

Energy | India

IPO | 20 November 2023

IREDA

## A Miniratna to Navratna in the making

### About the Company

**Indian Renewable and Energy Development Agency Limited (IREDA)** is wholly owned Government of India ("GoI") enterprise under the administrative control of the Ministry of New and Renewable Energy (the "MNRE"). IREDA an Infrastructure Finance Company status by RBI is India's largest pure-play green financing NBFC with over 36 years of experience plays a strategic role in development of Renewable Energy (RE) with a comprehensive suite of financial products and related services for RE projects and other value chain activities, such as equipment manufacturing and transmission.

### RE financing offers strong growth to power focused NBFC's

The total installed power generation capacity stood at 425 GW with renewable sources accounting for 42 % of the installed capacity as on 30th Sept 2023 and with the announcement of 500 GW non-fossil fuel based capacity installation by 2030 and net-zero emissions by 2070, India has set itself on one of the most accelerated energy transition trajectories in the world and IREDA is well placed to capitalize on the rapid growth in the RE sector as it has specialized expertise in technical appraisal of RE projects, innovation in structuring specialized financial products for various RE sectors, customer satisfaction and quality of service provided to 357 RE borrowers across 10 RE sectors as of Sept'23.

### Presence across RE sectors

IREDA have 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. IREDA also offer 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 RE market in India is growing and has IREDA has an ecosystem connect with developers, financial institutions & Govt. of India for various potential business opportunities for financing and consulting services.

### Strong track record

IREDA provides a comprehensive range of financial products and related services 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. IREDA has a comprehensive data-based credit appraisal process and risk-based pricing, with efficient post-disbursement project monitoring and recovery processes. IREDA has been highly rated by credit rating agencies. India Ratings had rated its debt instruments as AAA (Stable), ICRA has rated its bonds as ICRA AAA (Stable) and Acuite has rated its bank loans as Acuite AAA Stable.

### Financials in Brief

On the financial front, the company reported a turnover of Rs 2655 Crs, Rs 2860 Crs and Rs 3482 Crs for FY21, FY22 and FY23 respectively. It posted net profit of Rs 347 Crs, Rs634 Crs and Rs 865 Crs respectively for the aforementioned period. Revenues registered a CAGR of ~15% while profit was higher FY21-23 at 58% with sharp improvement in net interest margins. The asset book is fairly diversified with Solar Energy (30%), loans to state utilities (24%), Wind Power (19%), Hydro Power (12%) and others (15%) respectively for FY23.

### Our View

IREDA has played a strategic role in the GoI's initiatives for the promotion and development of the RE sector in India with a strong track record of growth, diversified asset book, high quality assets and consistent profitability. IREDA is maintaining its leadership in RE sectors and wants to enhance its presence in new green technologies optimizing costs as it has access to cost effective long term sources of borrowings with a mix of domestic and foreign borrowings improving profitability over the past few years. **IREDA has posted healthy profitability over the past couple of years, strong growth outlook and experienced management team, we recommend a SUBSCRIBE to the issue.**

**SUBSCRIBE** 

#### IPO Details

Price Band (Rs)	30-32
Face Value (Rs)	10
Issue Open/Closing Date	21-Nov-23/23-Nov-23
Fresh Issues (Crs)	1,290.1
OFS (Crs)*	860.1
<b>Total Issue (Crs)*</b>	<b>2,150.2</b>
Minimum Bid Qty. (Nos)	460
QIB / HNI / Retail	50%/15%/35%
<b>Implied Market Cap (Rs Crs)*</b>	<b>8,601</b>

\*At higher band

#### Object of the Issue

- ▶ Augmenting capital base to meet our future capital requirements and onward lending.

#### Strengths

- ▶ Strategic role in Government of India initiatives in the Renewable Energy sector.
- ▶ Efficient post-disbursement project monitoring and recovery processes.
- ▶ Established and trusted brand name.
- ▶ Comprehensive set of products for Traditional & Emerging RE sectors.

#### Key Risk

- ▶ Delay in payment from Discom's.
- ▶ Volatility in cost of borrowings could hamper margins.

