



## RATING RATIONALE

22 Feb 2024

### Indian Renewable Energy Development Agency Ltd.

**Brickwork Ratings (BWR) upgrades the rating for the Bank Loan Facilities and Bonds of Indian Renewable Energy Development Agency Ltd. and removes the ratings from the ISSUER NOT COOPERATING category.**

#### Particulars

Instruments & Facilities **	Amount (Rs. in Crs.)		Tenure	Rating <sup>@</sup>	
	Previous	Present		Previous (Jan. 29, 2024)	Present
Fund Based Bank Loan Facilities	10700	<b>5543.58</b>	LT	BWR BB+/Stable/ Continues to be in ISSUER NOT COOPERATING* category/Downgraded	<b>BWR AAA /Stable/Removal from ISSUER NOT COOPERATING* category/Upgraded</b>
<b>Total Bank liabilities</b>	10700	<b>5543.58</b>			
Unsecured Taxable Sub Tier II Bonds	500	<b>500</b>	LT	BWR BB+/Stable/ Continues to be in ISSUER NOT COOPERATING* category/Downgraded	<b>BWR AAA /Stable/Removal from ISSUER NOT COOPERATING* category/Upgraded</b>
Existing Taxable Bonds	1803	<b>1803</b>			
Taxable Green Bonds	865	<b>865</b>			
Existing Taxable Sub Tier II Bonds	150	<b>150</b>			
<b>Total</b>	3018 <sup>^</sup>	<b>3018<sup>^</sup></b>			
Long Term Tax Free Bonds	750	<b>750</b>	LT	BWR BB+/Stable/ Continues to be in ISSUER NOT COOPERATING* category/Downgraded	<b>BWR AAA /Stable/Removal from ISSUER NOT COOPERATING* category/Upgraded</b>
Long Term Tax Free Bonds	757.65	<b>757.65</b>			
<b>Total</b>	1,507.65	<b>1507.65</b>			
<b>Total Bonds</b>	4525.65	<b>4525.65</b>			
<b>Grand Total</b>	15,225.65	<b>10,069.23</b>	<b>INR Ten Thousand and Sixty Nine crores and Twenty Three Lakh Only.</b>		



@ Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for the definition of the ratings

\*\* Details of Bank loan facilities and Bonds in Annexure-1 & 2.

\* Issuer did not cooperate; based on best available information.

^Rs.300 CRs of NCD out of Rs.3318 Crs. has been redeemed. The same amount has been reduced from total rating facilities as it belongs to the same series.

## **RATING ACTION/OUTLOOK**

Brickwork Ratings (BWR) has upgraded Indian Renewable Energy Development Agency Ltd. (IREDA or the Company) ratings for the Bank loan facilities of Rs.5543.58 Crs, Bonds/NCDs Rs.4525.65 Crs. to BWR AAA/Stable from BWR BB+/Stable and removed them from the ISSUER NOT COOPERATING category. The bonds amounting to Rs. 300.00 crores were redeemed in full in FY-23. Confirmation of redemption has been received from the Debenture Trustees on record.

The ratings factors in the improved profitability metrics, asset quality and robust growth in loan book with support from adequate capital infusion from promoter viz. Government of India.

IREDA's loan book grew 38.75% to Rs. 47,076 Crore in FY-23, Furthermore, during 9MFY24 loan book growth was 33% (9MFY23 : Rs. 37888 crs.). The healthy growth was augmented by a significant improvement in asset quality in FY-23 and 9MFY24 and is reflected in its NNPA of 1.66% and 1.52% in FY23 and 9MFY24. In FY23, the PAT surged by ~36% to Rs. 864.63 crores, over FY-22. For the period ended 9M FY24 PAT is Rs. 915 crores as against Rs. 611 crores of 9M FY23 (up by 50%). This acceleration in growth is notable, especially in comparison to the growth witnessed after FY23.

Capital adequacy remains well in line with RBI regulations, with the CRAR standing at 18.82% in FY-23 and in 9MFY24 23.88% , exceeding the minimum permissible floor of 15%. Additionally, the augmentation in TNW to Rs. 6579 crores in H1FY24 from Rs. 5638 crores in H1FY23 will further boost the company's ability to meet exposure limits.

## **KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED**

NIL

## **KEY RATING DRIVERS**

### **Credit Strengths:-**

#### **Inherent strength of being a Government Undertaking**

The Government of India (GoI) owns a significant majority of the shares (75%) in IREDA, making it a strategically important institution focused on financing the renewable energy sector. IREDA plays a vital role in providing finance to the critically important power infrastructure sector and ancillary industries.

