# IREDA LTD (INDREN)

CMP: ₹ 185 | Target: ₹ 250 (35%) | Target Period: 12 months | BUY

June 26, 2024

## At the inflection point of renewable revolution in India...

**About stock:** IREDA is a systemically important non-deposit taking non-banking financial company engaged in financing of renewable sector. IREDA is into business since more than 36 years engaged in field of promoting, developing and extending financial assistance for setting up projects relating to new and renewable sources of energy, energy efficiency & conservation.

The company has geographically diversified asset base with term loans outstanding across 23 states and 5 union territories

### Investment Rationale

- **Vast opportunity and government focus to aid sustained growth:** India is the third-largest producer and second-largest consumer of energy globally. The country's power demand has consistently increased and is further expected to increase at CAGR of 4.8% in FY24-27 with peak demand touching 277 GW in FY27. India's total installed power generation capacity stood at 428 GW (December 2023), with renewable sources contributing ~40% (~172 GW). With focus to increase renewable capacity, the government aims to achieve a target of 500 GW by FY30, necessitating an investment of ₹24.43 trillion.

  Given large gestation period in renewable projects limiting banks' ability to finance, specialised power financiers are expected to play a major role in funding renewable projects. Given IREDA focus on financing RE sector, business growth is expected to remain healthy at ~25-30% CAGR with market share expected at ~29% in incremental financing in FY24-30E, thus touching an AUM of ₹3.5 lakh crore in FY30E (as given in plan to achieve Maharatna status).

- **Capability to borrow at competitive rate remains an advantage:** Being non-deposit taking NBFC, IREDA has been relying on domestic as well foreign markets for borrowing. As of March 2024, major proportion of borrowings at ~81% are sourced from domestic avenues. With GoI stake at 75%, IREDA has been assigned highest "AAA" rating enabling long term borrowings at competitive cost, thereby supporting margins. Relatively higher proportion of floating rate loans at 94.3% and 62% of borrowing at fixed rate, could impart pressure on margins in declining rate cycle, consistent growth in AUM and highest credit rating is seen to aid NII growth of 26% CAGR in FY24-26E.

- **Operating leverage to aid profitability with business growth:** Continued healthy growth in AUM (expected at ~30% CAGR in FY25-26E) is expected to aid profitability owing to benefit from operating leverage. Though, margins could remain under pressure in the near term, benefit on opex and steady credit cost is seen to keep profitability run rate at ~20% CAGR ahead. Return on asset is expected to witness marginal pressure in near term, only to revive back at 1.9-2% ahead.

### Rating and Target Price

- Given government's focus on renewable sector, we remain **positive** on long term growth prospects which will aid long term sustained growth in AUM. Thus, we assign a **Buy** rating on the stock with a target price of **₹ 250**, valuing the business on DCF basis assuming discounting rate at 12% and terminal growth at 6.5%.

### Key Financial Summary

| ₹ crore | FY21 | FY22 | FY23 | FY24 | 3 year CAGR (FY21-FY24) | FY25E | FY26E | 2 year CAGR (FY24-26E) |
|---|---|---|---|---|---|---|---|---|
| NII | 995 | 1126 | 1285 | 1658 | 18.6% | 2984 | 3651 | 48.4% |
| PPP | 921 | 1014 | 1206 | 1618 | 20.7% | 2055 | 2603 | 26.8% |
| PAT | 356 | 634 | 865 | 1252 | 52.0% | 1484 | 1803 | 20.0% |
| ABV (₹) | 38 | 19 | 23 | 30 | -8.0% | 35 | 41 | 17.8% |
| P/E | 40.7 | 66.7 | 48.9 | 39.7 | | 33.5 | 27.6 | |
| P/ABV | 4.8 | 10.0 | 8.2 | 6.2 | | 5.3 | 4.5 | |
| RoA | 1.3% | 1.9% | 1.9% | 2.1% | | 1.9% | 1.8% | |
| RoE | 11.9% | 12.0% | 14.6% | 14.6% | | 14.8% | 15.2% | |

Source: Company, ICICI Direct Research

ICICI direct Research

इरेडा IREDA

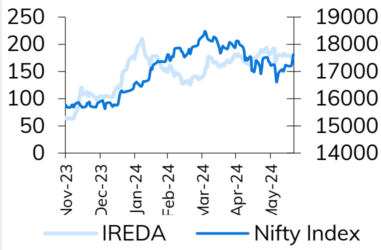
### Particulars

| Particulars | Amount |
|---|---|
| Market Capitalisation | ₹ 49737 crore |
| 52 week H/L | 215 / 50 |
| Net worth | ₹ 8560 Crore |
| Face Value | 10.0 |
| DII Holding (%) | 0.9 |
| FII Holding (%) | 1.4 |

### Shareholding pattern

| Holding (%) | Sep-23 | Dec-23 | Mar-24 |
|---|---|---|---|
| Promoter | 100.0 | 75.0 | 75.0 |
| FII | 0.0 | 1.9 | 1.4 |
| DII | 0.0 | 4.4 | 0.9 |
| Public | 0.0 | 18.8 | 22.7 |

### Price Chart




### Key risks

- Substantial exposure to private sector poses risk of NPA
- Adverse change in regulation
- Unseasoned book remains watchful for any asset quality