Shareholding (%)	Pre-Issue	Post-Issue
Promoters	100.0	75.0
Others	0.0	25.0

#### Key Financials

(Rs Crs)	FY21 (C)	FY22	FY23
Loan Book Size (Rs)	27,853	33,930	47,075
Revenues (Rs.)	2,655	2,860	3,482
PAT (Rs.)	347	634	865
PAT Margin (%)	13.1	22.2	24.8
Networth (Rs.)	2,996	5,268	5,935
NIM Margin (%)	3.9	3.8	3.3
Profit per employee	22.1	40.6	54.0
EPS (Rs)	4.4	8.0	3.8
RoE (%)	12.6	15.3	15.4
RoA (%)	1.2	1.9	2.0
Gross NPA (%)	8.8	5.2	3.2
Nett NPA (%)	5.6	3.1	1.7

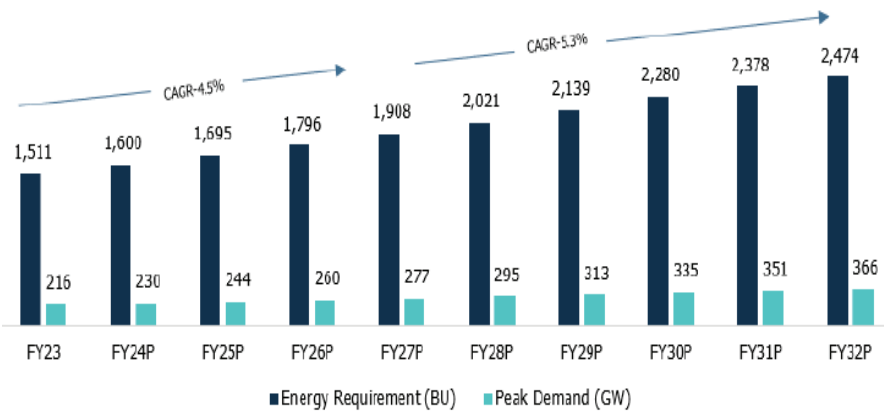
Source: RHP

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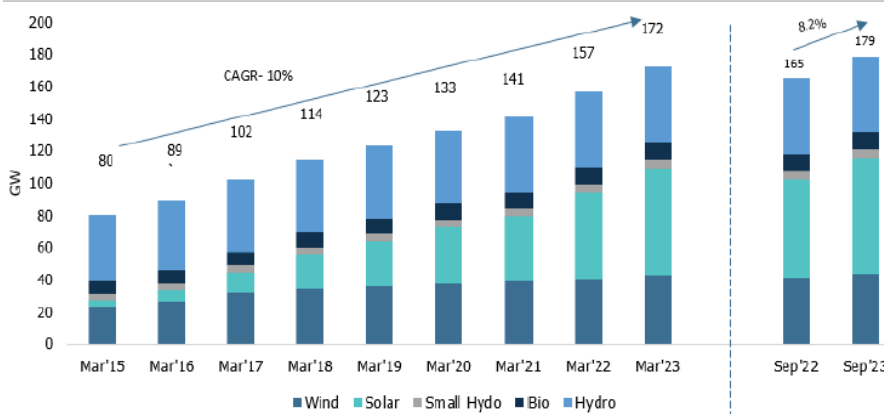
Email : vikas.i.jain@relianceada.com

Exhibit 1: Projected All India Peak Demand and Energy Requirement



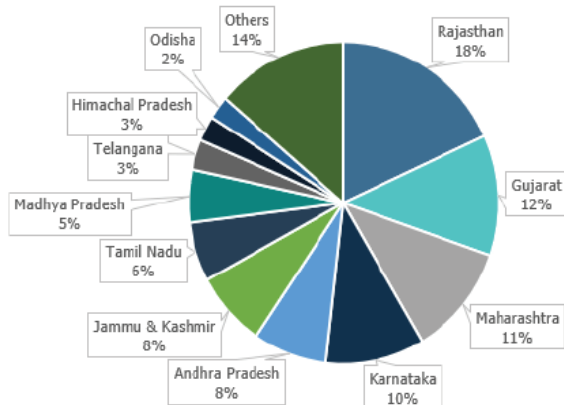
Source: RHP, \*Projected; Source: 20th Electric Power Survey of India, CareEdge Research

