

Company Overview

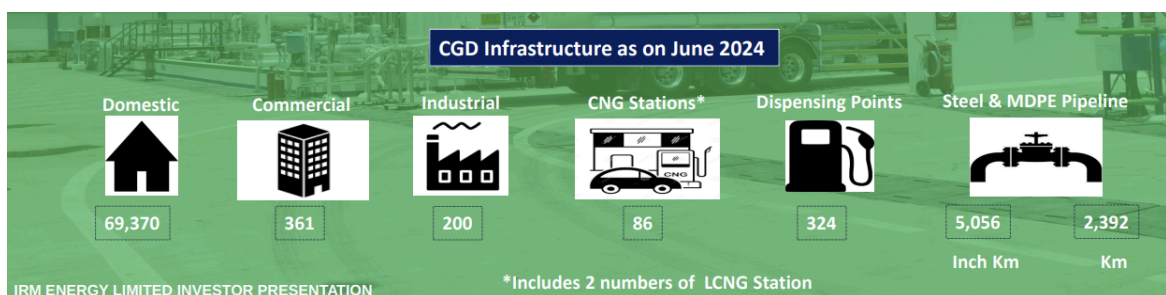
IRM Energy Limited (IRMEL) has four **Geographical Areas** (GA) licenses awarded by PNGRB to develop CGD infrastructure in six districts. Has exclusive rights for laying, building, operating, and expanding a city or local natural gas distribution network in below four GAs.



All Geographical Areas (GA) are in growth phase and have good potential. Interestingly, company is bullish on growing in TN in particular (Trichy and Namakkal) and expects majority of the revenues to come by **2027**.

Operational metrics (Q1 FY 25)

- No of PNG Domestic Customers Added in Q1FY25 - **3,142** (vs Total **69,370**)
- No of PNG Industrial Customers Added in Q1FY25 - **5** (vs Total **200**)
- Cumulative CNG Stations - **86**
- Cumulative CNG Dispensing Points - **324**



Financial Performance

Volume Growth - For the Q1 2025, overall sales volume was 48.08 mm scm vs Q4 24 46.79 mmscm (q-o-q) vs 45.69 mmscm Q1 2024 (y-o-y)

Particulars	Quarter Ended			Year Ended
	30-Jun-24	30-Jun-23	31-Mar-24	31-Mar-24
Operational Performance				
Volume (mmscm)	48.08	45.69	46.79	189.90
CNG	26.73	22.58	26.07	99.79
PNG	21.36	23.10	20.73	90.11
% Growth (y.o.y)	5%	-3%	-4%	-3%

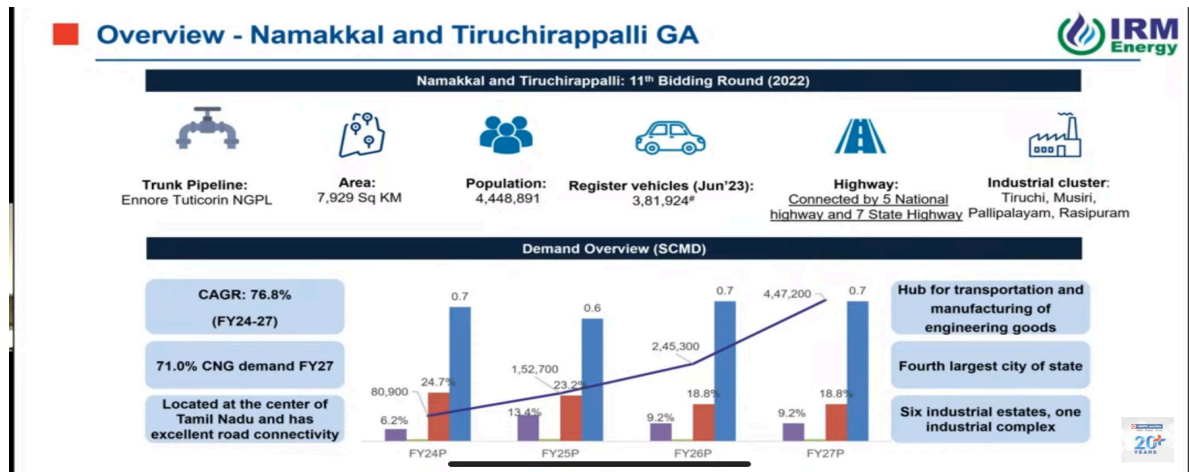
- 1. Revenue Growth** - Although the last few quarters have been muted, major capex is happening in Namakkal and Trichy and should show growth in a couple of quarters. CNG incentives are being rolled out as well for conversion.
- 2. Profitability** - Margins have been volatile in '23 due to the Russia-Ukraine war and have stabilized now - it is likely to improve with increase in sales volumes.
- 3. Leverage** - IPO proceeds used to pay off long term debt worth Rs 135 cr. Net Debt stands at (472.92) Cr. (Long term debt - Rs 2,105.00 Cr vs Cash & Cash equivalents - Rs 2,577.92 Cr)
- 4. RoE & RoA** - Lower ROE for FY 24 is on account of higher base due to IPO

