IREDA LTD (INDREN)

ICICI Direct

CMP: ₹ 160 | Target: ₹ 200 (25%) | Target Period: 12 months | BUY

July 11, 2025

Result Update

Elevated stress accretion impact profitability.....

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

Q1FY26 performance: IREDA reported steady performance on AUM momentum in Q1FY26, however, elevated credit cost dented profitability. AUM stood at ₹79,941 crore, registering 26% YoY/ 4.7% QoQ growth. NIM improved to 3.6% (up ~30 bps QoQ/YoY), supported by a 20-bps sequential decline in cost of borrowings to 7.4%. However, PAT came in at ₹247 crore, down 36% YoY, largely impacted by elevated credit cost of ₹ 363 crore (vs ₹ 129 crore in Q4FY25) on account of elevated slippages which included one legacy account (exposure of ₹ 783 crore) being classified as NPA. Consequently, GNPA and NNPA rose to 4.1% and 2.1% respectively.

Investment Rationale

- **Asset quality blip to keep credit cost a tad higher in FY26E:** While AUM momentum continued to remain healthy at ~26% YoY, operational performance came steady underpinned by improving margins and efficiency, elevated NPA accretion came as a surprise. GNPA increased ~168 bps QoQ to 4.13%, led by one legacy account with exposure of ₹783 crore. Even excluding this account, slippages seem to be at ~3% (annualised), higher than expected, indicating broader stress that warrants monitoring. Resultantly, credit cost spiked to ₹ 363 crore (vs ₹ 129 crore in Q4FY25), thereby impacting profitability. Factoring higher provision, expect credit cost at ~50-60 bps in FY26-27E. However, sustained business growth and steady margins is expected to keep RoA at ~1.9% ahead.
- **Structural long-term growth to aid traction in AUM:** Government's focus to increase renewable power capacity from 227 GW 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 ~25-27% CAGR in FY26-27E.
- **Borrowing at competitive cost to remain an advantage:** Strategic borrowing mix with focus on domestic avenues (share at ~85% in Q1FY26) along with highest rating enables borrowing at competitive rates. Inclusion among selected PSUs, allowing issuance of 54EC bonds enables access to relatively low-cost, long-tenure capital. While higher share of floating-rate loans could induce margin volatility, amid rate cycle reversal, retail focus, though gradual, and approval of capital gain bonds could act as cushion.

Rating and Target Price

- While stress accretion impacted profitability in the quarter, long term structural growth story remains intact amid government's focus on renewable sector. Credit cost is expected to remain higher than earlier estimate, however, operational matrix is seen to remain largely steady, thereby keeping RoA at ~1.9% ahead. We continue to value the stock at ~3.4x FY27E BV (~25x FY27E EPS) and revise target from ₹220 to **₹200**. Maintain **Buy** rating on the stock.

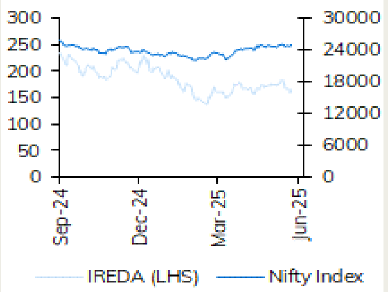
Particulars

Particulars	Amount
Market Capitalisation	₹ 47,729 crore
52 week H/L	310 / 137
Net worth	₹ 12,402 Crore
Face Value	10.0
DII Holding (%)	3.1
FII Holding (%)	3.3

Shareholding pattern

Holding (%)	Sep-24	Dec-24	Mar-25	Jun-25
Promoter	75.0	75.0	75.0	71.8
FII	2.0	1.9	1.8	3.3
DII	0.4	0.6	0.5	3.1
Public	22.6	22.5	22.7	21.9

Price Chart



Key risks

- Increase in competition could impact profitability
- One-off slippages could keep profitability volatile given lumpy exposure

Research Analyst

Vishal Narnolia
vishal.narnolia@icicisecurities.com

Manan Agrawal
Manan.agrawal@icicisecurities.com

ICICI Securities – Retail Equity Research

Key Financial Summary

	FY23	FY24	FY25	3 year CAGR (FY22-FY25)	FY26E	FY27E	2 year CAGR (FY25-27E)
NII	1,285	1,658	2,434	29.3%	3,098	3,770	24.4%
PPP	1,206	1,618	2,341	32.2%	3,004	3,673	25.2%
PAT	865	1,252	1,699	38.9%	1,812	2,285	16.0%
ABV (₹)	23	30	34	22.9%	42	50	20.9%
P/E	42	34	25		25	20	
P/ABV	7	5	5		4	3	
RoA	2	2	2		2	2	
RoE	15	15	17		13	14	

