

INDIAN RENEWABLE ENERGY DEVELOPMENT AGENCY

21-11-2023 to 23-11-2023

Industry: NBFC

Price Band: ₹ 30 -32

Recommendation: Subscribe for Listing Gain

Post Implied Market Cap: ₹ 8,063 - 8,601 Cr

Key Data

Issue Size (₹ Cr)	2,150
Fresh (₹)	1,290.13
OFS (₹)	860.08
No of shares offered	2,68,77,64,706
Face Value (₹ /share)	10
Bid Lot	460

About the Company

Indian Renewable Energy Development Agency (IREDA), established in 1987 and wholly owned by the Government of India (GOI) under the Ministry of New and Renewable Energy (MNRE), is a Non-Banking Financial Company (NBFC) with Infrastructure Finance Company (IFC) status. Registered as a Systemically Important Non-Deposit-taking NBFC, it focuses on providing innovative financing for renewable energy (RE) and energy efficiency projects. IREDA offers a range of financial products and services, from project conceptualization to post-commissioning stages, across various RE sectors such as solar power, wind power, hydro power, transmission, biomass, waste-to-energy, ethanol, and green mobility. Recognized as a Mini Ratna (Category I) and consistently rated 'Excellent' by the MNRE since Fiscal 2021, IREDA plays a crucial role in promoting and supporting sustainable energy initiatives in India.

Investment Rationale

- Strategic role in GOI initiatives in the Renewable Energy sector:** IREDA, a wholly owned GOI enterprise under the administrative control of MNRE, has been actively engaged since its inception in shaping and implementing policies and schemes for structural and procedural reform in the renewable energy sector. The company plays a crucial role in fostering sustainable energy initiatives in alignment with the government's objectives.
- Established and trusted brand name operating in a rapidly expanding sector:** India's ambitious energy transition goals, including 500 GW non-fossil fuel capacity by 2030 and net-zero emissions by 2070, position IREDA as a key player. As the largest pure-play green financing NBFC in India, IREDA is well-positioned to capitalize on the rapid growth in the RE sector. With over 36 years of experience and exclusive focus on green finance, the company has extensive domain knowledge across various RE sectors. As of September 30, 2023, IREDA has 357 RE borrowers across more than 10 sectors, showcasing its significant impact and influence in advancing India's renewable energy initiatives.
- Digitized process for borrower centricity and operational scalability, with presence across India:** IREDA has a robust IT infrastructure, including a tailored Enterprise Resource Planning System ('ERP System'). Their IT modules cover borrower-facing and internal processes, facilitating online loan applications and customer portals for real-time application tracking. The company has expanded its physical presence with branches in Delhi, Mumbai, Hyderabad, Chennai, and Bhubaneswar, and on-ground personnel in Bengaluru and Guwahati. Through digitized processes and physical presence, IREDA has Term Loans Outstanding of ₹ 47,514 Cr across 23 States and Union Territories as of September 30, 2023.
- Comprehensive data-based credit appraisal process and risk-based pricing, with efficient post-disbursement project monitoring and recovery processes:** IREDA has effectively managed non-performing assets (NPAs), showing a declining trend over the past three fiscal years and the six months ended September 30, 2023. This success is attributed to a robust credit appraisal process and efficient monitoring and recovery mechanisms. The company employs a structured approach, including restructuring, legal actions, and one-time settlements, resulting in the closure or upgrade of 18 NPAs in Fiscal 2023 and one in the six months ending September 30, 2023. Notably, recoveries amounted to ₹ 202.4 Cr and ₹ 49.84 Cr, respectively, showcasing the effectiveness of their recovery strategies.
- Access to diversified and cost-effective long-term sources of borrowing with a judicious approach towards asset liability management:** IREDA maintains a competitive average cost of borrowing, standing at 7.15%, 6.33%, 6.23%, 3.22%, and 3.82% for Fiscal 2021, 2022, 2023, and the six months ending September 30, 2022, and September 30, 2023, respectively. The company, classified as a Public Finance Institution, benefits from its credit ratings, providing access to diverse funding options. IREDA's outstanding bonds are highly rated, with ICRA, India Ratings, and Acuite assigning AAA ratings. The company holds high-quality liquid assets in Government of India securities and manages foreign currency risk through derivative products. Interest rate risk is controlled through loan agreement conditions, allowing periodic interest grid resets based on certain conditions. As of September 30, 2023, IREDA has invested ₹ 99.32 Cr in GOI securities.

