# Indian Renewable Energy Development Agency Limited

## About Company

Incorporated in March 1987, Indian Renewable Energy Development Agency Limited is a public limited government company. IREDA is a Mini Ratna (Category - I) government enterprise. It is administratively controlled by the Ministry of New and Renewable Energy (MNRE). In FY 2021-22, IREDA achieved the highest-ever loan sanctions of around Rs. 23921.06 crores and loan disbursements of around Rs. 16070.82 crores. IRDEA is an experienced financial institution that has been actively promoting, developing, and extending financial assistance for new and renewable energy projects, as well as energy efficiency and conservation projects for over 36 years. The company offers 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. IRDEA is committed to facilitating the transition towards a greener and more sustainable future, and as a reliable partner, the company ensure that its clients receive the best possible support and guidance throughout their projects. As of June 30, 2023, the company has a diversified portfolio of Term Loans Outstanding, amounting to ₹ 472,066.63 million.

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| Issue | |
|---|---|
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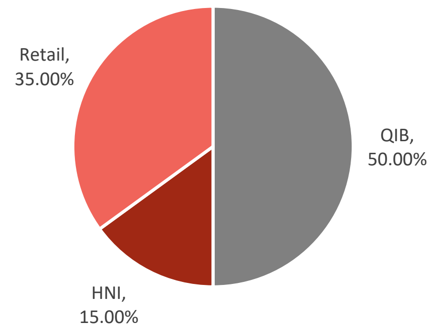
| Tuesday | Thursday |
| 21-Nov-23 | 23-Nov-23 |

| Issue Size | |
|---|---|
| Fresh Issue | 1290.13 cr |
| Offer for Sale | 860.08 cr |
| **Total Issue** | **2150.21 cr** |

| Per Equity Share | |
|---|---|
| **Price Band** | **Face Value** |
| Rs.30 - Rs32 | Rs 10 |
| **Minimum Shares** | **460 Qty** |

## NET OFFER STRUCTURE




Source: Dalal & Broacha Research

## Objects of the Offer:

The Offer comprises the Fresh Issue and the Offer for Sale. The company will not receive any proceeds from the Offer for Sale. Further, the proceeds of the Offer for Sale shall be received by the Promoter Selling Shareholder and will not form part of the Net Proceeds. The company intends to utilize the net proceeds for the following objects:-

- Augmenting the capital base to meet future capital requirement and onward lending.
- The Company expects to receive the benefits of listing the Equity Shares on the Stock Exchanges, including enhancing the brand image among existing and potential customers and creating a public market for the Equity Shares in India.

## Rationale

**Track record of growth, geared towards high quality assets and diversified asset book and stable profitability.**

The company has an established track record of consistent growth in our loan book and stable profitability in the RE financing space in India. As on March 31, 2023, the Term Loans Outstanding stood at ₹ 470,755.21 million, compared to ₹ 278,539.21 million as on March 31, 2021, increasing at a CAGR of 30.00%, and as of September 30, 2022 and September 30, 2023, the Term Loans Outstanding were ₹ 337,833.59 million and ₹ 475,144.83 million, respectively. In terms of geographical diversification of the asset base, the company has Term Loans Outstanding across 23 states and five Union Territories in India. The company has been able to achieve strong growth while maintaining asset quality, which is intended to ensure sustained profitability for the Company. Of the Term Loans Outstanding as of September 30, 2023, 37.88% had a residual maturity profile of less than three years, 26.31% had a maturity profile between three years and seven years and 35.80% had a maturity profile of more than seven years.

**Established and trusted brand name operating in a rapidly expanding sector**

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. The position as the largest pure-play green financing NBFC in India places us among select players who are well placed to capitalize on the rapid growth in the RE sector. The exclusive focus on green finance has led to domain knowledge across various RE sectors from a technical and financial perspective based on the experience of more than 36 years. As of September 30, 2023, the company has 357 RE borrowers across more than 10 RE sectors such as solar, wind, hydro, biomass, co-generation, EV, waste-to-energy, EEC, manufacturing, ethanol, among others. The reputation has been built on the expedited processing of loan applications, structuring of financial products based on the needs of developers and responsiveness to customer queries and issues through the term loan lifecycle. The borrowers comprise some of the key RE players in India, such as ReNew Power Private Limited, Continuum MP Windfarm Development Private Energy, Ayana Renewable Power Private Limited, Madhya Bharat Power Corporation Limited, SJVN Limited, TruAlt Bioenergy Limited, Rising Sun Energy (K) Private Limited, Emvee Photovoltaic Power Private Limited, Premier Energies Limited, Rewa Ultra Mega Solar Limited, Acme Cleantech Solutions Private Limited, Pioneer Genco Limited and Pioneer Power Corporation Limited, Zuari Industries Limited and Jindal Urban Waste Management (Visakhapatnam) Limited.

