



— 22nd November, 2023 —

The Indian Renewable Energy Development Agency Limited (IREDA) stands as a testament to India's commitment to sustainable energy. Established as a wholly owned enterprise of the Government of India, it operates under the administrative purview of the Ministry of New and Renewable Energy (MNRE). Since its inception, IREDA has been pivotal in fostering the growth and development of the renewable energy sector in India, a mission it carries out with the support and guidance of the government.

IREDA's journey began with its notification as a Public Financial Institution under the Companies Act, 1956, a status conferred by the Ministry of Law, Justice, and Company Affairs, Government of India, in 1995. This milestone set the foundation for its operations, and in recognition of its growing importance in the financial landscape, the Reserve Bank of India registered IREDA as a Systemically Important Non-Deposit-taking Non-Banking Finance Company with Infrastructure Finance Company status. This classification underlines IREDA's critical role in the non-banking financial sector, particularly in infrastructure financing.

The company's evolution continued with its elevation from Schedule B to Schedule A in the list of Central Public Sector Enterprises (CPSEs) by the Department of Public Enterprises in September 2023. This upgrade reflects the organization's enhanced status and performance. Furthermore, the conferment of the Mini Ratna (Category I) status in June 2015 further underscores its operational and financial autonomy.

Over its 36-year tenure, IREDA has carved out a niche as a specialist in the financing of renewable energy (RE) and energy efficiency and conservation (EEC) projects. Its portfolio is diverse, offering financial assistance for a range of projects from conceptualization to post-commissioning, encompassing the entire value chain of the renewable energy sector, including equipment manufacturing and transmission.

As of September 2023, IREDA's loan assets stand at a significant Rs. 47,514.5 Crore, demonstrating its dominant position in the Indian green financing landscape. The company's financial products and services cater to various sectors within renewable energy, with solar energy claiming the largest share of its asset book. Its impact extends across the country, with significant financing projects in states like Rajasthan, Karnataka, and Andhra Pradesh.

The company's appraisal process is rigorous and comprehensive, assessing multiple facets of loan proposals, including sponsor support, borrower creditworthiness, technological specifications, and statutory compliances. This process is aided by a proprietary Credit Risk Rating System, which grades each loan proposal based on multiple risk factors, allowing for a nuanced and thorough risk assessment.

Post-disbursement, IREDA maintains a proactive monitoring mechanism to manage potential default risks. This includes regular reviews of key parameters, ensuring compliance with security coverage, and assessing the financial health of guarantors. Site visits and assessments by independent engineers further reinforce the robustness of their monitoring process.

Issue Details	
Listing	BSE and NSE
Open Date	21st Nov
Close Date	23rd Nov
Price Band	30-32
Face Value	10
Market Lot	460
Minimum Lot	1 Lot

Issue Structure	
Fresh Issue	60%
Issue Size (Amt)	2150 Cr
Issue Size (Shares)	67,19,41,177
QIB (%)	50%
Non Institutional (%)	15%
Retail Share (%)	35%
Pre Issue Share (Nos)	2,28,46,00,000
Post Issue Share (Nos)	2,68,77,64,706
Post Issue M Cap	8,601 Cr

Issue Size	
Fresh Issue	1290.13 Cr
Offer For Sale	860.08 Cr

Retail application money at higher cutoff price per lot	
No Of Shares Per Lot	460
Application Money	14,720 Per Lot

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

IREDA's role extends beyond mere financing. It offers a suite of consulting services, addressing techno-commercial aspects of the renewable energy sector. This holistic approach not only aids in the financial aspects of renewable energy projects but also contributes to the sector's overall development and sophistication.

Financially, IREDA has shown impressive growth. Its term loans have seen a significant compound annual growth rate (CAGR), and its net interest margin and profit after tax have demonstrated robust performance. This financial stability and growth underscore IREDA's role as a reliable and effective financial institution in the renewable energy sector.



With the Indian government's ambitious goals to meet a significant portion of the country's energy needs through renewable sources, IREDA is strategically positioned to play a crucial role in this transition. Its comprehensive range of financial products, extensive experience, and robust financial performance make it a key player in driving India's renewable energy ambitions forward, contributing significantly to the country's sustainable development goals.

