



IRM Energy Limited

A Group Company of Cadila Pharmaceuticals Ltd



NOT RATED

IRM Energy Limited, is a city gas distribution company in India originally established as a private limited company in the name of IRM Energy Private Limited in 2015 and it was later converted into a public limited company in February 2022. They develop natural gas distribution projects in the Geographical Areas (“GAs”) allotted to them for industrial, commercial, domestic and automobile customers.

It specializes in the storage, supply and distribution of natural gas, and its derivatives including CNG, PNG and other gaseous fuels. It has 4 authorized geographical areas spread across India. It has a strong hold in the north at Fatehgarh Sahib, Punjab which contributes to 59% of the total demand. It has 2 geographical areas in the west at Banaskantha, Gujarat and Diu & Gir Somnath. They received their latest authorization for Namakkal and Tiruchirappalli, Tamil Nadu in the south in the month of March 2022.

The company has 66 CNG filling gas stations and 3898 inch-kms long pipeline which caters to their PNG customer base of 184 industrial customers, 269 commercial customers and 52,454 domestic customers. They have a consistent 30.04% YoY growth in terms of volume.

The company has a strong management with the Chairman Maheswar Sahu having served the Government of India and Gujarat for more than 3 decades. The management team, collectively possessing significant industry experience, has a track record of successfully integrating various business activities. They have been instrumental in achieving organic growth, establishing brand recognition and loyalty, and identifying new business opportunities for the company.

Industry	Natural gas
-----------------	-------------

Issue Details

Listing	BSE & NSE
Open Date	18 th Oct 2023
Close Date	20 th Oct 2023
Price Band	INR 480-505
Face Value	INR 10
Market Lot	29 shares
Minimum Lot	1 Lot

Issue Structure

Offer for Sale	0.00%
Fresh Issue	100.00%
Issue Size (Amt)	INR 545 cr
Issue Size (Shares)	1,08,00,000
QIB Share (%)	≤ 50%
Non-Inst Share (%)	≥ 15%
Retail Share (%)	≥ 35%
Pre issue sh (nos)	3,02,59,677
Post issue sh (nos)	4,10,59,677
Post issue M Cap	INR 2073 cr

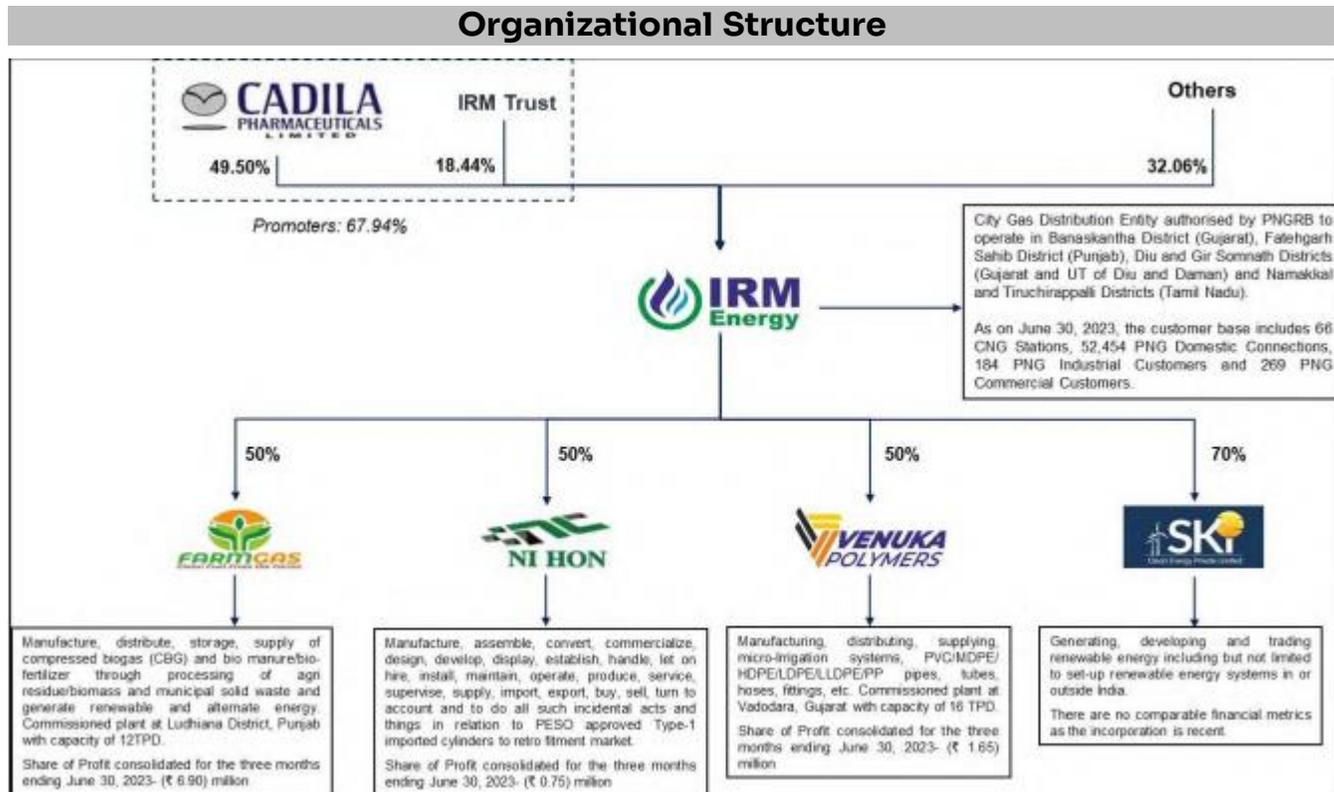
Shareholding (%)	Pre (%)	Post (%)
Promoters	67.94	50.07
Public	32.06	49.93
TOTAL	100.00	100.00

