

CMP: ₹ 137

Target: ₹ 180 (31%)

Target Period: 12 months

BUY

January 12, 2026

**Growth on-track, asset quality normalising...**

**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.

**Q3FY26 performance:** IREDA delivered strong Q3FY26 performance, sustaining AUM growth at ~28% YoY (4% QoQ) to ₹87,975 crore, driven by healthy sanctions and robust disbursements across solar, state utilities and ethanol segment. NII grew 39.7% YoY (6.4% QoQ) to ₹869 crore, supported by balance sheet expansion and improvement in interest spread to 2.63%, while NIM were up 41 bps at 3.74%, aided by a ~61 bps YoY decline in CoB to 7.07%. PAT increased 37.5% YoY to ₹585 crore. Asset quality showed normalization trend, with GNPA/NNPA declining ~22/29 bps QoQ to 3.75%/1.68% respectively and PCR increasing 460 bps at 56.1%.

**Investment Rationale**

- Sustained growth momentum with steady return profile:** IREDA continues to deliver strong AUM growth which is further anticipated to continue, thus modelling 27–28% CAGR expected over FY26–28E, driven by its dominant position in renewable energy financing. Robust loan growth, stable margins and operating leverage are translating into healthy earnings momentum. Sustained spreads supports profitability profile, with RoA expected to sustain around ~1.8–2% in FY26–28E.
- Asset quality normalization to support earnings stability:** Asset quality indicators have begun to stabilize, with sequential improvement in GNPA (down ~22 bps) and controlled slippages in Q3FY26. Management's conservative provisioning approach, seasoning of the loan book and improving recoveries are expected to keep credit cost contained at ~50–60 bps over FY26–28E, aiding normalized earnings trajectory.
- Structural long-term opportunity with competitive funding advantage:** Government's focus on scaling renewable energy capacity from ~254 GW to 500 GW by FY30 provides a multi-year growth runway for IREDA. Its strategic role as a nodal agency, diversified sector exposure and expanding footprint across emerging areas (green hydrogen, storage, EV infra) positions it well to capture incremental financing demand. Additionally, AAA domestic rating, access to domestic bonds (~87% of borrowings), ECBs and approval for 54EC bonds ensure competitive cost of funds, strengthening long-term return profile.

**Rating and Target Price**

- Despite temporary stress witnessed in Q1FY26, performance in Q3FY26 confirms normalization in margins, asset quality and earnings. Long-term structural growth story for renewable financing remains intact, supported by balance sheet growth, stable margins and sustained asset quality.
- While growth runway remains a tailwind with sustained return ratios, there exists inherent risk of volatility given lumpy exposure. Thus, rolling on to FY28E, we value the stock at ~2.5x FY28E BV and maintain BUY rating with revised target price of ₹ 180.

**Key Financial Summary**

	FY24	FY25	3 year CAGR (FY22-FY25)	FY26E	FY27E	FY28E	3 year CAGR (FY25-28E)
NII	1,658	2,434	29.3%	3,172	3,943	4,906	26.3%
PPP	1,618	2,341	32.2%	3,045	3,792	4,711	26.2%
PAT	1,252	1,699	38.9%	1,908	2,491	3,077	21.9%
ABV (₹)	30	34	22.9%	45	53	63	22.2%
P/E	29	22		20	15	13	
P/ABV	5	4		3	3	2	
RoA	2	2		2	2	2	
RoE	15	17		13	15	16	

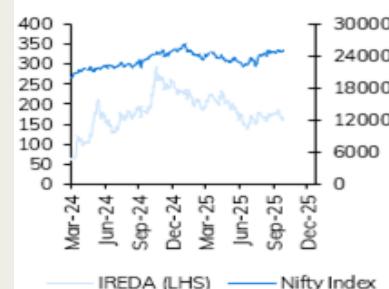
Source: Company, ICICI Direct Research

**Particulars**

	Amount
Market Capitalisation	₹ 38,377 crore
52 week H/L	213 / 129
Net worth	₹ 13,536 Crore
Face Value	10.0
DII Holding (%)	2.5
FII Holding (%)	2.1

**Shareholding pattern**

Holding (%)	Mar-25	Jun-25	Sep-25	Dec-25
Promoter	75.0	71.8	71.8	71.8
FII	1.8	2.0	1.9	2.1
DII	0.5	3.0	2.6	2.5
Public	22.7	23.3	23.8	23.7

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

- Tighter liquidity may affect borrowing cost and spread
- One-off slippages could keep profitability volatile given lumpy exposure

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## Exhibit 1: Variance Analysis

