

IPO Details	
Opening Date	Nov 21, 2023
Closing Date	Nov 23, 2023
Stock Exchange	BSE, NSE
Lot Size	460 Shares
Issue Price	₹ 30 to ₹ 32 per share
Issue Size	Aggregating up to 2,150.21 Cr.
Fresh Issue	Aggregating up to 1,290.13 Cr.
Offer for Sale	Aggregating up to 860.08 Cr.
Application Amount	Min. Inv. - ₹ 14,720 (460 shares) Max. Inv. - ₹ 1,91,360 (5,980 shares)

IPO Objective	
Augmenting the capital base to meet future capital requirements.	
Expect to receive the benefits of listing the Equity Shares on Stock Exchange.	

Pre-Issue Shareholding		
Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	2,28,46,00,000	100.00%
Public	-	-

Promoter of the Company	
1	The President of India

Competitive Strengths	
1	Track record of growth.
2	Strategic role in Government of India initiatives in the Renewable Energy Sector.
3	Established and trusted brand name.
4	Digitized process for borrower centricity and operational scalability.
5	Comprehensive data-based credit appraisal process and risk-based pricing.
6	Access to diversified and cost-effective long-term sources of borrowing with a judicious approach towards asset-liability management.
7	Experienced senior management.

Company Background	
<ul style="list-style-type: none"> Indian Renewable Energy Development Agency Limited was originally incorporated in the year 1987 and has its registered office in New Delhi. The company is wholly owned by the Government of India. The company is a financial institution in the business of promoting, developing and extending financial assistance for new and renewable energy projects, and energy efficiency and conservation projects. The company has financed projects across multiple RE sectors such as solar power, wind power, hydropower, etc. As of 30th September 2023, the Company had 152 employees on its payroll. 	

Market Capitalization (In Cr.)	
Pre-Issue	Post-Issue
₹ 7,310.72	₹ 8,600.85

Financial Summary (In Cr.)				
For the Period Ended	Mar-21	Mar-22	Mar-23	Sep-23
Total Assets	30,293	36,708	50,446	51,208
Net Assets	2,995	5,268	5,935	6,580
Total Borrowings	24,000	27,613	40,165	39,850
Total Revenue	2,657	2,874	3,483	2,320
Profit After Tax	346	633	864	579

Tentative Timeline	
Opening Date	Nov 21, 2023
Closing Date	Nov 23, 2023
Basis of Allotment	Nov 29, 2023
Initiation of Refunds	Nov 30, 2023
Credit of Shares to Demat	Dec 01, 2023
Listing Date	Dec 04, 2023

Company Background and Analysis

The Company was originally incorporated on March 11, 1987. The company is wholly owned by the Government of India. The company is a financial institution with over 36 years of experience in the business of promoting, developing and extending financial assistance for new and renewable energy projects, and energy efficiency and conservation projects. The company provides a comprehensive range of financial products and related services, from project conceptualisation to post-commissioning, for Renewable Energy RE projects and other value chain activities, such as equipment manufacturing and transmission.

The company have financed projects across multiple RE sectors such as solar power, wind power, hydropower, transmission, biomass including bagasse and industrial co-generation, waste-to-energy, ethanol, compressed biogas, hybrid RE, EEC and green-mobility. The company also offers financial products and schemes for new and emerging RE technologies such as biofuel, green hydrogen and its derivatives, battery energy storage systems, fuel cells, and hybrid RE projects.

The company offers a comprehensive suite of financial products and services including various fund-based and non-fund-based products.

1. Fund-Based Products – Loans for RE developers are long-term, medium-term and short-term loans (for projects, manufacturing and equipment financing), top-up loans, bridge loans, takeover financing, and loans against securitization of future cash flows. The company also provides a line of credit to other NBFCs for on-lending to RE and EEC projects. In addition, the company provides loans to government entities and also provides financing schemes for RE suppliers, manufacturers and contractors.
2. Non-Fund Based Products - Include a letter of comfort, letter of undertaking, payment on order instruments and guarantee assistance schemes. Further, the company provides consulting services on techno-commercial issues relating to the RE sector.

