



Press Release
Indian Renewable Energy Development Agency Limited
May 30, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	25920.01	ACUITE AAA Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	25920.01	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE AAA**' (read as **ACUITE triple A**) on the Rs 25,920.01 Cr. bank facilities of INDIAN RENEWABLE ENERGY DEVELOPMENT AGENCY LIMITED (IREDA). The outlook is '**stable**'.

Rationale For Rating

The rating factors in Government of India's (GoI) ownership (GoI holds 75% stake in IREDA) and the strategic role of IREDA as the nodal agency for promoting, developing and financing renewable energy (RE) and energy-efficiency (EE) projects in India. The role assumes higher significance given India's commitment on the sustainable development goals (SDGs) and the targets set on renewable energy capacities. The rating also derives strength from IREDA's long track record in the RE sector, diversified resource profile, adequate capitalisation levels and a steady growth in the lending portfolio. The company has a well-diversified borrowing profile with access to funding via Bilateral FI's, Bonds, Domestic Bank, Domestic FI, Multilateral FI and NCEF. The average cost of funds stood at 7.04% as on Mar-24, which compares well with other public financial institutions. IREDA's capitalisation profile improved in FY2024 with a gearing of 5.80 times as on March 31, 2024 compared to 6.77 times as on March 31, 2023, supported by the equity infusion of Rs. 403 Cr. in March 2024. These rating strengths are partly offset by the company's moderate albeit improving profitability metrics as well as inherent asset quality challenges characterised by sector-specific and borrower concentration in the loan portfolio.

The asset quality of the company, while improving remains moderate with GNPA and NNPA at 2.36 percent and 0.99 percent as on March 2024. The company reported a ROAA of 2.23 percent as on March 31, 2024 (1.99 percent as on March 31, 2023). The company's continues to face high sector concentration risks with around 45% of its loan portfolio exposed towards wind and solar energy projects as on March, 2024.

Going forward, IREDA's ability to control slippages on vulnerable assets and expand its loan book profitably would be key rating sensitivities. Any dilution in GoI's stake or a change in IREDA's strategic role would also be a key rating sensitivity.

About the company

Indian Renewable Energy Development Agency Limited (IREDA) headquartered in Delhi was incorporated on March 11, 1987, under the administrative control of the Ministry of New and Renewable Energy (MNRE) to promote, develop and extend financial assistance for renewable energy and energy efficiency/conservation projects. It is GoI owned and has been notified as a public financial institution and registered as a non-banking financial company – asset finance company (NFBC-AFC) with the RBI. IREDA's board of directors comprises two executive directors, two Government nominees from the MNRE, the GoI and four independent directors. The company was also conferred Navratna status in April 2024 by GoI.

Analytical Approach

Acuité has considered the standalone credit profile of IREDA and has duly factored in the strong support provided by Government of India (GoI) to arrive at the rating.

Key Rating Drivers

Strength

Sovereign ownership and strategic importance to GoI

IREDA is a 75% GoI-owned entity and is of strategic importance to the GoI for the promotion and development of the RE sector in India. Thus, the ratings factor in the Sovereign ownership and strategic importance of the company. GoI infused equity of Rs. 1,500 Cr. in March 2022. IREDA is a strategically important entity and was set up by GoI under the administrative control of Ministry of New and Renewable Energy (MNRE) to promote, develop and extend financial assistance for RE and EE projects. IREDA has been instrumental in implementing several schemes of the MNRE. IREDA receives regular support from the government in the form of GoI guarantees for its overseas bond issuances and borrowing from multilateral agencies.

Acuité believes that IREDA will continue to benefit from its established presence in the RE sector and the strategic role it plays as the nodal agency for promoting, developing and financing renewable energy (RE) and energy-efficiency (EE) projects in India

Diversified borrowing profile and comfortable liquidity profile

IREDA being a government owned entity has been able to raise funds at competitive costs, both in international and domestic markets. IREDA has been able to raise funds at competitive costs, both in international and domestic markets. The average cost of funds stood at 7.04% as on March-2024, which compares well with other public financial institutions. It has a well-diversified borrowing profile with access to funding via Bilateral FI's, Bonds, Domestic Bank, Domestic FI, Multilateral FI and NCEF. The foreign currency debt is from multilateral agencies like Japan International Cooperation Agency (JICA), Kreditanstalt fur Weideraufbau (KfW), the Asian Development Bank (ADB), the World Bank, the European Investment Bank (EIB), the Nordic Investment Bank (NIB), etc., and has a fairly long tenure (tenor of 10-40 years), which augurs well for IREDA's liquidity profile.

