



July 31, 2025

To,

National Stock Exchange of India Limited

"Exchange Plaza"

Bandra-Kurla Complex, Bandra (East)

Mumbai – 400 051

Scrip Symbol: IRMENERGY

BSE Limited

Phiroze Jeejeebhoy Towers

Dalal Street

Mumbai – 400 001

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 India Ratings and Research Private Limited has affirmed the credit ratings on the bank loan facilities of the Company. The rating action is as follows:

Instrument Type	Bank loan facilities
Size of Issue	Rs. 7000 million
Rating assigned along with outlook/watch	IND AA-/Stable/IND A1+
Rating Action	Affirmed

The rating rationale issued by India Ratings and Research Private Limited dated July 30, 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 Soni

Company Secretary &

Compliance Officer

India Ratings Affirms IRM Energy's Bank Facilities at 'IND AA-/Stable'

Jul 30, 2025 | Gas Transmission/Marketing

India Ratings and Research (Ind-Ra) has affirmed IRM Energy Limited's (IRM) bank loan ratings as follows:

Details of Instruments

Instrument Type	Date of issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating Assigned along with Outlook/Watch	Rating Action
Bank loan facilities	-	-	-	INR7,000	IND AA-/Stable/IND A1+	Affirmed

Analytical Approach

Ind-Ra continues to take a standalone view of IRM while factoring in the corporate guarantees provided to its joint ventures (JVs) while arriving at the ratings.

Detailed Rationale of the Rating Action

The affirmation reflects IRM's healthy financial profile and a likely improvement in its business profile, led by a steady expansion of infrastructure in Namakkal and Tiruchirappalli (NT) geographical area (GA) won in the 11th city gas distribution bidding round and older Gas, along with a continued ramp up given the favourable demand potential, leading to a continued increase in the sales volumes and the scale of operations.

The ratings factor in the company's ability to mitigate lower administered price mechanism (APM) gas allocation for the compressed natural gas (CNG) segment through high pressure high temperature (HPHT) gas tie-ups and regasified liquefied natural gas (RLNG) sourcing agreements, if required, while keeping the CNG retail prices competitive against the alternate fuels. However, IRM was not able to completely pass on the impact of lower APM allocation for the CNG segment in FY25 to keep the retail prices competitive which resulted in a decline in the gross margins. The EBITDA margins were further impacted on account of a higher operating expenditure due to the license fees payments to the promoter IRM Trust and an absorption of higher initial fixed costs in NT GA. The ratings also factor in the higher exposure of the company to the industrial PNG segment in Fatehgarh Sahib (FS) GA, which remained volatile from a volume and EBITDA perspective over FY23-FY25; however, a volume recovery was seen in 4QFY25.

Ind-Ra expects the volumes to pick up and reach 0.65-0.70 million metric standard cubic metres (mmscm) per day in FY26, given the capex plans of the company to increase the infrastructure network in all four GAs to cater to the demand potential and EBITDA/standard cubic meter (scm) likely to remain stable at INR4.5-5/scm in FY26, supported by the moderation in the input gas cost. Furthermore, the ramp up of the newly added infrastructure network and a commensurate increase in the EBITDA will remain a monitorable.

List of Key Rating Drivers

Strengths

- Healthy credit metrics
- Continued volume growth in FY25 although gradually; likely to pick up in FY26
- Adequate gas sourcing tie-ups

Weaknesses

- Decline in EBITDA in FY25; likely to improve in FY26
- Large capex plans
- Risk related to breach of MWP targets
- Expiry of marketing exclusivity in two GAs