Industry Overview

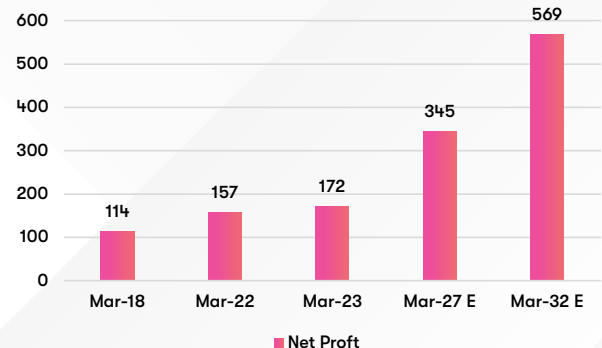
The Indian energy sector, particularly in the realm of renewable energy, presents a dynamic and rapidly evolving landscape, showcasing India's commitment to sustainable and environmentally responsible growth. As a top producer and consumer of electricity globally, India's installed capacity stands at an impressive ~425 gigawatts (GW). This substantial figure is fueled by a confluence of factors, including population growth, urbanization, industrial expansion, and enhanced access to electricity, all contributing to an ever-increasing demand for energy.

Crucially, India's focus on renewable energy is evident in its energy mix, with renewables constituting a significant 41% of the total installed capacity. As of the end of the fiscal year 2023, the country's renewable energy capacity, inclusive of hydroelectric power, has reached approximately 172 GW. This accounts for 42% of India's total energy production, underscoring the nation's commitment to green energy sources.

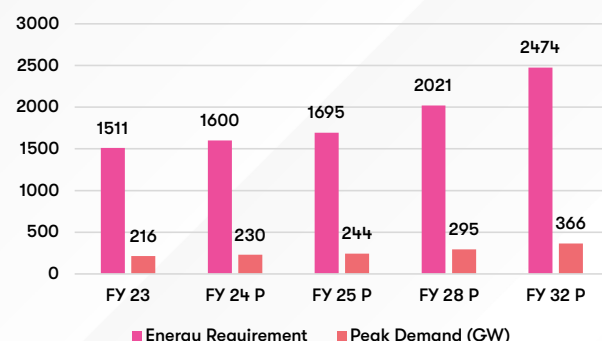
In line with global environmental concerns and a commitment to sustainable development, India has set ambitious targets for its energy sector. The goal is to achieve 500 GW of non-fossil fuel-based capacity installation by 2030, laying the groundwork for attaining net-zero emissions by 2070. These objectives are not just aspirational but are backed by concrete policies and initiatives designed to accelerate the transition to a greener energy economy.

In this context, the Indian Renewable Energy Development Agency Limited (IREDA) emerges as a key player. As India's largest pure-play green financing Non-Banking Finance Company (NBFC), IREDA is strategically aligned with the nation's renewable energy growth trajectory. The agency is integral to the implementation

Renewable Energy Installed Capacity



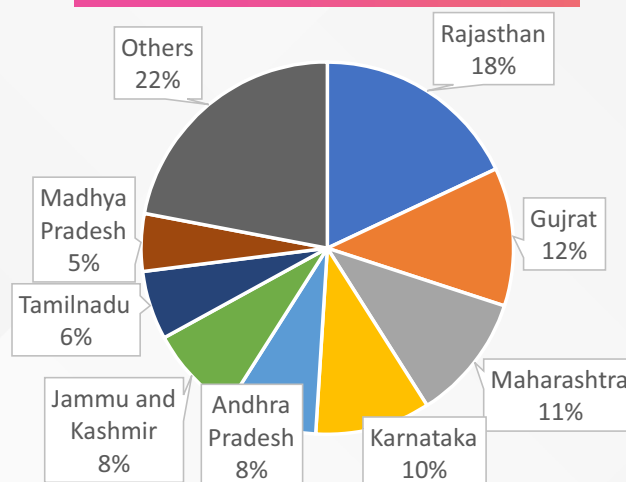
Projected All India Peak Demand and Energy Requirement



of various governmental initiatives aimed at promoting and developing the renewable energy sector. These initiatives encompass a broad range of schemes and policies, each tailored to address different facets of the renewable energy landscape.

IREDA's role extends to the execution of critical schemes such as the National Program on High-Efficiency Solar Photovoltaic (PV) Modules and the Central Public Sector Undertaking (CPSU) Scheme Phase-II, which alone targets 12,000 MW of solar PV power projects. Additionally, the agency is instrumental in the Solar and Wind Generation-Based Incentive (GBI) Schemes, along with the National Clean Energy Fund Refinancing Scheme. These programs not only stimulate growth in renewable energy production but also foster innovation and efficiency in the sector.