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	28-11-2023
Refunds/Unblocking ASBA Fund	28-11-2023
Credit of equity shares to DP A/c	29-11-2023
Trading commences	01-12-2023

Shareholding (No. of shares)

Pre-Issue	2,28,46,00,000
Post Issue (Lower price band)	2,68,77,64,706
Post Issue (Higher price band)	2,68,77,64,706

Shareholding Pattern

	%
Promoters & Promoter Group:	
Pre Issue	100.00%
Post Issue	75.00%
Public - Others:	
Pre Issue	0.00%
Post Issue	25.00%

Issue Breakup

QIB	50%
NIB	15%
Retail	35%

Other Details

BRLMs: BOB Capital Markets, IDBI Capital, SBI Capital Markets

Registrar: Link Intime India Pvt. Ltd.

Listing: BSE & NSE

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Risk

- Unfavourable government policies & regulations.
- Unexpected rise in NPA (Non-performing assets).

MView

We believe IREDA IPO gives an investor an opportunity to invest in Mini Ratna CPSE which is the largest pure play in green financing Systemically Important Non-Deposit-taking Non-Banking Finance Company (NBFC-ND-SI). We think as India's ambitious renewable energy goals and IREDA's position as the largest green financing NBFC, the company stands as a trusted brand in a rapidly expanding sector. We also believe IREDA plays a pivotal role in shaping and implementing policies for the renewable energy sector, aligning with the Government of India's objectives. With the digitized process for efficiency, IREDA would ensure its physical presence across key locations in India and a comprehensive data-based credit appraisal process with risk-based pricing contribute to efficient post-disbursement project monitoring and recovery. We also think IREDA maintains a competitive average cost of borrowing, benefiting from its classification as a Public Finance Institution with high credit ratings and access to diverse funding options would provide cost-effective access to long-term capital. By looking at the financials, the company has shown a substantial growth in AUM of IREDA41% YoY at end Sept 2023, and strong growth of 22%/39% with Net profit growth of 83%/36% in Fiscal 2022 and 2023. On valuation parse at upper price band of ₹ 32/-, the issue is asking for a Market Cap ₹ 8601 cr. Based on annualized FY24 earnings and fully diluted post-IPO paid-up capital, the company is asking for a P/B multiple of 1.02x which seems to be fully priced compared to its peers. Being the government has set a substantial target for RE installation by 2030 to meet the net zero emission target and a front runner in renewable energy financing, we recommend investors to "SUBSCRIBE FOR LISTING GAIN" the IREDA IPO as well as Long term considering GOI initiatives to promote Renewable Energy sector.

CONSOLIDATED FINANCIAL TABLES

BASIC FINANCIAL DETAILS

Particulars ₹ (in Cr)	As at Sept' 30		As at March' 31		
	2023	2022	2023	2022	2021
	Standalone		Standalone	Consolidated	Consolidated
Total Income	2,320	1,578	3,483	2,874	2,658
Profit after Tax	579	410	865	634	346
Net Interest Income	785	624	1,324	1,128	992
Net Worth	6,581	5,638	5,935	5,268	2,996
Term Loans Outstanding	47,514	33,783	47,076	33,931	27,854
Total borrowings	39,850	30,230	40,165	27,613	24,000
Net Interest margin (%)	1.68%	1.79	3.32%	3.75%	3.93%
Total Debt to net worth	6.06	5.36	6.77	5.24	8.01
Cost to income Ratio (%)	64.69%	60.95%	67.29%	70.99%	78.57%
ROA (%)	1.14%	1.06%	1.98%	1.89%	1.20%
CRAR (%)	20.92%	23.55%	18.82%	21.22%	17.12%
Gross NPAs (%)	3.13%	5.06%	3.21%	5.21%	8.77%
Net NPAs (%)	1.65%	2.72%	1.66%	3.12%	5.61%
EPS	2.54	1.80	3.78	8.03	4.41
RONW (%) as stated	9.26%	7.52%	15.43%	15.33%	12.56%
Net Asset Value (₹) as stated	28.80%	24.68	25.98	23.06	38.18

Source: Company RHP

COMPARISON WITH LISTED PEERS ₹ (in Cr)

Companies	Consolidated/ Standalone	Mcap (in Cr)	FV	EPS	NAV	P/E	P/B	RONW
Indian Renewable Energy Decelopment Agency	Restated (Annualised FY 2024)	8601	10	3.78	36.23	7.43	1.02	15.43%
REC	Consolidated	91,373	10	42.28	220.72	7.19	1.44	20.41%
Power Finance Corporation	Consolidated	1,06,923	10	60.19	424.16	5.91	1.13	20.34%

Date as on 31st March 2023, Cline Mcap, PE calculated as on 20-11-2023
IREDA Ltd, Revenue EPS/PE, NAV calculated on annualised basis post money



MSEARCH

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Msearch's Recommendation (Absolute Performance)

Buy: > 20% within the next 12 Months

Accumulate: 5% to 20% within the next 12 Months

Sell : < -20% within the next 12 Months

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