May 21, 2025

To,

National Stock Exchange of India Limited
"Exchange Plaza"
Bandra-Kurla Complex, Bandra (East)
Mumbai – 400051s
Scrip Symbol: IRMENERGY

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai - 400001
Scrip Code: 544004

Sub: Intimation under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Credit Rating

Dear Sir/Madam,

Pursuant to Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), we would like to inform you that Crisil Rating Limited has reaffirmed the credit ratings on the bank facilities of the Company.

In this regard, please find below the rating outlook for debt instruments/ facilities of the Company, and the rating actions by CRISIL:

Total Bank Loan Facilities Rated	Rs. 700 Crores
Long Term Rating	Crisil AA-/Negative (Outlook revised from 'Stable' to 'Negative'; Rating Reaffirmed)
Short Term Rating	Crisil A1+ (Reaffirmed)

The rating rationale issued by CRISIL Ratings Limited dated May 20, 2025 is enclosed herewith as **Annexure-1**.

Request to kindly take the above information on record.

Thanking you,

Yours sincerely,

For, IRM Energy Limited

Akshit Nandkishor Soni

Digitally signed by Akshit Nandkishor Soni
Date: 2025.05.21 17:14:44 +05'30'

Akshit Soni
Company Secretary &
Compliance Office

Crisil Ratings

Rating Rationale

May 20, 2025 | Mumbai

IRM Energy Limited

Rating outlook revised to 'Negative'; Ratings Reaffirmed

Rating Action

Total Bank Loan Facilities Rated	**Rs.700 Crore**
Long Term Rating	**Crisil AA-/Negative (Outlook revised from 'Stable'; Rating Reaffirmed)**
Short Term Rating	**Crisil A1+ (Reaffirmed)**

Note: None of the Directors on Crisil Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.
1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

Crisil Ratings has revised its rating outlook on the long-term bank facilities of IRM Energy Ltd (IRM Energy) to '**Negative**' from 'Stable' and reaffirmed the rating at **'Crisil AA-';** the short-term rating has been reaffirmed at 'Crisil A1+'.

The outlook revision reflects the slower-than-expected growth in business during fiscal 2025 and the likelihood of moderate volume growth and operating earnings in fiscal 2026, reflecting possible weakening of business risk profile. This is on account of higher-than-expected reduction in cheaper Administered Price Mechanism (APM) gas allocation for the CNG (compressed natural gas) sector from the second half of the last fiscal, leading to increase in input cost (as company had to replace APM gas with higher cost alternatives) and impact on volume growth – being slower than earlier expectations – due to reduced competitiveness against alternate fuels.

During fiscal 2025, the company reported volume growth and operating margin of ~10% and Rs. 12 per scm, respectively, against flat growth and Rs 13 per scm, respectively, in fiscal 2024.

The company has taken measures to pass on the increased cost pressures to the customers in a gradual manner, and has recently tied up long-term supply contracts to secure the supplies. It continues to undertake growth capital expenditure (capex) in its geographical areas. Crisil Ratings expects that these measures are likely to result in material improvement in volume growth and operating margin in the current fiscal, as benefits of these measures are likely to play out.

However, absorption of fixed cost in Namakkal and Trichy GA on account of initial high fixed cost against growing volumes on low base and further reduction in APM gas allocation leading to reducing competitiveness of CNG against alternate fuels impacting volumes and operating margin will be monitorable.

That said, the ratings continue to factor in the strong financial risk profile and liquidity of the company, with net cash position (total cash and equivalent – total debt) of ~Rs 258 crore as on March 31, 2025 (~Rs 277 crore as on March 2024). This is supported by the IPO (initial public offering) proceeds of Rs 496 crore raised during fiscal 2024 and the said funds are yet to be fully utilised. As on March 2025, the company had free cash and equivalent of Rs 383 crore without any material long-term debt obligation, which supports liquidity and should be adequate to meet any shortfall in operating cash accrual against working capital requirement and annual capex over the medium term. However, higher-than-expected leverage will be monitorable.

The ratings continue to factor in the robust business model having a monopoly in the supply of CNG and PNG in the authorised four Geographical Areas (GAs): Banaskantha and the Fatehgarh Sahib GAs awarded in the sixth round of bidding, the Diu and Gir-Somnath GA awarded in the ninth round, and the Namakkal and Tiruchirappalli GA awarded in the eleventh round. These strengths are partially offset by exposure to risk related to under-achievement of minimum works programme (MWP) targets in the third GA, project-related risks and input risks related to availability of gas as well as volatility in prices.

Analytical Approach

The consolidated business and financial risk profiles of IRM Energy have been considered for analysis.

