



भारतीय प्रतिभूति
और विनिमय बोर्ड
Securities and Exchange
Board of India

*Assistant Manager
Division of Issues and Listing-2
Corporation Finance Department
Phone: +91 22 2644 9941
Email: shivani@sebi.gov.in*

SEBI/HO/CFD/DIL2/OW/P/2022/63422/1
December 22, 2022

HDFC Bank Limited
Investment Banking Group,
Unit No. 401 & 402, 4th Floor,
Tower B, Peninsula Business Park,
Lower Parel, Mumbai - 400 013
Maharashtra, India

Kind Attention: Mr. Ashwani Tandon/ Mr. Kunal Thakkar

Respected Sir,

Sub: Clarification sought for proposed IPO of IRM Energy Limited.

We are in receipt of the Draft Red Herring Prospectus (DRHP) of the captioned company forwarded to us vide letter dated December 14, 2022.

In this regard, you are advised to comply/clarify the following points mentioned in Annexure A.

Yours faithfully,


Shivani Gupta

(Encl.: As above)



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Annexure A

Clarifications sought on the DRHP of IRM Energy Limited

With reference to the Draft Red Herring Prospectus of captioned IPO filed with SEBI, you are advised to clarify the following points:

Specific Clarifications:

1. Forward-Looking Statements :

Page-27 – It is disclosed that this Draft Red Herring Prospectus contains certain “forward-looking statements”. It may be noted that point (e) under Instructions of Part A of Schedule VI of ICDR Regulations, 2018, states that the offer document should not make any forward-looking statements that cannot be substantiated. In view of the same, you are advised to confirm and explain compliance with the aforesaid provision with respect to all such forward-looking statements made in the DRHP.

2. Issue Document Summary (Page 16):

- a) Page 16 – LM is advised to mention the face value of equity shares under the sub-head: “Issue Size”
- b) Under the head “Risk Factors”, LM is advised to list down the top 10 operating risks associated with the company after updating the risk factors.
- c) Pre-IPO placement: LM is advised to ensure that the Pre- IPO activity does not breach the SEBI’s ICDR Regulations at any point of time.

3. Risk Factors:

- i. LM is advised to rearrange the risk factors based on materiality. With reference to Regulation 5(D) of Schedule VI of SEBI (ICDR) Regulations, 2018, LM is advised to mention proposals, if any, to address the specific risk.
- ii. LM is encouraged to provide requisite quantitative information in tabular form, wherever applicable. LM may include financial ratios & relevant data in order to substantiate the risk in relevant risk factor.
- iii. LM is advised to review Top 15 Risk factors impacting the Company. The Risk factors must have quantitative information in tabulated form and specific impact on the company, its business & its financials.
- iv. LM may review that the title of the risk factor is specific (not vague) & has financial amount.



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- v. **RF 4 & RF 5:** LM should concise / rephrase the risk factors and make them company specific. LM is advised to use tables while disclosing quantitative data.
- vi. **RF 6, 8:** LM is advised to use table format.
- vii. **RF 3:** LM is advised to mention past instances in last 3 years, if any in the risk factor.
- viii. **RF 1:** LM is advised to mention information pertaining to supplier distribution in past 3 years in tabular form. Further, LM is advised to mention the instances occurred due to suppliers' mismanagement in the past 3 years as mentioned in risk factor.
- ix. **RF 4:** LM is advised to mention the type of products sold by the company in these 4 regions and may redraft the risk factor. LM is further advised to mention this "Our city gas distribution ("CGD") network can only be set up in areas where we receive authorization to operate from the PNGRB" in the title of the risk factor.
- x. **RF 5:** LM is advised to provide capital expenditure incurred by the company in past 3 years for each GA. LM is advised to specifically mention the amount instead of "significant capital expenditure" or "majority of such capital expenditure" in para 2.
- xi. **RF 8:** LM is advised to mention details pertaining to no. of stations owned and operated by company and by dealers and their respective revenue contribution.
- xii. **RF 15:** LM is advised to move this in top 10 risk factors and provide instances in past 3 years.
- xiii. **RF 16:** LM is advised to move this in top 5 risk factors and elaborate more on sales growth with respect to CNG and PNG distribution. LM is further advised to use table format.
- xiv. **RF 19:** LM is advised to move this in top 10 risk factors and provide contingent liability as a % of total liability.
- xv. **RF 22 & RF 31:** LM is advised to combine these risk factors, redraft and move the new risk factor in top 15 risk factors. LM is advised to mention capital expenditure incurred in past 3 years and proposed investment in the risk factor itself, clearly highlighting the potential risks.
- xvi. **RF 23:** LM is advised to confirm and mention about RPT transactions being held & continue to be held at arm's length and not violating any provisions of applicable laws.
- xvii. **RF 29:** LM is advised to move this in top 10 risk factors. LM is advised to mention the price details.