Acuité believes, going forward, the ability of the company to mobilise additional lower cost funding through debt/ sub debt and its ability to deploy the funds profitably will be a key rating monitorable.

Growth in loan portfolio and disbursements

IREDA's loan portfolio increased to Rs. 59698 Cr. as on March 31, 2024, from Rs 47076 cr. as on March 31, 2023. Improvement in loan portfolio is driven by higher disbursements. The company reported disbursements of Rs 25089 Cr. during FY 2023-24 (Rs 21639 Cr. during FY 2022-23). The loan book as on March 31, 2024 consists of segments like solar (27%), wind (18%), small hydro (12%) and others (43%). The PAT of the company stood at Rs 1252 Cr. during FY24, against Rs 864 Cr. during FY2022-23 (Rs 346.40 Cr. during FY 2020-21). The company reported a ROAA of 2.23 percent as on March 31, 2024, 1.99 percent as on March 31, 2023 (1.89 percent as on March 31, 2022).

Acuité believes that going forward the ability of the company to maintain the growth momentum in AUM will be key rating sensitivity.

Adequate Capitalization levels

The company's networth has improved to Rs 8559 Cr. as on March-2024 from Rs 5935 Cr. as on March 31, 2023. Increase in networth is due to equity infusion of Rs 403 Cr in FY24 and improvement in profitability. The company has reported a PAT of Rs 1252.23 Cr. during FY2024 (Rs 864.63 Cr. during FY 2023). The overall Capital adequacy ratio (CAR) and tier-I CAR for IREDA improved to 20.11 percent and 18.08 percent as on March 31, 2024, from 18.82 percent and 15.71 percent, respectively, as on March 31, 2023. The overall gearing ratio has improved

to 5.80 times as on March 31, 2024 and 6.77 times as on March 31, 2023 due to equity infusion. Acuité believes the ability of the company to maintain adequate levels of capitalisation remains a key rating monitorable.

Weakness

Moderate profitability, albeit improving

The company has reported a PAT of Rs 1252.23 Cr. during FY 2024 and Rs 864.63 Cr. during FY 2023. The company reported slight moderation in net interest margin (NIM) standing at 3.13 percent as on March 31, 2024 (3.26 percent as on March 31, 2023). Improvement in profitability was also on account write back of provisions made in the year FY24. The company reported a ROAA of 2.23 percent as on March, 2024.

Moderate Asset quality

The asset quality of the company, while improving, continues to remain moderate with absolute gross non-performing asset (GNPA) and non-performing asset (NNPA) levels of Rs 1,410.85 Cr and Rs 581.21 Cr, respectively, as on March 31, 2024. Moderate asset quality is due to negligible slippages amounting to Rs 44 crore during FY24, clubbed with higher recoveries from stage-three loan accounts and higher growth in the loan book. The company reported a GNPA and NNPA which improved to 2.36 percent and 0.99 percent as of Mar 2024 from 3.21 percent and 1.66 percent as on March 2023. The NPAs in the loan book is majorly in Biomass Power and Cogeneration sector and the small hydro projects and Wind Sector.

Sector and borrower concentration

The company's loan book continues to have sector and borrower-wise concentration with around 45% of its loan portfolio exposed towards wind and solar energy projects end March 2024. This exposure has marginally reduced from 53% of its loan portfolio as on March 31, 2021. Top 20 Exposure is Rs 20,763 Cr. as on March, 2024, and have ~35 percentage of total portfolio. The company continues to have sector and borrower-wise concentration owing to its policy mandate of being the nodal agency for RE development in India.

Acuité believes sector and borrower concentration will continue to weigh on the company's credit profile over the near to medium term.

ESG Factors Relevant for Rating

IREDA belongs to the NBFC sector which complements bank lending in India. Some of the material governance issues for the financial services sector are policies and practices with regard to business ethics, board diversity and independence, compensation structure for board and KMPs, role of the audit committee and shareholders' rights. On the social aspect, some of the critical issues for the sector are the contributions to financial inclusion and social development, responsible financing including environmentally friendly projects and policies around data privacy. The industry, by nature has a low exposure to environmental risks. IREDA was incorporated to promote, develop and extend financial assistance for renewable energy and energy efficiency/conservation projects. IREDA's board of directors comprises two executive directors, two Government nominees from the MNRE, the Gol and four independent directors. The company was also conferred Navratna status in April 2024 by Gol.