Estimated Potential Of Renewable Power



Moreover, IREDA serves as the Central Nodal Agency for specific initiatives focusing on the utilization of urban, industrial, and agricultural waste, as well as biomass-based cogeneration. These responsibilities are part of the National Bioenergy Program, which aims to leverage various forms of waste and biomass for energy production, thereby promoting a circular economy model within the energy sector.

IREDA's multifaceted involvement in these programs demonstrates its crucial role in India's renewable energy sector. By facilitating finance and supporting policy implementation, IREDA is not just a financier but also a catalyst for the sector's growth. As India continues on its path towards a more sustainable and environmentally friendly energy future, IREDA's strategic positioning and proactive involvement in various green energy initiatives position it as a key contributor to achieving the nation's ambitious renewable energy goals.

Financial Performance

IREDA's financial performance over recent years showcases significant growth and efficiency. The compound annual growth rate (CAGR) of term loans from FY21 to FY23 was a remarkable 30%, increasing from Rs. 27,853 Crores to Rs. 47,513 Crores. This growth highlights the rising demand for renewable energy financing and IREDA's capacity to meet it effectively.

Interest income also grew robustly, with a 14.7% CAGR during the same period, though there was a slight contraction in the net interest margin to 3.3% in FY23. Nevertheless, the net interest income increased by 13.7% CAGR, reaching Rs. 1,285.4 crore in FY23. Operating expenses saw a moderate 3.5% CAGR increase, leading to a 15% CAGR rise in pre-provision operating profit to Rs. 1,205.8 crore. A significant decrease in provisions and lower tax rates contributed to a 58% CAGR increase in reported Profit After Tax (PAT), which stood at Rs. 864.6 crore in FY23.

The first half of FY24 continued to reflect strong financial performance, with a 49.1% increase in interest income and a 41.2% increase in PAT year-on-year. The turnover showed a consistent rise, posting Rs 2655 Crores, Rs 2860 Crores, and Rs 3482 Crores for FY21, FY22, and FY23 respectively, with a corresponding net profit of Rs 347 Crores, Rs 634 Crores, and Rs 865 Crores. These figures indicate a robust CAGR of ~15% in revenues and 58% in profit over FY21-23.

IREDA's asset book is well-diversified, reflecting its comprehensive approach to renewable energy financing, with significant allocations in solar energy, state utilities, wind power, and hydro power. This diversification mitigates risks and underscores IREDA's role in supporting India's renewable energy sector.

Diversification Into New Verticals

IREDA is actively diversifying into new verticals, aligning with the Government of India's strategic focus on sustainable energy and technology. These new areas of expansion reflect the agency's commitment to supporting a broader range of green initiatives:

Green Hydrogen and Derivatives (Including Manufacturing): In response to the National Green Hydrogen Mission's goal of producing 5 million metric tonnes annually by 2030, IREDA is exploring opportunities in green hydrogen. This aligns with India's aspiration to become a global hub in green hydrogen production and contribute to the net-zero emissions target.

Pumped Hydro Storage Power Plants: Recognizing the potential of pumped hydro storage, which has an estimated capacity of 96,529 MW in India, IREDA is focusing on this technology. It involves storing water in an elevated reservoir and using it to power turbines as needed, offering a reliable renewable energy storage solution.

Battery Storage Value Chain: With the battery market in India estimated to grow significantly, IREDA is looking at the entire value chain, including manufacturing, storage, and recycling of batteries. The market, poised for substantial growth, presents a strategic opportunity for IREDA's involvement.

