

Short Term Fundamental Pick

Tuesday, 24 February 2026



Rating: **Buy**

Cmp : ₹126.20 as on 24th February 2026

Sector : Financial Services

Target : ₹160

Upside Potential : 26.78%

Time Frame: 9-12 Months



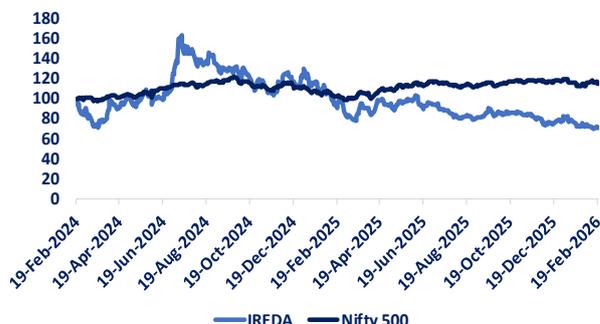
Key Data

Nifty/Sensex	25424.65/82225.92
BSE Code	544026
NSE Code	IREDA
Bloomberg Code	IREDA:IN
Industry	Finance-NBFC
Market Cap	35452.104
No. of Shares(Cr.)	280.92
Face Value	10
52 Week High/Low	186.55/121.60

Shareholding Pattern

Particulars	Q3FY26
Promoter	71.76%
MF	0.12%
FII	2.07%
Public	23.67%
Others	2.40%

Relative Price Performance



Strong Growth, Maintaining Healthy Asset Quality and Steady Margin, Which Will Support the Sustained Long Term Growth Story...

Indian Renewable Energy Development Agency Limited (IREDA) is a **Mini Ratna (Category-I)** Government of India enterprise functioning under the administrative control of the Ministry of New and Renewable Energy. Established in 1987 as a non-banking financial institution, the company focuses on promoting and financing renewable energy and energy-efficiency projects under its motto, "Energy For Ever." As a systemically important, non-deposit-taking NBFC, IREDA has built a well-diversified portfolio with term loans spread across 23 states and 4 union territories, managing total assets under management of ₹87,975 crore as of December 31, 2025.

Highlights and Investment Rationale

Robust AUM Expansion: AUM grew ~28% YoY to ₹87,975 crore in Q3FY26, led by strong sanctions and disbursements across solar, state utilities, and ethanol, reflecting sustained demand for renewable financing.

Healthy Earnings Momentum: NII rose 39.7% YoY to ₹869 crore, while PAT increased 37.5% YoY to ₹585 crore, supported by balance sheet growth, improved spreads (2.63%), and declining cost of borrowings.

Margin Improvement Driving Profitability: NIM expanded to 3.74% (+41 bps YoY) aided by a ~61 bps reduction in funding costs, indicating improving operating efficiency and favorable liability mix.

Asset Quality Showing Gradual Normalisation: GNPA/NNPA declined sequentially to 3.75%/1.68%, with PCR improving to 56.1%, reflecting controlled slippages and a conservative provisioning approach.

Strong Loan Growth & Capital Base: Loan book increased ~28% YoY, disbursements rose 32% YoY in Q3, and net worth surged 38% to ₹13,537 crore, strengthening the company's capacity to fund future expansion.

Visible Multi-Year Growth Runway: India's renewable capacity target of ~500 GW by FY30 provides structural demand for financing, positioning IREDA to deliver ~27–28% AUM CAGR over FY26–FY28E.

Competitive Funding Advantage & Stable Returns: AAA rating, diversified borrowing mix (domestic bonds, ECBs, and tax-efficient instruments) ensures lower cost of funds, supporting sustainable RoA of ~1.8–2% and stable long-term profitability.

Key risks:

- **Liquidity Tightening Risk:** Any systemic liquidity constraints or rise in interest rates could increase borrowing costs, putting pressure on spreads and margin sustainability.
- **Lumpy Exposure–Driven Earnings Volatility:** Given the project-based nature of renewable financing, occasional large slippages or project delays may lead to uneven profitability across quarters.
- **Policy & Execution Dependency:** Heavy reliance on government policies, renewable tenders, and execution timelines exposes growth to regulatory changes, PPA delays, or slowdown in sectoral capacity additions.

