IREDA Ltd (INDREN)

ICICI Direct

CMP: ₹120 | Target ₹ 150 (25%) | Target Period: 12 months | BUY

August 4, 2026

Result Update

ICICI Securities – Retail Equity Research

Steady operational execution; growth to reinforce confidence

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.

Q1FY27 performance: IREDA delivered mixed Q1FY27 performance. NII grew 24% YoY (-4.5% QoQ) to ₹857 crore, supported by balance sheet expansion. NIM improved to 3.75% (10 bps/15 bps QoQ/YoY), while cost of borrowings increased to 7.12% (vs 7.05% in Q4FY26). PAT grew 36.6% YoY but declined 31.5% QoQ to ₹338 crore owing to elevated impairment provisioning of ₹419 crore (vs ₹215 crore in Q4FY26). PCR improved ~434 bps QoQ to 68.2%. However, pace of AUM growth remained slower at ~19% YoY (2% QoQ) to ₹94,936 crore, while disbursement momentum continued to remain steady across renewable energy segments.

Investment Rationale:

- **Structural growth opportunity backed by diversified funding:** Government's focus on scaling non-fossil fuel capacity from 297 GW currently to 500 GW by 2030 continues to provide a multi-year growth runway for IREDA. Its strategic role in renewable financing, diversified sector exposure and expanding footprint across emerging areas including manufacturing, storage and energy-transition infrastructure positions it well to capture incremental financing demand. Strengthening capital base and diversified funding support sustainable growth and return profile.
- **Credit growth moderation amid strong structural opportunity**: While financing demand across India's renewable energy ecosystem remains healthy, loan growth has witnessed moderation (~19% in Q1FY27 vs 26% YoY in Q1FY26), with disbursements remaining largely flat. Continued diversification beyond traditional renewable financing into manufacturing, battery energy storage systems (BESS), green hydrogen and other emerging energy-transition segments is expected to support the next phase of growth. We expect advances to grow at 23–25% CAGR over FY26–28E, while sustaining ~1.9% RoA over the medium term.
- **Strengthening provisioning buffer enhances earnings resilience:** Despite increase in funding cost, IREDA reported sequential improvement in NIM, reflecting resilient balance sheet management. Elevated impairment provisioning moderated near-term earnings but strengthened the provision coverage ratio. We expect conservative provisioning, improving portfolio seasoning and prudent underwriting to keep credit cost at ~80 bps over FY26–28E, supporting a stable earnings trajectory.

Rating and Target Price

- Operational performance remained steady in Q1FY27, while prudent provisioning led to dip in earnings momentum, though strengthened balance sheet. We expect IREDA to sustain ~1.9–2% RoA over the medium term, supported by healthy margins and stable asset quality. However, a recovery in credit growth will be critical for further earnings momentum and stock re-rating, while inherently lumpy portfolio remains a risk.
- Anticipating moderation in business growth compared to earlier estimate, we revise our target price to ₹150 (from ₹180), valuing the stock at ~2.3x FY28E BV. Maintain Buy rating.

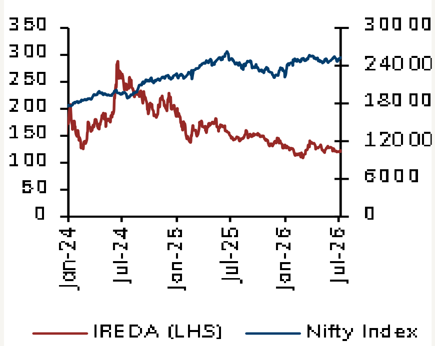
Particulars

Particulars	Amount
Market Capitalisation	₹ 34,020 crore
Net worth	₹ 14,132 crore
52-week H/L	₹ 163 /109
Face Value	₹ 10
DII Holding (%)	2.4
FII Holding (%)	2.5

Shareholding pattern

(in %)	Sept 25	Dec 25	Mar 26	Jun 26
Promoter	71.8	71.8	71.8	71.8
FII	1.9	2.1	2.1	2.5
DII	2.6	2.5	2.4	2.4
Public	23.8	23.7	23.7	23.4

Price Chart



Key risks

(i) Slower than anticipated business growth

(ii) Leadership transition in timely manner

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Key Financial Summary

₹ crore	FY25	FY26	3-year CAGR (FY23-FY26)	FY27E	FY28E	2-year CAGR (FY26-28E)
NII	2,434	3,275	36.6%	3,819	4,638	12.3%
PPP	2,341	3,114	37.2%	3,634	4,434	12.5%
PAT	1,699	1,873	29.4%	2,192	2,655	12.3%
ABV (₹)	34	45	25.7%	52	60	10.3%
P/E	19.0	18.0		15.4	12.7	
P/ABV	3.5	2.7		2.3	2.0	
RoA	2.3	2.1		1.9	1.9	
RoE	16.5	13.6		13.7	14.3	