Given its substantial government ownership, IREDA receives strong support from the GoI in various forms. This support includes capital infusion, and the ability to raise funds at favorable rates through different channels. Additionally, IREDA can access funds from international bodies such as the World Bank, Asian Development Bank (ADB), Japan International Cooperation Agency (JICA), Agence Française de Développement (AFD), European Investment Bank (EIB), among others.



### **Favorable Macroeconomic scenario**

The favorable macroeconomic scenario, along with government initiatives like the recently launched PM Suryoday Yojana 2024, is anticipated to be advantageous for the company. IREDA, involved in financing renewable energy and ancillary industries such as solar batteries and semiconductors, stands to benefit from such schemes. Additionally, IREDA plays a crucial role in implementing and bolstering various government power infrastructure-related initiatives. With a 31% market share (as per its DRHP) in renewable energy sector financing, IREDA is well positioned to benefit from the favorable industry dynamics.

### **Noteworthy expansion of loan book while maintaining asset quality and profitability**

The company reported a robust growth in its loan book, reaching Rs. 47,076 crores (a 38.75% increase compared to FY22), with PAT increasing by 36.48% to Rs. 864.63 crores in FY23. Furthermore, the loan book increased to Rs. 50,580 crores in December 2023 from Rs. 37,888 crores in December 2022, marking a growth of 33%. Consequently, the PAT also registered a growth of 36.48% in FY 23 to Rs. 864.63 crores. The growth trajectory continued in FY24, with a 50% increase in 9MFY24 to Rs. 915 crores (9MFY23: Rs. 611 crores). While profitability metrics reflect the growth in the loan book, asset quality also improved.

Further, despite the continuous loan book growth, its asset quality appears healthy and gross NPA's are remained in check at 2.90% in 9MFY24 (FY23: 3.21%, FY22: 4.24%). IREDA provisioning ranged between 47-49% during this period and its net NPA is 1.52% during 9MFy24 (FY23: 1.66% ; FY22: 2.03%).

### **Healthy Capitalisation**

The capital to risk weighted assets ratio (CRAR) of the company improved to 23.88% as on 9MFY24 (FY23: 18.82% FY22: 21.22%) and has consistently remained above the regulatory threshold limit of 15%. Additionally, the augmentation in TNW to Rs. 6579 crores in H1FY24 from Rs. 5638 crores in H1FY23 will further boost the company's ability to meet exposure limits.

### **Credit Weaknesses:-**

#### **Moderate Gearing**

IRDA's gearing levels are high and have ranged between 5.5x-8.0x during FY21-FY23 owing to debt funded growth achieved during the said period. The company's gearing has however has been on an improving trajectory and has improved to 5.13x during 9MFY24 (FY23: 6.77x ; FY22: 5.24x). BWR draws comfort from IREDA's GOI parentage and status of mini- ratna which indicates its strategic importance and affords considerable flexibility in accessing capital markets at competitive rates despite relatively higher gearing.

#### **Sectoral Concentration Risk**

As a sector-specific specialized NBFC, the company is inherently vulnerable to sectoral concentration risk. Additionally, financing infrastructure projects entails its own set of risks due to the long gestation periods and potential cost escalation in case of project delays. Moreover, the focus on corporate lending and high-ticket loans exposes the company to customer concentration risk. The percentage of exposures to the twenty largest borrowers at 52.53% underscores the significance of this risk. As of March 2023, private borrower participation stood at ~72%, further adding to the risk of concentration in the portfolio.



However, the sectoral concentration risk is partially mitigated by well-diversified sub-sectoral portfolio, which includes financing various energy projects such as Solar, Wind, Hydro, Waste to Energy, Biomass, etc. Additionally, the portfolio is diversified across various stages of the power sector, including generation, transmission, and distribution.

### **ANALYTICAL APPROACH**

To arrive at its ratings, BWR has evaluated IREDA's risk profile on a standalone basis. BWR has applied its rating methodology as detailed in the Rating Criteria below (hyperlinks provided at the end of this rationale).

### **RATING SENSITIVITIES**

#### **Downward**

- Deterioration in asset quality or earnings profile, if any, will be rating negatives.
- Gearing above 8x could affect the company's borrowing profile and may impact its capacity to borrow funds at cheaper rates, ultimately affecting profitability in the medium to long term.