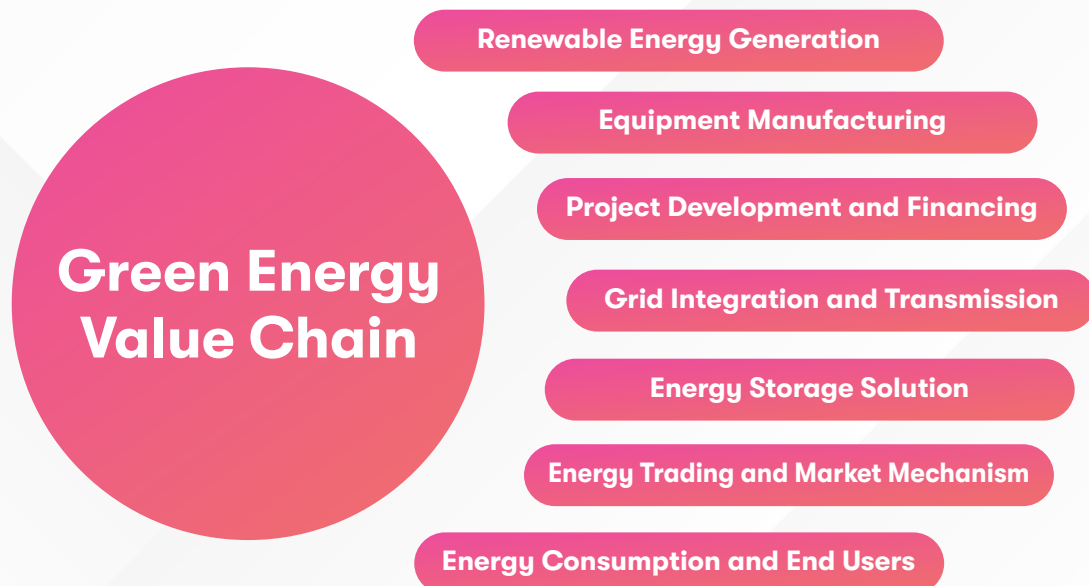
Offshore Wind: The MNRE's target of 30 GW by 2030 for offshore wind energy is another area where IREDA is expanding its focus. This initiative offers significant potential for renewable energy generation in India.

Green Energy Corridor: IREDA is involved in the green energy corridor scheme, which focuses on establishing infrastructure for the transmission and evacuation of over 20,000 MW of renewable energy, thus facilitating the integration of renewable sources into the national grid.

Rooftop Solar Power: IREDA supports the initiative to incentivize rooftop solar installations, aiming for a total capacity of 40,000 MW by 2022. This initiative covers residential, institutional, social, and government sectors, promoting solar energy at a more localized level.

Green Mobility Value Chain: In line with the government's push for green mobility, IREDA is focusing on elements such as fuel cells and charging infrastructure, aiming to support the target of 100% electric public transport and 40% electrification of private vehicles by 2030.

In addition to these strategic areas, IREDA is working on optimizing borrowing costs to enhance competitiveness and profitability. The agency is also streamlining its operating model to support sustainable growth, while continuing to focus on its environment and social management system. These initiatives represent a comprehensive approach to diversifying into new, sustainable energy verticals, further solidifying IREDA's role in India's green energy transition.



Comprehensive Investment Rationale

1. Strategic Positioning and Government Alignment:

- **Leadership in Green Financing:** As India's premier pure-play green financing NBFC, IREDA holds a unique position in the market. This is pivotal given India's ambitious target of 500 GW non-fossil fuel-based capacity by 2030 and net-zero emissions by 2070.
- **Government Initiatives and Policies:** IREDA is instrumental in implementing significant government schemes in the RE sector. Its involvement in initiatives like the National Programme on High Efficiency Solar PV Modules, the Central Public Sector Undertaking Scheme Phase-II, and others enhances its strategic importance.
- **Diversification in Emerging Sectors:** IREDA's focus on new areas like green hydrogen, battery energy storage, and green mobility aligns with the government's focus, indicating a forward-thinking approach in tapping into emerging RE markets.

2. Financial Stability and Attractive Valuation

- **Competitive Pricing:** The company's valuation at a P/BV multiple of 1.09x is competitive, especially when compared to its peers.
- **Robust Financial Performance:** IREDA has demonstrated consistent financial growth, with a notable increase in its term loans and a stable net interest margin.
- **Strong Credit Ratings:** High ratings from major credit agencies reflect IREDA's strong creditworthiness, enhancing investor confidence.
- **Effective Asset-Liability Management:** The strategic reduction in foreign currency borrowings and effective hedging strategies exemplify prudent financial management.

3. Operational Excellence and Market Reach

- **Operational Efficiency:** Digitized processes and a comprehensive, data-based credit appraisal system underscore IREDA's operational efficiency and scalability.
- **Wide Market Reach:** Through collaborations and MoUs with significant banks and financial institutions, IREDA has broadened its reach, allowing it to finance a diverse range of projects across the RE spectrum.
- **Customer-Centric Approach:** IREDA's reputation for quick loan processing, responsive customer service, and tailored financial products has solidified its standing among key players in the RE sector.