	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Comments
NII	869.4	622.3	39.7	817.1	6.4	Healthy loan growth of 27.6% and improvement in interest spread aids NII
Calculated NIM %	4.52%	4.23%	29 bps	4.47%	5 bps	Steady margins aided by reduction in CoF
Other Income	37.6	45.1	-16.6	27.4	37.6	
Total Income	907.0	666.7	36.0	844.5	7.4	
Staff cost	29.0	19.5	48.7	26.0	11.8	
Other opex	31.8	5.1	521.1	52.6	-39.5	Bad debts write-off ~₹13.4 crore, inflated other opex YoY
PPoP	846.2	642.1	31.8	766.0	10.5	
Provision costs	129.3	104.0	24.3	69.9	84.9	Higher credit cost results in higher provision coverage
PBT	717.0	538.1	33.2	696.1	3.0	
Provision for Tax	132.0	112.8	17.0	147.1	-10.2	
PAT	584.9	425.3	37.5	549.0	6.5	Robust YoY growth largely supported by AUM growth and NII expansion
	0.15%	0.15%		0.08%		
<b>Key Metrics</b>						
GNPA	3,297.0	1,845.0	78.7	3,353.0	-1.7	Normalization in fresh slippages, led GNPA to decline QoQ ~22 bps to 3.75%
NNPA	1,448.0	1,024.0	41.4	1,627.0	-11.0	
Total loan book	87,975	68,958	27.6	84,478	4.1	Healthy momentum in-line with guidance
Borrowings	73,192	57,931	26.3	66,682	9.8	

Source: Company, ICICI Direct Research

## Financial Summary

Exhibit 2: Profit and loss statement				₹ crore	Exhibit 3: Key ratios				₹ crore
(Year-end March)	FY25	FY26E	FY27E	FY28E	(Year-end March)	FY25	FY26E	FY27E	FY28E
Interest Earned	6,575.4	8,215.4	10,185.9	12,622.3	Valuation				
Interest Expended	4,141.0	5,043.3	6,243.3	7,716.7	No. of Equity Shares	268.8	281.0	281.0	281.0
Net Interest Income	2,434.4	3,172.1	3,942.6	4,905.7	EPS (₹)	6.3	6.8	8.9	11.0
% growth	46.8	30.3	24.3	24.4	BV (₹)	38.2	50.5	59.3	70.3
Non Interest Income	179.6	162.4	219.2	278.9	ABV (₹)	34.4	45.0	52.9	62.8
Net Income	2,614.0	3,334.5	4,161.9	5,184.5	P/E	21.7	20.2	15.5	12.5
Total operating expense	272.7	289.2	370.2	473.9	P/BV	3.6	2.7	2.3	1.9
PPoP	2,341.2	3,045.3	3,791.7	4,710.7	P/adj.BV	4.0	3.0	2.6	2.2
Provisions	237.2	660.4	598.5	766.0	Yield on AUM	8.7	8.5	8.2	8.0
PBT	2,104.0	2,384.9	3,193.2	3,944.6	Cost of funds	6.4	6.1	5.8	5.6
Taxes	405.2	477.0	702.5	867.8	Net Interest Margins	3.2	3.3	3.2	3.1
Net Profit	1,698.8	1,907.9	2,490.7	3,076.8	Spreads	2.3	2.4	2.4	2.3
% growth	35.7	12.3	30.5	23.5	Quality and Efficiency				
Source: Company, ICICI Direct Research					Cost / Total net income	10.4	8.7	8.9	9.1
					GNPA%	2.5	3.6	3.3	3.0
					NNPA%	1.4	1.6	1.5	1.3
					RoE (%)	16.5	13.5	14.9	15.6
					RoA (%)	2.3	2.0	2.0	1.9

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet				₹ crore	Exhibit 5: Growth				(%)
(Year-end March)	FY25	FY26E	FY27E	FY28E	(Year-end March)	FY25	FY26E	FY27E	FY28E
<u>Sources of Funds</u>									
Capital	2,688	2,810	2,810	2,810	Total assets	27.3	27.3	27.1	27.2
Reserves and Surplus	7,578	11,371	13,862	16,938	Advances	28.1	28.0	28.0	28.0
Networth	10,266	14,180	16,671	19,748	Borrowings	30.3	28.4	29.1	28.0
Borrowings	64,740	83,112	107,308	137,354	Net income	45.1	27.6	24.8	24.6
Other Liabilities & Provisions	4,728	4,206	4,984	6,937	Net interest income	46.8	30.3	24.3	24.4
Total	79,734	101,499	128,963	164,039	Total operating expense	48.9	6.0	28.0	28.0
<u>Applications of Funds</u>									
Investments	626	814	814	814	PPoP	44.7	30.1	24.5	24.2
Advances	75,320	96,410	123,404	157,957	Net profit	35.7	12.3	30.5	23.5
Other Assets	3,117	3,429	3,772	4,149	Book value	19.9	32.2	17.6	18.5
Cash & Equivalent	671	846	973	1,119	EPS	35.7	7.5	30.5	23.5
Total	79,734	101,499	128,963	164,039	Source: Company, ICICI Direct Research				

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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