

Stock Idea Note - Indian Renewable Energy Development Agency

Company Overview

Indian Renewable Energy Development Agency (IREDA), established in 1987, is a Government of India enterprise under the Ministry of New and Renewable Energy (MNRE). It serves as the country's largest dedicated green financing institution, playing a pivotal role in supporting India's transition to clean and sustainable energy. Recognised as a 'Navratna' Central Public Sector Undertaking (CPSE) in April 2024, IREDA is also registered with the Reserve Bank of India (RBI) as a Systemically Important Non-Deposit Taking Non-Banking Financial Company – Infrastructure Finance Company (NBFC-IFC). IREDA's mission is to promote, develop, and finance renewable energy and energy efficiency projects. It provides a comprehensive range of financial products across the entire project lifecycle, from conceptualisation to commissioning. Its offerings include project term loans, refinancing, credit lines to NBFCs, top-up loans, securitised lending, loan syndication, and bid security guarantees. It also supports emerging instruments like payment-on-order financing and letters of comfort/undertaking. The agency has a strong presence across traditional renewable technologies, such as solar, wind, hydro, biomass, ethanol, and waste-to-energy, while actively financing emerging sectors, including battery storage systems, green hydrogen, electric vehicle infrastructure, fuel cells, and renewable energy component manufacturing. IREDA operates under professional governance, with a balanced board comprising executive directors, independent directors, and government nominees. It has also expanded its footprint globally through a wholly owned subsidiary at the International Financial Services Centre (IFSC) in GIFT City. With over 38 years of sectoral experience, IREDA acts as the nodal and implementing agency for several MNRE-led flagship schemes, aligning closely with national renewable energy goals. Through its strategic financial support and policy alignment, IREDA continues to drive India's clean energy ambitions and foster sustainable, inclusive growth.

Investment Rationale

Catalyst for clean energy: IREDA's strong growth backed by structural sector tailwinds

As of March 31, 2025, IREDA reported a robust 28% YoY growth in loan outstanding, reaching Rs. 76,282 crores, supported by a 27% increase in sanctions and 20% growth in disbursements. The loan portfolio remains well-diversified across sectors, with Solar Thermal/SPV (24%), Wind (14%), and Hydro Power (11%) forming the largest segments. Public sector borrowers accounted for 27% of the total portfolio, while the private sector contributed a dominant 73%. The company has also expanded into emerging areas like Hybrid Wind & Solar, Electric Vehicles, Green Hydrogen, and Energy Access, reflecting its alignment with India's evolving clean energy priorities. IREDA is strategically positioned to benefit from India's accelerating shift towards renewable energy, underpinned by the government's ambitious target to increase renewable capacity from 220 GW in FY25 to 500 GW by FY30. As a specialised power sector financier, IREDA is expected to play a central role in enabling this transition, with AUM projected to grow at a robust CAGR of 25-30% over FY25-30. Its strong government backing and "Navratna" CPSE status enable superior financial flexibility, allowing it to raise funds competitively in both domestic and international markets. In a forward-looking move, IREDA received approval to launch a wholly owned retail subsidiary, marking its entry into segments like PM-KUSUM, rooftop solar, EVs, energy storage, and green technology. This will diversify its portfolio and provide a buffer against interest rate cycles. With an AAA credit rating, an improved funding mix, and clear strategic direction, IREDA is well-positioned to capitalise on the sector's long-term structural growth while maintaining healthy margins and operational resilience.

Stock Rating

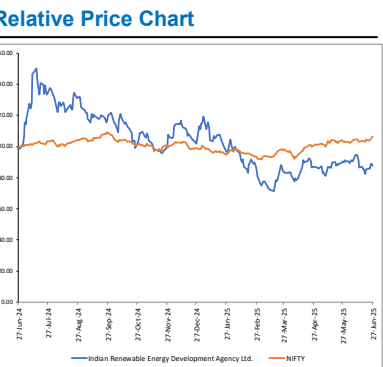
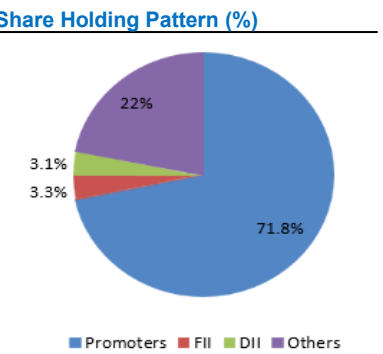
BUY	HOLD	SELL
> 15%	-5% to 15%	< -5%

Sector Outlook Positive

Stock	
CMP (INR)	169
Target Price (INR)	198
NSE Symbol	IREDA
BSE Code	544026
Bloomberg	IREDA IN
Reuters	IREDA.BO