4. Growth Prospects and Sectoral Impact

- **Expansion into New Verticals:** IREDA's involvement in various segments of the RE market, including solar, wind, hydro, and emerging technologies like biofuels and fuel cells, positions it to capitalize on the sector's growth.
- **Contribution to India's RE Goals:** IREDA's role in financing projects across multiple RE sectors aligns with India's goals for renewable energy expansion and sustainability.
- **Control Over NPAs and Asset Quality:** Strong policies and procedures have enabled IREDA to maintain high asset quality and control over NPAs, ensuring long-term financial stability and growth.

5. Risk Management and Asset Quality

- **Control Over Non-Performing Assets (NPAs):** IREDA's stringent credit appraisal and risk management strategies have resulted in effective control over NPAs.
- **Asset Quality and Diversification:** The company maintains a diversified asset book across various sectors and regions, contributing to the stability and quality of its loan portfolio.

6. Partnerships and Collaborative Efforts

- **Consortium Financing and Collaborations:** IREDA's strategy includes forming partnerships through MoUs with major banks for co-origination and co-lending of RE projects, expanding its reach and capabilities.
- **Involvement in High-Impact Projects:** The agency's participation in high-impact projects, like the green energy corridor and rooftop solar power initiatives, demonstrates its commitment to significant renewable energy developments.

Balance Sheet

Particulars (In Rs Millions)	FY 21	FY 22	FY 23
Assets			
A. Financial Asset			
Cash and Equivalents	2210	1312	1385
Bank Balance other than (a) above	3823	3955	8162
Derivative financial instruments	4031	3983	5741
Receivables	0	0	0
Trade Receivables	30	45	49
Loans	269056	331744	462269
Investments	-	993	993
Other financial assets	228	318	318
Total (A)	279378	342351	478918
B. Non Financial Asset			
Current Tax Assets (Net)	1085	1298	1439
Deferred Tax Assets (Net)	2110	3221	3010
Investment Property	0	0	0
Property, Plant and Equipment	2464	2301	2128
Capital Work-in-progress	0	1283	1393
Right of use asset	196	177	159
Intangible assets under development	-	31	49
Intangible assets	1	0	0
Other non-financial assets	17694	16421	17374
Investment accounted using Equity Method	5	0	0
Total (B)	23556	24733	25552
Total Asset (A+B)	302934	367084	504470
Liabilities And Equities			
Derivative financial instruments	918	1826	1515
Trade Payables	221.4	47.2	44.5
Debt Securities	91203	92291	108433
Borrowings	142306	177347	286727
Subordinated Liabilities	6492	6493	6493
Other Financial Liabilities	8630	8360	13354
Provisions	6025	10560	11182
Other Non Financial Liabilities	17184	17479	17370
Total	302934	367084	504470

Profit & Loss Statement

Particulars (In Rs Millions)	FY 21	FY 22	FY 23
I. Revenue From Operations			
Interest Income	25643	27132	33738
Fees and Commission Income	338	1064	373
Net gain/(loss) on fair value changes on derivatives	-125	-15	124
Other Operating Income	692	418	584
I. Total Revenue From Operations	26548	28599	34820
II. Other Income	29	143	11
III. Total Income	26557	28742	34830
IV. Expenses			
Finance Cost	15703	15873	20884
Net translation/ transaction exchange loss	698	459	240
Impairment on financial instruments	3416	1799	666
Employee Benefits Expenses	474	588	631
Depreciation, amortization and impairment	227	232	235
Others expenses	200	1357	712
Corporate Social Responsibility Expenses	164	95	70
IV. Total Expenses	20882	20403	23438
Profit/(loss) before exceptional items and tax (III-IV) (V)	5695	8338	11392
VI. Exceptional Items	0	0	0
VII Profit/(loss) before tax (V-VI)	5695	8338	11392
Income Tax	2916	3112	2532
Deferred Tax	-685	-1109	214
VIII. Profit/(Loss) for the period	3464	6335	8646
IX. Total Comprehensive Income	991	5557	8259
X. EPS			
Basic	4.41	8.03	3.78
Diluted	4.41	8.03	3.78

