

June 1, 2026

Growth steady, earnings absorb provisioning...

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 across renewable segment.

Q4FY26 performance: IREDA delivered mixed Q4FY26 performance, sustaining AUM growth at ~22% YoY (6% QoQ) to ₹93,069 crore, driven by continued disbursement momentum across renewable energy segment. NII grew 18.5% YoY (3.2% QoQ) to ₹897 crore, supported by balance sheet expansion and lower cost of borrowings at 7.05% (vs 7.61% in FY25). NIM improved to 3.65% (-9bps/38 bps QoQ/YoY). PAT declined 1.8% YoY to ₹493 crore owing to elevated provisioning of ₹215 crore and forex loss. Asset quality continued to show normalization trend, with GNPA/NNPA declining ~26/39 bps QoQ to 3.49%/1.29% respectively and PCR improving ~780 bps QoQ to 63.9%.

Investment Rationale

- Sustained growth momentum with steady return profile:** IREDA continues to deliver healthy balance sheet expansion, supported by strong disbursement and increasing financing demand across India's renewable ecosystem. Diversification beyond solar & utilities into manufacturing, storage and emerging technologies should support healthy advances growth of ~24-25% CAGR over FY26-28E. Despite moderation in spread/NIM, operating leverage is expected to sustain ~2% RoA.
- Strengthening provisioning buffer to support earnings stability:** Q4FY26 reflected a more conservative provisioning approach, strengthening confidence on sustainability of portfolio quality despite near-term profitability pressure. Management's prudent risk recognition, improving portfolio seasoning and disciplined underwriting are expected to support lower incremental stress ahead. We expect improving portfolio seasoning and conservative provisioning to keep credit cost contained to ~60-70 bps over FY26-28E, aiding earnings trajectory.
- Long term growth opportunity supported by funding profile:** Government's focus on scaling renewable energy capacity from ~275 GW currently to 500 GW by FY30 continues to provide a multi-year growth runway for IREDA. Its strategic role in renewable financing, diversified sector exposure and expanding footprint across emerging areas including manufacturing, storage and energy-transition infrastructure position it well to capture incremental financing demand. Additionally, strengthening capital base and access across domestic borrowings and ECBs enhance funding flexibility and support future growth while preserving long-term profitability profile.

Rating and Target Price

Despite moderation in profitability due to higher provisioning, Q4FY26 performance reflects continued normalization in asset quality and healthy balance sheet growth. While growth runway remains a tailwind with sustained return ratios, there exists inherent risk of volatility given lumpy exposure. We value the stock at ~2.6x FY28E BV and maintain BUY rating and maintain target price of ₹ 180.

Key Financial Summary

	FY25	FY26E	3 year CAGR (FY23-FY26)	FY27E	FY28E	2 year CAGR (FY26-28E)
NII	2,434	3,275	36.6%	3,906	4,783	13.5%
PPP	2,341	3,114	37.2%	3,742	4,604	13.9%
PAT	1,699	1,873	29.4%	2,332	2,852	15.0%
ABV (₹)	34	45	25.7%	52	61	11.0%
P/E	21	20		16	13	
P/ABV	4	3		3	2	
RoA	2	2		2	2	
RoE	17	14		14	15	

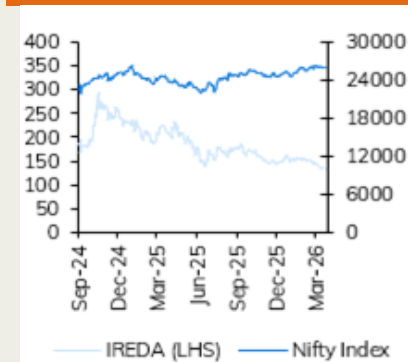
Source: Company, ICICI Direct Research

**Particulars**

	Amount
Market Capitalisation	₹ 37,433 crore
52 week H/L	187 / 109
Net worth	₹ 13,781 Crore
Face Value	10.0
DII Holding (%)	2.4
FII Holding (%)	2.1

Shareholding pattern

Holding (%)	Jun-25	Sep-25	Dec-25	Mar-26
Promoter	71.8	71.8	71.8	71.8
FII	2.0	1.9	2.1	2.1
DII	3.0	2.6	2.5	2.4
Public	23.3	23.8	23.7	23.7

Price Chart**Key risks**

- Slower than anticipated business growth
- Higher credit cost trajectory could keep profitability volatile