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## Company Background

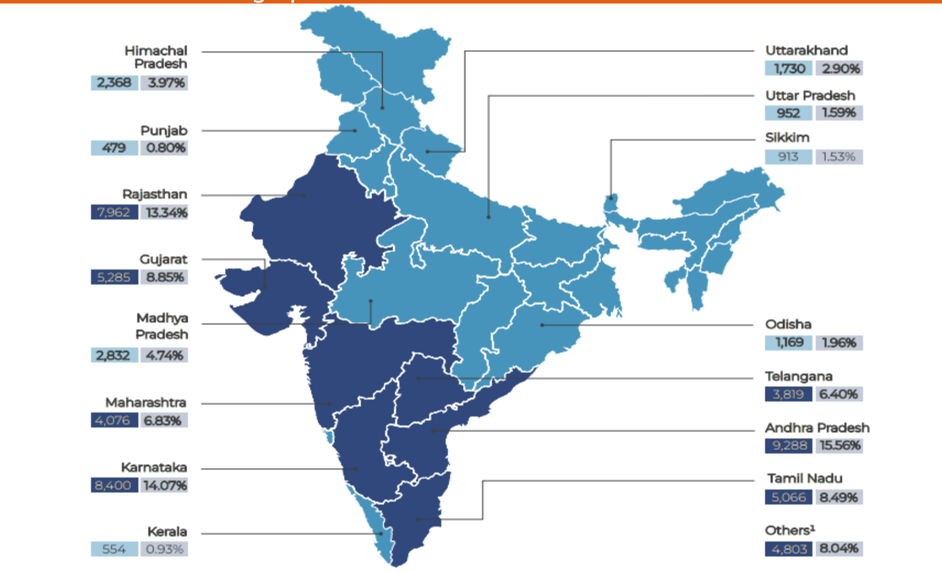
Incorporated in March 1987, IREDA is India's largest pure-play green financing NBFC engaged in promoting, developing and financing renewable energy and energy conservation projects. IREDA is a public financial institution (GoI stake at 75%) under administrative control of Ministry of New & Renewable Energy categorised as Systemically Important Non-Deposit taking Non-Banking Financial Company by RBI. The company has a comprehensive range of financial products and related services, from project conceptualisation to post-commissioning, for renewable projects and other value chain activities, such as equipment manufacturing and transmission with a well geographically diversified portfolio across 23 states and 5 union territories. It has financed projects across multiple renewable sectors such as solar power, wind power, hydro power, transmission, biomass, waste-to-energy, ethanol, compressed biogas, EEC & green-mobility. It offers financial products and schemes for new & emerging renewable technologies such as, biofuel, green hydrogen, BESS, fuel cells, and hybrid RE projects. Apart from financing renewable projects, IREDA operates a 50 MW solar plant at Kasargod, Kerala. As of March 2024, AUM stood at ₹ 58,775 crore, with ~30% CAGR in FY21-24. In FY24, disbursement was at ₹ 25089 crore, while PAT was at ₹1252 crore, growing at ~52% CAGR in FY21-24.

- Key fund-based products for renewable developers include long-term, medium-term and short-term loans, top-up loans, bridge loans, takeover financing and loans against securitization of future cashflows
- Non-fund-based products include letter of comfort, letter of undertaking, payment on order instruments and guarantee assistance schemes; also consulting services on techno-commercial issues relating to renewable (RE) sector

IREDA at a glance

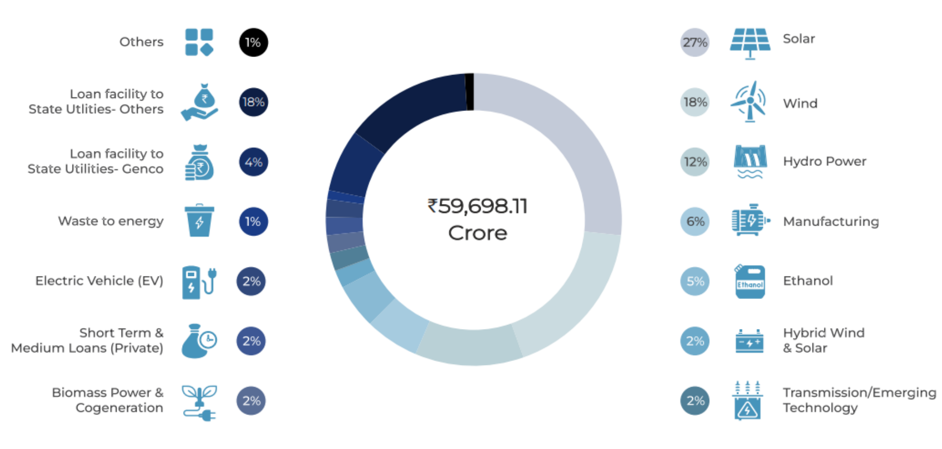
- India's largest pure-play green financing NBFC
- Strategic role in GoI's initiatives for promotion and development of Renewable Energy
  - 75% owned by Government of India
  - Navratna Central Public Service Enterprise (CPSE)
- Implementation and Nodal agency for several prominent MNRE schemes

Exhibit 1: IREDA – Geographical asset mix




Source: Company, ICICI Direct Research

Exhibit 2: Sector-wise AUM break-up




Source: Company, ICICI Direct Research

IREDA has played a strategic role in Government of India initiatives in the Renewable Energy sector. The company has been involved in the development and implementation of various policies and schemes for structural and procedural reform in RE sector.

**IREDA has served as the implementing agency for key Ministry of New and Renewable Energy policies and schemes:**

- National Programme on High Efficiency Solar PV Modules under the PLI Scheme (Tranche I), outlay over a five-year period is ₹45 billion
- Central Public Sector Undertaking Scheme Phase-II for setting up 12,000 MW grid-connected solar PV power projects with Viability Gap Funding support of ₹858 million for self-use or use by Government or Government entities, of Central and State Governments
- Solar and Wind GBI Schemes, with the wind GBI scheme having a total commissioned capacity of 13,624.88 MW and a budget of ₹12.14 billion, allocated for FY24, and solar GBI scheme, under which 72 solar projects with total capacity of 91.8 MW were set up across 13 states, as of March 2023
- National Clean Energy Fund Refinancing Scheme

## Investment Rationale

### Vast opportunity and government focus to aid sustained growth

India is the third-largest producer and the second-largest consumer of energy globally. The country's power demand has consistently increased, except during FY21 due to the COVID-19 pandemic. By FY27, India's peak electricity demand is expected to reach 277 GW, with an energy requirement of 1908 BU, growing at a CAGR of 4.8% and 4.5% respectively. The CAGR for energy requirement and peak demand from FY27 to FY32 is projected at ~5.3% and 5.7% respectively.

