

April 16, 2025

**Strong earning growth; long term growth prospects intact...**

**About the stock:** IREDA is a systemically important non-deposit taking non-banking financial company engaged in financing of renewable sector.

- The company has geographically diversified asset base with term loans outstanding across 23 states and 4 union territories

**Q4FY25 performance:** IREDA reported strong performance in Q4FY25 with continued growth in AUM at 28% YoY to ₹76,282 crore. Operational performance remained robust (NII grew 21.2% YoY) driven by strong growth in AUM and ~42 bps YoY increase in margin at 3.27%. Resultantly, earnings grew at 49% YoY to ₹502 crore. Gross NPA improved by ~23 bps QoQ to 2.45%, though, credit cost remained higher at ₹129 crore in Q4FY25 vs ₹104 crore in Q3FY25.

**Investment Rationale**

- Robust growth to aid RoA; credit cost trend remains watchful:** Healthy AUM growth (~28–29% CAGR in FY26E–27E) coupled with declining cost of funds is expected to drive NII growth (~28–30% CAGR), while operating expenses are likely to remain stable. While asset quality remains steady (GNPA at 2.45%), exposure to single stressed borrower (estimated at ~₹450 crore) remains watchful. Credit cost is expected to normalize at higher level (30–40 bps) ahead. Overall, we expect RoA to sustain at ~2% in FY26–27E, underpinning a favorable long-term outlook.
- Structural long-term growth prospects to aid traction in AUM:** Government's focus to increase renewable power capacity from 220 GW in FY25 to 500 GW by FY30 provides huge opportunity. IREDA being specialised power financiers is expected to play a major role in funding renewable projects. Thus, business growth is expected to remain healthy at ~25–30% CAGR in FY25–30E. Further, foray in retail business (approval received to set up a wholly owned subsidiary) such as PM KUSUM, rooftop solar, EVs, energy storage, green technology is seen to aid diversification.
- Diversified borrowing at competitive cost remains an advantage:** IREDA's strategic pivot towards domestic borrowing has improved funding mix, with domestic share rising from 77% in Dec'23 to 87% in FY25. Backed by a strong "AAA" credit rating and diversified sources, the company continues to secure long-term borrowings at competitive costs, reflected in a declining cost of funds (7.61% in FY25 vs 7.81% in FY24), supporting margin stability. While a higher share of floating-rate loans may introduce margin volatility amid a potential rate cycle reversal, planned retail subsidiary—focused on renewable energy financing could provide a cushion.

**Rating and Target Price**

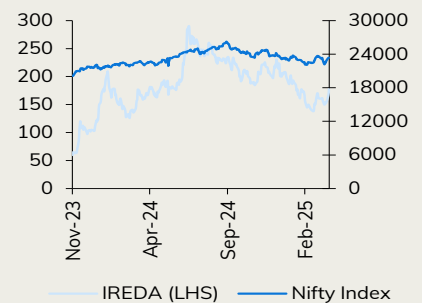
- Long term structural growth story remains intact amid government's focus on renewable sector and foray in retail segment. Operational matrix to remain largely steady with RoA at 1.9–2% ahead. Maintaining estimates broadly steady, we value the stock at ~4.1x FY27E BV (~25x FY27E EPS) assigning a target of ₹ 220. Maintain **Buy** rating on the stock.

**Particulars**

	Amount
Market Capitalisation	₹ 47,842 crore
52 week H/L	310 / 137
Net worth	₹ 10,266 Crore
Face Value	10.0
DII Holding (%)	0.5
FII Holding (%)	1.8

**Shareholding pattern**

Holding (%)	Jun-24	Sep-24	Dec-24	Mar-25
Promoter	75.0	75.0	75.0	75.0
FII	2.7	2.0	1.9	1.8
DII	0.4	0.4	0.6	0.5
Public	21.9	22.6	22.5	22.7

**Price Chart****Key risks**

- Substantial exposure to private sector poses risk of NPA
- Increase in competition could impact profitability

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**Key Financial Summary**

	FY23	FY24	FY25	3 year CAGR (FY22-FY25)	FY26E	FY27E	2 year CAGR (FY25-27E)
NII	1285	1658	7578	88.8%	9525	11845	25.0%
PPP	1206	1618	2950	42.8%	2950	3614	10.7%
PAT	865	1252	1947	45.4%	1947	2320	9.2%
ABV (₹)	23	30	40	29.8%	40	48	8.8%
P/E	44.9	36.5	23.5		23.5	19.7	
P/ABV	7.5	5.7	4.2		4.2	3.5	
RoA	1.9%	2.1%	2.0%		2.0%	1.9%	
RoE	14.6%	14.6%	15.9%		15.9%	16.0%	