Research Analyst

Vishal Narnolia
vishal.narnolia@icicisecurities.com

Nivedita Choudhary
nivedita.choudhary@icicisecurities.com

Exhibit 1: Variance Analysis

	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	Comments
NII	897.5	757.4	18.5	869.4	3.2	Healthy loan growth of 22% aided NII
Calculated NIM %	4.52%	4.23%	29 bps	4.47%	5 bps	Steady margins aided by reduction in CoF
Other Income	42.6	45.1	-5.6	37.6	13.2	
Total Income	940.0	811.0	15.9	907.0	3.6	
Staff cost	29.1	20.8	39.8	29.0	0.4	
Other opex	76.4	30.8	148.2	31.8	140.2	Forex translation loss of ₹34 crore inflated other opex
PPoP	834.6	759.4	9.9	846.2	-1.4	
Provision costs	215.3	129.4	66.3	129.3	66.6	Higher credit cost results in higher provision coverage
PBT	619.3	630.0	-1.7	717.0	-13.6	
Provision for Tax	126.5	128.2	-1.3	132.0	-4.2	
PAT	492.8	501.8	-1.8	584.9	-15.8	Elevated provisioning impacted earnings
Key Metrics						
GNPA	3,245.0	1,819.6	78.3	3,297.0	-1.6	Lower fresh slippages reduced GNPA by ~26 bps QoQ
NNPA	1,172.0	1,002.7	16.9	1,448.0	-19.1	
Total loan book	93,069	76,280	22.0	87,293	6.6	Momentum remained mixed
Borrowings	77,846	64,740	20.2	73,192	6.4	

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 2: Profit and loss statement				₹ crore
(Year-end March)	FY25	FY26	FY27E	FY28E
Interest Earned	6,575	8,179	9,998	12,217
Interest Expended	4,141	4,905	6,092	7,434
Net Interest Income	2,434	3,275	3,906	4,783
% growth	46.8	34.5	19.3	22.5
Non Interest Income	180	158	200	251
Net Income	2,614	3,433	4,106	5,034
Total operating expense	273	319	364	430
PPoP	2,341	3,114	3,742	4,604
Provisions	237	777	752	947
PBT	2,104	2,337	2,990	3,657
Taxes	405	464	658	805
Net Profit	1,699	1,873	2,332	2,852
% growth	35.7	10.3	24.5	22.3

Source: Company, ICICI Direct Research

Exhibit 3: Key ratios					₹ crore
(Year-end March)	FY25	FY26	FY27E	FY28E	
<u>Valuation</u>					
No. of Equity Shares	268.8	280.9	280.9	280.9	
EPS (₹)	6.3	6.7	8.3	10.2	
BV (₹)	38.2	49.1	57.4	67.5	
ABV (₹)	34.4	44.9	52.3	61.4	
P/E	21.0	19.9	16.0	13.1	
P/BV	3.5	2.7	2.3	2.0	
P/adj.BV	3.9	3.0	2.5	2.2	
Yield on AUM	8.8	9.0	8.7	8.5	
Cost of funds	6.7	6.6	6.3	6.1	
Net Interest Margins	3.3	3.6	3.4	3.3	
Spreads	2.1	2.4	2.4	2.4	
<u>Quality and Efficiency</u>					
Cost / Total net income	10.4	9.3	8.9	8.5	
GNPA%	2.5	3.5	3.3	3.0	
NNPA%	1.4	1.3	1.3	1.2	
RoE (%)	16.5	13.6	14.5	15.0	
RoA (%)	2.3	2.1	2.1	2.0	

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet				₹ crore
(Year-end March)	FY25	FY26	FY27E	FY28E
<u>Sources of Funds</u>				
Capital	2,688	2,809	2,809	2,809
Reserves and Surplus	7,578	10,972	13,304	16,157
Networth	10,266	13,781	16,113	18,966
Borrowings	61,935	74,588	96,312	121,353
Other Liabilities & Provisions	4,665	5,432	5,134	7,130
Total	76,866	93,802	117,559	147,449
<u>Applications of Funds</u>				
Investments	626	910	910	910
Advances	74,272	90,197	113,648	143,196
Other Assets	1,477	1,979	2,177	2,394
Cash & Equivalent	491	717	825	948
Total	76,866	93,802	117,559	147,449

Source: Company, ICICI Direct Research

Exhibit 5: Growth				(%)
(Year-end March)	FY25	FY26	FY27E	FY28E
Total assets	22.8	22.0	25.3	25.4
Advances	26.4	21.4	26.0	26.0
Borrowings	24.7	20.4	29.1	26.0
Net income	45.1	31.3	19.6	22.6
Net interest income	46.8	34.5	19.3	22.5
Total operating expense	48.9	16.9	14.1	18.1
PPoP	44.7	33.0	20.2	23.0
Net profit	35.7	10.3	24.5	22.3
Book value	19.9	28.5	16.9	17.7
EPS	35.7	5.5	24.5	22.3

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according -to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

ANALYST CERTIFICATION

I/We, Vishal Narnolia, MBA, Nivedita Choudhary, MBA, Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

Investments in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by Sebi and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors.

Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal

Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Jeetu Jawrani Email address: headservicequality@icicidirect.com Contact Number: 18601231122

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as an entity are engaged in various financial service businesses, they might have financial interests or actual/beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

ICICI Securities Limited has not used any Artificial Intelligence tools for preparation of this Research Report