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- xviii. RF 34: LM is advised to specify the number of lease agreements, leave and license agreements instead of using the term “certain”. LM is advised to move this in top 25 risk factors.
- xix. RF 35: LM is advised to move this in top 20 risk factors.
- xx. RF 37: LM is advised to move this in top 10 risk factors, elaborate more on guarantee amount, past instances, etc., provide details in tabular format and disclose the impact of mentioned guarantee on the company’s financial performance.

4. **Additional Risk Factors (Top 15-30 Risk Factors):**

- LM is advised to consider adding a Risk Factor on competition, wherein both operational and financial comparison is undertaken. LM is advised to use market share and ranking in terms of revenue, net profit, Debt, EPS and other key parameters.
- LM is advised to consider adding a Risk Factor on capacity utilization in past 3 years based on each of the GA allocated to the company.
- LM is advised to consider adding a Risk Factor on entry barriers in the Natural gas industry as the company has started its operations in 2017.
- LM is advised to consider adding a Risk Factor on contribution from various customers. LM is advised to first define the type of customers the company caters to and thereby provide revenue distribution, connection distribution etc., accordingly. LM is advised to remove the excess categories of overlapping customers in the DRHP.
- LM is advised to consider adding a risk factor on GCP amount (approx. 21% of total issue size) & on object 2: obtaining consent from lenders.
- LM is advised to consider adding a Risk Factor on sudden fall in Net Asset Value, Net profit for the year and Earning per share, along with tabular data of past 3 years and reasons for such fluctuations and compare with industry EPS, NAV.
- LM is advised to consider adding a Risk Factor on amount recognized as Debts along with their ageing in last 3 FYs.
- LM is advised to consider adding a Risk Factor mentioning Special Rights available to the existing promoters, if any.
- LM is advised to refer page 201 and consider adding a risk factor on cost and time overruns.



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- LM is advised to refer page 311 and consider adding a risk factor on material developments that may affect future results of operations.
- LM is advised to refer page 318 and consider adding a risk factor on litigations against the Promoters of the Issuer Company.

5. **Objects of the Offer:**

- I. LM is advised to clarify the basis on which utilization of funds from Pre-IPO will be carried out.
 - II. **Object 1:** LM is advised to refer to page 85 and
 - a. Explain the rationale for opting for Tamil Nadu GA to be funded from net proceeds. LM is further advised to substantiate this with operational and financial comparison among other GAs. LM is further advised to redraft para 1 in simple terms under details of the *object of the issue* (page 85).
 - b. LM is further advised to highlight the fact that part of funding for object 1 is received from HDFC Bank Limited (cited on page 86), mention the terms of loans including date, amount, interest rate, duration etc.
 - c. LM is further advised to confirm whether this transaction is violating any of the provisions applicable laws including ICDR Regulations 2018 as the merchant banker of the issuer company is also mentioned to be HDFC bank limited. LM is advised to consider adding a suitable risk factor.
 - III. **Object 2:** LM is advised to refer to page 105 and disclose status of consent from lenders and any pre-payment penalties imposed on the Issuer Company. LM is advised to mention the outstanding loans before and after this proposed payment of loans.
6. **Our Business:** LM is advised to redraft this section in lucid language and explain the terms clearly. LM is advised to cite the operational KPIs also used by the company.
 7. LM is advised to disclose peer comparison in terms of financial and operational parameters such as capacity utilization, no. of connections, no. of stations, no. of Gas etc.
 8. **Our Management:** LM is advised to refer page 213 and disclose the relationship of IRM private limited, GIG – IRM Glass Insulators Private Limited and IRM Enterprises Private Limited with the issuer company in the relevant section. LM is advised to refer page 217 (“Confirmations”) and draft a suitable risk factor under top 25 risk factors. LM is further advised to confirm whether these confirmations may directly or indirectly affect the eligibility of the issuer company to undertake this issue.