### A sneak peak in India's current power scenario

As of December 2023, India's total installed power generation capacity stood at 428 GW, with renewable sources contributing approximately 40%. The government aims to increase this share to 66% by FY32, necessitating an investment of ₹24.43 lakh crore for renewable capacity additions from FY23-32. Key drivers include:

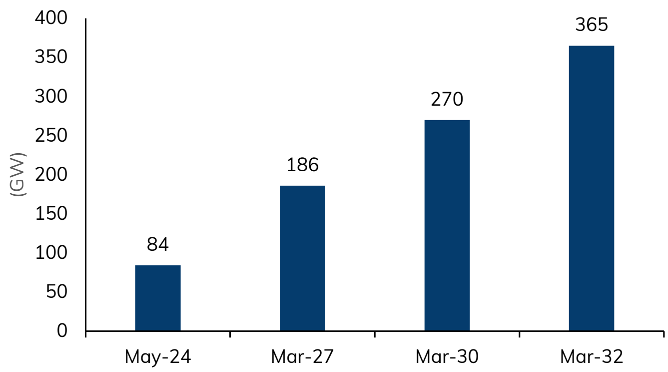
- Government initiatives to meet climate targets: achieving 500 GW of non-fossil fuel energy capacity by 2030, fulfilling 50% of energy requirements through renewables by 2030, reducing carbon intensity by 45% over 2005 levels by 2030, attaining energy independence by 2047, and achieving net zero emissions by 2070
- The advantages of renewable energy, such as abundant resource availability and lower tariffs
- Technological advancements in renewable energy. By FY27, renewable power capacity is expected to reach 336 GW, with solar, wind, and hydro accounting for 55%, 22%, and 16% respectively. This capacity is projected to grow to 595 GW by FY32, making up 66% of total power generation capacity.

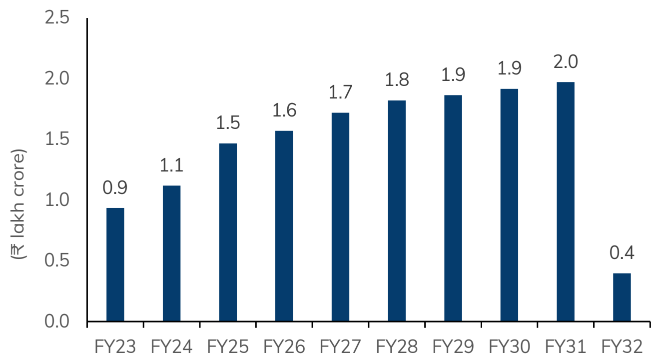
To support the shift to renewable energy, the government has launched various initiatives, including National Green Hydrogen Mission, which aims to establish India as a global leader in green hydrogen production, usage, and export. With an investment of ₹19,000 crore, the mission targets an annual production of 5 MMT by 2030. Additionally, India aims to achieve a 30% electric vehicle (EV) adoption rate by 2030, necessitating significant expansion of EV charging infrastructure, including a target of 46,397 public charging stations by 2030.

#### Solar Power

India has a significant potential to harness solar energy, ~5,000 trillion units of solar energy is incident on India's geography every year and most part receive 4-7 kWh per square metre per day which can be effectively harnessed and provide huge scalability in India. The government's focus on renewable energy has significantly increased solar power capacity to meet the COP26 targets. India has a solar potential of 749 GW and has only 84 GW of installed capacity as of March 2024 of which top 10 states which account for 75% of production harness only about 9% of their potential and hence India has a significant untapped solar potential across India. Thus, solar installed capacity is targeted to touch 270 GW in FY30 and further to 365 GW by FY32.

Exhibit 3: Solar Power – Targeted installed capacity and expected outlay



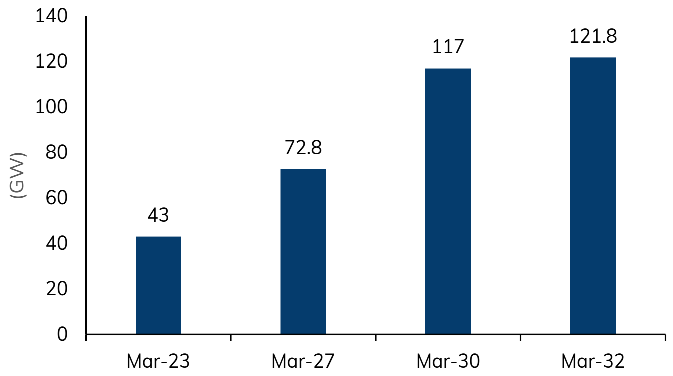

*Source: Company, ICICI Direct Research*

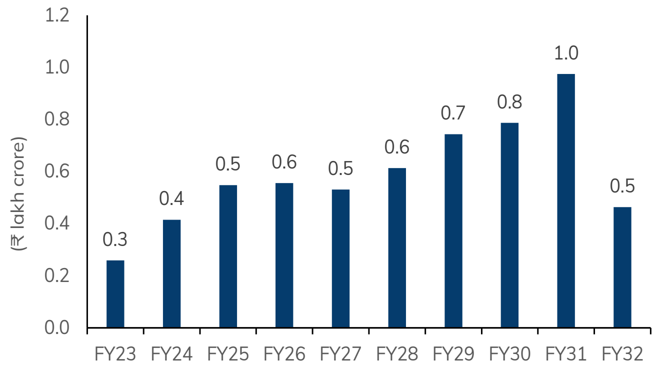
### Wind Power

As of May 2024, India ranks fourth globally in wind power capacity with 46 GW installed. The wind industry has developed a robust ecosystem, with a domestic manufacturing base capable of producing 10,000 MW annually. Gujarat leads with 11.8 GW installed capacity, followed by Tamil Nadu, Karnataka, and Maharashtra. Comparing the install capacity of wind to its potential, it is only about 14% and India has a huge untapped potential in this segment as well and the government through various initiatives is looking to tap this untapped potential. The government, through National Institute of Wind Energy, has installed over 800 wind-monitoring stations all over country and issued wind potential maps at 50m, 80m, 100m and 120m above ground level and the assessment indicates a gross wind power potential of 302 GW in the country at 100 meter and 696 GW at 120 meter above ground level. In the initial phase, wind energy is targeted to contribute 117 GW by FY30 and further touch 122 GW in FY32.