### Access to diversified and cost-effective long-term sources of borrowing with a judicious approach towards asset-liability management

The average cost of borrowings in Fiscal 2021, 2022, 2023 and the six months ended September 30, 2022 and September 30, 2023 was 7.15%, 6.33%, 6.23%, 3.22% and 3.82%, respectively, which we believe is competitive. The debt-to-equity ratio was 6.77 as of March 31, 2023 and 6.06 as of September 30, 2023. The primary sources of borrowings include domestic and foreign currency borrowings. The foreign currency 230 borrowings are with and without GoI guarantees. As of September 30, 2023, the total borrowings amounted to ₹ 398,501.93 million, of which the domestic borrowings were ₹ 301,644.25 million, which primarily included taxable and tax-free bonds, loans from banks and financial institutions; the foreign currency borrowings from international sources guaranteed by the GoI were ₹ 69,734.80 million, and on a non-sovereign basis were ₹ 27,122.88 million. In addition, the company has received support from the GoI in the form of additional capital infusion of ₹ 15,000.00 million, in March 2022. The 2W EV sector penetration is expected to reach from 24% to 26% by FY28 overall and expected to grow at a CAGR of 55% between FY23-28. The revenue from 2W OEM EV has grown at CAGR of 117% between 2021-2023. The cost of funding is influenced by credit ratings on domestic and international borrowings and debt securities. The outstanding bonds are highly rated by credit rating agencies, and ICRA has rated our Bonds ICRA AAA (Stable), India Ratings had rated the debt instruments AAA (Stable) and Acuite has rated the bank loans ACUITE AAA Stable. The company has established an Asset Liability Committee for management of liquidity risks and for setting up liquidity risk tolerance and strategy. The company undertakes a periodical review of assumptions used in liquidity projections and manages unexpected regulatory, statutory and other payments. The company has implemented an asset-liability management framework in line with the asset liability management policy for periodic analysis of the liquidity profile of the assets and liabilities. This analysis is carried out periodically and is used for critical decisions regarding the timing and quantum of fundraising, maturity profile of the borrowings, creation of new assets and mix of assets and liabilities in terms of time period (short, medium and long-term). The company also maintains high-quality liquid assets in the form of investment in GoI securities, and as of September 30, 2023, the company has invested ₹ 993.20 million in GoI securities. The company has an internal committee for investments, which manages any surplus funds in line with the investment policy. In addition, the company has an internal committee which manages risks associated with foreign currency borrowings in line with the foreign exchange and derivatives risk management policy. The company manages foreign currency risk through derivative products.

## Conclusion

IREDA (“Indian Renewable Energy Development Agency”) – 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 – which is involved in extending financial assistance renewable energy projects, as well as energy efficiency and conservation projects for over 36 years from project conceptualization to post-commissioning, and other value chain activities such as equipment manufacturing and transmission.

The top-6 power financing NBFC’s in India are PFC, IREDA, PFS, REC, Tata cleantech, & India Infradebt Limited. PFC followed by IREDA have the largest share in credit towards renewable sector with more than 30% of their loan books contributing to renewable sector. While PFC is also present in other sectors such as infrastructure, roads, mining, and others, IREDA on the other hand is completely focused towards the renewable sector. The renewable sector has been gaining significant traction over the years and power financing NBFCs have been playing a key role in funding renewable projects – with over Rs 46 trillion expected to be funded across Renewable energy (RE) Sectors till 2030 with IREDA already well-placed (~31% Share in Credit in RE Financing in India).

With 30% CAGR in Gross Loan portfolio from FY21-23 as against 7% CAGR for its peers (PFC, REC); 14% CAGR in Total Income; better control in cost-to-income ratios coming down from 78.6% in FY21 to 67.3% in FY23 leading to PAT CAGR of 58% from FY21-23; industry-lowest credit cost of 1.84% in FY23 for IREDA as compared to 3.37% / 2.79% for REC/PFC – IREDA enjoys an edge over its peers especially when it comes to renewable energy-related financing. India aims to attain non-fossil fuel-based installed power generation capacity of ~ 50% (500 GW) by 2030 – consequently solar energy capacity of 72GW to increase to 270GW, Wind Capacity to grow from 44GW to 117GW & for Hydro-power energy capacity to grow from 52GW to 77GW by 2030. IREDA currently has deployed ~60% of their loan book financing towards Solar, Wind & Hydro-power projects & with significant growth to come from Government announcements/targets such as Annual Green Hydrogen production of 5 MMT by 2030, increasing adoption of EV - 500,000 charging stations by 2025 – push for 48 GW of domestic Solar Module manufacturing capacity (next 3 years) & Manufacturing for Hydrogen electrolysis & Battery storage – IREDA’s growth prospects seem lucrative. At the cut-off price of Rs 32, IREDA comes at a reasonable valuation of 1.3x fully diluted price-to-book and a post-issue M. Cap of 8600 Crore. We recommend a “**SUBSCRIBE**” to the issue.

## Disclaimer



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