Bifurcation of Interest Income for the Financial Year ended 2021, 2022, 2023, and the Period ended Sep 2023 are as follows –

(Amount in Cr.)

Particulars	Financial Year 2021		Financial Year 2021		Financial Year 2021		Period Ended September 30, 2023	
	Amount	%	Amount	%	Amount	%	Amount	%
Interest on Loans from lending operations								
Interest on Loans	2,495.00	97.30	2,644.81	97.48	3,278.63	97.18	2,229.97	97.56
Interest Income on Investments	-	-	-	-	-	-	-	-
Interest on GOI Securities	-	-	1.97	0.07	6.70	0.20	3.35	0.15
Interest on Commercial Papers	1.85	0.07	-	-	-	-	-	-
Interest on deposits with Banks	-	-	-	-	-	-	-	-
Short Term Deposits INR	35.14	1.37	11.49	0.42	77.79	2.31	17.85	0.78
Short Term Deposits Foreign Currency	0.47	0.02	0.02	0.00	-	-	2.32	0.10
Other Interest Income	-	-	-	-	-	-	-	-
Interest on SB a/c	0.01	0.00	0.05	0.00	0.19	0.01	0.02	0.00
Differential Interest	31.88	1.24	54.89	2.02	10.51	0.31	32.18	1.41
Total	2,564.34	100.00	2,713.22	100.00	3,373.83	100.00	2,285.69	100.00

To conclude, the company was incorporated in the year 1987. The company generated majorly of its revenue from the interest income earned from Interest on Loans. The company is raising total gross proceeds of Rs. 2150.21 Cr.

Business Strategies

1. Maintain the leadership in RE sectors such as solar, wind, hydropower and biomass, biofuels and cogeneration-

The company intends to provide assistance to mature sectors seeking capital markets access to raise funding by offering products for securitization, and InvIT financing, among others and intends to pursue a state-focussed business development strategy leveraging the relationship with state governments to originate RE projects across India.

2. Leverage the industry expertise to enhance the presence in new and emerging green technologies -

The company intends to set up appropriate and comprehensive checks for the high materiality risk triggers for each sector to ensure the robustness of the appraisal checks. To ensure that they build the requisite appraisal capabilities for new and emerging RE sectors, and plan to incorporate additional specific key risk indicators for projects in these sectors under monitoring metrics.

3. Optimize borrowing costs to enhance competitiveness and profitability-

The company is India's largest pure-play green financing NBFC and intends to leverage this position to raise green or sustainable bonds in international and domestic markets. They have strong relationships with international multilateral financing institutions and development finance institutions and a demonstrated history of effectively utilizing green grants and loans, which they plan to capitalize on to draw new lines of funding.

4. Streamline operating model to continue to support non-linear growth-

The company intends to be dynamic in its interactions with technology and increase the ease of doing business by adopting digitization through processes such as automated case allocation and management mechanisms, and autofill options for smoother customer onboarding, among others.

5. Continue to focus on the Environmental and Social Management System-

The company intends to work proactively in partnership with the energy ecosystem stakeholders to develop and deepen the energy markets and continues to focus on maintaining transparency and business integrity while driving the environmental, social and governance ambitions, and intends to make voluntary disclosures and reports in line with business responsibility and sustainability reporting norms globally.

Competitive Scenario and Peer Mapping

Competition

The company faces significant competition in this Industry. The company operates in a highly competitive sector, coupled with a large number of players. The company has moderate entry barriers. The bargaining power with the customers is low in the sector in which the company operates.