**Offshore wind energy** - India has a coastline of about 7,600 kms surrounded by seawater on three sides and has tremendous power generation potential from this segment. As per MNRE, eight zones in Gujarat and Tamil Nadu have been identified as possible offshore wind energy exploitation zones. The potential for off-shore wind energy is estimated to be 174 GW across fixed bottom and floating potential mainly off the coast of Gujarat and Tamil Nadu. The MNRE has set a target of 30 GW by 2030 which has been issued to give confidence to the project developers in India.

Exhibit 4: Wind Power – Targeted installed capacity and expected outlay



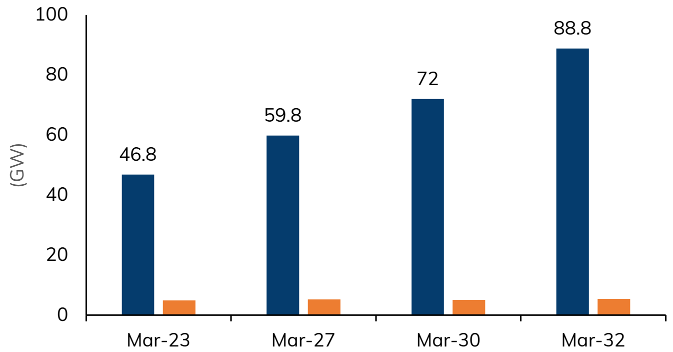



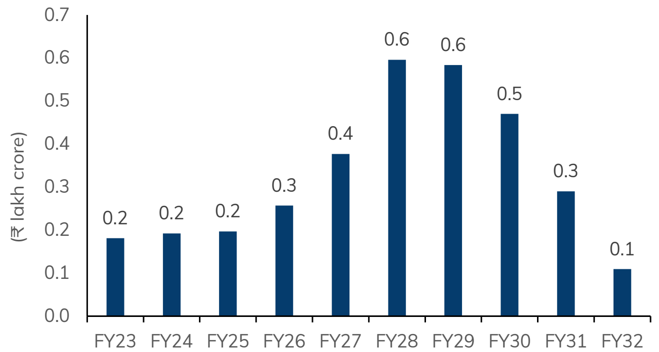

Source: Company, ICICI Direct Research

### Hydro Power

India's hydro power plants are categorized into large and small hydro projects, with those up to 25 MW classified as small hydro. As of May 2024, India has the fifth-largest hydroelectric power capacity globally, with 52 GW installed, accounting for 12% of the total power generation capacity. The government has formally recognized large hydro projects as renewable since 2019, aiming to accelerate hydro power development. By FY27, hydro capacity is expected to reach 59.8 GW, and 88.8 GW by FY2032. Small hydro capacity is anticipated to remain between 4.8 GW and 5.4 GW.

Exhibit 5: Hydro Power – Targeted installed capacity and expected outlay




Source: Company, ICICI Direct Research

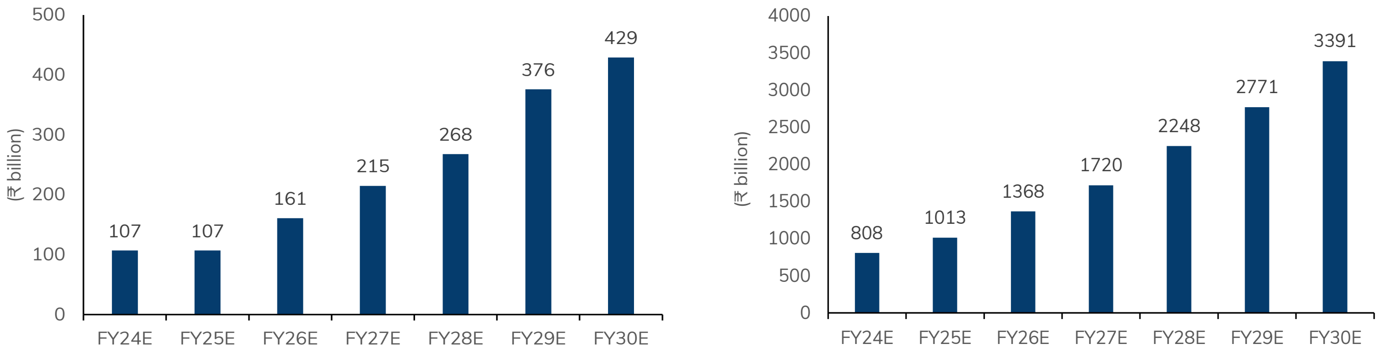
**Green Hydrogen**

The National Green Hydrogen Mission, with an initial outlay of ₹19744 crore, aims to make India a leading producer of green hydrogen, targeting 5 MMT annual production by 2030. The policy supports renewable energy generation for green hydrogen production, contributing to India's clean energy commitments. According to a report by USAID and MNRE, achieving the 2030 green hydrogen target will require an investment of ~₹3 lakh crore in ammonia infrastructure and electrolyser capacity.