Exhibit 2: Renewable Energy – Trend in Installed Capacity



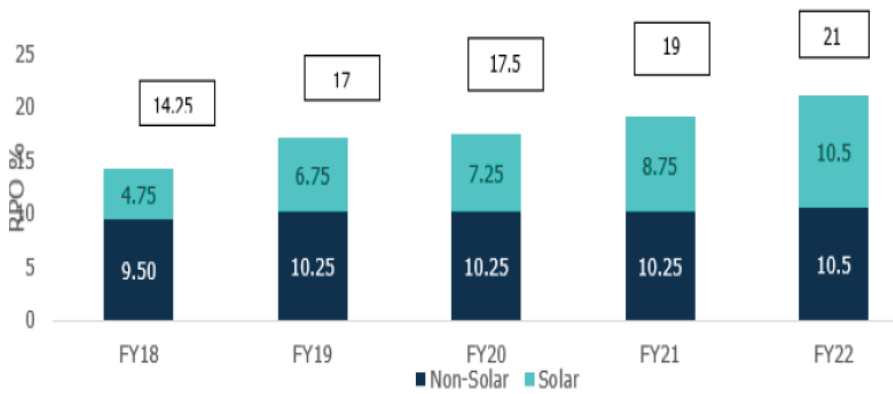
Note: Small Hydro denotes projects up to 25 MW, Hydro Power Plants denotes projects more than 25 MW  
Source: RHP, CEA, CareEdge Research

Exhibit 3: State-wise estimated potential of renewable power in India



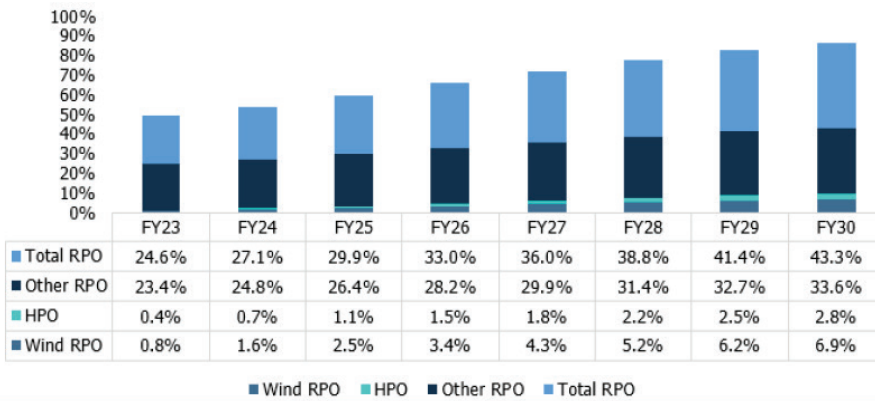
\*Excluding Hydro power; Source: Energy Statistics India 2023, CareEdge Research

Exhibit 4: Long term RPO Trajectory



Source: RHP, National Portal for Renewable Power Obligations, MNRE, CareEdge Research

Exhibit 5: RPO Trajectory from Fiscal 2023 to Fiscal 2030



Source: RHP, Renewable Purchase Obligation and Energy Storage Obligation Trajectory Report dated July 22, 2023 Renewable Purchase Obligation and Energy Storage Obligation Trajectory Report dated October 20, 2023, Ministry of Power, CareEdge Research; Note: Distributed RPO is not available for FY23 and FY24

Exhibit 6: Renewable Energy Capacity as on September 2023 (GW)

	Capacity
Solar	71.7
Wind	44
Bioenergy	10.7
Large Hydro	46.8
Small Hydro-power	4.9
<b>Total</b>	<b>178.6</b>