Peer Analysis

The comparison of the key performance indicators of the listed peers as of Mar-23 is given below –

Particulars	Indian Renewable Energy Development Agency Limited	REC Limited	Power Finance Corporation
P/E	8.47	2.72	2.52
P/B	0.01	1.54	1.24
RoNW	17.69	19.21%	25.17%
NAV per share	185.47	503.42	693.23

The comparison of the key performance indicators of the listed peers as of Mar-22 is given below –

Particulars	Indian Renewable Energy Development Agency Limited	REC Limited	Power Finance Corporation
P/E	3.99	2.45	2.17
P/B	0.01	1.74	1.46
RoNW	3.89	19.56%	26.18%
NAV per share	164.63	550.64	779.43

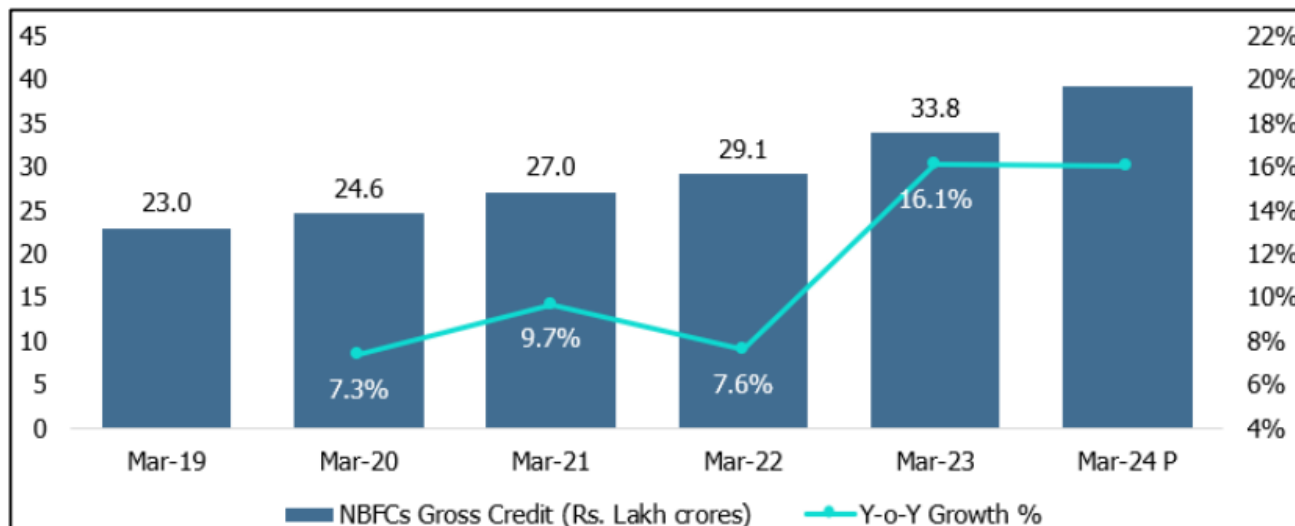
The comparison of the key performance indicators of the listed peers as of Mar-21 is given below –

Particulars	Indian Renewable Energy Development Agency Limited	REC Limited	Power Finance Corporation
P/E	7.26	3.09	2.57
P/B	0.04	2.05	1.72
RoNW	7.8	19.14%	25.86%
NAV per share	93.61	444.39	663.11

Based on the above analysis, the company has performed lower in terms of RoNW, and NAV per share for the FY 2023 when compared to its peers. The company has a higher P/E ratio when compared to both its peer companies. The company has a lower P/B ratio for FY 2023 when compared to REC Limited, and Power Finance Corporation.

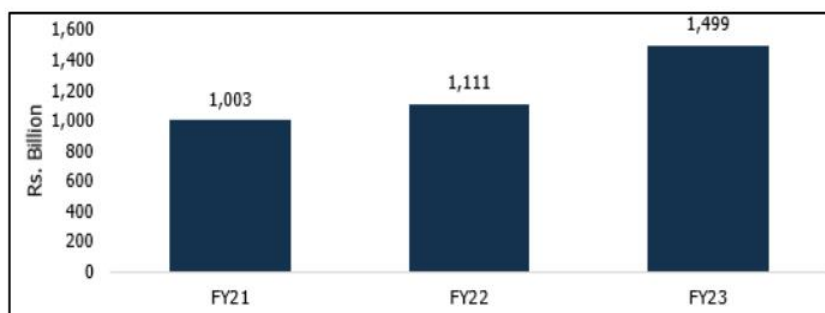
Industry Overview

Exhibit 1: Gross Credit Deployed by NBFCs.