Key Financial Data (INR Cr, unless specified)

	Revenue	EBITDA	PAT	EBITDA (%)	PAT (%)	EPS (₹)	BVPS (₹)	RoE (%)	RoCE (%)	P/E (X)	EV/Sales (X)	EV/EBITDA (X)
FY21	211.8	73.0	34.9	38.5	16.5	12.4	40.6	29.7	19.9	40.8	3.1	11.4
FY22	546.1	200.9	128.0	39.6	23.4	43.9	83.0	52.5	39.1	11.5	2.2	15.3
FY23	1039.1	118.9	63.15	12.1	6.1	20.9	114.5	18.2	14.2	24.1	1.9	18.0

The objects of the issue is to:

1. Fund the capital expenditure requirements for development of the city gas distribution network in the geographical areas of Namakkal and Tiruchirappalli. – 307.262 Cr
2. Prepayment or repayment of all or a portion of certain outstanding borrowings availed by the company. – 135 Cr
3. General Corporate Purposes.



Source: Company Reports

Growth Strategies

Cost Effectiveness

They have positioned themselves as the provider of one of the safest, cleanest, and most cost-effective fuels for households, commercial establishments, and industrial units as well as for fuel requirements in transport segment. They are strengthening their roots in their existing authorized GAs. Their mid to long-term gas sale and purchase agreements (“GSPAs”) with gas suppliers such as GAIL and RIL enable them to source gas at a reasonable cost. Company’s gas procurement helps them mitigate the effect of the volatility in gas availability and pricing.

Technology Advancement

Shizuoka Gas Co. Ltd (ShizGas), the 4th largest gas company in Japan by natural gas sales volume in 2021 and with vast experience in the CGD sector, has formed a strategic business alliance with IRMEL. ShizGas has brought its expertise in industrial burner technology, implemented Radio Frequency Identification (“RFID”) Writing, Detection and Annunciation System, which aids in digitally identifying the hydrotesting due date of CNG cylinders installed onboard vehicles and helps in reducing the probability of fatal incidents at CNG stations. They have developed a web-based application for capturing geo-tagged points and gas assets and their attributes in real time. Further, pursuant to their association with ShizGas, ShizGas’s technical expertise and good practices as an energy provider in Japan has added value to their business operations.. Leveraging the technical knowhow of ShizGas in system engineering and application, IRMEL intends to offer solutions to industrial customers, especially in the new GA of Namakkal and Tiruchirappalli, for seamless transition from other fuels to natural gas. This will help the company optimise the consumption of natural gas.