Detailed Description of Key Rating Drivers

Healthy Credit Metrics: IRM's net leverage (net debt including corporate guarantees issued/EBITDA) remained negative at 0.86x at FYE25 (FYE24: negative 1.09x; FYE23: 2.30x), given the high cash balance associated with the unutilised initial public offering (IPO) proceeds. The interest coverage (operating EBITDA/interest expense) reduced but remain comfortable at 4.36x in FY25 (FY24: 5.58x; FY23: 4.90x). The gross debt reduced to INR1,898.3 million at FYE25 (FYE24: INR2,887.5 million; FYE23: INR3,671.1 million) comprising term loans of INR1257.0 million (INR1,773.0 million; INR2,824.8 million), lease liabilities of INR160.2 million (INR189.3 million; INR159.3 million) with no vehicle loans (INR9.8 million; INR11.4 million) and short-term borrowings (INR99.9 million; nil); the balance comprised corporate guarantees provided to its joint ventures.

The IPO proceeds amounting INR2,598.5 million remain unutilised at end-March 2025; they will be used for funding the capex in NT GA over FY26-FY27. Ind-Ra expects the net leverage to turn positive but remain comfortable below 1x in FY26, led by the utilisation of IPO proceeds for the NT GA capex, leading to a decline in the cash balance. Furthermore, Ind-Ra expects IRM's reliance on external debt to remain limited, given the usage of the IPO proceeds and internal cash accruals for the capex plans.

Continued Volume Growth in FY25 Although Gradually; Likely to Pick Up in FY26: IRM's sales volumes improved gradually to 208.4mmscm in FY25 (FY24: 189.9mmscm; FY23: 196.4mmscm), with an average net realisation of INR46.8/scm (INR46.9/scm; INR49.9/scm), leading to a revenue (net of excise duty) of INR9,754.8 million (INR8,905.2 million; INR9,800.9 million). The overall volumes growth remains gradual on account of a slower recovery in the piped natural gas-industrial consumers (I-PNG) volumes which stood at 85.1mmscm in FY25 (FY24: 76.4mmscm; FY23: 106.5mmscm) but the CNG volumes continue to increase to 110.4mmscm (99.8mmscm; 83.7mmscm) led by the increase in the number of stations. The share of the CNG segment in the company's overall sales volume remain stable at 53% (53%; 43%) followed by I-PNG segment at 41% (40%; 54%).

For FY25, the sales volumes contribution from Banaskantha, FS, Diu & Gir Somnath and NT GA stood at 44%, 46%, 7% and 3%, respectively. Ind-Ra expects the volumes to pick up and reach 0.65-0.70mmscm per day in FY26 (FY25: 0.57mmscm per day; FY24: 0.52mmscm per day) given the capex plans of the company to increase the infrastructure network in all four GAs to cater to the demand potential.

Given the relatively higher exposure to I-PNG in the overall mix, Ind-Ra expects the volumes could remain volatile over FY26-FY27, impacting the overall scale of operations. However, in case of any clear direction to adhere to the NGT ban in FS GA and continued moderation in the natural gas prices, could lead to faster I-PNG volumes recovery, which would remain a key monitorable.

Adequate Gas Sourcing Tie-ups: CGD entities enjoy priority domestic gas allocation for CNG and D-PNG segments, while industrial and commercial PNG segments are serviced from HPHT gas and RLNG. Given the shortfall in domestic gas production, especially APM gas, the incremental demand for CNG segment is likely to see an increased sourcing of costlier gases namely new well gas, HPHT gas and RLNG being mixed. The CNG segment of the company are presently being supplied with a new well gas and HPHT gas mix of 60%-65%. A higher proportion of new well gas, HPHT gas and RLNG for CNG and D-PNG and greater sales to I&C-PNG segments would necessitate the tie-up of long-term gas contracts at competitive rates. Ind-Ra draws comfort from the medium-to-long term HPHT and RLNG gas sourcing tie-up agreements to aid the company to mitigate the pricing volatility. The agency believes the ability to tie up long-term gas contracts would remain a key determinant for the CGD entities to serve customers at a competitive price.