Source: RBI, CareEdge Research
 Note: Data are provisional, P - projected

Exhibit 2: Trend in power financing NBFCs credit towards renewable sector.



Source: CareEdge Research, Industry Reports
 Note: Aggregate of outstanding credit of five key power financing NBFCs in India namely IREDA, PFC, PFS, REC, TCCL and India Infradebt Limited.

(Source: prospectus)

Non-Banking Financial Institutions Overview :

Non-banking financial institutions (NBFIs) comprise a heterogeneous group of financial intermediaries. Those under the regulatory purview of the Reserve Bank consist of:

- All-India financial institutions (AIFIs) that include the National Bank for Agriculture and Rural Development (NABARD), the Export Import (EXIM) Bank of India, the Small Industries Development Bank of India (SIDBI) and the National Housing Bank (NHB) are apex financial institutions that play an important role in meeting the long-term funding requirements of agriculture and the rural sector, foreign trade, small industries, housing finance companies (HFCs), NBFCs, Micro Finance Institutions (MFIs) and other specialised segments and institutions.
- Non-banking financial institutions (NBFIs) are government/public/private limited companies that specialise in delivering credit to a wide variety of specific segments, ranging from infrastructure to consumer durables and vehicle financing. Housing finance companies (HFCs) extend housing finance to individuals, co-operative societies, and corporate bodies and lease commercial and residential premises to support housing activity in the country.
- Primary dealers (PDs) came into existence in 1995 and act as market makers in the government securities (G-secs) market, besides ensuring subscription to primary issuances.

Non-Banking Financial Institutions (NBFIs) play an important role in the Indian financial system by complementing and competing with banks, and by bringing efficiency and diversity into financial intermediation. NBFCs have evolved considerably in terms of operations, heterogeneity, asset quality and profitability, as well as regulatory architecture.

The industry sector has remained the largest recipient of credit extended by NBFCs followed by retail loans, services, other non-food credit, and agriculture & allied activities. NBFCs have increased the amount of credit deployed to industry on account of improved demand for credit mainly for working capital loans due to surge in commodity prices. As of March 2023, industry credit contributed ₹ 12,428 billion, which is around 36.8% of NBFCs' gross credit deployed, as per the RBI.

While NBFCs' credit to the industry is growing, their credit to services has declined marginally mainly due to decline in credit to the commercial real estate sector, transport operators and other services. As of Mar-23, as per data published by RBI, credit deployed to the service sector has hovered around ₹ 4,795 billion that is around 14.2% of NBFCs gross credit deployed.

Retail loans comprise housing loans, vehicle loans, loans against gold, consumer durables loans and other such personal loans. Over the last couple of years, NBFCs have shifted their focus on retail lending in order to grow their business. And with slow demand for credit from the industry and services sector, retail lending has shown tremendous growth. As retail loans have lower delinquencies when compared to MSME / corporate lending which is also a major factor for the shift. As of March 2023, the credit deployed to retail loans by NBFCs has increased to more than a third of their gross credit deployed, which stood at ₹ 33,771 billion for NBFCs.

(Source: prospectus)

Key Managerial Personnel

Pradip Kumar Das, aged 57, is the Chairman, Managing Director and additional charge of the post of Director (Technical) of the company. He has completed his bachelor's degree in Bachelor of Commerce and Post Graduation Diploma in Management. He is a fellow member of the Institute of Cost Accountants of India and a member of the Institute of Company Secretaries of India. He has thirty years of experience in various sectors such as power, renewable energy, banking and finance at various public and private organisations.