Source: Company, ICICI Direct Research

Exhibit 1: Variance Analysis

	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)	Comments
NII	856.8	690.5	24.1	897.5	-4.5	Healthy loan growth of 19% aided NII
Calculated NIM %	4.04%	3.93%	10 bps	4.37%	-33 bps	Margins aided by reduction in CoF and increase in leverage
Other Income	51.7	50.7	2.0	42.6	21.5	
Total Income	908.5	741.3	22.6	940.0	-3.4	
Staff cost	32.6	21.2	53.7	29.1	11.9	
Other opex	44.7	52.8	-15.4	76.4	-41.5	Lower forex translation loss supported decline in other opex
PPoP	831.3	667.3	24.6	834.6	-0.4	
Provision costs	418.5	362.6	15.4	215.3	94.4	Higher provisioning lifted PCR to 68%
PBT	412.7	304.6	35.5	619.3	-33.4	
Provision for Tax	75.2	58.0	29.7	126.5	-40.5	
PAT	337.5	246.6	36.8	492.8	-31.5	Elevated provisioning impacted earnings
Key Metrics						
GNPA	3,568	3,228	10.5	3,245	10.0	
NNPA	1,134	1,615	-29.8	1,172	-3.2	Higher provisioning reduced NNPA to 1.23%
Total loan book	94,936	79,938	18.8	93,069	2.0	Momentum remained slower relative to historical trend
Borrowings	79,002	66,399	19.0	77,845	1.5	

Source: Company, ICICI Direct Research

Financial summary

Exhibit 2: Profit and loss statement (₹ crore)

(Year-end March)	FY25	FY26	FY27E	FY28E
Interest Earned	6,575	8,179	9,863	11,954
Interest Expended	4,141	4,905	6,044	7,316
Net Interest Income	2,434	3,275	3,819	4,638
% growth	46.8	34.5	16.6	21.5
Non-Interest Income	180	158	198	247
Net Income	2,614	3,433	4,017	4,885
Total operating expense	273	319	383	451
PPoP	2,341	3,114	3,634	4,434
Provisions	237	777	859	1,073
PBT	2,104	2,337	2,775	3,360
Taxes	405	464	583	706
Net Profit	1,699	1,873	2,192	2,655
% growth	35.7	10.3	17.0	21.1

Source: Company, ICICI Research

Exhibit 3: Key Ratios (₹ crore)

(Year-end March)	FY25	FY26	FY27E	FY28E
Valuation				
No. of Equity Shares	268.8	280.9	280.9	280.9
EPS (₹)	6.3	6.7	7.8	9.5
BV (₹)	38.2	49.1	56.9	66.3
ABV (₹)	34.4	44.9	51.8	60.3
P/E	19.0	18.0	15.4	12.7
P/BV	3.1	2.4	2.1	1.8
P/adj.BV	3.5	2.7	2.3	2.0
Yield on AUM	8.8	9.0	8.7	8.4
Cost of funds	6.7	6.6	6.3	6.1
Net Interest Margins	3.3	3.6	3.4	3.3
Spreads	2.1	2.4	2.4	2.3
Quality and Efficiency				
Cost / Total net income	10.4	9.3	9.5	9.2
GNPA%	2.5	3.5	3.3	3.0
NNPA%	1.4	1.3	1.3	1.2
RoE (%)	16.5	13.6	13.7	14.3
RoA (%)	2.3	2.1	1.9	1.9

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet (₹ crore)

(Year-end March)	FY25	FY26	FY27E	FY28E
Sources of Funds				
Capital	2,688	2,809	2,809	2,809
Reserves and Surplus	7,578	10,972	13,164	15,819
Networth	10,266	13,781	15,973	18,628
Borrowings	61,935	74,588	95,547	119,434
Other Liabilities & Provisions	4,665	5,432	5,136	7,122
Total	76,866	93,802	116,657	145,185
Applications of Funds				
Investments	626	910	910	910
Advances	74,272	90,197	112,746	140,932
Other Assets	1,477	1,979	2,177	2,394
Cash & Equivalent	491	717	825	948
Total	76,866	93,802	116,657	145,185

Source: Company, ICICI Research

Exhibit 5: Growth ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
Total assets	22.8	22.0	24.4	24.5
Advances	26.4	21.4	25.0	25.0
Borrowings	24.7	20.4	28.1	25.0
Net income	45.1	31.3	17.0	21.6
Net interest income	46.8	34.5	16.6	21.5
Total operating expense	48.9	16.9	20.2	17.6
PPoP	44.7	33.0	16.7	22.0
Net profit	35.7	10.3	17.0	21.1
Book value	19.9	28.5	15.9	16.6
EPS	35.7	5.5	17.0	21.1

Source: Company, ICICI Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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