



All About



Sector - Gas Distribution

Issue Opens - October 18, 2023 to October 20, 2023

**Price Band
₹480 to ₹505**

Face Value
₹10

Lot Size
29 Shares

Issue Size
₹545.40 Cr

Issue Type
Book Built

Research@ganeshstock.com

Important Events



Issue Size

10,800,000 shares (₹545.40 Cr)

Fresh Issue

10,800,000 shares (₹545.40 Cr)

Offer for Sale

N/A

Basis of Allotment

Friday, October 27, 2023

Initiation of Refunds

Friday, October 27, 2023

Credit of Shares to Demat

Monday, October 30, 2023

IRM Energy IPO Listing

Tuesday, October 31, 2023

Promoters

- Karan Kaushal (Chief Executive Officer)
- Harshal Anjaria (Chief Financial Officer)
- Prashant Sagar (COO)

Promoters collectively hold 67.95% (Pre Issue) of the Equity Share.

About the Company



Leading Indian City Gas Distribution (CGD) business IRM Energy Limited has operations in four states. It is a comprehensive, value-driven energy company that creates natural gas distribution projects for customers in the industrial, commercial, residential, and automotive sectors. IRM Energy is committed to providing clients with the energy they need through its pipelines and CNG station network at an affordable price while upholding strict safety requirements. It is dedicated to giving its clients one of the fuels that is the safest, cleanest, and most affordable.

Product Portfolio

With operations in Banaskantha (Gujarat), Fatehgarh Sahib (Punjab), Diu & Gir Somnath (Union Territory of Daman and Diu/Gujarat), and Namakkal & Tiruchirappalli (Tamil Nadu), IRM Energy Limited is a city gas distribution ("CGD") company in India. Its activities include laying, constructing, running, and expanding the city or local natural gas distribution network.

The Company creates natural gas distribution projects for industrial, commercial, residential, and automotive users in the geographical regions ("GAs") assigned to them.

Objects of the offer

The Company proposes to utilize the Net Proceeds towards the funding of the following objects:

- Funding capital expenditure requirements for the development of the City Gas Distribution network in the Geographical Areas of Namakkal and Tiruchirappalli (Tamil Nadu) in Fiscal 2024, Fiscal 2025 and Fiscal 2026;
- Prepayment or repayment of all or a portion of certain outstanding borrowings availed by the Company; and
- General corporate purposes.

Track Record Of Financial Performance



Profit & Loss Statements				
PARTICULARS	Mar-20	Mar-21	Mar-22	Mar-23
Net Sales	147.56	189.57	507.15	980.09
Total Expenditure	97.85	116.36	320.71	867.81
Operating Profit	49.71	73.21	186.43	112.28
Other Income	0.47	0.73	3.05	5.96
Interest	9.67	15.86	22.08	22.9
Depreciation	9.18	12	15.04	20.9
Exceptional Items	0	0	0	0
Profit Before Tax	31.33	46.09	152.36	74.44
Provision for Tax	10.24	10.96	38.8	17.96
Net Profit	21.09	35.13	113.56	56.48
Adjusted EPS (Rs.)	0.66	1.21	3.87	1.87

Balance Sheet				
PARTICULARS	Mar-20	Mar-21	Mar-22	Mar-23
Equity and Liabilities				
Share Capital	27.13	29	29.37	30.26
Total Reserves	47.63	88.87	200.15	295.3
Borrowings	144.92	158.18	186.76	282.2
Other N/C liabilities	19.96	29.37	45.99	62.34
Current liabilities	29.81	32.96	78.33	101.94
Total Liabilities	269.46	338.37	540.6	772.04
Assets				
Net Block	197.7	240.59	300.41	380.62
Capital WIP	28.96	19.7	52.28	91.09
Intangible WIP	0.24	0.19	0.19	0
Investments	0.15	6.4	11.48	11.52
Loans & Advances	8.23	4.86	12.57	47.63
Other N/C Assets	6.51	8.89	22.25	15.68
Current Assets	27.67	57.74	141.4	225.51
Total Assets	269.46	338.37	540.6	772.04

Cash Flows		
PARTICULARS	Mar-22	Mar-23
Profit from operations	152.36	74.44
Adjustment	38.89	55.71
Changes in Assets & Liabilities	-40.78	-55.42
Tax Paid	-21.84	-28.04
Operating Cash Flow	128.64	46.7
Investing Cash Flow	-110.34	-201.64
Financing Cash Flow	15.1	117.67
Net Cash Flow	33.4	-37.28



Strengths

- 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.

Risks

- Natural gas transportation involves risk and has the potential to cause accidents, which could have a negative impact on the company's standing, operations, finances, and cash flow.
- The Company needs a number of licenses and approvals to operate their activities, and if they are not obtained or maintained promptly, or at all, it could negatively impact their operations.
- In its GAs, the Company normally needs 15 to 18 months to produce income. Any further delay in generating income could have an impact on their financial forecasts, operating results, and cash flows.

Valuation and Outlook

The issue's price range, in terms of valuation, is INR 480-505 per share. A P/E ratio of IRM energy is 24.12x is based on a price range above INR 505 and FY23 EPS of INR 20.93(FY23).

The iRM energy Limited According to DRHP peers company is listed whose PE Multiple is shown in this table.

S.No.	Company	PE Ratio
1.	Indraprastha Gas Limited	62.78
2.	Gujarat Gas Limited	131.78
3.	Mahanagar Gas Limiteddc	42.82
4.	Adani Total Gas Limited	17.21

In three states, IEL is one of the top competitors in the city gas distribution market. For the stated periods, the company's top lines have consistently increased. On the financial performance front, for the last three fiscals, the company has (on a consolidated basis) posted a total income/net profit of Rs. 212.54 cr. / Rs. 35.13 cr. (FY21), Rs. 549.19 cr. / Rs. 113.56 cr. (FY22), and Rs. 1045.10 cr. / Rs. 56.45 cr. (FY23). For Q1 of FY24 ended on June 30, 2023, it earned a net profit of Rs. 27.84 cr. on a total income of Rs. 248.63 cr. According to the management, the first quarter of FY24, which concluded on June 30, 2023, saw pressure on margins as a result of skyrocketing gas and other petroleum product prices brought on by unstable global markets as a result of the Ukraine-Russian war. In the upcoming years, it is probably going to go back on track now that the markets have calmed. IEL reported RoCE margins of 19.98% (FY21), 39.01% (FY22), and 14.19% (FY23) for the previous three fiscal years.

We, therefore, recommend a “**Subscribe**” rating for the issue.