

Indian Renewable Energy Development Agency Ltd.

Pioneer of India's RE aspirations



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Indian Renewable Energy Development Agency Ltd. (IREDA) is India's largest pure-play green financing, mini-ratna category Government NBFC with infrastructure financing status from the RBI, which provides innovative financing solutions for Renewable Energy (RE), Energy Efficiency and Conservation (EEC), and environmental technologies.

The company offers a comprehensive range of financial products and services, covering project conceptualization to the post-commissioning stage in RE projects and equipment manufacturing. Its financial assistance includes both fund-based and non-fund-based facilities. Fund-based products for RE developers encompass long-term, medium-term, and short-term loans, top-up loans, bridge loans, takeover financing, and loans against securitization of future cash flows. Additionally, IREDA provides a line of credit to other NBFCs for on-lending to RE and EEC projects, extends loans to government entities, and offers financing schemes for RE suppliers, manufacturers, and contractors. Non-fund-based products include letter of comfort, letter of undertaking, payment on order instruments, and guarantee assistance schemes. The company further offers consulting services on techno-commercial issues related to the RE sector.

In terms of financial performance, IREDA has demonstrated robust growth with a 30% CAGR in term loans over FY21-23 from Rs. 27,853 Crs to Rs. 47,513 Crs, a 14.7% CAGR rise in interest income, and a 61bps contraction in the net interest margin, reaching 3.3% in FY23. Net interest income increased by a 13.7% CAGR to Rs. 1,285.4 crore in FY23. Operating expenses grew by a 3.5% CAGR, resulting in a 15% CAGR increase in pre-provision operating profit to Rs. 1,205.8 crore. With a 55.9% CAGR decrease in provisions and lower effective tax rates, reported PAT increased by a 58% CAGR to Rs. 864.6 crore in FY23. Pre-IPO, RoA and RoE expanded by 78bps and 288bps over FY21-23 to 2% and 15.4%, respectively, in FY23.

During H1 FY24, the company reported a 49.1% and 67.9% Y-o-Y increase in interest income and expenses, respectively, resulting in a 20.3% Y-o-Y rise in NII to Rs. 728.8 crore. Reported PAT increased by 41.2% Y-o-Y to Rs. 579.3 crore. On a TTM basis, NII and PAT stood at Rs. 1,408.5 crore and Rs. 1,033.7 crore, respectively. The net interest margin stood at 3.2%, compared to 3.3% in FY23.

The company is valued at 1.4x its P/BV at the upper price-band on post issue capital. With the Government's aspiration to meet 50% of country's energy needs through RE sources, IREDA is well positioned to take advantage of the opportunity and play a pivotal role for the RE development in the country.

Key Financial Data (INR Cr, unless specified)

	Interest Income	Total Income	PAT	PAT (%)	EPS	BVPS	ROA (%)	ROE (%)	P/E	P/BV
FY21	2564.3	1087.4	346.6	32	1.3	39.5	1.2	12.6	24.8	0.8
FY22	2713.2	1286.9	633.8	49	2.4	23.1	1.9	15.3	13.6	1.4
FY23	3373.8	1394.5	864.9	62	3.2	26.0	2.0	15.4	9.9	1.4

Source: Ventura Research

Industry	NBFC
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Issue Details

Listing	BSE & NSE
Open Date	21 st Nov 2023
Close Date	23 rd Nov 2023
Price Band	INR 30-32
Face Value	INR 10
Market Lot	460 shares
Minimum Lot	1 Lot

Issue Structure

Fresh Issue	60%
Issue Size (Amt)	INR 2,150 cr
Issue Size (Shares)	67,19,41,177
QIB Share (%)	≤ 50%
Non-Inst Share (%)	≥ 15%
Retail Share (%)	≥ 35%
Pre issue sh (nos)	2,28,46,00,000
Post issue sh (nos)	2,68,77,64,706
Post issue M Cap	8,601 cr

Shareholding (%)	Pre (%)	Post (%)
Promoter	100	75
Public	0	25
TOTAL	100	100

Investment Rationale

Industry Overview

India ranks among the world's top producers and consumers of electricity, boasting a substantial installed capacity of ~425 GW. The escalating demand for electricity is driven by factors such as population growth, urbanization, industrial development, and an improved quality of life that includes greater access to electricity. India also stands as a prominent player in the renewable energy sector, with renewable sources constituting 41% of the total installed capacity. As of the end of FY 2023, India's renewable energy capacity, including hydroelectric power, stands at 172 gigawatts, contributing 42% of the country's total energy production.