Source: Company, ICICI Direct Research

Exhibit 1: Variance Analysis

	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	Comments
NII	689.5	507.8	35.8	757.4	-9.0	Driven by strong YoY growth of 26.4% in AUM
Calculated NIM %	0.0	0.0	85 bps	0.0	29 bps	Decline in CoF aid margin trajectory
Other Income	50.7	45.1	12.5	53.6	-5.3	
Total Income	740.3	535.8	38.2	811.0	-8.7	
Staff cost	21.2	19.8	6.7	20.8	1.7	
Other opex	52.8	70.2	-24.8	30.8	71.7	
PPoP	666.3	445.7	49.5	759.4	-12.3	Improvement in margins coupled with steady opex led to 49.5% YoY growth in PPoP
Provision costs	362.6	-30.0	-1,307.2	129.4	180.1	Elevated credit cost QoQ at ~206 bps
PBT	303.6	475.7	-36.2	630.0	-51.8	
Provision for Tax	58.0	92.0	-37.0	128.2	-54.7	
PAT	245.6	383.7	-36.0	501.8	-51.0	PAT came down, largely impacted by elevated credit cost including of slippage of one legacy account
Key Metrics						
GNPA	3,227.6	1,385.0	133.0	1,845.3	74.9	Elevated stress accretion led GNPA to rise by 168 bps QoQ to 4.13%
NNPA	1,609.9	593.0	171.5	1,016.8	58.3	
Total loan book	79,938.0	63,206.0	26.5	76,279.0	4.8	Momentum in-line with guidance
Borrowings	66,398.0	53,095.0	25.1	64,740.0	2.6	

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 2: Profit and loss statement				₹ crore
(Year-end March)	FY24	FY25	FY26E	FY27E
Interest Earned	4,822.4	6,575.4	8,184.0	10,074.0
Interest Expended	3,164.1	4,141.0	5,086.3	6,304.5
Net Interest Income	1,658.3	2,434.4	3,097.7	3,769.5
% growth	29.0	46.8	27.2	21.7
Non Interest Income	142.9	179.6	231.3	291.8
Net Income	1,801.2	2,614.0	3,328.9	4,061.3
Total operating expense	183.2	272.7	325.2	388.7
PPoP	1,618.0	2,341.2	3,003.7	3,672.5
Provisions	-67.2	237.2	588.3	625.6
PBT	1,685.2	2,104.0	2,415.5	3,046.9
Taxes	433.0	405.2	603.9	761.7
Net Profit	1,252.2	1,698.8	1,811.6	2,285.2
% growth	44.8	35.7	6.6	26.1

Source: Company, ICICI Direct Research

Exhibit 3: Key ratios				₹ crore
(Year-end March)	FY24	FY25	FY26E	FY27E
Valuation				
No. of Equity Shares	268.8	268.8	281.0	281.0
EPS (₹)	4.7	6.3	6.4	8.1
BV (₹)	31.8	38.2	50.1	58.3
ABV (₹)	29.7	34.4	42.4	50.3
P/E	34.3	25.3	24.8	19.7
P/BV	5.0	4.2	3.2	2.7
P/adj.BV	5.4	4.7	3.8	3.2
Yield on AUM	8.2	8.7	8.5	8.3
Cost of funds	6.4	6.4	6.2	6.0
Net Interest Margins	2.8	3.2	3.2	3.1
Spreads	1.8	2.3	2.3	2.3
Quality and Efficiency				
Cost / Total net income	10.2	10.4	9.8	9.6
GNPA%	2.4	2.5	4.3	3.5
NNPA%	1.0	1.4	2.3	1.8
RoE (%)	14.6	16.5	12.9	14.0
RoA (%)	2.1	2.3	1.9	1.9

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet				₹ crore
(Year-end March)	FY24	FY25	FY26E	FY27E
Sources of Funds				
Capital	2,688	2,688	2,810	2,810
Reserves and Surplus	5,872	7,578	11,275	13,560
Networth	8,560	10,266	14,084	16,369
Borrowings	49,687	64,740	82,462	1,05,638
Other Liabilities & Provisions	4,368	4,728	4,011	4,847
Total	62,615	79,734	1,00,557	1,26,854
	1	1	1	1
Applications of Funds				
Investments	99	626	626	626
Advances	58,775	75,320	95,656	1,21,484
Other Assets	3,004	3,117	3,429	3,772
Cash & Equivalent	736	671	846	973
Total	62,615	79,734	1,00,557	1,26,854

Source: Company, ICICI Direct Research

Exhibit 5: Growth				(%)
(Year-end March)	FY24	FY25	FY26E	FY27E
Total assets	24.1	27.3	26.1	26.2
Advances	27.1	28.1	27.0	27.0
Borrowings	23.7	30.3	27.4	28.1
Net income	29.2	45.1	27.4	22.0
Net interest income	29.0	46.8	27.2	21.7
Total operating expense	-3.0	48.9	19.3	19.5
PPoP	34.2	44.7	28.3	22.3
Net profit	44.8	35.7	6.6	26.1
Book value	22.6	19.9	31.3	16.2
EPS	23.1	35.7	2.0	26.1

Source: Company, ICICI Direct Research

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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

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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. Bhavesh Soni Email address: headservicequality@icicidirect.com Contact Number: 18601231122

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