Rating Sensitivity

- Any unexpected reduction of support from Gol.
- Any significant deterioration in asset quality and profitability
- Changes in the regulatory environment

Liquidity Position Adequate

Acuite believes that IREDA will maintain adequate liquidity profile as it has sufficient long-term banking credit lines and unutilized credit lines and has cash and cash equivalents of Rs 735.89 Cr as on March 2024. As per the Asset and Liability statement the company has negative

mismatch of Rs 94 Cr, Rs 452 Cr and Rs 637 Cr in over one month and up to two months bucket, over two months and up to three months and over three months and up to six months, respectively. It has reported a negative cumulative mismatch in over one month and up to one year bucket. Acuite considers the financial flexibility available due to Gol ownership and undrawn sanctioned bank lines.

Outlook: Stable

Acuite believes that IREDA will maintain a 'Stable' outlook over established presence in the RE sector, strategic role of IREDA as the nodal agency for promoting, developing, and financing renewable energy (RE) and energy-efficiency (EE) projects while maintaining growth in loan portfolio and its asset quality. The outlook may be revised to 'Negative' in case of any headwinds faced in scaling up of operations or in case of significant deterioration in asset quality thereby impacting profitability metrics.

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY24 (Actual)	FY23 (Actual)
Total Assets	Rs Cr.	62,310.98	50,146.00
Total Income*	Rs Cr.	1,737.62	1,363.12
PAT	Rs Cr.	1,252.23	864.63
Networth	Rs Cr.	8,559.43	5935.17
Return on Average Assets (ROAA)	(%)	2.23	1.99
Return on Net Worth (RoNW)	(%)	17.28	15.44
Total Debt/Tangible Net Worth (Gearing)	Times	5.80	6.77
Gross NPA	(%)	2.36	3.21
Net NPA	(%)	0.99	1.66

*Total income equals to Net Interest Income plus other income

Status of non-cooperation with previous CRA (if applicable):

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
02 Mar 2023	Proposed Long Term Bank Facility	Long Term	7000.01	ACUITE AAA Stable (Assigned)
	Secured Overdraft	Long Term	500.00	ACUITE AAA Stable (Assigned)
	Short-term Loan	Long Term	700.00	ACUITE AAA Stable (Assigned)
	Short-term Loan	Long Term	300.00	ACUITE AAA Stable (Assigned)
	Short-term Loan	Long Term	350.00	ACUITE AAA Stable (Assigned)
	Short-term Loan	Long Term	1000.00	ACUITE AAA Stable (Assigned)
	Short-term Loan	Long Term	500.00	ACUITE AAA Stable (Assigned)
	Short-term Loan	Long Term	80.00	ACUITE AAA Stable (Assigned)
	Term Loan	Long Term	1000.00	ACUITE AAA Stable (Assigned)
	Term Loan	Long Term	2000.00	ACUITE AAA Stable (Assigned)
	Term Loan	Long Term	2500.00	ACUITE AAA Stable (Assigned)
	Term Loan	Long Term	500.00	ACUITE AAA Stable (Assigned)
	Term Loan	Long Term	1000.00	ACUITE AAA Stable (Assigned)
	Term Loan	Long Term	790.00	ACUITE AAA Stable (Assigned)
	Term Loan	Long Term	1100.00	ACUITE AAA Stable (Assigned)
	Term Loan	Long Term	1000.00	ACUITE AAA Stable (Assigned)
	Term Loan	Long Term	3000.00	ACUITE AAA Stable (Assigned)
	Term Loan	Long Term	600.00	ACUITE AAA Stable (Assigned)
	Term Loan	Long Term	1500.00	ACUITE AAA Stable (Assigned)
	Term Loan	Long Term	500.00	ACUITE AAA Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1150.01	ACUITE AAA Stable Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Secured Overdraft	31 May 2022	Not avl. / Not appl.	Not avl. / Not appl.	Simple	500.00	ACUITE AAA Stable Reaffirmed
Yes Bank Ltd	Not avl. / Not appl.	Short-term Loan	28 Mar 2024	Not avl. / Not appl.	Not avl. / Not appl.	Simple	700.00	ACUITE AAA Stable Reaffirmed
RBL Bank	Not avl. / Not appl.	Short-term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	300.00	ACUITE AAA Stable Reaffirmed
Sumitomo Mitsui Banking Corporation	Not avl. / Not appl.	Short-term Loan	02 Feb 2021	Not avl. / Not appl.	Not avl. / Not appl.	Simple	350.00	ACUITE AAA Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Short-term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	500.00	ACUITE AAA Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Short-term Loan	05 Aug 2022	Not avl. / Not appl.	Not avl. / Not appl.	Simple	80.00	ACUITE AAA Stable Reaffirmed
National Bank for Financing Infrastructure and Development	Not avl. / Not appl.	Term Loan	06 Mar 2023	Not avl. / Not appl.	30 Mar 2033	Simple	2050.00	ACUITE AAA Stable Reaffirmed
Indian Overseas Bank	Not avl. / Not appl.	Term Loan	18 Feb 2023	Not avl. / Not appl.	31 Mar 2026	Simple	1000.00	ACUITE AAA Stable Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Term Loan	21 Mar 2024	Not avl. / Not appl.	31 Mar 2027	Simple	2000.00	ACUITE AAA Stable Reaffirmed
Karnataka Bank Ltd	Not avl. / Not appl.	Term Loan	18 Dec 2023	Not avl. / Not appl.	15 Mar 2029	Simple	500.00	ACUITE AAA Stable Reaffirmed
Central Bank of India	Not avl. / Not appl.	Term Loan	16 Jan 2024	Not avl. / Not appl.	30 Mar 2031	Simple	1000.00	ACUITE AAA Stable Reaffirmed
	Not avl. /	Term	15 Mar	Not avl.	31 Mar			ACUITE AAA