Cashflow Statement

Particulars (In Rs Millions)	FY 21	FY 22	FY 23
Cash Flow from operating activities	-32591	-52541	-123431
Cash flow from investing activities	-21	-1017	-172
Cash flow from financing activities	24412	52714	123676
Net increase/(decrease) in cash and cash equivalents	-8201	-899	74
Cash and cash equivalents at the beginning of the period	10411	2210	1312
Cash and cash equivalents at the end of the period	2210	1312	1385

Valuations and Outlook

IREDA, positioned as India's largest pure-play green financing NBFC, offers a compelling valuation in the context of power sector financing. As of FY23, the power financing NBFCs have witnessed a significant CAGR of nearly 10% since FY19, reaching around Rs. 9,399 billion in outstanding credit. This upward trend is expected to continue into FY24, driven by increasing power demand, population growth, and a focus on renewable energy in line with India's sustainability goals.

IREDA stands out for its strategic approach to meeting the evolving needs of renewable energy developers. It benefits from a lower average cost of borrowing, which allows for competitive pricing of its financial products, attracting quality borrowers and enhancing profitability. This advantage is critical as the company looks to raise green or sustainable bonds in international and domestic markets.

In FY23, IREDA's proactive recovery strategy resulted in the closure or upgrade of 18 non-performing project loan accounts, recovering Rs. 2,024.3 million and demonstrating strong asset quality. With a GNPA ratio of 3.13% as of September 2023, it fares better than peers like REC and PFC. The planned use of the net proceeds from its fresh equity shares issue to augment its Tier-I capital base is expected to enhance capital adequacy and stabilize leverage.

Currently valued at a P/BV multiple of 1.2x, IREDA is attractively valued, and investors are advised to consider it for medium to long-term investment, given its strategic position and growth potential in the renewable energy financing sector.

IREDA is the largest pure-play green financing NBFC in India with loan assets of Rs 47514 crore end September 2023 and an established track record of consistent growth in loan book and stable profitability.

Along with a strong 30% CAGR growth from FY2021 to FY2023, IREDA has maintained a diversified asset book in terms of sectoral split and geography. The loan book is spread across 23 states and five union territories in India end September 2023.

IREDA has been able to achieve strong growth while maintaining asset quality. The share of secured loan book stands at 93.41%, which provides substantial hedge in the event of default.

IREDA has maintained strong control over NPAs, enabled by a robust credit appraisal process and efficient monitoring and recovery.

IREDA has been closely involved in the development and implementation of various policies and schemes for structural and procedural reform in the RE sector.

IREDA was conferred with the Mini Ratna (Category I) status in June 2015. Further, the company has been recommended by the MNRE for Navratna status.

IREDA had 357 RE borrowers across more than 10 RE sectors such as solar, wind, hydro, biomass, co-generation, EV, waste-to-energy, EEC, manufacturing, and ethanol, among others.

IREDA has access to diversified and cost-effective long-term sources of borrowing with a judicious approach towards asset-liability management. The classification as a PFI and top credit ratings enables access to diversified funding options including domestic and foreign currency borrowings.

IREDA is an 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. IREDA is well placed to capitalize on the rapid growth in the RE sector, operating results and cash flows.

The business is entirely concentrated in, and dependent on, the Indian RE sector, which in general has many challenges and effective addressing of these risks are key to the growth of the sector.

Even within the Indian RE sector, 29.98% of loan book is toward solar energy, 19.18% to loan facility to state utilities, 20.87% to wind power and 11.46% to hydro power. Cumulatively, these four sectors contributed to 81.49% of loan book end September 2023. The risks in the RE sector generally and these four sectors need to be managed effectively.

The company has a concentration of loans to certain customers. The largest borrower accounts for 3.9% of the loan book, top 5 for 16.2%, top 10 for 25.9% and top 20 for 39.7% end September 2023.

As a Government Company, the Govt can influence key decisions, including with respect to the appointment and removal of members of Board.

The company has a concentration of loans in certain states, with 60.72% of loan book in the top five states (Rajasthan 15.5%, Karnataka 13.8%, Andhra Pradesh 13.7%, Gujarat 9.9% and Maharashtra 7.9%) end September 2023 which exposes to the risks in these states such as economic downturn, natural disasters, regulatory changes etc affecting RE borrowers.

The foreign currency borrowings account for 24.31% of the borrowings end September 2023, which exposes the company to fluctuations in foreign exchange rates.

RE projects are seasonal and prone to vagaries of nature exposing the business to seasonal fluctuations in operating results and cash flows

Strengths

Weaknesses

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