Key Risks & Concerns

- The company is heavily dependent on the raw material costs which in turn have high volatility due to global events with high uncertainty. The Russia-Ukraine war heavily impacted the raw material costs which adversely affected the profitability of the company.
- The number of entities participating in the CGD sector has increased over the past decade. CGD infrastructure is attracting not only domestic but also foreign investors. Singapore-headquartered companies such as AG&P and Think Gas Distribution Pvt Ltd have established CGD companies in India, while France-based Total Energies SE has partnered with Adani Gas Ltd to form Adani Total Gas Ltd (“ATGL”). US-based I Squared Capital and Japanese Osaka Gas Co., Ltd., forayed into the CGD sector by investing in AG&P in 2021.

Issue Structure and Offer Details

The proposed fresh issue size of IRM Energy is INR 545 cr, 100% being fresh issue and the price band for the issue is in the range of INR 480 – 505 and the bid lot is 29 shares and multiples thereof.

Issue Structure		
Investor Category	Allocation	No. of shares
QIB	Not more than 50% of the Offer	52,92,000
NIB	Not less than 15% of the Offer	15,87,600
Retail	Not less than 35% of the Offer	37,04,400
Employees		2,91,000

Number of shares based on a higher price band of INR 505

Source: Company Reports

IRM Energy financial summary and

Fig in INR Cr (unless specified)	FY21	FY22	FY23	Fig in INR Cr (unless specified)	FY21	FY22	FY23
Income Statement				Per share data & Yields			
Revenue	211.8	507.1	980.1	Adjusted EPS (INR)	12.03	43.59	20.87
<i>YoY Growth (%)</i>	<i>27.9</i>	<i>139.4</i>	<i>93.3</i>	Adjusted Cash EPS (INR)	16.25	43.79	25.56
Raw Material Cost	77.1	248.2	779.8	Adjusted BVPS (INR)	40.55	82.98	114.48
<i>RM Cost to Sales (%)</i>	<i>36.4</i>	<i>48.9</i>	<i>79.6</i>	Adjusted CFO per share (INR)	15.66	43.80	17.64
Employee Cost	4.1	7.2	9.08	CFO Yield (%)	3.1	8.67	3.49
<i>Employee Cost to Sales (%)</i>	<i>1.9</i>	<i>1.4</i>	<i>0.9</i>	Adjusted FCF per share (INR)	(2.38)	(0.89)	(46.46)
Other Expenses	57.4	65.3	79.0	FCF Yield (%)	(0.47)	(0.18)	(9.19)
<i>Other Exp to Sales (%)</i>	<i>27.1</i>	<i>12.9</i>	<i>8.1</i>	Solvency Ratio (X)			
EBITDA	73.2	186.4	112.2	Total Debt to Equity	1.4	0.8	0.9
<i>Margin (%)</i>	<i>34.6</i>	<i>36.8</i>	<i>11.5</i>	Net Debt to Equity	1.0	0.4	0.4
<i>YoY Growth (%)</i>	<i>47.3</i>	<i>154.7</i>	<i>(39.8)</i>	Net Debt to EBITDA	1.6	0.5	1.3
Depreciation & Amortization	12.0	15.04	20.9	Return Ratios (%)			