**Electric Vehicle and charging infrastructure**

India promotes EV adoption to reduce greenhouse gas emissions, improve air quality, and lessen fossil fuel dependence. The government targets 100% electric mobility for public transport and 40% for private vehicles by 2030. NITI Aayog estimates suggest EV sales could reach 70% for commercial cars, 30% for private cars, 40% for buses, and 80% for two- and three-wheelers by 2030. The expansion of charging infrastructure is critical, with 8,735 public charging stations and 84 charge point operators currently in India. The government aims to establish 500,000 public charging stations by 2025, offering incentives to set up private charging station.

Exhibit 6: Electric Vehicle – Investment required (LHS) and annual revenue from EV

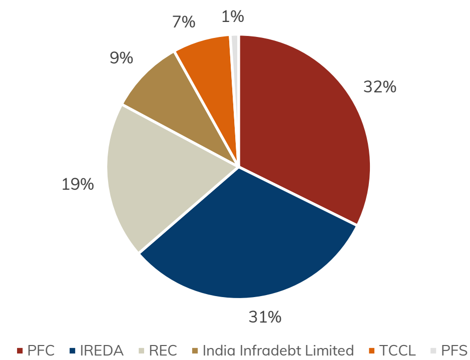



*Source: Company, ICICI Direct Research*

## Opportunity for IREDA in renewable energy

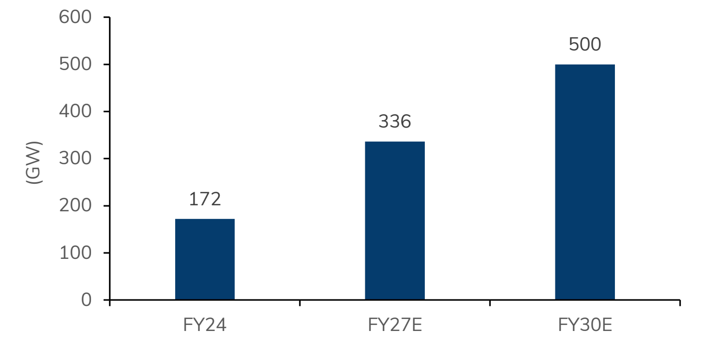
As discussed, current renewable capacity stands at 172 GW (as of May 2024) and the target by government is to reach 500 GW by 2030. Total outlay for achieving target of 500 GW is estimated at ₹ 24.5 lakh crore in FY25-30E. IREDA, being engaged in focussed lending in renewable energy and value chain seems to benefit from incremental business opportunity. Considering expected outlay of ₹24.5 lakh crore for increasing renewable capacity to targeted 500 GW, investment per GW is derived at ~₹6,0000 crore. Assuming debt financing at ~70%, total financing needs is estimated at ~₹17 lakh crore. Considering market share at ~29% in incremental financing, disbursement in FY25-30E is estimated at ~₹5 lakh crore and AUM at ₹3.5 lakh crore (factoring repayments). The company has also provided the guidance of reaching ₹ 3.5 trillion in total loan AUM by 2030.

*Market share in renewable financing*



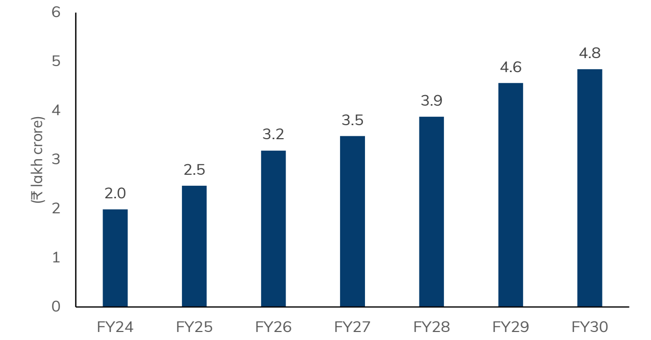

*Source: Company, ICICI Direct Research*
*(Note: Data as on September, 2023)*

Exhibit 7: Targeted RE capacity (FY24-30E)



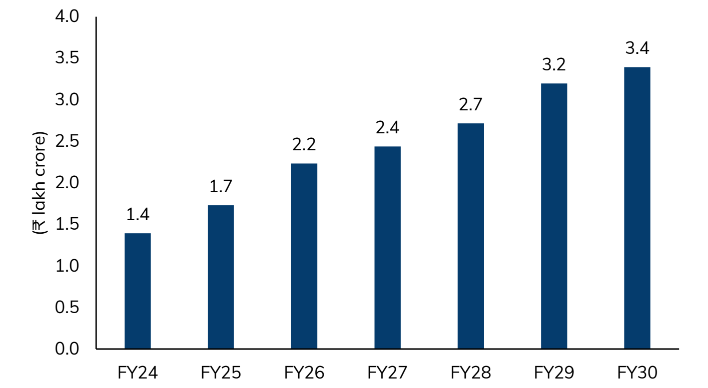

Source: Company, ICICI Direct Research

Exhibit 8: Outlay to install RE capacity



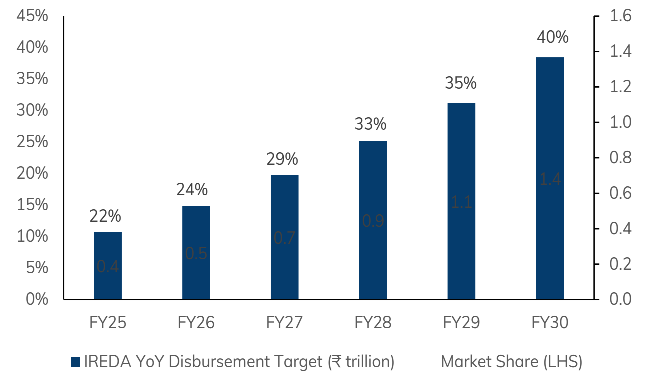

Source: Company, ICICI Direct Research

Exhibit 9: Expected debt funding




Source: Company, ICICI Direct Research

Exhibit 10: Expected outlay from IREDA and market share



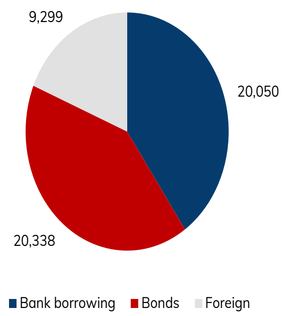

Source: Company, ICICI Direct Research

### Capability to borrow at competitive rate remains an advantage

Being non-deposit taking NBFC, IREDA has been relying on domestic as well foreign markets for borrowing. Major proportion of the funds are sourced from domestic avenues (banks borrowing and bonds) which constitutes ~81% of overall borrowing as of March 2024. Within domestic borrowings, the mix is equally split between bank borrowings and bonds.

