

One Stop Investment Avenue



IPO Note

INDIA RENEWABLE ENERGY DEVELOPMENT AGENCY LIMITED

November 21, 2023





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Details of the Issue

Price Band	₹ 30 - ₹ 32
Issue Size	₹ 2,150.21 Cr
Face Value	₹ 10
Bid Lot	460
Listing on	BSE, NSE
Post Issue Mcap	₹ 8,600.85 Cr
Investment Range	₹ 13,800 - ₹ 14,720

Important Indicative Dates (2023)

Opening	21- Nov
Closing	23 - Nov
Basis of Allotment	29 - Nov
Refund Initiation	30 - Nov
Credit to Demat	01 - Dec
Listing Date	04 - Dec

No of shares (Mn)

Fresh Issue of Shares	40.31
Offer for Sales	26.87
Total No of Shares	67.19

Lead Manager

IDBI Capital Market & Securities Limited
BOB Capital Market Limited
SBI Capital Market Limited

Offer Details

Offer Size	₹ 860.08 Cr
Fresh Issue	₹ 1,290.13 Cr
OFS	₹ 2,150.21 Cr

Type	In Rs Cr	No of Shares (Mn)		% of Issue
		Upper	Lower	
QIB	1,075	335.96	358.36	50
NIB	753	235.17	250.85	35
Retail	323	100.79	107.51	15
Em-ploy.	-	-	-	-
Total	2,150	671.93	716.73	100

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Company Profile

Established in March 1987, the Indian Renewable Energy Development Agency Limited (IREDA) stands as a noteworthy public limited government company and holds the prestigious Mini Ratna (Category - I) status. Under the administrative oversight of the Ministry of New and Renewable Energy (MNRE), IREDA has made significant strides in the fiscal year 2021-22, achieving record-high loan sanctions of approximately Rs. 23,921.06 crores and disbursing loans totaling around Rs. 16,070.82 crores.

With over 36 years of expertise, IREDA has emerged as a stalwart financial institution dedicated to promoting, developing, and providing financial assistance for new and renewable energy projects, along with endeavors in energy efficiency and conservation. Offering a comprehensive suite of financial products and services, IREDA supports projects from conceptualization to post-commissioning, spanning renewable energy initiatives and associated activities such as equipment manufacturing and transmission. Positioned as a dependable partner, IREDA is unwavering in its commitment to facilitating the transition to a greener and more sustainable future, ensuring optimal support and guidance for clients throughout their projects.

As of June 30, 2023, IREDA boasts a well-diversified portfolio of Term Loans Outstanding, totaling ₹472,066.63 million.

Business Highlights & Services

IREDA, boasting over 36 years of expertise, is a financial institution dedicated to advancing new and renewable energy (RE) projects and energy efficiency and conservation (EEC) initiatives. With a robust portfolio of Term Loans Outstanding totaling ₹475,144.83 million as of September 30, 2023, it covers diverse sectors, including solar power, wind power, hydro power, biomass, waste-to-energy, and emerging technologies like biofuel and green hydrogen.

Its comprehensive financial products and services range from project conceptualization to post-commissioning, encompassing long-term, medium-term, and short-term loans, top-up loans, bridge loans, and takeover financing for RE developers. It extends support to equipment manufacturing, transmission, and offers financing schemes for RE suppliers, manufacturers, and contractors. Additionally, it provides non-fund-based products such as letters of comfort and guarantees.

As a key player in India's RE sector, it actively participates in government initiatives, serving as the fund handling agency for the Credit Linked Capital Subsidy Scheme and the Central Nodal Agency for the National Bioenergy Programme. The company has implemented various schemes for the Ministry of New and Renewable Energy (MNRE), including the Generation Based Incentive Scheme and the Rooftop, PV, and Small Solar Generation Programme. The company's role extends to the National Programme on High Efficiency Solar PV Modules under the Production Linked Incentive Scheme.

In FY 2023 and the 6M Sep 30, 2023, it total loans sanctioned of ₹ 325,866.06 million and ₹ 47,445.03 million, respectively, included ₹ 276,869.79 million and ₹ 38,420.13 million of term loans for RE and EEC projects, ₹ 8,491.76 million and ₹ 2,800.00 million of short-term loans to RE developers and ₹ 1,520.00 million and ₹ 3,734.90 million of guaranteed loans and letter of comfort. In FY2023, the company's total loans sanctioned included ₹ 37,500.00 million loan facility to State Utilities and ₹ 984.50 million under the Guaranteed Emergency Credit Line. It has a geographically diversified portfolio, with Term Loans Outstanding across 23 States and five Union Territories across India, as of September 30, 2023.



