

IPO Note: Indian Renewable Energy Development Agency Ltd.

Industry: Renewable Energy

Date: November 20, 2023

Issue Snapshot		Issue Break up	
Company Name	Indian Renewable Energy Development Agency Ltd.	QIB ex Anchor	20% 13,40,13,151
Issue Opens	November 21, 2023 to November 23, 2023	Anchor Investor	30% 20,10,19,727
Price Band	Rs. 30 to Rs. 32	HNI<Rs. 10 Lakhs	5% 3,35,03,288
Bid Lot	460 Equity Shares and in multiples thereof.	HNI>Rs. 10 Lakhs	10% 6,70,06,576
The Offer	Public issue of 671,941,177 Equity shares of Face value Rs. 10 each, (Comprising of fresh issue of 403,164,706 Equity Shares* (Rs. 1290.1 cr.) and Offer for Sale of 268,776,471 Equity Shares (Rs. 860.1 cr.*) by Selling Shareholder).	RII	35% 23,45,23,015
		Total Public	100% 67,00,65,757
Issue Size	Rs. 2015.8 – 2150.2 Crore	Employee Reservation	18,75,420
IPO Process	100% Book Building	Total	67,19,41,177
Face Value	Rs. 10.00	Equity Share Pre Issue (Nos. Cr.)	228.5
Exchanges	NSE & BSE	Fresh Share (Nos. Cr.)	40.3
BRLM	IDBI Capital Markets & Securities Ltd., BOB Capital Markets Ltd. and SBI Capital Markets Ltd.	OFS Share (Nos. Cr.)	26.9
Registrar	Link Intime India Private Ltd	Equity Share Post Issue (Nos. Cr.)	268.8
		Market Cap (Rs. Cr.)	8,600.8
		Equity Dilution	15.0%
		Stake Sale by OFS	10.0%

Objects of the Offer

Offer for Sale

The Company will not receive any proceeds of the Offer for Sale by the Selling Shareholder. (up to 268,776,471 equity shares by The President of India)

Fresh Issue

- Augmenting its capital base to meet its future capital requirements; and
- General corporate purposes.

Company Highlights

- 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.
- IREDA has financed projects across multiple RE sectors such as solar power, wind power, hydro power, transmission, biomass including bagasse and industrial co-generation, waste-to-energy, ethanol, compressed biogas, hybrid RE, EEC and green-mobility. It also offers financial products and schemes for new and emerging RE technologies such as, biofuel, green hydrogen and its derivatives, battery energy storage systems, fuel cells, and hybrid RE projects.
- The company offers a comprehensive suite of financial products and services including various fund-based and non-fund-based products. Some of its 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 cash flows. It also provides line of credit to other NBFCs for on-lending to RE and EEC projects. In addition, IREDA provides loans to government entities and also provide financing schemes for RE suppliers, manufacturers and contractors.

- Its non-fund-based products include letter of comfort, letter of undertaking, payment on order instruments and guarantee assistance schemes. Further, it provides consulting services on techno-commercial issues relating to the RE sector. It has been established as an integral part of, and have played a strategic role in the Gol's initiatives for the promotion and development of the RE sector in India. IREDA is directly involved in implementing several significant schemes launched by the MNRE.
- The company has a geographically diversified portfolio, with Term Loans Outstanding across 23 States and five Union Territories across India, as of September 30, 2023.
- 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.
- The company's borrowers comprise some of the key RE players in India, such as ReNew Power Pvt. Ltd., Continuum MP Windfarm Development Pvt. Ltd., Ayana Renewable Power Pvt. Ltd., Madhya Bharat Power Corporation Ltd., SJVN Ltd., TruAlt Bioenergy Ltd., Rising Sun Energy (K) Pvt. Ltd., Emvee Photovoltaic Power Pvt. Ltd., Premier Energies Ltd., Rewa Ultra Mega Solar Ltd., Acme Cleantech Solutions Pvt. Ltd., Pioneer Genco Ltd., Pioneer Power Corporation Ltd., Zuari Industries Ltd. and Jindal Urban Waste Management (Visakhapatnam) Ltd.