Decline in EBITDA in FY25; Likely to Improve in FY26: In FY25, IRM's EBITDA and EBITDA margins declined to INR963.3 million (FY24: INR1,488.7 million; FY23: INR1,122.8 million) and 9.9% (16.7%, 11.5%), respectively, owing to a decrease in the administered price mechanism gas (APM Gas) allocation for the CNG segment and an increase in the operating expenditure owing to the licensee fees. As a result, the EBITDA/standard cubic meter (scm) declined to INR4.62/scm during FY25 (FY24: INR7.84/scm; FY23: INR5.72/scm).

As per the addendum signed between the company and IRM Trust, the license fee was waived till December 2023, post which, the company is required to pay licensee fee at around 2% of the net revenue. The licensee fee expenses stood at INR195.1 million in FY25 (FY24: INR42.9 million) and the company has paid the same till 1HFY25 period and made provisions amounting to around INR92 million for 2HFY25.

Ind-Ra expects the EBITDA/scm to remain stable at INR4.5-5/scm over FY26, supported by the moderation in the input gas cost. Furthermore, as per the management, they are in discussion to lower the license fees and any revision could aid the EBITDA/scm. Ind-Ra expects the overall EBITDA to improve to INR1,100 million-1,200 million in FY26, supported by volume growth across GAs and segments.

Large Capex Plans: IRM plans to expand infrastructure in all four GAs and has a capex plan of around INR2,500 million each in FY26

and FY27, with a majority of the expansion planned in NT GA. This is higher than the previous year's capex run rates of INR1,296.6 million in FY25 (FY24: INR1,778.4 million, FY23: INR1,625.2 million). IRM had 111 CNG stations as of FYE25 (FYE24: 83; FYE23: 62) and plans to add another 40-50 in FY26. Furthermore, on the CNG front, the company plans to expand under the dealer owned dealer operated model, to minimise the capex requirements.

As per the management, the major portion of the capex would be done using unutilized IPO Proceeds and internal accruals with limited reliance on the external debt. This is likely to keep net leverage comfortable below 1x in FY26. The ramp up of the newly added infrastructure network and a commensurate increase in the EBITDA will remain a monitorable.

Risk Related to Breach of MWP Targets: IRM has completed the MWP for Banaskantha and FS GAs. For NT GA, by the end of the MWP, IRM has to complete the laying of 1,450 inch-km of pipeline, connecting 17,74,000 D-PNG connections and constructing 290 CNG stations against which it had laid 142 inch-km pipeline, added 504 domestic connections and commenced 33 CNG stations till end March 2025. The start date for the NT GA has been revised to 1 April 2024 by Petroleum and Natural Gas Regulatory Board, in line with a delay in the commissioning of the designated pipeline with 24 months for first contract year of MWP. For Diu & Gir Somnath GA, by the end of the MWP, IRM has to complete the laying of 188 inch-km of pipeline, connecting 91,000 D-PNG connections and constructing 35 CNG stations against which it had laid 100 inch-km pipeline, created infrastructure for 9,330 domestic connections and commenced 17 CNG stations till end March 2025. IRM is lagging behind the 31,850 D-PNG connections and 122 inch-km pipeline MWP target till end March 2025. Although the regulator has not levied any penalties/bank guarantee encashments so far across the sector, any change in stance could impact the EBITDA generation assumed by Ind-Ra and would remain a key monitorable. However, Ind-Ra draws comfort from the execution capability of the company, as demonstrated in the operational ramp-up at Banaskantha and FS GAs.

Expiry of Marketing Exclusivity in two GAs: The Banaskantha and FS GAs' marketing exclusivity, which IRM was awarded in FY17, expired in FY24. However, IRM will have infrastructure exclusivity until FY44. At end-June 2025, no other player had expressed interest in using IRM's network in Banaskantha and FS GAs to market its products, and according to Ind-Ra, the probability of the same remains low, owing to the applicability of network charges for the usage of IRM's network. Nonetheless, any negative development that could lead to an increase in competition and subsequently impact the margins would remain a key monitorable.