With GoI stake at 75%, IREDA has been assigned highest "AAA" rating by rating agencies (Acuite, ICRA and India Ratings) which enables long term borrowings at competitive cost, thereby supporting margins. Given relatively higher proportion of floating rate loans at 94.3% and 62% of borrowing at fixed rate, declining rate cycle could impact some pressure on margins. However, consistent growth in AUM and highest credit rating is seen to aid NII performance which is expected to grow at 26% CAGR in FY24-26E. Resultantly, margins are expected to remain at 2.5-2.7% ahead.

**Borrowing profile of IREDA**




Source: Company, ICICI Direct Research

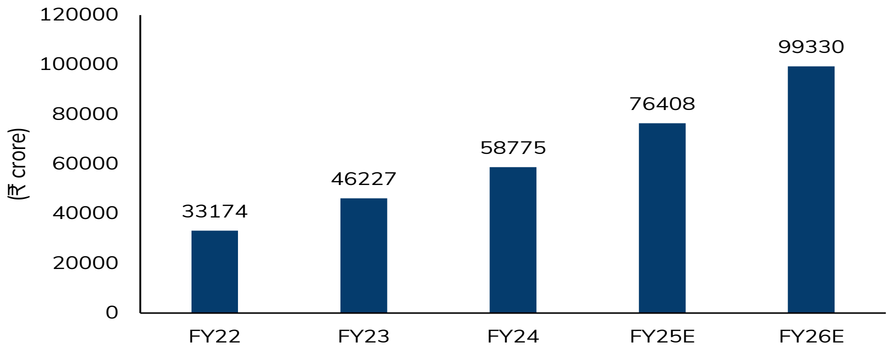
### Operating leverage to aid profitability with business growth

Given the focus of government on renewable energy and IREDA focus on financing the value chain related to the sector, business growth is expected to remain healthy ahead. Continued healthy growth in AUM (expected at ~30% CAGR in FY25-26E) is expected to aid profitability owing to benefit of operating leverage. Though, margins are anticipated to remain under pressure in the near term, benefit on opex and steady credit cost is seen to keep profitability run rate at ~20% CAGR ahead. Return on asset is expected to witness marginal pressure in near term, only to revive back at 1.9-2% ahead.

## Key Financial Summary

IREDA has reported healthy growth in AUM at ~30% CAGR in FY21-24 with loan book at ₹ 58,775 crore. With government's focus on renewable sector amid plan to increase dependence on renewable energy, we expect IREDA to maintain its loan growth at ~30% CAGR over FY24-26E (AUM at ₹ 99,330 crore by FY26E). Management has proposed roadmap to target AUM of ~₹3.5 lakh crore by FY30E to attain Maharatna status, subject to guidelines and approvals.

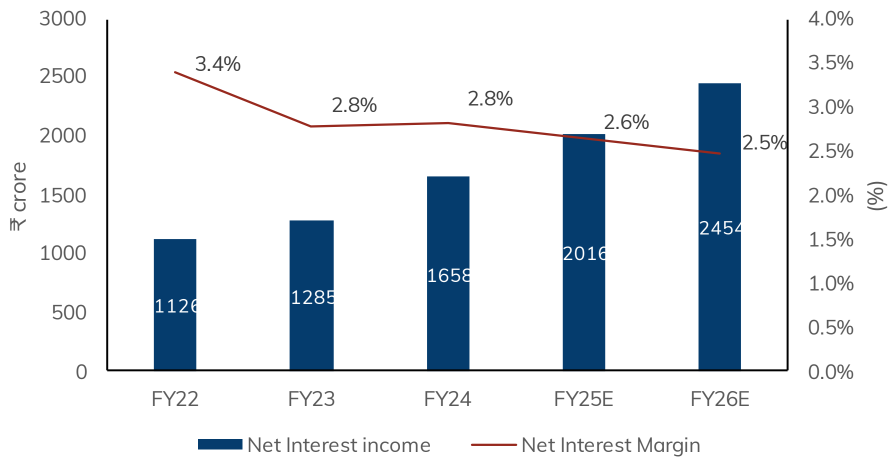
Exhibit 11: Advances trend (₹ crore)




Source: Company, ICICI Direct Research

Amid "AAA" rating and foreign borrowing, cost of borrowing remains competitive. Margins are expected to witness marginal decline of ~10-15 bps ahead amid faster repricing of asset book owing to higher proportion of floating rate book. However, consistent growth in AUM is seen to aid NII performance which is expected to grow at 26% CAGR in FY24-26E. Resultantly, margins are expected to remain at 2.5-2.7% ahead