View

- IREDA is the largest pure-play green financing NBFC in India. It was incorporated with an objective to provide innovative financing in RE, EEC and environmental technologies. In the past 36 years, the company has financed projects across multiple RE sectors such as solar power, wind power, hydro power and others. 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.
- 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. 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.
- The financing requirement for RE sectors such as solar and wind are set to expand prominently in-line with the government's target of 500GW installed non-fossil fuel based power capacity by 2030. Compared to the solar potential of 749GW, India had an installed capacity of only 72GW as of Sept. 2023. Hydro power capacity is expected to grow at 6.3% CAGR over FY23-27E to 89GW. IRDEA is well positioned to play a critical role in meeting this financing requirement and enhance its market share in these areas. The company provides a comprehensive range of financial products and services, ranging from project conceptualization to the post-commissioning stage in RE projects and equipment manufacturing. It provides financial assistance through both fund-based and non-fund-based facilities.
- 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.
- Over FY21-23, IREDA's term loan outstanding has increased by 30% CAGR (Rs. 47,075.5cr) and further to Rs. 47,514.5cr by 30th Sept. 2023. Moreover, its 93% of the term loans are secured. As of 30th Sept. 2023, 37.9% of its term loans had a residual maturity profile of less than three years, 26.3% had a maturity profile between 3-7 years and 35.8% had a maturity profile of more than seven years.
- IREDA has reported a short financial history, characterized with robust business growth and improvement in the asset quality and return ratios. With 30% CAGR growth in the term loans over FY21-23, the company has reported a 14.7% CAGR rise in interest income. Interest expenses increased by 15.3% CAGR, resulting to 61bps contraction in the net interest margin, which stood at 3.3% in FY23. Net interest income (NII) increased by 13.7% CAGR to Rs. 1,285.4cr in FY23. Other operating expenses increased by 3.5% CAGR, consequently, pre-provision operating profit grew by 15% CAGR to Rs. 1,205.8cr. Further with 55.9% CAGR fall in provisions and lower effective tax rates, reported PAT increased by 58% CAGR to Rs. 864.6cr in FY23. Pre-IPO, RoA and RoE expanded by 78bps and 288bps over FY21-23 to 2% and 15.4%, respectively, in FY23.
- In terms of the valuations, on the higher price band, IREDA demands P/B multiple of 1.1x based on post issue fully diluted annualized FY24 BV.

Key Operational and Financial Performance

(Rs in Crore, except percentages and ratios)	FY21	FY22	FY23	H1FY23	H1FY24
Operations					
Gross Loan Portfolio (GLP) or Term Loans Outstanding	27853.9	33930.6	47075.5	33783.4	47514.5
GLP Growth	18.29%	21.82%	38.74%	-0.43%	0.93%
Loans Sanctioned	11001.3	23921.1	32586.6	11765.4	4744.5
Loans Disbursed	8828.4	16070.8	21639.2	4006.3	6273.3
Asset Quality					
Gross NPA	8.77%	5.21%	3.21%	5.06%	3.13%
Net NPA	5.61%	3.12%	1.66%	2.72%	1.65%
Provision Coverage Ratio	38.14%	41.45%	49.25%	47.58%	48.11%
Slippage Ratio	2.09%	0.10%	0.02%	0.03%	0.10%
Credit cost ratio	3.62%	2.37%	1.84%	2.40%	1.51%
Return Ratio					
Total Expenses to Average AUM	8.20%	6.72%	5.85%	2.74%	3.20%
PAT to Average AUM	1.36%	2.09%	2.16%	1.17%	1.24%
Return on Assets (ROA)	1.20%	1.89%	1.98%	1.06%	1.14%
Return on Equity (ROE)	12.56%	15.33%	15.44%	7.52%	9.26%
Capital					
Net Worth or Shareholders Equity	2995.6	5268.1	5935.2	5638.3	6580.6
Total Debt to Net Worth	8.01	5.24	6.77	5.36	6.06
CRAR	17.12%	21.22%	18.82%	23.55%	20.92%
Total Debt/Total Assets	0.79	0.75	0.8	0.75	0.78
Profitability					
Net Interest Income	992.2	1128.0	1323.8	623.8	785.4
NIM	3.93%	3.75%	3.32%	1.79%	1.68%
Spread	3.26%	2.81%	2.21%	1.43%	1.11%
Average Yield on Term Loans Outstanding	10.41%	9.14%	8.44%	4.65%	4.93%
Average cost of borrowings	7.15%	6.33%	6.23%	3.22%	3.82%
Cost to Income ratio	78.57%	70.99%	67.29%	60.95%	64.69%
Profit per Employee	22.06	40.61	54.04	25.97	33.29
Operating Margin	21.34%	28.66%	32.69%	39.04%	35.30%
Net Profit Margin	13.03%	22.04%	24.82%	26.00%	24.97%