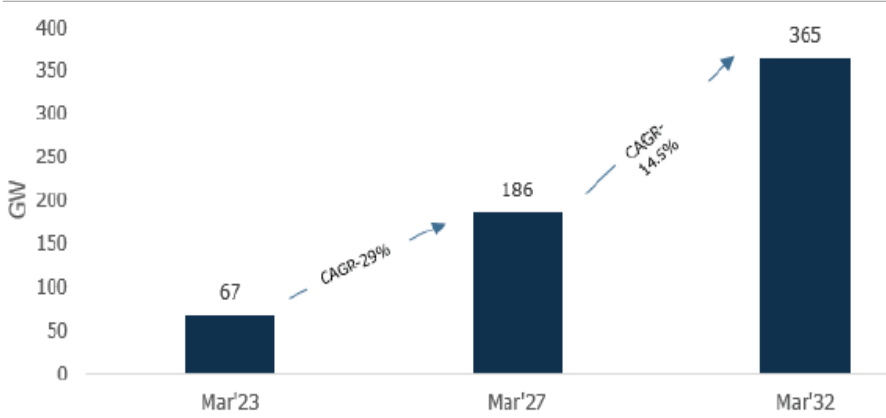
Source: RHP, CEA, CareEdge Research

Exhibit 7: Renewable Energy Capacity - Target for CY30 (GW)

	Target
Solar	270
Wind	117
Bioenergy	15
Small Hydro-power	5
<b>Sub-Total</b>	<b>407</b>
Large Hydro	72
Nuclear	21
<b>Total</b>	<b>500</b>

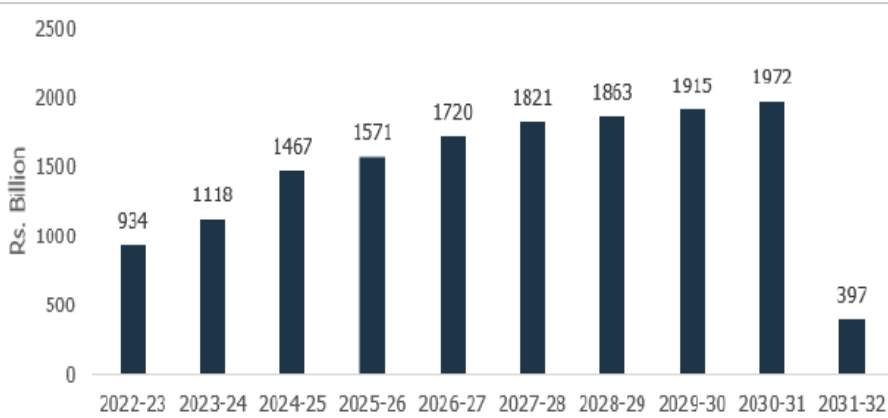
Source: RHP, Thirty-Fourth Report of the Standing Committee on Energy on Demands for Grants (2023-2024) (17th Lok Sabha) of the MNRE, CareEdge Research

Exhibit 8: Solar Power – Trend in Future Installed Capacity Additions



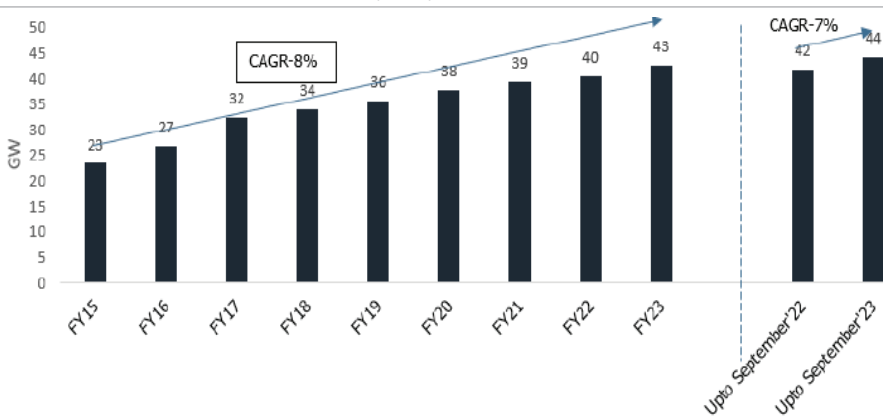
Source: RHP, National Electricity Plan Vol-1 (March 2023), CareEdge Research