Key Financial Indicators & Valuation (Consolidated)

YE March (Cr.)	FY23	FY24	FY25	FY26E	FY27E
NII	1,285.4	1,658.3	2,434.4	3,192.3	4,089.5
PAT	864.6	1,252.2	1,698.6	2,093.8	2,727.0
Advances	46,226.9	58,775.1	75,320.0	96,409.6	1,23,404.3
Net Interest Margin(%)	2.8%	2.8%	3.2%	3.6%	3.7%
GNPA(%)	3.2%	2.4%	2.5%	3.6%	3.2%
NNPA(%)	1.7%	1.0%	1.4%	1.5%	1.5%
EPS	3.78	4.66	6.32	7.45	9.71
PE	59.5	48.1	21.7	16.9	13.0
BV	26.0	31.8	38.2	51.5	61.2
P/BV	8.6	7.0	4.2	2.45	2.06
ROE(%)	14.6%	14.6%	16.5%	16.6%	17.7%

Variance Analysis(Consolidated)

Particulars (Rs. In Cr.)	Dec-25	Dec-24	YoY(%)	Sep-25	QoQ(%)
Net Sales	2,121.14	1552.66	24.33	1919.23	0.59
Total Expenditure	199.71	145.79	36.98	138.05	44.66
PBIDT (Excl OI)	1930.48	1.58	31.65	1.96	6.12
PAT	585.16	1667.52	27.2	2050.2	3.46
PBIDTM% (Excl OI)	90.62	25.05	9.66	26.7	2.88
PBIDTM%	92.04	425.38	37.56	549.33	6.52
PATM%	27.47	91.42	-0.88	93.29	-2.86
Adj. EPS(Rs)	2.08	93.05	-1.09	93.32	-1.37

Valuation and Outlook

Indian Renewable Energy Development Agency reported a strong performance in Q3FY26, maintaining robust growth momentum with AUM rising ~28% YoY (up 4% QoQ) to ₹87,975 crore. The expansion was supported by healthy project sanctions and sustained disbursements, particularly across solar, state utilities, and the ethanol segment. With India targeting nearly 500 GW of renewable capacity by FY30, the structural demand for green financing is expected to remain strong, positioning IREDA to deliver an estimated AUM CAGR of ~27–28% over FY26–FY28E. **Over FY25–FY27E, NII, PAT, and AUM are projected to grow at CAGRs of 29.61%, 26.71%, and 28%, respectively, indicating improving operating leverage. At a price of ₹126.20 (as of 24 February), the stock trades at a trailing P/E of 18.58x. Rolling forward to FY28E, the valuation is based on ~2.6x FY27E book value, and the positive outlook is maintained with a target price of ₹160, implying an upside potential of about 26.78% over the next 9–12 months.**

Profit and Loss Statement (Consolidated)

YE March (Cr.)	FY23	FY24	FY25	FY26E	FY27E
I. Income					
Interest Income	3,373.83	4,822.40	6,575.39	8,745.27	11,368.85
Operating Income	108.15	141.53	167.02	138.90	149.15
Total Operating Income	3,481.97	4,963.93	6,742.41	8,884.17	11,518.00
Other Income	1.07	85.11	12.37	32.85	43.44
Total Income	3,483.04	5,049.04	6,754.78	8,917.02	11,561.44
II. Expenditure					
Interest Expenses	2,088.44	3,164.10	4,141.03	5,553.00	7,279.38
Employee Benefit Expenses	63.09	71.32	81.05	92.11	104.49
Depreciation and amortisation expense	23.50	30.35	38.80	34.58	36.69
Other Operating Expenses	160.76	98.02	375.36	440.36	501.54
Total Expenditure	2,335.79	3,363.79	4,636.24	6,120.04	7,922.10
Profit before Provisioning	1,147.25	1,685.25	2,118.54	2,796.98	3,639.35
Provisions and Contingencies	8.00	-	14.74	16.21	17.84
Profit Before Tax	1,139.25	1,685.25	2,103.80	2,780.76	3,621.51
Taxes	274.62	433.01	405.20	686.98	894.52
III. Profit and Loss					
Profit After Tax	864.63	1,252.24	1,698.60	2,093.78	2,726.99
Equity Shares In Million.(FV-10)	228.46	268.78	268.78	280.92	280.92
EPS Basic	3.78	4.66	6.32	7.45	9.71

Investment Rating Matrix

Ratings	Expected Return
Buy	>15%
Accumulate	10% to 15%
Hold	0% to 15%
Sell	< - 15%

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