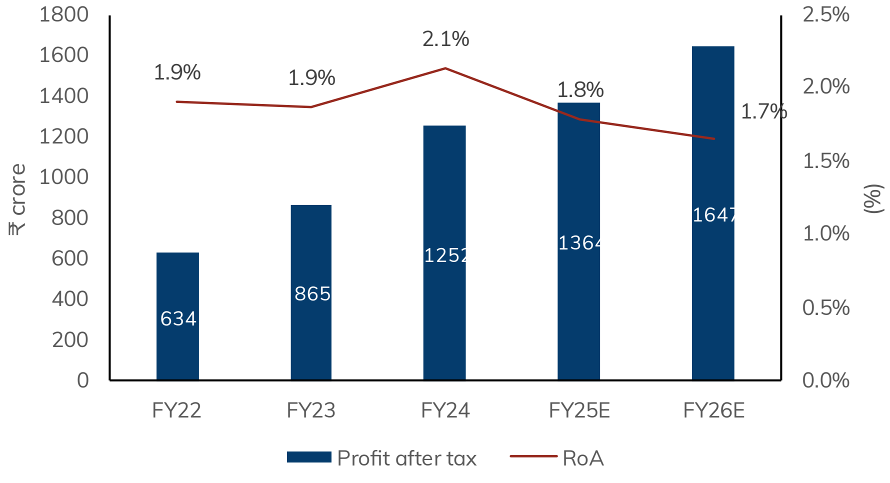
Exhibit 12: NII and NIM trajectory




Source: Company, ICICI Direct Research

Operating leverage, amid consistent business growth, is expected to aid earnings while credit cost (which was at -10 bps in FY24) is expected to normalise at ~10-20 bps in FY25-26E. Sustained business growth coupled with steady operational performance is seen to aid ~20% CAGR in earnings in FY25-26E while RoA is expected at 1.8-2%.

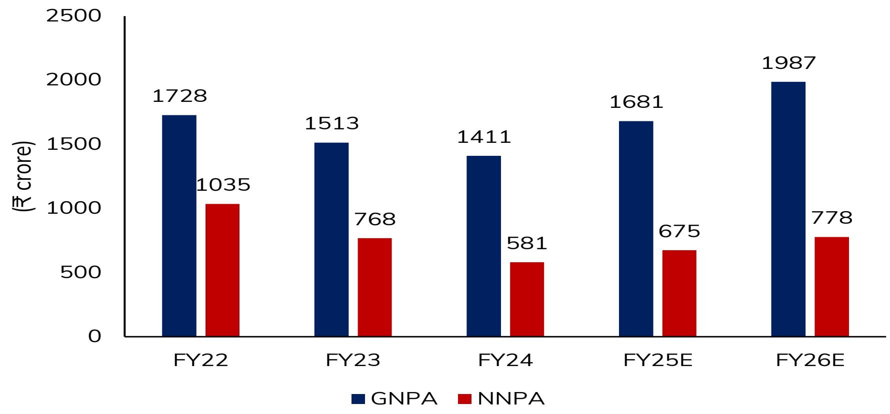
Exhibit 13: PAT and RoA




Source: Company, ICICI Direct Research

Asset quality has witnessed consistent improvement with improvement in GNPA from 5.2% in FY22 to 2.4% in FY24. Provision coverage has increased from 40% in FY22 to 58.8% in FY24. While loan book remains unseasoned, expect government's focus towards renewable sector and recovery efforts to aid further improvement in GNPA at ~2% in FY26E.

Exhibit 14: Asset quality – GNPA & NNPA




Source: Company, ICICI Direct Research

## Valuation

- Given story of sustainable growth amid opportunity in renewable sector, long term business growth should remain in focus instead of focussing on 1-2 year forward performance. Given government's focus on increasing capacity of renewable energy and relative smaller balance size of IREDA, we remain positive on business growth prospects from long term perspective, thereby aiding AUM. Expect AUM growth to sustain at ~30% CAGR in FY25-26E coupled with steady RoA at 1.8-2%. Thus, we assign a Buy rating on the stock with a target price of ₹250 (~5.6x FY26E BV), valuing the business on DCF basis assuming discounting rate at 12% and terminal growth at ~6.5%.

- We have valued IREDA at a premium compared to peers, owing to IREDA's relative smaller size which could result in sustained healthy business growth amid company's prominent focus on green technology and government's focus on building incremental capacity of renewable sources and improve energy efficiency.

Exhibit 15: Comparative analysis (₹ crore)

| | AUM (₹ crore) | NIM (%) | GNPA (%) | NNPA (%) | ROA (%) |
|---|---|---|---|---|---|
| IREDA | 59,698 | 2.9% | 2.4% | 1.0% | 2.1% |
| PFC | 4,81,462 | 3.5% | 3.0% | 0.9% | 3.0% |
| REC | 5,09,371 | 3.6% | 2.7% | 0.9% | 2.8% |

Source: ICICI Direct Research, Bloomberg

Exhibit 16: Comparative analysis

| | Advances | | | Net Interest Margin | | | GNPA | | | NNPA | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| crore | FY2022 | FY2023 | FY2024 | FY2022 | FY2023 | FY2024 | FY2022 | FY2023 | FY2024 | FY2022 | FY2023 | FY2024 |
| IREDA | 33,174 | 46,227 | 58,775 | 3.4% | 2.8% | 2.8% | 5.2% | 3.2% | 2.4% | 3.1% | 1.7% | 1.0% |
| PFC | 3,73,135 | 4,22,498 | 4,81,462 | 3.8% | 3.3% | 3.5% | 5.0% | 3.7% | 3.0% | 1.7% | 1.1% | 0.9% |
| REC | 3,85,371 | 4,35,012 | 5,09,371 | 4.0% | 3.4% | 3.6% | 4.5% | 3.4% | 2.7% | 1.5% | 1.0% | 0.9% |

Source: ICICI Direct Research, Bloomberg

## Risk and Concerns

**Higher proportion of floating rate lending could impact margins**

While volatility in interest rate could impact net interest margin which may have an impact on the profitability, the company have managed to gradually improve margins in last fiscals. Given relatively higher proportion of floating rate loans at 94.3% and 62% of borrowing at fixed rate, declining rate cycle could impact some pressure on margins. Though, highest credit rating at "AAA" and foreign borrowing enables funding at competitive rate, repricing of loans could result in increase in risk profile of the asset book

