

October 14, 2025

**Growth momentum continued, stress accretion normalized.....**

**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

**Q2FY26 performance:** IREDA reported strong performance on AUM momentum in Q2FY26, along with normalisation in credit cost supporting profitability. AUM stood at ₹84,478 crore, registering 30.8% YoY/ 5.7% QoQ growth. NIM improved to 3.72% (up ~12 bps QoQ/~40 bps YoY), supported by 16-bps sequential decline in cost of borrowings to 7.2%. PAT came in at ₹549 crore, up 42% YoY, driven by robust growth in AUM and higher margins. Post a surge in Q1FY26, GNPA and NNPA begin to decline gradually to 3.9% and 1.9% respectively.

**Investment Rationale**

- Sustained momentum, normalization of asset quality to aid returns:** AUM momentum sustained at 31% YoY, while asset quality recovery normalizing credit cost, supported profitability, underpinned by improving margins and operational efficiency. Credit costs declined sharply to ₹70 crore (vs ₹363 crore in Q1FY26), amid normalization of slippages, resulting revival in earnings momentum. Going ahead, factoring steady slippages trend, expect credit cost at ~50-60 bps in FY26-27E. Sustained business growth, steady margins along with prudent credit cost is expected to keep RoA at ~1.9%.
- 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 ~26-28% CAGR in FY26-27E.
- Regulatory clarification and sources with competitive borrowing remains an advantage:** Strategic borrowing mix with focus on domestic avenues (share at ~86% in Q2FY26), highest credit rating, and approval for issuance of 54EC bonds enables borrowing at competitive rates. Easing of proposed provisioning requirement (from earlier 5% to 1-1.25%) is seen to aid credit growth in infrastructure segment as well as support healthy earnings trend.

**Rating and Target Price**

- Barring elevated stress accretion seen in Q1FY26, overall performance including margins, operational efficiency and credit cost witnessed normalized trend in Q2FY26. Long term structural growth story remains intact amid government's focus on renewable sector. Credit cost and operational matrix is expected to remain steady, thereby keeping RoA at ~1.9% ahead. We continue to value the stock at ~3.4x FY27E BV (~24x FY27E EPS) with target of ₹200. Maintain **Buy** rating on the stock.

**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%	3,152	3,862	26.0%
PPP	1,206	1,618	2,341	32.2%	3,036	3,750	26.6%
PAT	865	1,252	1,699	38.9%	1,853	2,363	17.9%
ABV (₹)	23	30	34	22.9%	44	52	23.1%
P/E	41	33	24		23	18	
P/ABV	7	5	4		3	3	
RoA	2	2	2		2	2	
RoE	15	15	17		13	14	

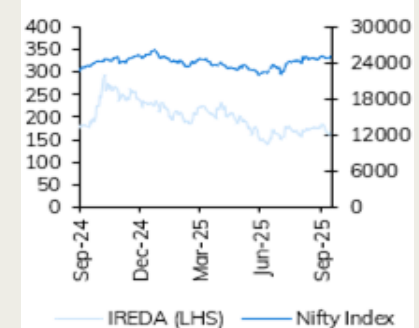
Source: Company, ICICI Direct Research

**Particulars**

	Amount
Market Capitalisation	₹ 43,515 crore
52 week H/L	234 / 137
Net worth	₹ 12,920 Crore
Face Value	10.0
DII Holding (%)	2.6
FII Holding (%)	1.9

**Shareholding pattern**

Holding (%)	Dec-24	Mar-25	Jun-25	Sep-25
Promoter	75.0	75.0	71.8	71.8
FII	1.9	1.8	2.0	1.9
DII	0.6	0.5	3.0	2.6
Public	22.5	22.7	23.3	23.8

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

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

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**Exhibit 1: Variance Analysis**