Source: Company, ICICI Direct Research

**Exhibit 1: Variance Analysis**

	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	Comments
NII	757	481	57.3	622	21.7	Driven by strong YoY growth of 28% in AUM
Calculated NIM %	4.5%	3.7%	85 bps	4.2%	29 bps	Decline in CoF aid margin trajectory
Other Income	54	45	18.8	44	20.7	
Total Income	811	544	49.0	667	21.6	
Staff cost	21	19	9.4	20	6.8	
Other opex	31	36	-15.1	5	501.0	
PPoP	759	489	55.2	642	18.3	Improvement in margins coupled with steady opex led to 55% YoY growth in PPoP
Provision costs	129	9	1270.3	104	24.5	Credit cost steady QoQ at ~77 bps
PBT	630	480	31.3	538	17.1	
Provision for Tax	128	142	-9.9	113	13.6	
PAT	502	337	48.7	425	18.0	Continued AUM growth and ~42 bps YoY increase in margin aid earnings
Key Metrics						
GNPA	1845	1411	30.8	1824	1.2	GNPA declined QoQ from 2.68% to 2.45%
NNPA	1017	581	75.0	1021	-0.4	
Total loan book	76279	59698	27.8	68958	10.6	in-line with management target
Borrowings	64740	49687	30.3	57931	11.8	

Source: Company, ICICI Direct Research

## Financial Summary

### Exhibit 2: Profit and loss statement ₹ crore

(Year-end March)	FY23	FY24	FY25	FY26E	FY27E
Interest Earned	3,374	4,822	6,575	8,312	10,392
Interest Expended	2,088	3,164	4,141	5,257	6,679
Net Interest Income	1,285	1,658	2,434	3,055	3,713
% growth	14.2	29.0	46.8	25.5	21.5
Non Interest Income	109	143	180	235	301
Net Income	1,395	1,801	2,614	3,290	4,015
Total operating expense	189	183	273	340	401
PPoP	1,206	1,618	2,341	2,950	3,614
Provisions	67	(67)	237	355	520
PBT	1,139	1,685	2,104	2,595	3,094
Taxes	275	433	405	649	773
Net Profit	865	1,252	1,699	1,947	2,320
% growth	36.5	44.8	35.7	14.6	19.2

Source: Company, ICICI Direct Research

### Exhibit 3: Key ratios ₹ crore

(Year-end March)	FY23	FY24	FY25	FY26E	FY27E
Valuation					
No. of Equity Shares	228.5	268.8	268.8	268.8	268.8
EPS (₹)	3.8	4.7	6.3	7.2	8.6
BV (₹)	26.0	31.8	38.2	45.4	54.1
ABV (₹)	22.6	29.7	34.4	40.5	47.9
P/E	46.2	37.6	27.7	24.2	20.3
P/BV	6.7	5.5	4.6	3.9	3.2
P/adj.BV	7.7	5.9	5.1	4.3	3.7
Yield on AUM	7.3%	8.2%	8.7%	8.5%	8.3%
Cost of funds	5.2%	6.4%	6.4%	6.2%	6.0%
Net Interest Margins	2.8%	2.8%	3.2%	3.1%	3.0%
Spreads	2.1%	1.8%	2.3%	2.3%	2.3%
Quality and Efficiency					
Cost / Total net income	13.5%	10.2%	10.4%	10.3%	10.0%
GNPA%	3.2%	2.4%	2.5%	2.5%	2.4%
NNPA%	1.7%	1.0%	1.4%	1.4%	1.3%
RoE (%)	14.6%	14.6%	16.5%	15.9%	16.0%
RoA (%)	1.9%	2.1%	2.3%	2.0%	1.9%

Source: Company, ICICI Direct Research

### Exhibit 4: Balance sheet ₹ crore

(Year-end March)	FY23	FY24	FY25	FY26E	FY27E
Sources of Funds					
Capital	2,285	2,688	2,688	2,688	2,688
Reserves and Surplus	3,651	5,872	7,578	9,525	11,845
Networth	5,935	8,560	10,266	12,213	14,533
Borrowings	40,165	49,687	64,740	85,231	1,11,911
Other Liabilities & Provisions	4,356	4,368	4,728	4,777	4,618
<b>Total</b>	<b>50,456</b>	<b>62,615</b>	<b>79,734</b>	<b>1,02,220</b>	<b>1,31,061</b>
	115%	118%	116%	114%	112%
Applications of Funds					
Investments	99	99	626	626	626
Advances	46,227	58,775	75,320	97,163	1,25,340
Other Assets	4,130	3,740	3,788	4,431	5,095
<b>Total</b>	<b>50,456</b>	<b>62,615</b>	<b>79,734</b>	<b>1,02,220</b>	<b>1,31,061</b>

Source: Company, ICICI Direct Research

### Exhibit 5: Growth (%)

(Year-end March)	FY23	FY24	FY25	FY26E	FY27E
Total assets	37.4%	24.1%	27.3%	28.2%	28.2%
Advances	39.3%	27.1%	28.1%	29.0%	29.0%
Borrowings	45.5%	23.7%	30.3%	31.7%	31.3%
Net income	8.4%	29.2%	45.1%	25.9%	22.0%
Net interest income	14.2%	29.0%	46.8%	25.5%	21.5%
Total operating expense	-30.9%	-3.0%	48.9%	24.7%	17.9%
PPoP	18.9%	34.2%	44.7%	26.0%	22.5%
Net profit	36.5%	44.8%	35.7%	14.6%	19.2%
Book value	12.7%	22.6%	19.9%	19.0%	19.0%
EPS	36.5%	23.1%	35.7%	14.6%	19.2%

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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