India has embarked on an ambitious energy transition journey, targeting 500 GW of non-fossil fuel-based capacity installation by 2030 and aiming for net-zero emissions by 2070. IREDA, as the largest pure-play green financing NBFC in India, is strategically positioned to capitalize on the rapid growth in the renewable energy (RE) sector. It plays a pivotal role in the Government of India's initiatives to promote and develop the RE sector, directly implementing key schemes and policies, such as the National Program on High-Efficiency Solar PV Modules, Central Public Sector Undertaking Scheme Phase-II for 12,000 MW solar PV power projects, Solar and Wind GBI Schemes, and the National Clean Energy Fund Refinancing Scheme. Additionally, IREDA serves as the Central Nodal Agency for specific schemes related to urban, industrial, and agricultural waste utilization and biomass-based co-generation under the National Bioenergy Program.

Financial Performance

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Strength

1. **Robust Growth Track Record and Asset Quality:** IREDA boasts a successful history of growth, emphasizing high-quality assets and maintaining a diversified asset portfolio to ensure stable profitability.
2. **Strategic Alignment with Government Initiatives:** The company plays a pivotal role in advancing the Renewable Energy (RE) sector by aligning its operations with the goals and policies of the Government of India.
3. **Digitized Processes for Operational Efficiency:** The implementation of digitized processes enhances borrower centricity and operational scalability, contributing to efficient and customer-friendly operations.
4. **Nationwide Presence for Regional Opportunities:** With a nationwide presence, IREDA leverages its widespread reach to tap into various regional opportunities, contributing significantly to the growth of the RE sector on a national scale.
5. **Data-Driven Credit Appraisal and Risk-Based Pricing:** IREDA employs a comprehensive data-based credit appraisal process and risk-based pricing strategies, ensuring well-informed lending decisions and maintaining a balanced risk-reward profile.
6. **Efficient Post-Disbursement Project Monitoring:** IREDA demonstrates efficiency in post-disbursement project monitoring, ensuring financed projects progress according to plan and effectively mitigating potential risks.
7. **Diversified portfolio:** The company's loan book across the RE sectors.

Growth Strategy

- **Diversification into new verticals-**

IREDA has identified strategic areas for diversification and expansion, aligning with the Government of India's focus. These key areas include:

1) **Green Hydrogen and Derivatives (Including Manufacturing):**

The National Green Hydrogen Mission, backed by a Rs. 190 billion outlay, aims to position India as a global hub for green hydrogen production. The objective is to achieve an annual production target of 5 million metric tonnes by 2030 to support the nation's net-zero target.

2) **Pumped Hydro Storage Power Plants:**

Recognizing the potential of pumped hydro storage, with an estimated capacity of 96,529 MW in India according to the Central Electricity Authority. This technology involves pumping water uphill into a reservoir and releasing it to power turbines as needed.

3) Battery Storage Value Chain (Including Manufacturing, Storage, Recycling):
The battery sector's market size, estimated at Rs. 163.8 billion in FY22 by NITI Aayog, is expected to grow significantly. In the accelerated scenario, the market size for stationary and mobile batteries could surpass Rs. 1,228 billion by 2030.

4) Offshore Wind:

The Ministry of New and Renewable Energy (MNRE) has set a target of 30 GW by 2030 for offshore wind energy, providing confidence to project developers in India.

5) Green Energy Corridor:

Launched in 2015, the green energy corridor scheme focuses on establishing transmission and evacuation infrastructure for over 20,000 MW of renewable energy. Eight renewable energy states have been sanctioned intra-state transmission system projects under this initiative.

6) Rooftop Solar Power:

The initiative involves incentivizing and subsidizing rooftop solar installations in residential, institutional, social, and government sectors. Phase-II, initiated in February 2019, aims to achieve a total capacity of 40,000 MW by 2022, with significant progress made and ongoing construction in the residential market.

7) Green Mobility Value Chain (Fuel Cells, Charging Infrastructure):

With a target of achieving 100% electric mobility for public transport and 40% electrification of private vehicles by 2030, the government's push towards green mobility is expected to drive strong growth across all segments of the electric vehicle market.

- **Optimize Borrowing costs to enhance competitiveness and profitability**
- **Streamline operating model to continue to support non-linear growth**
- **Continue to focus on environment and social management system**

Key Concerns

- General slowdown in the global economic activities
- Managing Foreign exposure and borrowing costs
- Rise/volatility in interest rates
- Unexpected rise in stressed assets
- RBI compliance
- Competition

Issue Structure and Offer Details

The proposed issue size of IREDA is INR 2,150 Cr (60% Fresh Issue) and the price band for the issue is in the range of INR 30-32 and the bid lot is 460 shares and multiples thereof.

Issue Structure		
Investor Category	Allocation	No. of shares offered (Cr.)
QIB	Not more than 50% of the Offer	33.5
NIB	Not less than 15% of the Offer	10.1
Retail	Not less than 10% of the Offer	23.5

Number of shares based on a higher price band of INR 119

Source: Company Reports

Objects of the Issue	
Objects	Amount (in Cr.)
Augmenting the capital base to meet future capital requirements & onward lending	1,290.1

IREDA's financial summary and analysis

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
Current 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 Liability 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

Source: Ventura Research

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