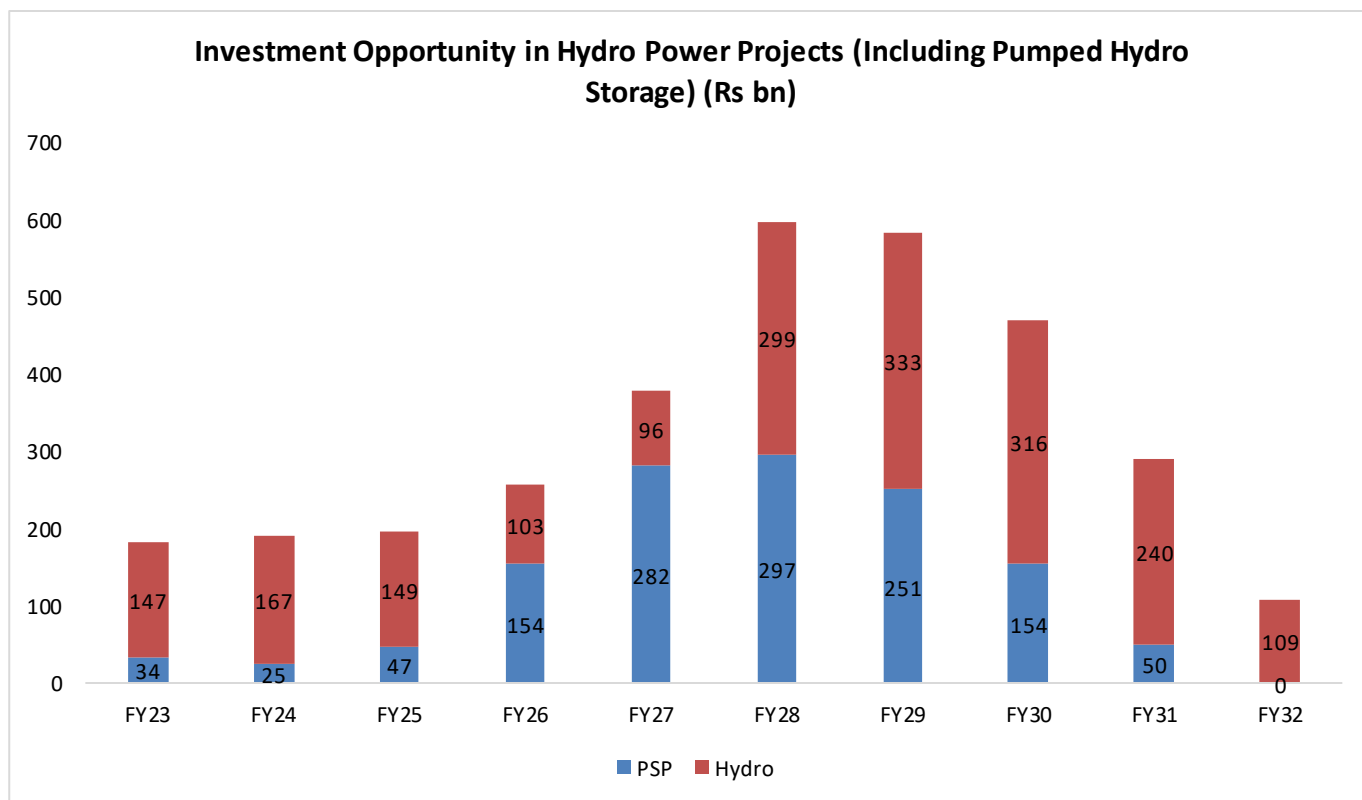
Source: RHP, SSL Research

Hydro power projections (Including PSP) and Investment opportunity in hydro power projects (including pumped hydro storage)

The hydro power capacity is expected to grow at a CAGR of 6.3% from FY23 to FY27, reaching 59.8 GW while in FY32, the installed capacity is expected to reach 88.8 GW. For small hydro, the installed capacity is expected to remain in the range of 4.8 GW to 5.4 GW. The capacity addition targets translate into an investment opportunity of Rs 542.0 bn and Rs 661.5 bn between FY23 – FY27 and Rs 752.4 bn and Rs 1,297.8 bn between FY28 – FY32 for PSP and hydro power, respectively.



Source: RHP, SSL Research



Source: RHP, SSL Research

Financial Snapshot

Income Statement	Consolidated	Standalone	Standalone
Particulars (Rs cr)	FY21	FY22	FY23
Interest Income	2,564.3	2,713.2	3,373.8
Interest & Other Financial Charges	1,570.2	1,587.2	2,088.4
Net Interest Income	994.1	1,126.0	1,285.4
Other Income	93.3	160.9	109.1
Total Income	1,087.4	1,286.9	1,394.5
Operating Expenditures	153.5	249.8	165.1
Employee Exps	47.3	58.8	63.1
Other Exps.	106.2	191.0	102.0
Operation Profit before Provision	933.9	1,037.1	1,229.4
Provisions Excluding Tax	341.6	179.8	66.5
Operating Profit After Provision	592.3	857.3	1,162.9
Depreciation & Amortisation	22.6	23.2	23.4
Profit Before Tax	569.7	834.1	1,139.5
Provision for Tax	223.1	200.3	274.6
Curent Tax	291.6	311.1	253.2
Provision Related to Earlier Year	(68.5)	(110.8)	21.4
Profit After Tax	346.6	633.8	864.9