EBIT	61.2	171.4	91.3	Return on Equity	29.7	52.5	18.2
<i>Margin (%)</i>	<i>28.9</i>	<i>33.8</i>	<i>9.3</i>	Return on Capital Employed	16.6	28.6	10.7
<i>YoY Growth (%)</i>	<i>51.0</i>	<i>180.0</i>	<i>(46.7)</i>	Return on Invested Capital	25.7	51	18.4
Other Income	0.7	3.1	6.0	Working Capital Ratios			
Finance Cost	15.9	22.1	22.9	Payable Days (Nos)	17	18	12
Interest Coverage (X)	3.9	7.8	4.0	Inventory Days (Nos)	1	1	1
Exceptional Item	0.0	0.0	0.0	Receivable Days (Nos)	19	16	14
PBT	46.1	152.4	74.4	Net Working Capital Days (Nos)	3	-0	3
<i>Margin (%)</i>	<i>21.8</i>	<i>30.0</i>	<i>7.6</i>	Net Working Capital to Sales (%)	0.9	(0.1)	1
<i>YoY Growth (%)</i>	<i>47.1</i>	<i>230.6</i>	<i>(51.2)</i>	Valuation (X)			
Tax Expense	11.0	38.8	18.0	P/E	40.76	11.51	24.13
<i>Tax Rate (%)</i>	<i>23.8</i>	<i>25.5</i>	<i>24.1</i>	P/BV	12.45	6.08	4.41
PAT	35.1	113.6	56.4	EV/EBITDA	11.4	15.3	18.0
<i>Margin (%)</i>	<i>16.6</i>	<i>22.4</i>	<i>5.8</i>	EV/Sales	3.1	2.2	1.9
<i>YoY Growth (%)</i>	<i>66.5</i>	<i>223.3</i>	<i>(50.3)</i>	Cash Flow Statement			
Min Int/Sh of Assoc	(0.2)	14.5	6.7	PBT	46.1	152.4	74.4
Net Profit	34.9	128	63.14	Adjustments	14.0	12.5	7.0
<i>Margin (%)</i>	<i>16.5</i>	<i>25.2</i>	<i>6.4</i>	Change in Working Capital	(3.7)	2.6	(10.1)
<i>YoY Growth (%)</i>	<i>65.6</i>	<i>267</i>	<i>(50.7)</i>	Less: Tax Paid	(11.0)	(38.8)	(18)
Balance Sheet				Cash Flow from Operations	45.4	128.6	53.4
Share Capital	29.0	29.4	30.3	Net Capital Expenditure	(35.1)	(90.5)	(162.5)
Total Reserves	88.6	214.4	316.2	Change in Investments	(7.0)	(19.9)	(45.8)
Shareholders Fund	117.6	243.7	346.4	Cash Flow from Investing	(42.0)	(110.3)	(208.3)
Long Term Borrowings	158.2	186.8	282.2	Change in Borrowings	21.8	39.1	100.8
Deferred Tax Assets / Liabilities	9.4	14.7	18.5	Less: Finance Cost	(15.9)	(22.1)	(22.9)
Other Long Term Liabilities	19.3	30.3	42.4	Proceeds from Equity	4.4	1.6	41.3
Long Term Trade Payables	0.0	0.0	0.0	Buyback of Shares	0.0	0.0	0.0
Long Term Provisions	0.7	0.9	1.4	Dividend Paid	0.0	(3.5)	(1.5)
Total Liabilities	305.2	476.5	691.0	Cash flow from Financing	10.3	15.1	117.7
Net Block	240.6	300.4	374.0	Net Cash Flow	13.7	33.4	(37.3)
Capital Work in Progress	19.7	52.3	91.1	Forex Effect	0.0	0.0	0.0
Intangibles under development	0.2	0.2	0.0	Opening Balance of Cash	12.1	25.8	59.1
Non Current Investments	6.1	25.7	32.4	Closing Balance of Cash	25.8	59.1	21.9
Long Term Loans & Advances	5.0	12.6	47.6				
Other Non Current Assets	8.9	22.3	15.7				
Net Current Assets	24.7	63.1	130.2				
Total Assets	305.2	476.5	691.0				