Company has been rated highly by credit rating agencies and as of the date of this Red Herring Prospectus, India Ratings had rated their debt instruments AAA (Stable), ICRA has rated their Bonds ICRA AAA (Stable) and Acuite has rated their bank loans Acuite AAA Stable.

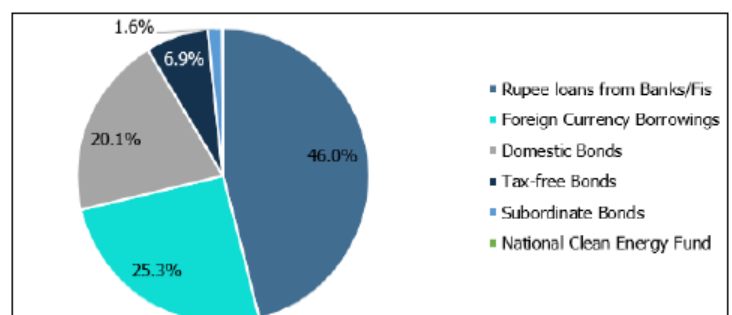
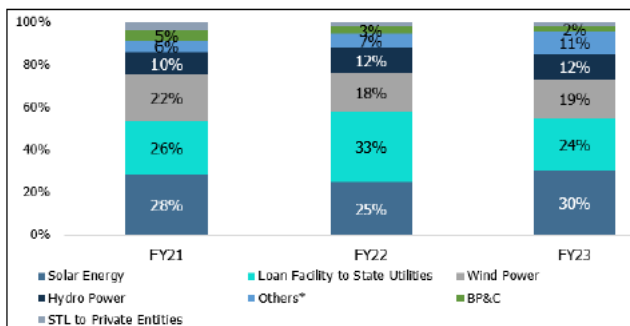
Loan Book, Profitability and Asset Quality

Particulars	As of/ For the Year Ended March 31,			CAGR (Fiscal 2021 – Fiscal 2023)	As of/ For the Six Months Ended September 30,	
	2021	2022	2023		2022	2023
	(₹ million, except percentages and ratios)					
Loans Sanctioned	110,013.05	239,210.62	325,866.06	72.11%	117,654.02	47,445.03
Loans Disbursed ⁽¹⁾	88,283.53	160,708.22	216,392.12	56.56%	40,063.06	62,732.52
Net worth	29,956.00	52,681.13	59,351.69	40.76%	56,383.12	65,806.12
Gross NPA ⁽²⁾	24,415.53	17,682.54	15,133.54	(21.27)%	17,087.67	14,860.81
Net NPA ⁽³⁾	15,102.24	10,353.90	7,680.24	(28.69)%	8,957.41	7,710.76