Financial Statement

(In Rs. Cr)	FY21	FY22	FY23	H1FY23	H1FY24
Share Capital	784.6	2284.6	2284.6	2284.6	2284.6
Net Worth	2995.6	5268.1	5935.2	5638.3	6580.6
Debt Securities	9120.3	9229.1	10843.3	10778.7	11542.7
Borrowings	14230.6	17734.7	28672.7	18802.3	27658.1
Other Financial Liabilities	1626.1	1672.6	2140.7	2561.8	2636.4
Non-Financial Liabilities	2320.8	2803.9	2855.1	2696.3	2838.7
Advances	26905.6	33174.4	46226.9	32941.8	46712.9
Other Financial Assets	1032.2	1060.6	1664.8	4978.1	2049.0
Non-Financial Assets	2355.6	2473.3	2555.2	2557.6	2494.6
Total Assets	30293.4	36708.4	50447.0	40477.4	51256.5
Net Interest Income	992.2	1128.0	1323.8	623.8	785.4
Net Interest Margin (%)	3.9%	3.8%	3.3%	1.8%	1.7%
Net Profit	346.4	633.5	864.6	410.3	579.3
Earnings Per Share (Rs.)	4.4	8.0	3.8	1.8	2.5
Return on Networth (%)	11.6%	12.0%	14.6%	7.3%	8.8%
Net Asset Value per Share (Rs.)	38.2	23.1	26.0	24.7	28.8

Source: RHP, Ashika Research

Cash Flow Statement

(In Rs. Cr)	FY21	FY22	FY23	H1FY23	H1FY24
Cash flow from Operations Activities	(3259.1)	(5254.1)	(12343.1)	(536.7)	286.0
Cash flow from Investing Activities	(2.1)	(107.1)	(17.2)	(2.3)	(5.7)
Cash flow from Financing Activities	2441.2	5271.4	12367.6	2754.2	(58.6)
Net increase/(decrease) in cash and cash equivalents	(820.1)	(89.8)	7.4	2215.1	221.7
Cash and cash equivalents at the beginning of the year	1041.1	221.0	131.2	131.2	138.5
Cash and cash equivalents at the end of the year	221.0	131.2	138.5	2346.3	360.2

Source: RHP

Comparison with Listed Industry Peers

Co Name	NII (Rs. Cr.)	NIM (%)	OPM (%)	Loan (Rs. Cr.)	GNPA (%)	NNPA (%)	RoA (%)	RONW (%)	P/BV (x)	Market Cap (Rs. Cr.)
IREDA Ltd.	1324	3.3%	32.7%	47076	3.2%	1.7%	2.0%	15.4%	1.1	8600.8
PFC Ltd.	26390	3.3%	34.1%	857500	3.7%	1.1%	2.5%	20.3%	1.2	102402.2
REC Ltd.	13999	3.4%	35.1%	435012	3.4%	1.0%	2.6%	20.4%	2.1	86988.6

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