Balance Sheet	Consolidated	Standalone	Standalone
Particulars (Rs cr)	FY21	FY22	FY23
Shareholders fund	2,995.6	5,268.1	5,935.1
Share capital	784.6	2,284.6	2,284.6
Reserves and surplus	2,211.0	2,983.5	3,650.5
Non-current liabilities	27,298.3	31,440.3	44,511.8
Debt securities	9,120.2	9,229.0	10,843.2
Borrowings	14,231.5	17,734.6	28,672.6
Other Liabiliy and Provision	3,947.6	4,476.7	4,996.0
Total Equity and Liabilities	30,293.9	36,708.4	50,446.9
Assets	FY21	FY22	FY23
Non current assets			
Cash and Balances with Reserve Bank of India	221.0	131.1	138.5
Balances with Banks and Money at Call and Short Notice	382.0	395.5	816.2
Advances	26,905.6	33,174.4	46,226.9
Fixed Assets	246.0	158.0	351.0
Other Assets	2,539.3	2,849.4	2,914.3
Total assets	30,293.9	36,708.4	50,446.9

Indian Renewable Energy Development Agency Limited			
(Rs cr)	Pre Issue	Post Issue	
	FY22	FY23	
Particulars		Price Band	
		30	32
Net Interest Income	1,126.0	1,285.4	1,285.4
Total Income	1,286.9	1,394.5	1,394.5
PAT	633.8	864.9	864.9
Equity Share Capital	2,284.6	2,687.8	2,687.8
No of Equity Shares	228.5	268.8	268.8
Face Value	10.0	10.0	10.0
EPS	2.8	3.2	3.2
CMP	32.0	30.0	32.0
Borrowings & Debt Securities	26,963.6	39,515.8	39,515.8
Net Worth	5,268.1	7,790.1	7,870.7
Loan Book	33,174.4	46,226.9	46,226.9
Cash and Investment	526.6	954.7	954.7
Interest Earning Assets	33,701.0	47,181.6	47,181.6
Total Asset	36,708.4	50,446.9	50,446.9
Market Cap	7,310.7	8,063.3	8,600.8
BV per share (Rs)	23.1	29.0	29.3
PE(x)*	11.5	9.3	9.9
P/BV (x)**	1.4	1.0	1.1
NIM (%)	3.7	3.2	3.2
ROA (%)	1.9	2.0	2.0
Cost of fund (%)	6.3	6.3	6.3
Yield on Assets (%)	8.9	8.4	8.4
Spread (%)	2.6	2.1	2.1
Cost to Income Ratio (%)	19.4	11.8	11.8
RoE (%)	15.3	15.4	15.4
GNPA (%)	5.2	3.2	3.2
NNPA (%)	3.1	1.6	1.6
PCR (%)	41.5	49.3	49.3

Source: RHP, SSL Research

Note:

1. *P/E ratio is based on FY23 earnings on post issue capital.
2. **P/BV is based on net worth as of 1HFY24 after considering the issue proceed while calculating the BVPS

Peer Comparison

Particulars.	Indian Renewable Energy Development Agency Ltd.		REC Ltd.	Power Finance Corporation Ltd.
	Lower Band	Upper Band		
CMP (Rs)	30.0	32.0	330.0	310.0
Market. Cap (Rs C)	8,063.3	8,600.8	87,342.0	1,02,402.0
P/BV (x)	1.0	1.1	1.4	1.4
P / E (x)	9.3	9.9	6.9	7.7
NIM (%)	3.2	3.2	3.4	3.3
ROA (%)	2.0	2.0	2.6	2.5
NNPA %	1.6	1.6	1.0	1.1
CAR %	18.8	18.8	25.8	24.4

For Indian Renewable Energy Development Agency Limited, the data is based on FY23 financial data. P/E ratio is based on FY23 earnings on post issue capital. P/BV is based on net worth as of 1HFY24 after considering the issue proceed while calculating the BVPS

CMP as on 16th November'23.

Source: RHP, SSL Research

SBICAP Securities Limited

(CIN): U65999MH2005PLC155485 | Research Analyst Registration No INH000000602

SEBI Registration No.: Stock Broker: INZ000200032 | CDSL: IN-DP-314-2017 | NSDL: IN-DP-NSDL-369-2014 | Research Analyst: INH000000602

Portfolio Manager: INP000004912 | IRDA/RW/IR2/2015/081 | IRDA/RW/IR1/2016/041 | IRDA: CA0103

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The Analysts engaged in preparation of this Report or his/her relative:-

- (a) do not have any financial interests in the subject company mentioned in this Report; (b) do not own 1% or more of the equity securities of the subject company mentioned in the report as of the last day of the month preceding the publication of the research report; (c) do not have any material conflict of interest at the time of publication of the Report.

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Harsh Vasa	CA	Research Analyst - Equity Fundamentals
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