Term Loan Outstanding Based on Sector

Sr. No.	Sector	As of March 31						As of September 30,					
		2021		2022		2023		2022		2023			
		Term Loans Outstanding (₹ million)	% of Total Term Loans Outstanding	Term Loans Outstanding (₹ million)	% of Total Term Loans Outstanding	Term Loans Outstanding (₹ million)	% of Total Term Loans Outstanding	Term Loans Outstanding (₹ million)	% of Total Term Loans Outstanding	Term Loans Outstanding (₹ million)	% of Total Term Loans Outstanding		
1.	Solar Energy	78,402.12	28.15%	85,058.20	25.07%	143,488.59	30.48%	84,804.10	25.10%	142,430.81	29.98%		
2.	Loan Facility to State Utilities ⁽¹⁾	71,350.09	25.62%	111,716.31	32.92%	113,317.57	24.07%	92,338.78	27.33%	91,152.43	19.18%		
3.	Wind Power	60,820.26	21.84%	62,193.11	18.33%	88,924.90	18.89%	62,102.16	18.38%	99,184.53	20.87%		
4.	Hydro Power	28,628.98	10.28%	39,255.15	11.57%	54,379.08	11.55%	51,707.71	15.31%	54,472.39	11.46%		
5.	Manufacturing ⁽²⁾	4,484.21	1.61%	6,242.49	1.84%	15,161.74	3.21%	11,658.86	3.45%	22,909.72	4.82%		
6.	Ethanol	2,038.92	0.73%	3,923.00	1.16%	10,968.07	2.33%	5,491.20	1.63%	15,066.58	3.17%		
7.	Biomass Power and Co-generation	13,395.56	4.81%	11,667.69	3.44%	10,765.95	2.29%	11,316.73	3.35%	11,563.29	2.43%		
8.	Hybrid Wind and Solar	625.00	0.22%	-	0.00%	10,067.50	2.14%	1,900.00	0.56%	10,067.46	2.12%		
9.	Short Term Loans to Private Entities ⁽³⁾	10,208.83	3.67%	7,054.25	2.08%	9,163.81	1.95%	5,765.38	1.71%	10,040.46	2.11%		
10.	Waste-to-energy	3,906.35	1.40%	4,609.16	1.36%	4,832.77	1.03%	4,371.58	1.29%	4,925.21	1.04%		
11.	Electric Vehicle ("EV")	-	0.00%	357.05	0.11%	3,650.52	0.78%	1,428.21	0.42%	4,778.04	1.01%		
12.	Guaranteed Emergency Credit Line ⁽⁴⁾	1,451.70	0.52%	3,968.53	1.17%	3,008.64	0.64%	2,116.33	0.63%	2,871.38	0.60%		
13.	Transmission	2,053.97	0.72%	1,629.43	0.46%	1,652.04	0.35%	1,623.98	0.48%	4,293.69	0.90%		
14.	EEC	604.57	0.22%	1,174.57	0.35%	918.96	0.20%	1,098.63	0.33%	791.07	0.17%		
15.	Biomass (Briquetting, Gasification and Methanation from Industrial Effluents)	0.05	0.00%	0.05	0.00%	432.50	0.09%	82.91	0.02%	579.13	0.12%		
16.	National Clean Energy Fund	104.06	0.04%	31.52	0.01%	22.57	0.00%	27.03	0.01%	18.64	0.00%		
17.	Bridge Loan	464.54	0.17%	425.55	0.13%	-	-	-	-	-	-		
	Total	278,539.21	100.00%	339,306.06	100.00%	470,755.21	100.00%	337,833.59	100.00%	475,144.83	100.00%		

Asset Mix and Sources of Fund of IREDA as on March 2023





Fund Based and Non-Based loan Portfolio

Particulars	As of/ For the Year Ended March 31						As of/ For the Six Months Ended September 30,			
	2021		2022		2023		2022		2023	
	Loans Sanctioned	Loans Disbursed	Loans Sanctioned	Loans Disbursed	Loans Sanctioned	Loans Disbursed	Loans Sanctioned	Loans Disbursed	Loans Sanctioned	Loans Disbursed
	(₹ million)									
Fund based										
Solar Energy	22,894.96	17,854.57	48,802.43	34,061.47	112,360.45	70,747.06	55,956.79	7,483.82	5,637.81	13,640.70
Loan facility to state utilities	40,420.00	42,400.00	108,600.00	81,250.00	37,500.00	49,500.00	10,000.00	7,000.00	-	-
Wind Power	5,247.20	9,006.52	25,389.00	21,143.83	53,959.30	35,016.09	11,270.00	1,276.26	7,999.50	17,275.19
Hydro Power	8,068.24	6,829.09	21,690.40	11,950.88	43,101.70	17,312.35	11,728.80	12,771.12	4,939.50	5,632.82
Manufacturing	8,304.90	814.72	10,249.90	2,698.38	16,928.60	10,043.00	7,928.60	5,729.64	5,774.90	12,730.11
Ethanol	1,230.50	1,310.40	3,070.60	2,052.00	25,713.35	11,305.22	5,678.75	1,642.01	11,379.80	4,631.80
Biomass Power and Co-generation	1,468.69	410.27	427.91	92.38	68.40	239.75	-	295.00	1,000.00	950.00
Hybrid Wind and Solar	-	625.00	-	255.30	16,514.70	10,067.50	13,014.70	1,900.00	-	-
Short term loans to Private entities	6,734.90	5,095.50	8,942.60	1,981.50	8,491.76	6,545.42	695.30	606.50	2,800.00	3,694.58
Waste-to-Energy	930.10	1,471.70	-	1,072.02	809.40	657.43	399.36	121.90	690.00	165.00
EV	-	-	2,677.90	357.05	3,025.70	3,320.20	-	1,071.15	-	1,232.09
Guaranteed Emergency Credit Line	2,065.52	1,451.70	2,600.98	2,903.56	984.50	1,043.14	-	21.90	-	-
Miscellaneous ⁽¹⁾	4,647.90	798.70	5,000.00	38.02	3,710.00	-	-	-	2,490.00	2,633.60
EEC	99.10	141.60	957.00	778.50	-	64.90	-	60.90	-	-
Biomass (Briquetting, Gasification and Methanation from Industrial Effluents)	-	33.76	-	73.32	1,178.20	530.06	981.72	82.86	998.62	146.63
National Clean Energy Fund	-	-	-	-	-	-	-	-	-	-
Bridge Loan	108.14	40.00	-	-	-	-	-	-	-	-
Non fund based										
Guarantee assistance and Letter of comfort	7,792.90	-	801.90	-	1520.00	-	-	-	3,734.90	-
Total	110,013.05	88,283.53	239,210.62	160,708.22	325,866.06	216,392.12	117,654.02	40,063.06	47,445.03	62,732.52