Dr. Bijay Kumar Mohanty, aged 53, is the Director (Finance) and Chief Financial Officer of the company. He has obtained his degree in Bachelor of Commerce and master's degree in commerce, philosophy and public administration. He has twenty-five years of experience in the Indian power sector and also in finance, accounts, commercial, project appraisal, execution and management, and legal functions.

Ajay Yadav, aged 46, is the Government Nominee Director of the company. He has completed a bachelor's degree in engineering (mechanical). He is an Indian administrative service officer of the Bihar cadre from the batch of 2005. He has over eighteen years of experience in administration. He is currently the joint secretary in the Ministry of New and Renewable Energy, Government of India.

Padam Lal Negi, aged 56, is the Government Nominee Director of the company. He holds a Bachelor of Commerce degree and is also a member of the Institute of Company Secretary. He has over thirty years of experience in administration. He is, currently, the joint secretary and finance adviser in the Ministry of Civil Aviation and the Ministry of New and Renewable Energy, Government of India (additional charge).

Shabdsharan Narharibhai Brahmabhatt, aged 59, is a part-time non-official director (Independent Director) of the company. He has a bachelor's degree in law and in commerce. He is a member of the Baroda Bar Association.

Dr. Jagannath Chennakeshava Murthy Jodidhar, aged 49, is a part-time non-official Director (Independent Director) of the company. He completed a bachelor's degree in medicine and a Doctor of Medicine degree in internal medicine. He was awarded the Nobel Laureate Mother Teresa State Awards, in 2016 in the category of "The Best Doctor" by the Newspaper Association of Karnataka.

Ram Nihal Nishad, aged 58, is a part-time non-official Director (Independent Director) of the Company. He holds a bachelor's degree in law and in commerce. He is a lawyer and a member of the Bar Council of Uttar Pradesh.

Rohini Rawat, aged 56, is a part-time non-official Director (Independent Director) of the Company. She has completed a master's degree in economics. She is a member of the Uttaranchal Women Empowerment and Child Welfare Centre and was awarded the "Chief Minister Nirmal Nagar Award" in 2016-17. She is a social worker and has also been an active volunteer 289 in Samanvay where she was awarded "Leader of the Year" in 2001.

To conclude, the company is Government-owned and the directors, have over a decade of experience in the fields in which the company operates. The remaining Part-Time Directors of the company have good knowledge and experience in their respective fields.

Financial Snapshot

P&L Statement				(Amt in Cr.)
Particulars	FY 21	FY 22	FY 23	Sep-23
Revenue from operations				
Interest income	2,564.34	2,713.22	3,373.83	2,285.69
Fees and Commission Income	33.77	106.39	37.333	20.865
Net gain/(loss) on fair value changes on derivatives	-12.47	-1.473	12.428	-11.321
Other Operating Income	69.17	41.765	58.387	24.603
Total Revenue from Operations	2,654.81	2,859.90	3,481.98	2,319.83
Other Income	2.93	14.256	1.069	0.625
Total Income	2,657.74	2,874.16	3,483.04	2,320.46
Expenses				
Finance Cost	1,570.26	1,587.25	2,088.44	1,556.90
Net Translation/transaction exchange loss	69.847	45.89	24.026	-30.049
Impairment on financial instruments	341.65	179.90	66.579	-114.38
Employee Benefits Expenses	47.36	58.818	63.093	32.946
Depreciation, amortization and impairment	22.674	23.243	23.498	13.02
Other Expenses	20.024	135.71	71.187	38.087
Corporate Social Responsibility Expenses	16.416	9.506	6.974	4.498
Total Expenses	2,088.23	2,040.32	2,343.80	1,501.02
Profit Before Tax	569.52	833.84	1,139.25	819.43
Tax Expenses	223.09	200.31	274.62	240.12
Income Tax	291.62	311.20	253.17	203.05
Deferred Tax	-68.513	-110.88	21.448	37.074
Share of Profit/(Loss) in Associate	-0.025	-	-	-
Profit after tax	346.43	633.53	864.63	579.32