The joint ventures and associate have been moderately consolidated to the extent of any financial support required from the company.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths:

- **Monopoly in CNG and PNG supply in the awarded Gas:** The company is the sole distributor of CNG and PNG in the authorised GAs. While marketing exclusivity rights for the Banaskantha GA and the Fatehgarh Sahib GA is over, the company has marketing exclusivity rights till September 2028 for Diu and Gir-Somnath GA; and till March 2030 for Namakkal and Tiruchirappalli GA. IRM Energy has also been granted network exclusivity rights of 25 years in all the GAs for infrastructure creation, including laying down of pipelines and CNG distribution outlets, thus providing sufficient revenue visibility for the long term.

  The city gas distribution (CGD) players enjoy monopoly in gas distribution in their respective GAs even after the end of market exclusivity since the network exclusivity provides them competitive edge over any new player who would need to depend on the pipeline network of incumbent for distribution/transportation of gas.

- **Strong financials and debt protections metrics:** Networth increased to over Rs 947 crore as on March 31, 2025, from Rs 343 crore as on March 31, 2023, owing to the IPO proceeds; which has strengthened the balance sheet. Furthermore, the company is net debt-free at present versus a net cash position of Rs 258 crore as of fiscal 2025 as the IPO proceeds have been partly utilised to prepay some of the existing term loan taken for capex in the Banaskantha and Fatehgarh Sahib GAs. The company has also prepaid the preference share capital out of profits for fiscal 2025. Debt protection metrics remains strong, with interest coverage ratio of ~5 times for fiscal 2025 and adjusted gearing at ~0.13 times.

Weaknesses:

- **Declining operating performance:** The company has grown its revenue over the years, supported by healthy on-year increase in volume following infrastructure augmentation as well as increased penetration across GAs. While the operating margin was adversely impacted during fiscal 2023 due to rise in input gas prices that were not fully passed on to the customers, it partially recovered in fiscal 2024 with moderation in gas prices and adoption of Kirit Parikh Committee recommendation. Furthermore, volumes during the current fiscal have been impacted in the Fatehgarh Sahib GA owing to relaxation in ban imposed by the National Green Tribunal on the usage of polluting fuels such as coal during first 9 months of the fiscal. While the matter is under dispute, volumes have started improving from Q4 Fy 25 and the trend is expected to reverse once the ban is lifted completely. Thus, further improvement in the volumes from PNG I&C and CNG from the new GA of Namakkal and Tiruchirappalli, leading to higher fixed cost absorption, will be monitorable.

- **Exposure to project-related risks; mitigated by strong financial risk profile and prudent funding of capex:** IRM Energy is expected to incur capex of around Rs 400 crore over fiscals 2026-2028 towards setting up the CGD network in the Namakkal and Tiruchirappalli GA and the Diu and Gir-Somnath GA. The company is expected to fund its capex through Rs 300 crore of cash balance earmarked for the same (raised through the IPO), and the rest through internal accrual being generated during the period. Therefore, reliance on external debt is expected to be minimal.

  However, the company remains exposed to project implementation risks, including obtaining approvals from local and state government bodies for laying pipeline grids and setting up CNG dispensing stations; delays in obtaining approvals could delay the project implementation. The company has displayed a sufficient track record of timely and cost-efficient setting up of its network in the first two GAs. A similar achievement of timely execution with the MWP targets for the other two GA within the approved budget cost would be monitorable. The company is also marginally exposed to demand-related risk in the last two GAs.

- **Susceptibility to moderately high risk in gas availability:** While CGD companies were to be given priority in terms of allocation of the cheaper domestic gas for CNG and domestic PNG sales, reducing APM gas and increasing CGD volumes have led to cuts in APM gas allocation to the CNG sector as overall percentage of input gas. While the new pricing mechanism of APM gas shall lend stability to APM prices, CGD players will be increasingly exposed to the volatility in prices of non-APM gas as well as its availability. Given reduced APM allocation post two major cuts in previous fiscal, supply side risk has increased and needs to be addressed by adequate and competitive ties-ups. While the company has entered into some medium- and long-term supply contracts, adequacy of this to meet the rising demands, including IRM Energy's ability to pass on the price hikes to its end consumers while maintaining competitiveness versus alternate fuels, will be monitorable.

Liquidity: Strong

Free cash and equivalent stood at around Rs 258 crore as of March 2025. Annual net operating cash accrual of more than Rs 70-80 crore and outstanding cash and equivalent are expected to be sufficient to support the capex and debt obligation over the medium term. The company is expected to maintain cash balance of more than Rs 100 crore at all times and likely to remain net debt-free.

Outlook: Negative

Crisil Ratings believes that slower-than-expected recovery in volume growth and pressure on operating margin could result in weakening of business risk profile, thus leading to lower operating cash accrual and higher-than-expected leverage.