**Adverse change in regulation remain a risk**

IREDA has significant exposure to renewable sector in 23 states and 5 union territories, driven by government policies focussing on incremental addition in renewable capacity. Thus, any material economic downturn or any other adverse developments, such as political unrest or a significant change in policy could adversely affect business growth or repayment capacity of borrower thereby impacting company's performance

**Unseasoned book remains watchful for any asset quality concerns**

IREDA has started operations in 1987, however, disbursement and AUM growth gathered pace from 2021 resulting in ~30% CAGR growth in FY21-24. Thus, the book remains unseasoned with ~82% of loans, disbursed after 2021, still to witness full repayment cycle. Thus, certainty on sustainable basis on asset quality needs to be ascertained and remains watchful

**Concentration risk regrading geographical & borrower exposure remains a risk**

Concentration in terms of sectoral and geographical exposure remains a risk. With more than 50% of loan portfolio concentrated in 6 states, natural calamity, political uncertainty in specific regions increases vulnerability. In addition, 75% of exposure is to private players primarily engaged in renewable energy sector (including players across value chain) poses concentration risk which could impact performance in case of any adversity.

# Financial Summary

**Exhibit 17: Profit and loss statement** ₹ crore

| (Year-end March) | FY23 | FY24 | FY25E | FY26E |
|---|---|---|---|---|
| Interest Earned | 3,374 | 4,822 | 6,197 | 7,954 |
| Interest Expended | 2,088 | 3,164 | 4,098 | 5,293 |
| Net Interest Income | 1,285 | 1,658 | 2,099 | 2,661 |
| % growth | 14.2 | 29.0 | 26.6 | 26.8 |
| Non Interest Income | 109 | 143 | 186 | 239 |
| Net Income | 1,395 | 1,801 | 2,284 | 2,901 |
| Total operating expense | 189 | 183 | 229 | 298 |
| PPoP | 1,206 | 1,618 | 2,055 | 2,603 |
| Provisions | 67 | (67) | 76 | 199 |
| PBT | 1,139 | 1,685 | 1,979 | 2,404 |
| Taxes | 275 | 433 | 495 | 601 |
| Net Profit | 865 | 1,252 | 1,484 | 1,803 |
| % growth | 36.5 | 44.8 | 18.5 | 21.5 |

*Source: Company, ICICI Direct Research*

**Exhibit 18: Key Ratios**

| (Year-end March) | FY23 | FY24 | FY25E | FY26E |
|---|---|---|---|---|
| Valuation | | | | |
| No. of Equity Shares | 228.5 | 268.8 | 268.8 | 268.8 |
| EPS (₹) | 3.8 | 4.7 | 5.5 | 6.7 |
| BV (₹) | 26.0 | 31.8 | 37.4 | 44.1 |
| ABV (₹) | 22.6 | 29.7 | 34.9 | 41.2 |
| P/E | 48.9 | 39.7 | 33.5 | 27.6 |
| P/BV | 7.1 | 5.8 | 5.0 | 4.2 |
| P/adj.BV | 8.2 | 6.2 | 5.3 | 4.5 |
| Yield on AUM | 7.3% | 8.2% | 8.1% | 8.0% |
| Cost of funds | 5.2% | 6.4% | 6.2% | 6.0% |
| Net Interest Margins | 2.8% | 2.8% | 2.7% | 2.7% |
| Spreads | 2.1% | 1.8% | 1.9% | 2.0% |
| Quality and Efficiency | | | | |
| Cost / Total net income | 13.5% | 10.2% | 10.0% | 10.3% |
| GNPA% | 3.2% | 2.4% | 2.2% | 2.0% |
| NNPA% | 1.7% | 1.0% | 0.9% | 0.8% |
| RoE (%) | 14.6% | 14.6% | 14.8% | 15.2% |
| RoA (%) | 1.9% | 2.1% | 1.9% | 1.8% |

*Source: Company, ICICI Direct Research*

**Exhibit 19: Balance Sheet** ₹ crore

| (Year-end March) | FY23 | FY24 | FY25E | FY26E |
|---|---|---|---|---|
| Sources of Funds | | | | |
| Capital | 2,285 | 2,688 | 2,688 | 2,688 |
| Reserves and Surplus | 3,651 | 5,872 | 7,356 | 9,159 |
| Networth | 5,935 | 8,560 | 10,044 | 11,847 |
| Borrowings | 40,165 | 49,687 | 66,441 | 88,687 |
| Other Liabilities & Provisi | 4,356 | 4,368 | 4,173 | 3,503 |
| **Total** | **50,456** | **62,615** | **80,658** | **1,04,038** |
| | | | | |
| Applications of Funds | | | | |
| Investments | 99 | 99 | 99 | 99 |
| Advances | 46,227 | 58,775 | 76,408 | 99,330 |
| Other Assets | 4,130 | 3,740 | 4,151 | 4,609 |
| **Total** | **50,456** | **62,615** | **80,658** | **1,04,038** |

*Source: Company, ICICI Direct Research*

**Exhibit 20: Growth ratios** (%)

| (Year-end March) | FY23 | FY24 | FY25E | FY26E |
|---|---|---|---|---|
| Total assets | 37.4% | 24.1% | 28.8% | 29.0% |
| Advances | 39.3% | 27.1% | 30.0% | 30.0% |
| Borrowings | 45.5% | 23.7% | 33.7% | 33.5% |
| Net income | 8.4% | 29.2% | 26.8% | 27.0% |
| Net interest income | 14.2% | 29.0% | 26.6% | 26.8% |
| Total operating expense | -30.9% | -3.0% | 25.1% | 30.0% |
| PPoP | 18.9% | 34.2% | 27.0% | 26.6% |
| Net profit | 36.5% | 44.8% | 18.5% | 21.5% |
| Book value | 12.7% | 22.6% | 17.3% | 18.0% |
| EPS | 36.5% | 23.1% | 18.5% | 21.5% |

*Source: Company, ICICI Direct Research*

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Sell: <-15%

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