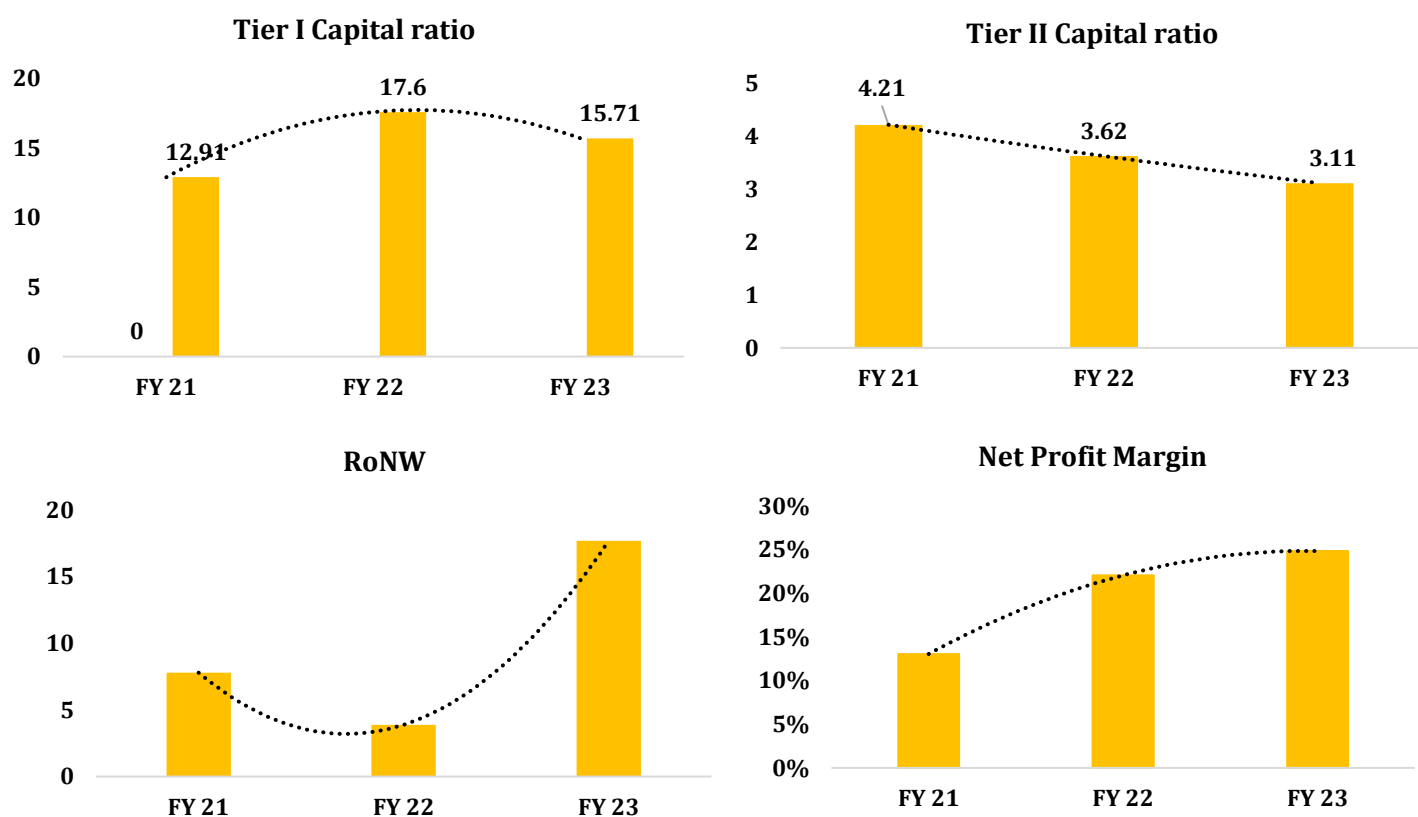
Balance Sheet				(Amt in Cr.)
Particulars	FY 21	FY 22	FY 23	Sep-23
Assets				
Financial Assets				
Cash and Cash Equivalents	221.02	131.18	138.53	360.24
Bank Balance other than the above	382.292	395.519	816.239	1,102.69
Derivate Financial Instruments	403.09	398.33	574.05	451.64
Receivables	2.97	4.53	4.91	3.975
Loans	26,905.64	33,174.45	46,226.92	46,712.88
Investments	-	99.27	99.30	99.32
Other financial assets	22.80	31.82	31.81	31.131
Total Assets	27,937.81	34,235.09	47,891.77	48,761.88
Non-Financial Assets				
Current Tax Assets (Net)	108.46	129.85	143.92	164.85
Deferred Tax Assets (Net)	210.99	322.06	301.00	264.00
Investment Property	0.043	0.036	0.03	0.027
Property, Plant and Equipment	246.38	230.11	212.84	204.66
Capital work-in-progress	0.009	128.33	139.26	12.486
Right of use asset	19.618	17.653	15.858	143.05
Intangible assets under development	-	3.112	4.856	4.856
Intangible assets	0.106	0.045	0.014	0.012
Other non-financial assets	1,769.44	1,642.13	1,737.42	1,700.67
Investment accounted using Equity Method	0.534	-	-	-
Total Non-Financial Assets	2,355.58	2,473.32	2,555.21	2,494.61
Total Assets	30,293.39	36,708.41	50,446.98	51,256.49