Exhibit 9: Year-wise investment opportunity in solar sector



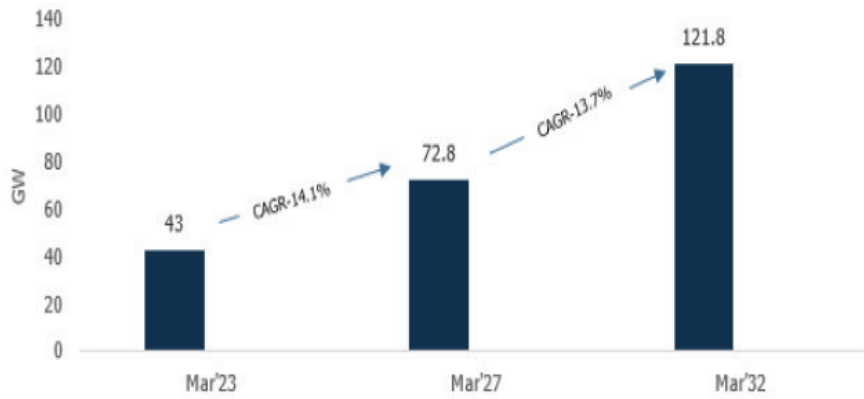
Source: RHP, National Electricity Plan Vol-2 (March 2023), CareEdge Research; Note: Investments pertain to capacity additions targeted up to Fiscal 2032. Investments towards capacities which will be commissioned beyond Fiscal 2032 are not included.

Exhibit 10: Trend in wind installed capacity



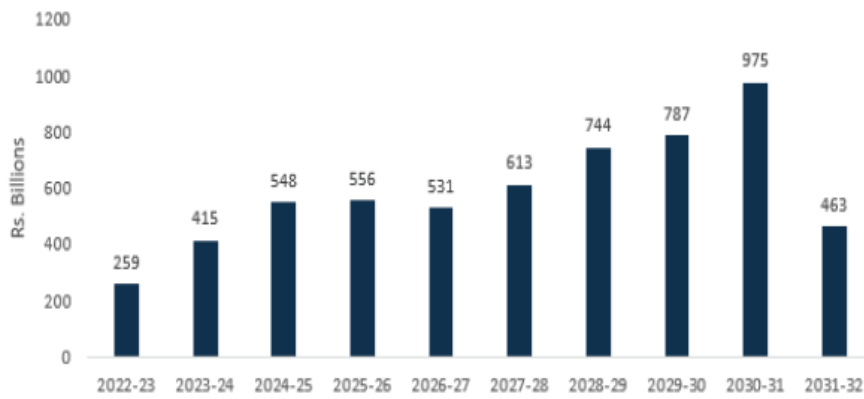
Source: RHP, CEA, CareEdge Research

Exhibit 11: Wind Power Projections



Source: RHP, Source: National Electricity Plan Vol-1 (March 2023), CareEdge Research

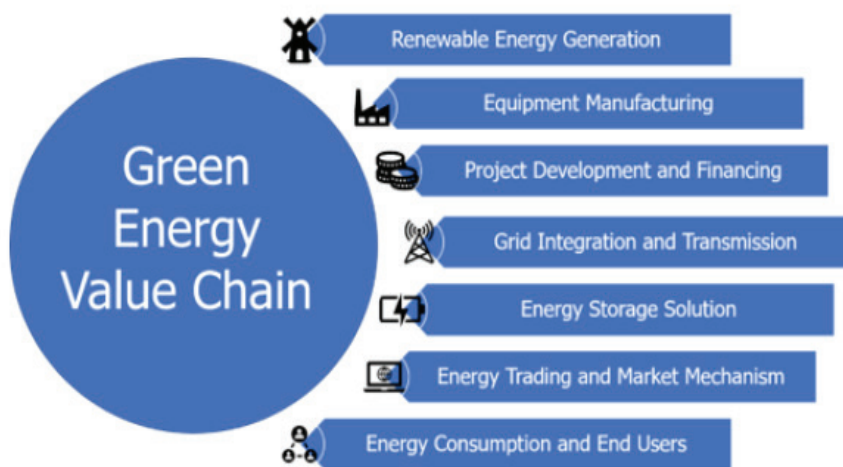
Exhibit 12: Year-wise investment opportunity in wind energy (including offshore)