Liquidity

Adequate: IRM had free cash and cash equivalents of INR2722.9 million at FYE25 (FYE24: INR4503.3 million; FYE23: INR1,083.5 million; FYE22: INR694. million). The unutilised IPO proceeds have been parked in fixed deposits, the balance of which stood at INR2,603.8 million at FYE25. The company also has access to INR150 million of fund-based limits, which were unutilised during the 12 months ended March 2025. IRM also has non-fund-based limits of INR4,105 million for providing bank guarantees to procure gas, which were utilised at around 70% for the 12 months ended March 2025. Apart from these limits, IRM has extended performance bank guarantees to the Petroleum and Natural Gas Regulatory Board amounting to INR1,581 million for all GAs combined. The company's cash flow from operations remained stable at INR1,013.9 million in FY25 (FY24: INR1,154.4 million; FY23: INR323.8 million) led by favourable working capital changes. The company continued to report negative free cash flows of INR379.3 million in FY25 (FY24: negative INR674.1 million; FY23: negative INR1,316.1 million) on account of a capex of INR1,296.6 million (INR1,778.4 million; INR1,625.2 million). The company has capex plans of INR2,500 million each in FY26 and FY27, respectively. Furthermore, the company has debt repayments of INR1,073 million and INR197 million in FY26 and FY27, respectively.

The working capital cycle to revenue ratio remained negative at 5.5% in FYE25 (FYE24: negative 2.8%; FY23: negative 3.7%). The trade receivables and payables days remained below 15 days over FY23-FY25 given the nature of business. IRM has no plans to invest any further in bio-CNG fuel and medium-density polyethylene pipe manufacturing business to focus on the core CGD business. Moreover, IRM has extended a corporate guarantee of INR481.1 million for the debt and working capital facilities raised at its joint venture companies.

Rating Sensitivities

Positive: A sustained improvement in the operating profitability and higher-than-Ind-Ra-expected volume ramp up in existing and new GAs could be positive for the ratings.

Negative: Significant cost or time overruns in project execution, a sustained fall in the operating margins and/or any negative regulatory development and/or an unexpected debt-led capex, leading to the net leverage (including corporate guarantees issued) exceeding 1.5x on a sustained basis will lead to a negative rating action.

Any Other Information

Not applicable

About the Company

Incorporated in December 2015, IRM is engaged in storing, supplying and distributing natural gas, as well as laying, operating and maintaining CGD networks. IRM began commercial operations in 1HFY18. IRM has a five-year district marketing exclusivity for Banaskantha and FS and eight-year for Diu & Gir Somnath and NT and a 25-year infrastructure exclusivity for all GAs. IRMs has been held 50% by CPL and its related parties and 23% by other strategic partners.

Key Financial Indicators

Particulars	FY25	FY24
Net revenue (INR million)	9,755	8,905
Operating EBITDA (INR million)	963	1,489
EBITDA margin (%)	9.9	16.7
Gross interest coverage (x)	4.4	5.6
Net adjusted leverage (x)	-0.9	-1.1
Source: IRM, Ind-Ra		

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Rating Type	Rated Limits (million)	Current Ratings	Historical Rating/Outlook			
				17 May 2024	22 September 2023	14 July 2023	29 April 2022
Issuer rating	Long-term	-	-	-	WD	IND A+/Stable	IND A+/Stable
Bank loan facilities	Long-term/Short-term	INR7,000	IND AA-/Stable/IND A1+	IND AA-/Stable/IND A1+	-	IND A+/Stable/IND A1+	IND A+/Stable/IND A1+

Bank wise Facilities Details

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Bank loan facilities	Low

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity- indicators>.

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Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance and leasing companies, managed funds, urban local bodies and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

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APPLICABLE CRITERIA AND POLICIES

Evaluating Corporate Governance

Corporate Rating Methodology

The Rating Process

Short-Term Ratings Criteria for Non-Financial Corporates

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