Balance Sheet	(Amt in Cr.)			
Liabilities				
Financial Liabilities				
Derivative financial instruments	91.83	182.58	151.47	173.38
Trade Payables	-	-	-	-
total outstanding dues of micro-enterprises and small enterprises	0.44	0.62	0.25	0.196
total outstanding dues of creditors other than micro-enterprises and small enterprises	21.66	4.14	4.23	34.115
Debt Securities	9,120.26	9,229.14	10,843.28	11,542.70
Borrowings (Other than Debt Securities)	14,230.55	17,734.67	28,672.66	27,658.12
Subordinated Liabilities	649.19	649.26	649.33	649.37
Other financial liabilities	863.03	836.00	1,335.43	1,779.31
Total Financial Liabilities	24,976.96	28,636.42	41,656.67	41,837.19
Non-Financial Liabilities				
Provisions	602.46	1,055.97	1,118.16	1,039.71
Other non-financial liabilities	1,718.38	1,747.91	1,736.99	1,798.98
Total Non-Financial Liabilities	2,320.84	,803.88	2,855.15	2,838.69
Equity				
Equity Share Capital	784.60	2,284.60	2,284.60	2,284.60
Other Equity	2,211.00	2,983.51	3,650.57	4,296.01
Total Equity	2,995.60	5,268.11	5,935.17	6,580.61
Total Liabilities and Equity	30,293.39	36,708.41	50,446.98	51,256.49

Cash Flow Statement	(Amt in Cr.)			
Particulars	FY 21	FY 22	FY 23	Sep 30, 2023
Cash Flow from Operating Activities	-3,259.14	-5,254.12	-12,343.08	286.01
Cash Flow from Investing Activities	-2.10	-107.12	-17.21	-5.69
Cash Flow from Financing Activities	2,441.18	5,271.40	12,367.64	-58.61

Particulars	FY 21	FY 22	FY 23
Banking ratios			
Tier I Capital ratio	12.91	17.6	15.71
Tier II Capital ratio	4.21	3.62	3.11
Total Capital ratio (CRAR) (%)	17.12	21.22	18.82
Return Ratios (%)			
RoNW	7.80	3.89	17.69
RoA	1.14	1.73	1.71
Valuation Ratios			
P/E	7.26	3.99	8.47
P/B	0.04	0.01	0.01
Leverage Ratios			
Leverage Ratio	9.19%	13.12%	10.88%
Debt-to-Equity Ratio	4.75	3.37	4.83
Debt-to-Capital Ratio	3.85	3.05	4.36
Net Interest Margin	38.77%	41.50%	38.10%