Source: RHP, National Electricity Plan Vol-1 (March 2023), CareEdge Research Investments pertain to capacity additions targeted up to Fiscal 2032. Investments towards capacities which will be commissioned beyond Fiscal 2032 are not included.

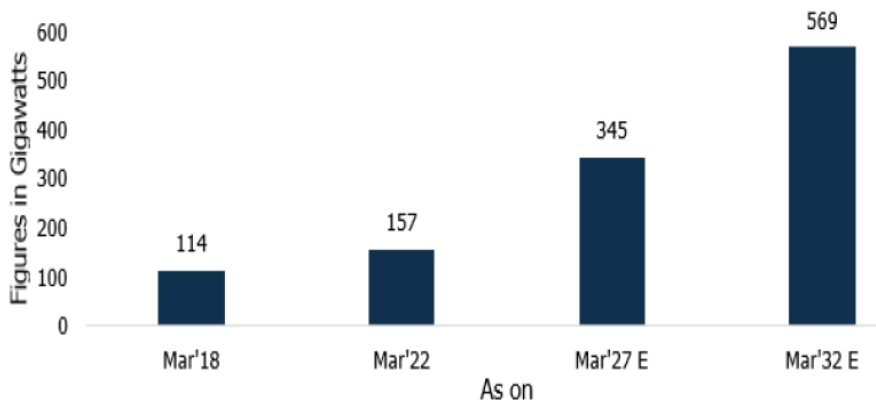
Note: The above investments have been calculated based on capex (excluding soft cost, interest during construction), contingency) of Rs60 million per MW for 2022-2023 and suitably escalated thereon

Exhibit 13: Green Energy Value Chain



Source: RHP, CareEdge Research

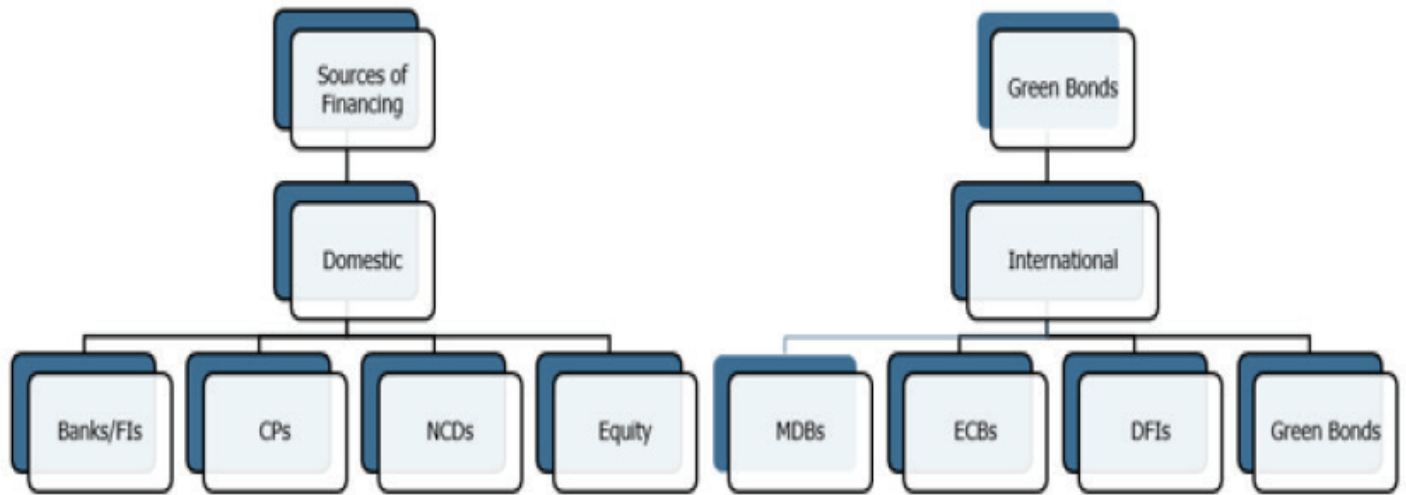
Exhibit 14: Renewable Energy Installed Capacity