### **LIQUIDITY INDICATORS - Adequate**

The company has unutilized short-term loans totaling Rs. 2,310 crores from various banks. Furthermore, the company also has an unutilized cash credit (CC) account of Rs. 8,260 crores.

Against the above, the company has total debt of Rs. 41,700.70 crs as on Dec. 2023. with an average cost of borrowings at 7.84%, which is sufficient to meet the short-term liabilities.

The LCR as at December 31, 2023 stood at 451%. against minimum regulatory requirement of 85%.

The ALM statement for the month of December 2023 reported a negative cumulative mismatch for a few maturity buckets. However, the company has unutilized credit lines available to meet exigencies.

### **COMPANY PROFILE**

Indian Renewable Energy Development Agency Ltd (IREDA) was incorporated on 11 March 1987 as a fully owned Government of India enterprise under the administrative control of the MNRE (Ministry of New & Renewable Energy). Furthermore, the company was notified as a public financial institution under section 4A of the Companies Act, 1956 and is also registered as a non-deposit taking non-banking finance company with the RBI.

The company was established for the promotion, development and commercialisation of new and renewable sources of energy and provides financial assistance to energy efficiency and conservation projects. The GoI conferred the status of Mini Ratna under Category-I upon IREDA in June 2015.

The sectors financed by IREDA can broadly be classified as under wind energy, small hydro energy, bioenergy, solar energy, energy efficiency and conservation, and new and emerging technologies.

RBI classified company as "Infrastructure Finance Company". The shares of the company got listed on NSE and BSE on 29th November, 2023.

The company raised a total of Rs 2,150.21 crore via the IPO route, which included a fresh share sale of Rs 1,290.13 crore and an offer-for-sale (OFS) of 26,87,76,471 equity shares. IREDA IPO price band was fixed in the range of ₹30 to ₹32 per equity share of face value of ₹10. On the date of



listing, share opened at a premium of 56.25% at Rs. 50 on NSE. The share price got closed at Rs. 177.60 on February 16, 2024.

### KEY FINANCIAL INDICATORS

Particulars	Units	FY-22 (Audited)	FY-23 (Audited)	H1FY24 (Audited)
Loan Book	Rs in Crs.	33,931	47,076	46,713
Interest Income	Rs in Crs.	2713.22	3373.83	2285.69
PAT	Rs in Crs.	633.53	864.63	579.31
Tangible Networth	Rs in Crs.	5,268.11	5,935.17	6579
Gearing	Times	5.24	6.77	6.06
CRAR	%	21.22	18.82	20.92
GNPA	%	5.21	3.21	3.13
NNPA	%	3.12	1.66	1.65

### NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY IF ANY

No outstanding non-cooperation rating with other Credit Rating Agencies.



**RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal & suspended]**

Date of Rationale	Instruments	Ratings
29 June 2022	<p>Fund Based Bank Loan Facilities</p> <p>Unsecured Taxable Sub Tier II Bonds/Existing Taxable Bonds/Taxable Green Bonds /Existing Taxable Sub Tier II Bonds</p> <p>Long Term Taxable Bonds/Long Term Tax Free Bonds</p>	<p>BWR AAA/Stable (Reaffirmation and change in outlook)/Assignment</p> <p>BWR AAA/Stable (Reaffirmation and change in outlook)</p> <p>BWR AAA (CE)/ Stable (Reaffirmation and change in outlook)</p>
28 July 2023	<p>Fund Based Bank Loan Facilities</p> <p>Unsecured Taxable Sub Tier II Bonds/Existing Taxable Bonds /Taxable Green Bonds /Existing Taxable Sub Tier II Bonds</p> <p>Long Term Taxable Bonds/Long Term Tax Free Bonds</p>	<p>BWR AAA/Stable/Reaffirmed/ Migration to ISSUER NOT COOPERATING* category</p> <p>BWR AAA/Stable/Reaffirmed/ Migration to ISSUER NOT COOPERATING* category</p> <p>BWR AAA/Stable/Reaffirmed/ Migration to ISSUER NOT COOPERATING* category</p>
Jan. 29, 2024	<p>Fund Based Bank Loan Facilities</p> <p>Unsecured Taxable Sub Tier II Bonds/Existing Taxable Bonds /Taxable Green Bonds /Existing Taxable Sub Tier II Bonds</p> <p>Long Term Taxable Bonds/Long Term Tax Free Bonds</p>	<p>BWR BB+/Stable/ Continues To be in ISSUER NOT COOPERATING* category/Downgraded</p> <p>BWR BB+/Stable/ Continues to be in ISSUER NOT COOPERATING* category/Downgraded</p> <p>BWR BB+/Stable/ Continues to be in ISSUER NOT COOPERATING* category/Downgraded</p>