Financial Charts



Key Risk Factors

1. The company had outstanding litigations and any adverse outcome in any of these litigations may have an adverse impact on the business, results of operations and financial condition. 395 criminal cases by the company and 39 material civil litigations amounted to Rs. 4,076.17 crores, and 35 criminal cases, and 6 material civil litigations against the company amounted to Rs. 84.11 crores.
2. The company's contingent liabilities amounted to Rs. 1,099.64 crores, if any adverse outcome it may affect the business, results of operations and financial condition of the company.
3. The company had negative operating cash flow for all FY ended 2021, 2022, and 2023.

Track Record of Lead Manager

The lead managers to the issue are IDBI Capital Markets and Securities Limited, BOB Capital Markets Limited and SBI Capital Markets Limited. A table has been set below highlighting the details of the IPO of the recent companies handled by the Lead Manager in recent times –

IDBI Capital Market and Securities Limited -

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Inox Green Energy Services Limited	740.00	65.00	November 23, 2022	70.80
2.	Rolex Rings Limited	731.00	900.00	August 09, 2021	2295.00
3.	RailTel Corporation of India Limited	819.24	94.00	February 26, 2021	251.00
4.	Route Mobile Ltd	600.00	350.00	September 21, 2020	1554.00
5.	IRCTC Limited	645.12	320.00	October 14, 2019	679.00

The company has had 2 mandates in the past three years (including the current year).

BOB Capital Markets Limited -

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	IRM Energy Limited	545.40	505.00	October 26, 2023	448.00
2.	Chemplast Sanmar Limited	3850.00	541.00	August 24, 2021	443.00
3.	Glenmark Life Sciences Limited	1513.60	720.00	August 06, 2021	631.00
4.	Macrotech Developers Limited	2500.00	486.00	April 19, 2021	870.00
5.	Kalyan Jewellers India Limited	1175.00	87.00	March 26, 2021	314.00

The company has had 4 mandates in the past three years (including the current year).

SBI Capital Markets Limited -

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Updater Services Limited	7640.00	300.00	October 04, 2023	278.00
2.	JSW Infrastructure Limited	2800.00	119.00	October 03, 2023	206.00
3.	Yatra Online Limited	775.24	142.00	September 28, 2023	132.00
4.	Senco Gold Limited	405.00	317.00	July 14, 2023	690.00
5.	Nexus Select Trust	3200.00	100.00	May 19, 2023	129.00

The company has had 17 mandates in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 16th November 2023.

As per the offer document, of the above-mentioned mandates for all the Lead Managers, 7 have opened at discount, and the remaining have opened at premiums on the listing day.

Recommendation

The company has been in the industry since 1987 and has vast experience in the industry in which the company operates. The top line of the company and the bottom line have seen consistency in their increase over the years. The company's competition is moderate. The management overview is satisfactory.

The P/E on a post-IPO basis is 7.42 times which seems to be fairly priced by looking at the performance of the company. The Sector P/E is 10.4 times.

The company operates in a competitive segment with significant competitors in the industry. The company does have certain legal proceedings which may hamper its growth, but the service provided by the company is in demand, the company is an NBFC providing financial assistance to renewable energy companies. The company has seen a good revenue increase in both the top and bottom lines. The company is also has seen an increase in its loan book. The financial outlook of the company is good. With the points mentioned above we recommend **APPLY** to this IPO for long-term investments.

Disclaimer

We are not registered research analysts with SEBI and are not subject to the regulations governing research analysts. This research report is for educational purposes only and should not be construed as investment advice. The information contained in this report is based on publicly available information and is believed to be reliable, but no representation or warranty, express or implied, is made as to its accuracy or completeness. Also, some of the employees of our organization may have or may in the future hold investments in the company that is the subject of this research report. This may create a conflict of interest, and you should be aware of this when considering the information contained in this report. You should consult with your financial advisor before making any investment decisions.