Key Data	
Nifty	25,637
52WeekH/L(INR)	310/137
O/s Shares (Mn)	28,092
Market Cap (INR bn)	476
Face Value (INR)	10

Average volume	
3 months	20,44,111
6 months	18,01,923
1 year	23,32,357



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Funding diversification and asset quality gains drive financial resilience

IREDA's strategic shift towards domestic borrowing has markedly improved its funding dynamics, with the proportion of domestic borrowing increasing from 77% in December 2023 to an impressive 87% by March 2025. Supported by its strong "AAA" credit rating and a well-diversified funding base, IREDA continues to secure long-term borrowings at advantageous costs, as evidenced by a decrease in the cost of funds from 7.81% in FY24 to 7.61% in FY25. While the rising share of floating-rate loans might introduce some margin volatility in the face of fluctuating interest rates, the anticipated retail subsidiary, which is designed for renewable energy financing, could provide a buffer against such pressures. IREDA has successfully raised funds at competitive rates in both domestic and international markets, a feat made possible due to its sovereign ownership. The agency enjoys a well-diversified borrowing profile, encompassing a balanced distribution among bonds (37%), bank/financial institution loans (44%), and foreign currency loans (19%) as of FY25. IREDA has demonstrated consistent improvement in asset quality, with Gross NPA reducing from 8.77% in FY21 to 2.45% in FY25, despite a marginal increase in value terms to Rs. 1,866 crores. Similarly, Net NPA declined significantly from 5.61% to 1.35% during the same period, indicating stronger provisioning and recovery efforts. While there was a temporary uptick in FY24, the overall trend reflects IREDA's enhanced credit appraisal and risk management practices, strengthening its financial health and lending credibility.

Valuation and Outlook

IREDA is uniquely positioned to capitalise on India's multi-decade clean energy transformation. As the largest dedicated green-focused NBFC-IFC with over 38 years of sectoral experience, IREDA plays a pivotal role in financing India's renewable ambitions, including emerging sectors such as hybrid RE, battery storage, EV infrastructure, and green hydrogen. The company reported strong 28% YoY AUM growth in FY25, reaching Rs. 76,282 crores, supported by diversified loan book expansion and strategic funding. As a "Navratna" PSU and the nodal agency under MNRE, IREDA benefits from robust sovereign backing, policy tailwinds (500 GW RE target by FY30), and fundraising advantages via its AAA rating. Its cost of funds declined to 7.61% (from 7.81% in FY24), aided by an improved mix, 87% domestic borrowings with a healthy liability spread (bonds: 37%, banks/FIs: 44%, foreign: 19%). Operational performance continues to strengthen with gross yields rising to 10.03%, NIMs expanding to 3.27% (vs. 2.85% in FY24). Asset quality has also improved with gross NPAs at 2.45% and net NPAs at 1.35%, a result of stringent underwriting and recovery mechanisms. The planned launch of a retail lending subsidiary for rooftop solar, PM-KUSUM, and energy access will help de-risk the loan book and support margin resilience. With AUM expected to grow at 25-30% CAGR over FY25-30, IREDA offers a strong mix of growth, earnings visibility, and balance sheet strength. **We initiate a Buy rating on IREDA stock, setting a target price of Rs. 198, which reflects a 17% upside potential from current levels. At the current market price, the stock is trading at a multiple of 4.4x its FY25 P/BV, making it an attractive investment opportunity with a recommended 12-month investment horizon.**

Key Financials				
YE March (INR. Mn)	FY23A	FY24A	FY25A	FY26E
Net Interest Income	1,285	1,658	2,434	3,055
NII Growth (Y-o-Y)		29.0%	46.8%	25.5%
Pre-Provision operating profit	1,206	1,618	2,341	2,950
PPOP Growth (Y-o-Y)		34.2%	44.7%	26.0%
Net Profit	865	1,252	1,699	1,947
Net Profit Growth (Y-o-Y)		44.7%	35.7%	14.6%
EPS	3.8	5.2	6.3	7.2
Diluted EPS Growth (Y-o-Y)		35.8%	22.5%	13.9%
Key Ratios				
NIM(%)	2.8%	2.9%	3.3%	3.2%
RoA (%)	1.9%	2.1%	2.0%	2.0%
RoE (%)	14.6%	14.6%	15.9%	15.9%
BV per share (INR)	26	31	38	45
Valuation Ratios				
P/E (x)	44.5x	32.8x	26.7x	23.5x
P/BV (x)	6.5x	5.5x	4.4x	3.7x

Source: Bloomberg, BP Equities Research



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