**COMPLEXITY LEVELS OF THE INSTRUMENTS**

**Bank Loan facilities - Simple**

**NCDs: Simple**

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

**Hyperlink/Reference to applicable Criteria**

- **General Criteria**
- **Approach to Financial Ratios**
- **Banks and Financial Ratios**
- **Policy on Issuer Non-cooperation**

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**Indian Renewable Energy Development Agency Ltd.**

**Annexure - I**

**Details of Bank Loan Facilities rated by BWR**

Lender	Facility	Tenure	Previous O/s (Rs. Crs.)	Current O/s (Rs. Crs.)
SBI	Term Loan	Long Term	450	0
SBI	Term Loan	Long Term	3000	1948.80
Bank of India	Term Loan	Long Term	1000	581.24
Bank of india	Term Loan	Long Term	1500	513.54
PNB	Term Loan	Long Term	2700	450.00
SMBC	OD/STL	Long Term	350	350
Bank of India	OD/STL	Long Term	400	400
RBL	OD/STL	Long Term	300	300
Yes Bank	OD/STL	Long Term	500	500
Bank of Baroda	OD/STL	Long Term	500	500
<b>Total</b>			<b>10700</b>	<b>5543.58</b>

**ANNEXURE- II**  
**INSTRUMENT (NCD/Bonds/CPs) Details**

<b>Instrument</b>	<b>Issue Date</b>	<b>Amount (Rs. Crs.)</b>	<b>Frequency</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>ISIN</b>
IREDA Taxable Bonds	Sep. 24, 2010	250.00	ANNUALLY	9.02%	Sep. 24, 2025	INE 202E0 7062
IREDA Taxable Bonds (Redeemed)*	May 10, 2013	0.00	ANNUALLY	8.44%	May 10, 2023	INE 202E07088
IREDA Taxable Bonds	May 10, 2013	200.00	ANNUALLY	8.49%	May 10, 2028	INE202E07096
IREDA Taxable Green Bonds	Jan. 03, 2019	275.00	ANNUALLY	8.51%	Jan. 03, 2029	INE 202E07260
IREDA Taxable Green Bonds	Jan. 17, 2019	590.00	ANNUALLY	8.47%	Jan. 17, 2029	INE 202E07278
IREDA Taxable Unsecured Subordinated Tier - II Bond	Feb. 22, 2019	150.00	ANNUALLY	9.23%	Feb. 22, 2029	INE 202E08045
IREDA Taxable Bonds	Sep. 24, 2019	1000.00	ANNUALLY	8.00%	Sep. 24, 2029	INE 202E07286
IREDA Taxable Bonds	Mar. 03, 2020	803.00	ANNUALLY	7.40%	Mar. 03, 2030	INE 202E07294
IREDA Taxable Unsecured Subordinated Tier - II Bond	May 08, 2020	500.00	ANNUALLY	7.74%	Mar. 03, 2030	INE 202E08060
IREDA Tax Free Bonds	Mar. 13, 2014	75.76	ANNUALLY	8.16%	Mar. 13, 2024	INE 202E07104
IREDA Tax Free Bonds	Mar. 13, 2014	123.08	ANNUALLY	8.55%	Mar. 13, 2029	INE 202E07120
IREDA Tax Free Bonds	Mar. 13, 2014	38.81	ANNUALLY	8.55%	Mar. 13, 2034	INE 202E07146
IREDA Tax Free Bonds	Mar. 13, 2014	105.29	ANNUALLY	8.41%	Mar. 13, 2024	INE 202E07112





IREDA Tax Free Bonds	Mar. 13, 2014	234.55	ANNUALLY	8.80%	Mar. 13, 2029	INE 202E07138
IREDA Tax Free Bonds	Mar. 13, 2014	144.16	ANNUALLY	8.80%	Mar. 13, 2034	INE 202E07153
IREDA Tax Free Bonds	Mar. 27, 2014	36.00	ANNUALLY	8.56%	Mar. 27, 2029	INE 202E07161
<b>Total</b>		<b>4525.65</b>	ANNUALLY			

**ANNEXURE - III**  
**List of Entities Consolidated : Not Applicable**

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