Rating sensitivity factors

Upward factors:

- Significant annual growth in the gas volumes sold of more than 15-17%, along with recovery in Ebitda (earnings before interest, taxes, depreciation, and amortisation) to more than Rs 5.5-6 per SCM, supporting material increase in annual net cash accrual on a sustained basis
- Steady increased in annual cash accrual supporting timely execution of capex against MWP targets, without material weakening of capital structure or liquidity

Downward factors:

- Significant delays in project execution, especially in PNG domestic connectivity for the GAs
- Slower-than-expected growth in the gas volumes with annual volume growth of less than 13-15%, or lower-than-expected operating cash accrual with Ebitda of less than Rs 4.5 per SCM

About the Company

IRM Energy was incorporated in December 2015 to venture into the CGD business. Dr Rajiv I Modi (trustee of the IRM Trust) owns a 99.99% equity interest in Cadila Pharmaceuticals Ltd (which holds a 36.48% equity stake in IRM Energy), so effectively, the promoter holds an equity stake of around 50% in the company. Around 23% stake is held by other strategic partners such as Enertech Distribution Management Pvt Ltd and Shizuoka Gas Co Ltd.

IRM Energy has been granted exclusive rights for laying, building, operating and expanding a city or local natural gas distribution network in the authorised four GAs: Banaskantha, Fatehgarh Sahib, Diu and Gir Somnath, and Namakkal and Tiruchirappalli. The network exclusivity rights for infrastructure creation, including laying down of pipelines and CNG distribution outlets, for these GAs would extend up to 25 years.

Key Financial Indicators (Crisil Ratings-adjusted figures – consolidated)

Particulars	Unit	2025*	2024
Revenue from operations	Rs crore	976	890
Profit after tax (PAT)	Rs crore	45	85
PAT margin	%	4.61	9.55
Adjusted debt/adjusted networth	Times	0.13	0.23
Interest coverage	Times	4.34	5.48

**as per financials of the company*

Any other information: Not applicable

Note on complexity levels of the rated instrument:

Crisil Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

Crisil Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the Crisil Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name Of Instrument	Date Of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs. Crore)	Complexity Levels	Rating Outstanding with Outlook
NA	Fund-Based Facilities	NA	NA	NA	15.00	NA	Crisil A1+
NA	Non-Fund Based Limit	NA	NA	NA	416.37	NA	Crisil A1+
NA	Proposed Fund-Based Bank Limits	NA	NA	NA	148.00	NA	Crisil AA-/Negative
NA	Term Loan	NA	NA	30-Sep-26	30.00	NA	Crisil AA-/Negative
NA	Term Loan	NA	NA	31-Mar-28	60.00	NA	Crisil AA-/Negative
NA	Term Loan	NA	NA	31-Mar-26	30.63	NA	Crisil AA-/Negative

Annexure – List of entities consolidated

Names of entities consolidated	Extent of consolidation	Rationale for consolidation
SKI-Clean Energy Pvt Ltd	Full	Subsidiary
Farm Gas Pvt Ltd	Moderate	Joint venture
Venuka Polymers Pvt Ltd	Moderate	Joint venture
Ni-Hon Cylinders Pvt Ltd	Moderate	Joint venture

Annexure - Rating History for last 3 Years

	Current			2025 (History)		2024		2023		2022		Start of 2022
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating

Fund Based Facilities	ST/LT	283.63	Crisil AA-/Negative / Crisil A1+		--	20-02-24	Crisil AA-/Stable / Crisil A1+		--	30-12-22	Crisil A1 / Crisil A+/Stable	Crisil A1 / Crisil A+/Stable
			--		--		--		--	05-12-22	Crisil A1 / Crisil A+/Stable	--
Non-Fund Based Facilities	ST	416.37	Crisil A1+		--	20-02-24	Crisil A1+		--	30-12-22	Crisil A1	Crisil A1
			--		--		--		--	05-12-22	Crisil A1 / Crisil A+/Stable	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Fund-Based Facilities	5	IndusInd Bank Limited	Crisil A1+
Fund-Based Facilities	10	Bank of Baroda	Crisil A1+
Non-Fund Based Limit	92.37	Kotak Mahindra Bank Limited	Crisil A1+
Non-Fund Based Limit	134	Bank of Baroda	Crisil A1+
Non-Fund Based Limit	40	IndusInd Bank Limited	Crisil A1+
Non-Fund Based Limit	75	Bank of Baroda	Crisil A1+
Non-Fund Based Limit	75	Union Bank of India	Crisil A1+
Proposed Fund-Based Bank Limits	148	Not Applicable	Crisil AA-/Negative
Term Loan	30.63	Kotak Mahindra Bank Limited	Crisil AA-/Negative
Term Loan	30	HDFC Bank Limited	Crisil AA-/Negative
Term Loan	60	HDFC Bank Limited	Crisil AA-/Negative

Criteria Details

Links to related criteria
Basics of Ratings (including default recognition, assessing information adequacy)
Criteria for consolidation
Criteria for manufacturing, trading and corporate services sector (including approach for financial ratios)

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