Geographic Spread

As of September 30, 2023, it had Term Loans Outstanding in 23 States and five Union Territories. Set forth below is a table showing the total Term Loans Outstanding made to borrowers in States and Union Territories where the totals of those loans exceeded 1% of its Term Loans Outstanding, as of September 30, 2023.

State	Number of Projects Financed	Term Loans Outstanding as of September 30, 2023 (in ₹ million)	Percentage of Term Loans Outstanding
Rajasthan	17	73,628.39	15.50%
Karnataka	70	65,580.97	13.81%
Andhra Pradesh	39	64,899.19	13.66%
Gujarat	35	46,831.28	9.86%
Maharashtra	45	37,490.51	7.89%
Telangana	29	30,581.11	6.44%
Tamil Nadu	33	27,866.71	5.87%
Madhya Pradesh	13	21,321.63	4.49%
Uttarakhand	22	16,703.28	3.52%
Others	10	12,893.47	2.71%
Odisha	11	10,532.70	2.22%
Himachal Pradesh	24	10,397.38	2.19%
Uttar Pradesh	17	9,791.94	2.06%
Punjab	15	9,179.31	1.93%
Sikkim	1	7,442.68	1.57%
Kerala	5	6,105.90	1.29%
Haryana	7	5,065.45	1.07%



Industry Outlook

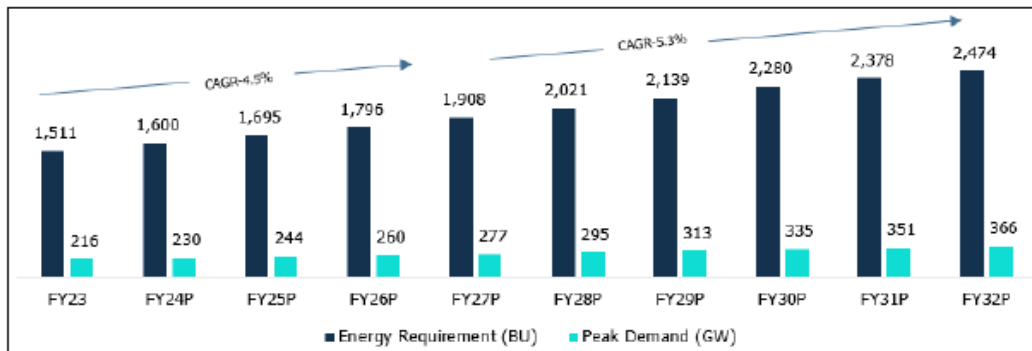
According to the 20th Electric Power Survey of India, the all India peak electricity demand projected for Fiscal 2027 is 277 GW and energy requirement is projected at 1,908 BU. Going forward, the power demand is further expected to rise with rise in population and increased economic activity. The CAGR between Fiscal 2024 and Fiscal 2027 is expected to be around 4.5% for energy requirement while for peak demand it is expected to be around 4.8%. For Fiscal 2027 to Fiscal 2032, the CAGR is on a higher side at 5.3% for energy requirement and 5.7% for peak demand.

