



IPO NOTE

IRM ENERGY LIMITED



Rating:

SUBSCRIBE



ISSUE OFFER

Issue Opens on	OCT 18, 2023
Issue Close on	OCT 20, 2023
Total IPO size (cr)	545.40
Fresh issue (cr)	545.40
Offer For Sale (cr)	NIL
Price Band (INR)	480-505
Market Lot	29
Face Value (INR)	10
Retail Allocation	35%
Listing On	NSE, BSE

ISSUE BREAK-UP (%)

QIB Portion	<div style="width: 50%;"></div>	50%
NIB Portion	<div style="width: 15%;"></div>	15%
Retail Portion	<div style="width: 35%;"></div>	35%

SHAREHOLDING (No. of Shares)

Pre Issue	Post Issue
30,259,677	41,059,677

INDICATIVE TIMETABLE

Finalisation of Basis of Allotment	27-10-2023
Refunds/Unblocking ASBA Fund	27-10-2023
Credit of equity shares to DP A/c	30-10-2023
Trading commences	31-10-2023

IRM Energy Limited is a gas distribution company. The company is involved in developing, operating, and expanding of local natural gas distribution network. IRM Energy is a value-driven energy enterprise serving industrial, commercial, domestic, and automobile customers.

OBJECTS OF THE ISSUE

- Funding capital expenditure requirements for the development of the City Gas Distribution network.
- Repayment of all or a portion of certain outstanding borrowings availed by the Company.

OUTLOOK & VALUATION

IRM has showcased consistent development of its gas distribution business in its key GAs. The company has a diverse customer portfolio and distribution network of CNG and PNG and a strong relationship with its customers. It has also reported strong financial performance in the last few years, except in FY23, when profit was impacted by a rise in gas prices due to geopolitical situations.

The company is still in the early stages of growth and may be impacted by unforeseen factors and other risks like limited geographic reach, government policies, delayed revenue generation, etc.

The issue is coming at a P/E valuation of 24.12x, which appears fairly priced. Thus, considering all these factors and the positive growth outlook, we will recommend a Subscribe rating to this IPO.



KEY MANAGERIAL PERSONNEL

01

Maheswar Sahu

He is a Non-Executive Director of the Company and the Chairman of the Board of Directors of company. He had active involvement in handling various portfolios in Government including PSU management.

02

Karan Kausha

He is Chief Executive Officer (CEO) of the Company on July 13, 2020. He has been associated with the Company since September 5, 2016. He has 16 years of experience in the field of General Management, Strategy, Business Development and Project Management.

03

Harshal Anjaria

Harshal Anjaria was appointed as the Chief Financial Officer (CFO) of the Company on July 13, 2017. He has been associated with the Company since July 11, 2016. He has been associated with the Company since July 11, 2016.

04

Shikha Jain

Shikha Jain was appointed as the Company Secretary and Compliance Officer of the Company on January 4, 2020 and November 7, 2022, respectively. She has been associated with the Company since September 2, 2019. She has over 5 years of experience in corporate secretarial and other related compliances.



COMPANY PROFILE

- Company develop natural gas distribution projects in the geographical areas (“GAs”) for industrial, commercial, domestic and automobile customers.
- The company has marked its presence in Banaskantha District in the state of Gujarat, Fatehgarh Sahib in the state of Punjab, and Diu & Gir-Somnath in the Union Territory of Daman & Diu and the state of Gujarat.
- The company is fulfilling the natural gas requirements of 48172 domestic clients, 179 industrial units, and 248 commercial clients.
- As of September 2022, the company has 216 CNG gas stations across its operating geographical areas.
- The company has received an award of City Gas Distribution- Growing Company of the Year 2020 from the Federation of Indian Petroleum Industries.
- Company supply natural gas to two primary set of customer segments that are CNG and PNG.

COMPETITIVE STRENGTHS

- Exclusivity in CNG and PNG supply in the awarded geographical areas.
- Diverse customer portfolio and distribution network of CNG and PNG
- Strong parentage, experienced board and management team and strong execution team.
- Technology adoption and digital initiatives for efficient and optimal operations.
- Connectivity to gas pipelines and establishing cost-effective gas sourcing arrangements.
- Strong financial performance with consistent growth and profitability supported by healthy operating efficiency and favourable regulations.

KEY STRATEGIES

- Expand company’s presence in existing and newer geographical areas through an improved captive distribution channel.
- Infrastructure roll-out for development and operation of the new licensed geographical areas of Namakkal & Tiruchirappalli, Tamil Nadu.
- Technology adoption to increase operational efficiency and enhance customer value.
- Business integration for transition into a complete energy solution provider.

KEY CONCERNS

- Transporting natural gas is hazardous and could result in accidents, which could adversely affect the company’s reputation, business, financial condition, results of operations, and cash flows.
- The Company typically requires 15-18 months to generate revenue in its geographical areas. Any further delay in realizing revenue may affect projections, results of operations, and cash flows.
- Its operations are restricted to defined geographical boundaries and the natural gas requirements in these regions may be affected by various factors.
- Companies require various licenses and approvals for undertaking their businesses.
- The company is heavily reliant on CNG and industrial PNG supply operations and any decrease in the sales may have an adverse effect on the business.
- The company is dependent on Government policies for the allocation of natural gas and the cost of gas supplied for CNG and domestic PNG customers.

COMPARISON WITH LISTED INDUSTRY PEERS (AS ON 31ST MARCH 2023)

Name of the Company	EPS (Basic)	P/E	Total Income (Mn)	NAV	RONW(%)
IRM Energy Limited	20.93	-	9,800.89	79.98	18.23
Peer Group					
Gujarat Gas Limited	22.20	18.69	1,67,594.00	102.09	21.75
Indraprastha Gas Limited	23.42	19.21	1,41,458.50	113.30	20.67
Mahanagar Gas Limited	79.98	12.64	62,992.80	418.53	19.11
Adani Total Gas Limited	79.98	125.18	43,781.90	26.74	18.58

FINANCIALS (RESTATED CONSOLIDATED)

PARTICULARS (RS. IN MILLIONS)	FY 2023	FY 2022	FY 2021
Equity Share Capital	302.60	293.70	289.99
Other Equity	3,161.63	2,143.50	886.05
NET WORTH	3,464.27	2,437.20	1,176.04
Total Borrowings	2,821.96	1,867.60	1,581.82
REVENUE FROM OPERATIONS	10,391.35	5,461.43	2,118.09
EBITDA	1,189.38	2,008.98	729.72
Profit Before Tax	744.02	1,523.63	460.87
NET PROFIT OF THE YEAR	631.36	1,280.28	348.89


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