Bank of India	Not appl.	Loan	2023	/ Not appl.	2028	Simple	1000.00	Stable Reaffirmed
IDBI Bank Ltd.	Not avl. / Not appl.	Term Loan	03 Mar 2023	Not avl. / Not appl.	31 Mar 2028	Simple	500.00	ACUITE AAA Stable Reaffirmed
Bank of India	Not avl. / Not appl.	Term Loan	20 Nov 2020	Not avl. / Not appl.	28 Feb 2028	Simple	1000.00	ACUITE AAA Stable Reaffirmed
Bank of India	Not avl. / Not appl.	Term Loan	08 Mar 2022	Not avl. / Not appl.	31 Mar 2027	Simple	790.00	ACUITE AAA Stable Reaffirmed
Bank of India	Not avl. / Not appl.	Term Loan	05 Jul 2022	Not avl. / Not appl.	30 Sep 2027	Simple	1100.00	ACUITE AAA Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	24 Mar 2022	Not avl. / Not appl.	29 Dec 2026	Simple	3000.00	ACUITE AAA Stable Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Term Loan	20 Sep 2021	Not avl. / Not appl.	21 Mar 2027	Simple	600.00	ACUITE AAA Stable Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Term Loan	28 Mar 2022	Not avl. / Not appl.	27 Jun 2027	Simple	1500.00	ACUITE AAA Stable Reaffirmed
Karnataka Bank Ltd	Not avl. / Not appl.	Term Loan	20 Sep 2022	Not avl. / Not appl.	29 Nov 2025	Simple	500.00	ACUITE AAA Stable Reaffirmed
Central Bank of India	Not avl. / Not appl.	Term Loan	23 Jan 2023	Not avl. / Not appl.	27 Mar 2026	Simple	2000.00	ACUITE AAA Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	21 Sep 2022	Not avl. / Not appl.	22 Apr 2026	Simple	2500.00	ACUITE AAA Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	14 Dec 2022	Not avl. / Not appl.	23 Jan 2026	Simple	500.00	ACUITE AAA Stable Reaffirmed
IDBI Bank Ltd.	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	03 Mar 2023	Not avl. / Not appl.	Not avl. / Not appl.	Simple	500.00	ACUITE AAA Stable Reaffirmed
Indusind Bank Ltd	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	30 Mar 2023	Not avl. / Not appl.	Not avl. / Not appl.	Simple	300.00	ACUITE AAA Stable Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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