Source: Ventura Research

Disclosures and Disclaimer

Ventura Securities Limited (VSL) is a SEBI registered intermediary offering broking, depository and portfolio management services to clients. VSL is member of BSE, NSE and MCX-SX. VSL is a depository participant of NSDL. VSL states that no disciplinary action whatsoever has been taken by SEBI against it in last five years except administrative warning issued in connection with technical and venial lapses observed while inspection of books of accounts and records. Ventura Commodities Limited, Ventura Guaranty Limited, Ventura Insurance Brokers Limited and Ventura Allied Services Private Limited are associates of VSL. Research Analyst (RA) involved in the preparation of this research report and VSL disclose that neither RA nor VSL nor its associates (i) have any financial interest in the company which is the subject matter of this research report (ii) holds ownership of one percent or more in the securities of subject company (iii) have any material conflict of interest at the time of publication of this research report (iv) have received any compensation from the subject company in the past twelve months (v) have managed or co-managed public offering of securities for the subject company in past twelve months (vi) have received any compensation for investment banking merchant banking or brokerage services from the subject company in the past twelve months (vii) have received any compensation for product or services from the subject company in the past twelve months (viii) have received any compensation or other benefits from the subject company or third party in connection with the research report. RA involved in the preparation of this research report discloses that he / she has not served as an officer, director or employee of the subject company. RA involved in the preparation of this research report and VSL discloses that they have not been engaged in the market making activity for the subject company. Our sales people, dealers, traders and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein. We may have earlier issued or may issue in future reports on the companies covered herein with recommendations/ information inconsistent or different those made in this report. In reviewing this document, you should be aware that any or all of the foregoing, among other things, may give rise to or potential conflicts of interest. We may rely on information barriers, such as "Chinese Walls" to control the flow of information contained in one or more areas within us, or other areas, units, groups or affiliates of VSL. This report is for information purposes only and this document/material should not be construed as an offer to sell or the solicitation of an offer to buy, purchase or subscribe to any securities, and neither this document nor anything contained herein shall form the basis of or be relied upon in connection with any contract or commitment whatsoever. This document does not solicit any action based on the material contained herein. It is for the general information of the clients / prospective clients of VSL. VSL will not treat recipients as clients by virtue of their receiving this report. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of clients / prospective clients. Similarly, this document does not have regard to the specific investment objectives, financial situation/circumstances and the particular needs of any specific person who may receive this document. The securities discussed in this report may not be suitable for all investors. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. Persons who may receive this document should consider and independently evaluate whether it is suitable for his/ her/their particular circumstances and, if necessary, seek professional/financial advice. And such person shall be responsible for conducting his/her/their own investigation and analysis of the information contained or referred to in this document and of evaluating the merits and risks involved in the securities forming the subject matter of this document. The projections and forecasts described in this report were based upon a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies. Projections and forecasts are necessarily speculative in nature, and it can be expected that one or more of the estimates on which the projections and forecasts were based will not materialize or will vary significantly from actual results, and such variances will likely increase over time. All projections and forecasts described in this report have been prepared solely by the authors of this report independently of the Company. These projections and forecasts were not prepared with a view toward compliance with published guidelines or generally accepted accounting principles. No independent accountants have expressed an opinion or any other form of assurance on these projections or forecasts. You should not regard the inclusion of the projections and forecasts described herein as a representation or warranty by VSL, its associates, the authors of this report or any other person that these projections or forecasts or their underlying assumptions will be achieved. For these reasons, you should only consider the projections and forecasts described in this report after carefully evaluating all of the information in this report, including the assumptions underlying such projections and forecasts. The price and value of the investments referred to in this document/material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance. Future returns are not guaranteed and a loss of original capital may occur. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. We do not provide tax advice to our clients, and all investors are strongly advised to consult regarding any potential investment. VSL, the RA involved in the preparation of this research report and its associates accept no liabilities for any loss or damage of any kind arising out of the use of this report. This report/document has been prepared by VSL, based upon information available to the public and sources, believed to be reliable. No representation or warranty, express or implied is made that it is accurate or complete. VSL has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed. The opinions expressed in this document/material are subject to change without notice and have no obligation to tell you when opinions or information in this report change. This report or recommendations or information contained herein do/does not constitute or purport to constitute investment advice in publicly accessible media and should not be reproduced, transmitted or published by the recipient. The report is for the use and consumption of the recipient only. This publication may not be distributed to the public used by the public media without the express written consent of VSL. This report or any portion hereof may not be printed, sold or distributed without the written consent of VSL. This document does not constitute an offer or invitation to subscribe for or purchase or deal in any securities and neither this document nor anything contained herein shall form the basis of any contract or commitment whatsoever. This document is strictly confidential and is being furnished to you solely for your information, may not be distributed to the press or other media and may not be reproduced or redistributed to any other person. The opinions and projections expressed herein are entirely those of the author and are given as part of the normal research activity of VSL and are given as of this date and are subject to change without notice. Any opinion estimate or projection herein constitutes a view as of the date of this report and there can be no assurance that future results or events will be consistent with any such opinions, estimate or projection. This document has not been prepared by or in conjunction with or on behalf of or at the instigation of, or by arrangement with the company or any of its directors or any other person. Information in this document must not be relied upon as having been authorized or approved by the company or its directors or any other person. Any opinions and projections contained herein are entirely those of the authors. None of the company or its directors or any other person accepts any liability whatsoever for any loss arising from any use of this document or its contents or otherwise arising in connection therewith. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Securities Market.

Ventura Securities Limited - SEBI Registration No.: INH000001634

Corporate Office: I-Think Techno Campus, 8th Floor, 'B' Wing, Off Pokhran Road No 2, Eastern Express Highway, Thane (W) – 400608