	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	Comments
NII	817.1	546.9	49.4	690.5	18.3	Driven by strong YoY growth of 30.6% in AUM
Calculated NIM %	4.5%	4.0%	51 bps	3.9%	53 bps	Decline in CoF aid margin trajectory
Other Income	27.4	45.1	-39.4	50.7	-46.1	
Total Income	844.5	600.2	40.7	741.3	13.9	
Staff cost	26.0	20.9	24.4	21.2	22.5	
Other opex	52.6	85.6	-38.6	52.8	-0.5	
PPoP	766.0	493.8	55.1	667.3	14.8	Improvement in margins coupled with steady opex led to 55.1% YoY growth in PPoP
Provision costs	69.9	33.9	106.5	362.6	-80.7	Credit cost stress eased QoQ at ~80 bps
PBT	696.1	459.9	51.3	304.6	128.5	
Provision for Tax	147.1	72.2	103.8	58.0	153.6	
PAT	549.0	387.7	41.6	246.6	122.6	PAT increased sharply, largely impacted by ease in credit cost and NII growth
<b>Key Metrics</b>						
GNPA	3,280.1	1,395.4	135.1	3,227.6	1.6	Normalization in slippages, led GNPA to decline QoQ ~16 bps to 3.97%
NNPA	1,627.7	662.7	145.6	1,609.9	1.1	
Total loan book	84,478	64,565	30.8	79,938	5.7	Momentum in-line with guidance
Borrowings	66,682	53,989	23.5	66,398	0.4	

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	8,276.4	10,262.4
Interest Expended	3,164.1	4,141.0	5,124.6	6,400.2
Net Interest Income	1,658.3	2,434.4	3,151.8	3,862.2
% growth	29.0	46.8	29.5	22.5
Non Interest Income	142.9	179.6	214.7	285.8
Net Income	1,801.2	2,614.0	3,366.5	4,148.0
Total operating expense	183.2	272.7	330.4	398.0
PPoP	1,618.0	2,341.2	3,036.1	3,750.0
Provisions	-67.2	237.2	597.5	640.5
PBT	1,685.2	2,104.0	2,438.6	3,109.5
Taxes	433.0	405.2	585.3	746.3
Net Profit	1,252.2	1,698.8	1,853.4	2,363.3
% growth	44.8	35.7	9.1	27.5

Source: Company, ICICI Direct Research

**Exhibit 3: Key ratios**

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
<u>Valuation</u>				
No. of Equity Shares	268.8	268.8	281.0	281.0
EPS (₹)	4.7	6.3	6.6	8.4
BV (₹)	31.8	38.2	50.3	58.7
ABV (₹)	29.7	34.4	44.4	52.2
P/E	33.1	24.4	23.3	18.3
P/BV	4.8	4.0	3.1	2.6
P/adj.BV	5.2	4.5	3.5	3.0
Yield on AUM	8.2	8.7	8.5	8.2
<u>Cost of funds</u>				
Net Interest Margins	2.8	3.2	3.2	3.1
Spreads	1.8	2.3	2.3	2.3
<u>Quality and Efficiency</u>				
Cost / Total net income	10.2	10.4	9.8	9.6
GNPA%	2.4	2.5	3.8	3.3
NNPA%	1.0	1.4	1.7	1.5
RoE (%)	14.6	16.5	13.1	14.3
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
<u>Sources of Funds</u>				
Capital	2,688	2,688	2,810	2,810
Reserves and Surplus	5,872	7,578	11,316	13,680
Networth	8,560	10,266	14,126	16,489
Borrowings	49,687	64,740	83,761	108,146
Other Liabilities & Provisions	4,368	4,728	4,334	5,260
Total	62,615	79,734	102,220	129,896
<u>Applications of Funds</u>				
Investments	99	626	783	783
<u>Advances</u>				
Other Assets	58,775	75,320	97,163	124,368
Cash & Equivalent	3,004	3,117	3,429	3,772
Total	736	671	846	973
Total	62,615	79,734	102,220	129,896

Source: Company, ICICI Direct Research

**Exhibit 5: Growth**

(%)

(Year-end March)	FY24	FY25	FY26E	FY27E
Total assets	24.1	27.3	28.2	27.1
Advances	27.1	28.1	29.0	28.0
Borrowings	23.7	30.3	29.4	29.1
Net income	29.2	45.1	28.8	23.2
Net interest income	29.0	46.8	29.5	22.5
Total operating expense	-3.0	48.9	21.1	20.5
PPoP	34.2	44.7	29.7	23.5
Net profit	44.8	35.7	9.1	27.5
Book value	22.6	19.9	31.6	16.7
EPS	23.1	35.7	4.4	27.5

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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