Particulars	Quarter Ended			Year Ended
	30-Jun-24	30-Jun-23	31-Mar-24	31-Mar-24
Financial Performance				
Net Revenue from Operations (net of Excise Duty) (Rs. Mn)	2,253.50	2,300.39	2,142.46	8,905.16
Gas Cost (Rs. Mn)	1,619.24	1,676.93	1,579.03	6,465.23
Gross Margin (Rs. Mn)	634.26	623.46	563.43	2,439.94
EBITDA (Consolidated) (Rs. Mn)	302.54	411.35	203.47	1,430.22
EBITDA (as % to net revenue from operations) (Rs. Mn)	13%	18%	9%	16%
PAT (Consolidated) (Rs. Mn)	187.02	269.04	89.78	856.63
EPS (Consolidated)*	4.56	8.89	2.19	24.47
ROE (Consolidated)*	N.A	N.A	N.A	*9%
ROCE (Consolidated)*	N.A	N.A	N.A	*10%

*not annualised for stub period

TN GA - Trichy & Namakkal has huge Potential

Trichy is the 4th largest city in TN with good potential for both domestic and industrial usage of PNG and CNG as well due to connectivity with state and national highways. ~30% of revenues are expected from this region by FY '27



Source: Company IPO Presentation

TN state City Gas Distribution policy is progressive and seems to be in line with company ambitions.

(B) CGD Infrastructure - Implementation Target

S.N.	Name of CGD entities	Districts covered	No. of CNG Retail Outlets	No of PNG domestic connections	Steel pipeline network
1	TGCPL	Chennai & Tiruvallur	222	33,00,000	6,656
2	TGCPL	Nagapattinam	27	1,66,644	495
3	AG&P	Kancheepuram & Chengalpat	111	1,15,111	668
4	AG&P	Ramanathapuram	11	41,311	251
5	AG&P	Vellore, Ranipet & Tirupathur	251	22,95,933	1,731
6	ATGPL	Cuddalore, Mayiladuthurai, Tiruvarur	40	3,89,000	839
7	ATGPL	Tiruppur	75	3,75,005	829
8	IOCL	Dharmapuri and Krishnagiri	201	16,19,227	1,201
9	IOCL	Madurai, Theni, Virudhunagar	201	28,46,696	2,001
10	IOCL	Kanyakumari, Tirunelveli, Thoothukudi & Thenkasi	251	29,39,842	2,001
11	MEIL	Pudukkottai, Sivagangai & Thanjavur	216	14,00,004	6,498
12	MEIL	Tiruvannamalai, Kallakurichi, Villupuram	99	13,23,000	2,520
13	MEIL	Ariyatur & Perambalur	63	4,19,400	1,530
14	IRM	Namakkal & Tiruchirappalli	290	17,74,000	1,450
15	BPCL	Nilgiris and Erode	201	8,84,777	1,316

Statutory Warning: This is NOT an investment advice to buy or sell shares. Please make your own decision, as blindly acting on anyone else's research and opinions can be injurious to your wealth. My analysis may be biased, and wrong. I have been wrong many times in the past.

Risks / Negatives :

- Resignation of Key Management Personnel - Board member Mr. Maheswar Sahu and Mr. Karan Kaushal Chief Executive Officer. This is mitigated by leadership of CFO **Mr. Harshal Anjaria** who has been part of management and led IPO as well.
- Delay in pipeline infrastructure and not completing work per MWP (Minimum Work programme) mandated by Govt
- License payment fee to Promoter Trust for use of the IRM brand. Rationalization of the same under discussion and company is hoping for resolution
- [Criminal cases](#) pending against Rajiv Modi, Chairman & MD of Promoter Cadilla Pharma
- Reducing institutional ownership (DSP Small Cap and Quant active fund)

Valuations:

Compared to other listed peers (IGL, MGL), IRMEL seems attractively priced given the growth potential of GAs however above corporate governance related risks could be a drag over the price until they're resolved or mitigated. In my view, risk vs reward seems to be favorable and this can be included in one's portfolio as a turnaround bet.

It is to be noted that [Shizuoka Gas average cost of acquisition](#) is ~ Rs **460** which is near CMP and is lower than [IPO listing price](#) of Rs 477, which was muted with 5.5% discount from issue price of Rs 505.

Re-rating triggers :

- Fatehgarh Sahib GA has short term issues as National Green Tribunal relaxed pollution norms for steel however given the overall push for green initiatives there will be a mandate to replace polluting fuels with CNG over time.
- The Company is aggressively rolling out CGD infrastructure activities in Namakkal and Tiruchirappalli GA. As of June 30, 2024, the company has a commissioned network of 19 nos. of CNG retail filling stations in Namakkal and Tiruchirappalli GA. The sales of CNG vehicle variants and retro fitment ecosystem have started picking up in this GA.
- Appointment of a new capable KMP could allay market fears of leadership vacuum