RATING Not Rated | CMP INR 279 | TP INR NA

PL Capital
PRABHUDAS LILLADHER

IRM Energy Ltd (IRMENERG IN)

Management Meet Update

June 23, 2026

MWP execution remains a key focus

Quick Pointers

- Focus remains on growing Namakkal & Tiruchirappalli
- CNG station expansion remains on track

We recently hosted a roadshow with the management of IRM Energy Ltd (IRM), with discussions focused on MWP targets, royalty impact, operational performance, and other key business areas. Industrial demand in Fatehgarh Sahib (FS) has remained subdued in recent quarters, as certain industrial customers have shifted from natural gas to lower-cost alternative fuel such as coal. Management indicated that the recently filed PIL in Feb'26 seeking conversion of industries towards cleaner fuels such as gas provides a positive outlook for potential demand recovery. Key concerns highlighted during the interaction included delays in completion of Minimum Work Programme (MWP) targets in Namakkal & Trichy (N&T). Management attributed the delay to timing and execution challenges and indicated that the completion timeline has been extended by one year, with necessary board approval. Management remains committed to completing the projects within the revised timeline. The royalty impact remains at ~INR1/scm. Based on the Q4FY26 concall: IRM has invested ~INR 2.6bn in gross block till date and plans additional INR 1.5–1.8bn capex in FY27 to accelerate infrastructure expansion in N&T. IRM continues to focus on expanding its CNG network, with plans to add ~36 new CNG stations in FY27, following the addition of ~39 stations, taking the total network to ~150 stations in FY26. Management expects to maintain gross margins and EBITDA margins in FY27, with volume growth expected to ~250mmscm in FY27 vs 223mmscm in FY26. EBITDA/scm is expected to remain in the range of INR 5.2-5.5/scm vs ~INR 5.0/scm in FY26.

Company Background: IRM Energy Limited (IRM) is an Indian city gas distribution (CGD) company operating in 4 geographical areas (GA's), which include Banaskantha (Gujarat), Fatehgarh Sahib (Punjab), Diu & Gir-Somnath (Union Territory of Daman & Diu/Gujarat), and Namakkal & Tiruchirappalli (Tamil Nadu). The company was incorporated on 1st Dec'15 and commenced operations in 2017 after receiving CGD authorizations from Petroleum and Natural Gas Regulatory Board (PNGRB). IRM is engaged in the supply of Piped Natural Gas (PNG) to industrial, commercial, and domestic customers, and Compressed Natural Gas (CNG) across its authorized GA. The company is promoted by Cadila Pharmaceuticals Ltd, which receives a royalty of ~INR1/scm. Prior to its IPO, Cadila Pharmaceuticals held ~49.5% stake in the company and continues to remain the largest promoter shareholder with around 36% stake post listing.

Volume mix: The overall volume mix in FY26 was dominated by CNG (~60%), followed by PNG-Industrial (~35%), while PNG-Domestic contributed ~4.4% and PNG-Commercial ~1%. Banaskantha (BK) remained the largest contributor, accounting for ~47% of total volumes, followed by Fatehgarh Sahib (FS) at 39%, Diu & Gir Somnath (DGS) at 8%, and Namakkal & Trichy (N&T) at 6%. BK is primarily a CNG-led market, whereas FS has a higher exposure to industrial PNG volumes.

Key Data

Key Data	IRME.BO | IRMENERG IN
BSE Code	544004
NSE Code	IRMENERGY
52-W High / Low	INR 394/ INR 166
Face Value	10
Sensex / Nifty	77,094/ 24,103
Market Cap	INR 11.45bn/121.2mn
Shares Outstanding	41.1 mn
3M Avg. Daily Value	INR 1,826 mn

Shareholding Pattern (%)

Promoter's	50.07
Foreign	1.59
Mutual Funds	2.33
Domestic Institution	1.24
Public & Others	44.76
Promoter Pledge (INR bn)	-

Stock Performance (%)

	1M	3M	6M	12M
Absolute	0.3	40.8	(1.0)	(2.0)
Relative	0.4	38.8	8.2	2.4

Key Financials - Standalone

Y/e Mar	FY23	FY24	FY25	FY26
Sales (INR mn)	10,391	8,905	9,755	10,667
EBITDA (INR mn)	1,122	1,489	963	1,122
Margin (%)	10.8	16.7	9.9	10.5
PAT (INR mn)	631	857	452	532
EV (INR mn)	9,420	9,420	9,420	9,420
Total Debt (INR mn)	3,198	2,294	1,417	731
C&C Eq. (INR mn)	985	4,878	3,453	2,426
EPS (INR)	20.9	24.5	11.0	13.0
Gr. (%)	-52.3	16.9	-55.0	17.7
DPS (INR)	0.0	1.5	1.5	0.0
Yield (%)	0.0	0.5	0.5	0.0
RoE (%)	21.4	13.4	4.8	5.5
RoCE (%)	15.3	12.6	5.4	6.3
EV/Sales (x)	0.9	1.1	1.0	0.9
EV/EBITDA (x)	8.4	6.3	9.8	8.4
PE (x)	13.3	11.4	25.3	21.5
P/BV (x)	2.44	1.2	1.2	1.2

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Sourcing mix - IRM has gas sourcing agreements with GSPL and Shell, with ~80% of volumes secured under long-term contracts, as per management. Management highlighted concerns around declining APM gas allocation, which has reduced to ~22% recently. The shortfall has been compensated through NWG, though at a higher cost (~20% premium).