Source: RHP, CEA, CareEdge Research

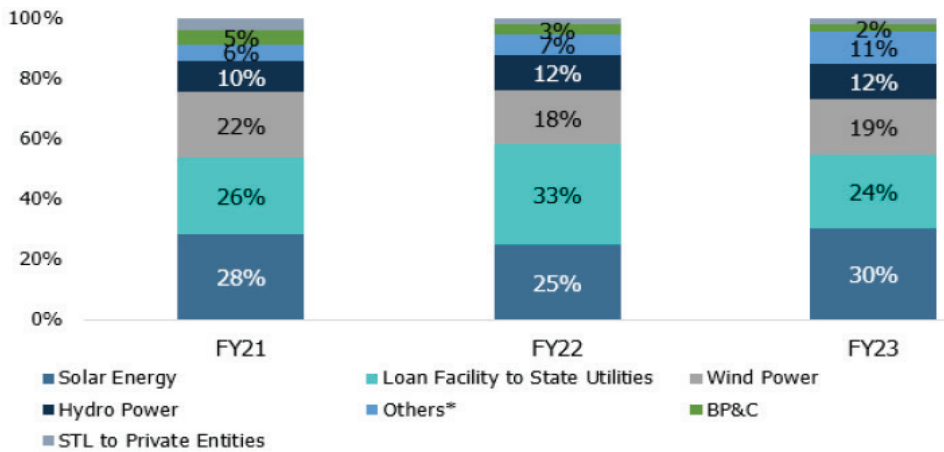
Note: Data includes renewable energy sources and hydro

Exhibit 15: Major Sources of Financing for Power financing NBFCs



Source: RHP, CareEdge Research

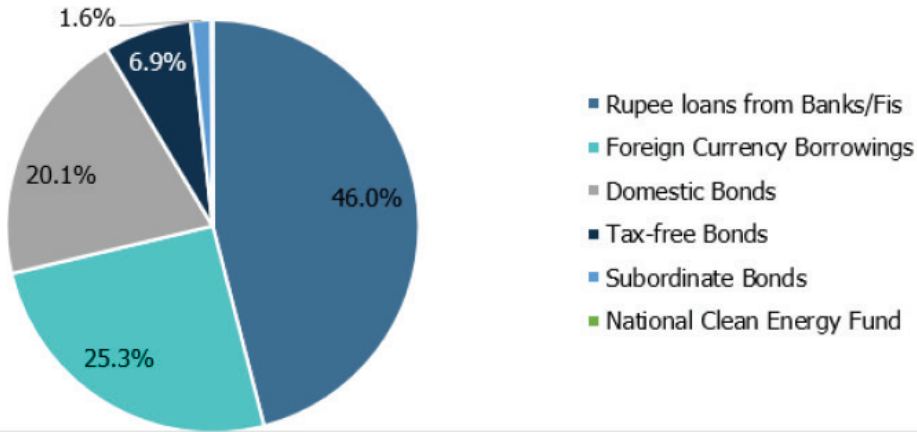
Exhibit 16: Asset Mix of IREDA



Source: Company reports, CareEdge Research

Note: BP&C-Biomass Power and Co-generation, STL-Short term loan, Others include Hybrid Wind and Solar, Ethanol, Manufacturing, Waste-to-energy, EV, Guaranteed Emergency Credit Line, Transmission, EEC, Biomass (Briquetting, Gasification and Methanation from Industrial Effluents), National Clean Energy Fund, Bridge Loan.

**Exhibit 17: Resource Profile of IREDA as on March 2023**



Source: Company reports, CareEdge Research

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