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9. **Industry Overview:** LM is advised to provide organizational structure/diagram of the company and brief details about subsidiary/holding company, if any.
10. **Management Discussion and analysis of financial conditions and Results of operations:** LM is advised to remove repeated content, if already present in DRHP. LM may give a cross-reference.
11. **Miscellaneous:**
- a) LM is advised to mention all the queries raised by SEBI and responded and noted for compliance by LM be positively reflected in the UDRHP/offer documents.
- b) Any risk on pricing of the issue / basis of issue price, track record of BRLMs, average cost of acquisition of shares by selling shareholders etc. which is proposed to be included in the issue advertisement may be submitted.
- c) LM is advised to ensure following disclosures in the Issue advertisement for announcement of Price Band and all further advertisements as a box item below the price band:

"Risks to Investors:

- i.a) The [to be disclosed] Merchant Bankers associated with the issue have handled [to be disclosed] public issues in the past three years out of which [to be disclosed] issues closed below the issue price on listing date."
- i.b) Any adverse data/ noting in the basis for issue price should be disclosed. For example:
- "The Price/Earnings ratio based on diluted EPS for [latest full financial year] for the issuer at the upper end of the Price band is as high as [to be disclosed] as compared to the average industry peer group PE ratio of [to be disclosed]."
 - "Average cost of acquisition of equity shares for the selling shareholders in IPO is [to be disclosed] and offer price at upper end of the price band is [to be disclosed]."
 - "Weighted Average Return on Net Worth for [last three full financial years] is [to be disclosed] %."

The data on above disclosures shall be updated and disclosed prominently (in the same font size as the price band) in advertisements of Price Band and all further advertisements, website of the company and the stock exchange. Further, any adverse ratio / data in basis for issue price should also be disclosed. LM shall submit the draft advertisement for announcement of Price Band with SEBI before its publication in the newspapers for our comments.

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General Clarifications:

12. LM is advised to examine the applicability of SEBI (Framework for Rejection of Draft Offer Documents) Order, 2012, to the DRHP of Issuer Company and confirm whether the said general order is applicable to the instant public issue/DRHP. LM is further advised to provide a para-wise reply on the applicability of aforesaid order.
13. LM is advised to examine the applicability of proviso to Regulation 14(4) of SEBI (ICDR) Regulations, 2018.
14. LM is advised to examine the applicability of SEBI (Issuing Observations on Draft Offer Documents Pending Regulatory Actions) Order, 2020, dated Feb 05, 2020, to the DRHP of Issuer Company and confirm whether the said general order is applicable to the instant public issue/DRHP. LM is further advised to provide a para-wise reply on the applicability of aforesaid order.
15. LM is advised to submit whether there has been any instance of issuance of equity shares in the past by the issuer Company, the Group Companies or entities forming part of the Promoter Group to more than 49 investors in violation of:
 - a) Section 67(3) of Companies Act, 1956; or
 - b) Relevant section(s) of Companies Act, 2013, including Section 42 and the rules notified thereunder; or
 - c) The SEBI Regulations; or
 - d) The SEBI (Disclosure and Investor Protection) Guidelines, 2000, as applicable.

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