The government has taken various steps to meet the peak demand of power such as:

- 175 GW of power generation capacity, 1,733,459 ckt kms of transmission lines and 621,176 MVA of transformation capacity has been added to the grid from 2014 till December 31, 2022.
- Schemes like Deen Dayal Upadhyaya Gram Jyoti Yojana/ Pradhan Mantri Sahaj Bijli Har Ghar Yojana/ Integrated Power Development Scheme have strengthened the distribution system.
- 100% FDI through automatic route for power generation projects.
- Private sector participation in generation and transmission through notification of revised Tariff Policy on January 28, 2016.
- For promoting generation, purchase, consumption of green energy the Green Open Access Rules, 2022 have been notified on June 6, 2022.
- Revamped Distribution Sector Scheme (RDSS) launched in 2021 for improving the financial sustainability and make operationally efficient distribution sector.

The Electricity Amendment Rules, 2022 has been notified on December 29, 2022 which mandate preparation of resource adequacy plan so as to successfully meet the power demand of the consumers.

Projected All India Peak Demand and Energy Requirement



Objective of IPO

- Augmenting the capital base to meet future capital requirements 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.

Peers Comparison

Name of the company	Face Value (₹)	Total Income (₹ Cr)	EPS	NAV (₹)	P/B	RoNW(%)
IREDA Ltd	10	3,483	3.78	25.98	NA	15.44%
Peers Group						
REC Ltd	10	17,088	17.11	105.75	1.4	16.18%
Power Finance Corporation	10	14,241	84.61	445.25	1.2	19.23%

**Companies Competitive Strength :**

- Track record of growth, geared towards high quality assets and diversified asset book and stable profitability.
- Strategic role in Government of India initiatives in the Renewable Energy sector.
- Established and trusted brand name operating in a rapidly expanding sector.
- Technology-driven model with a digital technology platform.
- Experienced Board and Key Managerial Personnel and Senior Management Personnel.

Key Strategies Implemented by Company

- Maintain leadership in RE sectors such as solar, wind, hydro power and biomass, biofuels and co-generation.
- Leverage industry expertise to enhance presence in new and emerging green technologies.
- Optimize borrowing costs to enhance competitiveness and profitability.
- Streamline operating model to continue to support non-linear growth.
- Continue to focus on the Environmental and Social Management System.

Particulars (Rs Cr)	2023	2022	2021
Equity Share Capital	3,624	3,492	1,610
Reserves	2,311	1,776	1,386
Net worth as stated	5,935	5,268	2,996
Loan Book Size (INR)	47,075	33,930	27,853
Net Interest Income	638	474	345
Revenue from Operations	3,483	2,860	2,655
Revenue Growth (%)	21.78%	77.21%	-
Net Profit for the Period	24.8	22.2	13.1
Net Profit (%) as Stated	3.3%	3.8%	3.9%
EPS (₹)	3.8	8.0	4.4
RoNW (%)	15%	15%	12.6%
ROA(%)	2%	1.9%	1.2%
Gross NPA (%)	3.2%	5.2%	8.8%
NPA(%)	1.7%	3.1%	5.6%

Valuations and Recommendation:

- IREDA Ltd annualized Book Value arrives at ₹ 11,870 Cr for FY24. At upper price band of ₹ 32, Company is looking for post issue market cap of ₹ 8,600.85 Cr, Which implies a earning multiple (P/B) of 1.1(x).
- Based on the valuation, issue appears to be fairly valued, IREDA stands as a key player in India's renewable energy sector, contributing to the government's initiatives. With a robust track record, diversified assets, and sustained profitability, IREDA leads in green financing. It aims to expand further in new green technologies, leveraging cost-effective long-term funding sources. Posting healthy profits, experiencing strong growth, and boasting an adept management team, IREDA, India's largest green financing NBFC, is well-positioned for the sector's rapid expansion. Its loan book has outpaced traditional players, growing at a 30% CAGR to Rs. 47,076 Cr. Diversification into emerging green technologies ensures sustained growth and viability. Hence, we recommend "Subscribe" rating to the stock issue.



Notes

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