Delay over MWP target for N&T: A key concern highlighted was the underachievement in PNG domestic connections in N&T and DGS. N&T has achieved 1,576 connections vs a target of 177,400, while DGS has achieved 11,171 connections vs a target of 45,500. Pipeline infrastructure development also remains behind targets, with N&T and DGS at 242 and 103 inch-km vs targets of 290 and 141 inch-km respectively. Management highlighted that delays were primarily due to timing and execution challenges, including pipeline laying in congested urban areas, high initial customer acquisition costs, low existing natural gas adoption, and competition from LPG and liquid fuels. Pipeline execution requires extensive underground work (~1.5 metres depth), often in narrow lanes and densely populated areas, resulting in longer execution timelines. Management expects to address these challenges by improving contractor accountability and execution approach. The infrastructure completion deadline is expected to be extended by 1 year to Aug/Sept'27 due to these challenges. The current balance capex of INR1.6bn is currently parked in fixed deposits. IRM had raised ~INR5bn through IPO, with ~INR3.1bn allocated towards capex for network development in N&T, while the balance was utilised for debt repayment and general corporate purposes.

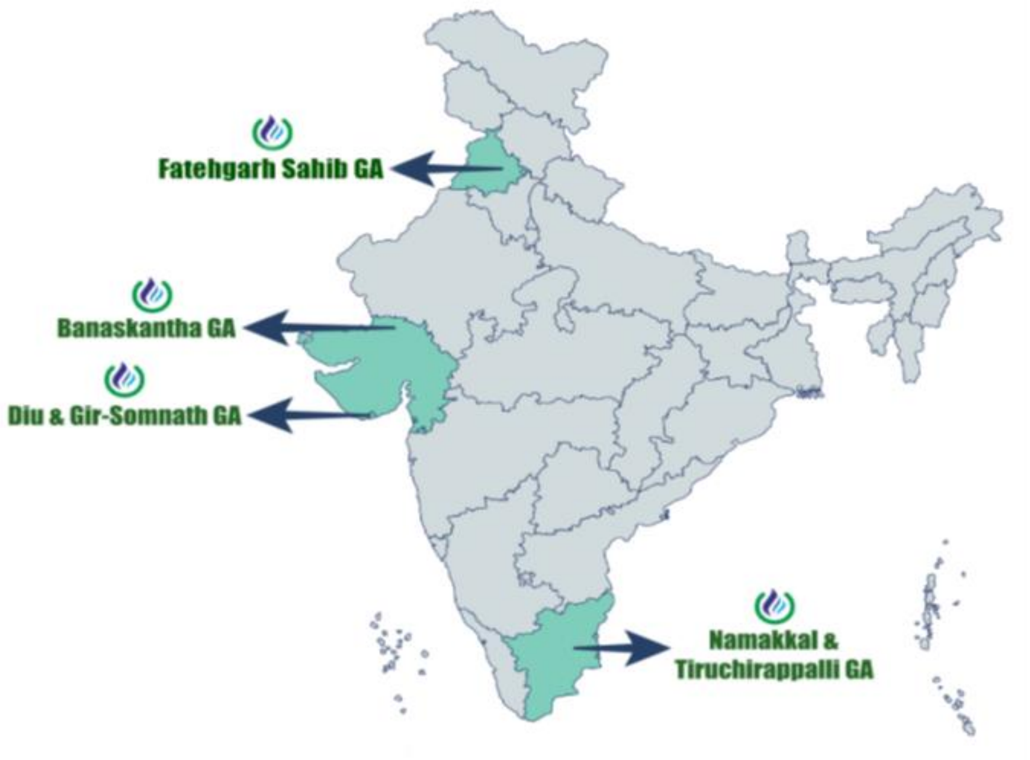
Industrial Volumes recovery - Volume growth in the region has remained relatively slow in recent quarters, with several steel and galvanizing industries shifting from natural gas to lower-cost alternatives such as coal, impacting industrial volumes. Consequently, industrial volumes declined from 85.1mmscm in FY25 to 78.1mmscm in FY26. In Feb'26, a PIL was filed seeking adoption of gas as a fuel due to increasing pollution concerns arising from coal usage, which could support recovery potential as industrial demand normalises.

N&T expected to be the next growth driver – Management highlighted N&T as a key contributor to future volume growth, supported by multiple expansion initiatives: 1) Signed an MOU with Tamil Nadu State Transport Corporation (TNSTC) in Namakkal for CNG bus deployment, with ~170 buses currently operational. 2) Commissioned the first LNG dispensing facility in Rasipuram, Namakkal. 3) Signed an MOU with Red Taxi in Trichy for conversion of fleet vehicles to CNG. The company is evaluating opportunities with a paper mill customer. As per Q4FY26 concall, IRM has invested ~INR2.6bn in gross block and plans additional INR1.5-1.8bn capex in FY27 to accelerate infrastructure expansion. Volume growth is expected to be initially driven by CNG (~90% contribution), while domestic PNG volumes are expected to scale up with pipeline expansion. Over the next 1-2 years, the volume mix is expected to normalise towards ~70%-30% CNG-PNG ratio. Management highlighted that CNG adoption among passenger vehicles is increasing, with more than 15% of passenger vehicles in the region already operating on CNG, and the penetration rate continues to improve.

Growth in CNG stations - Based on Q4FY26 concall, Management highlighted that the company added 39 stations in FY26 to 150 CNG stations vs 111 in FY25. For FY27, management has set a target of ~36 new CNG stations, considered a moderate but achievable target,

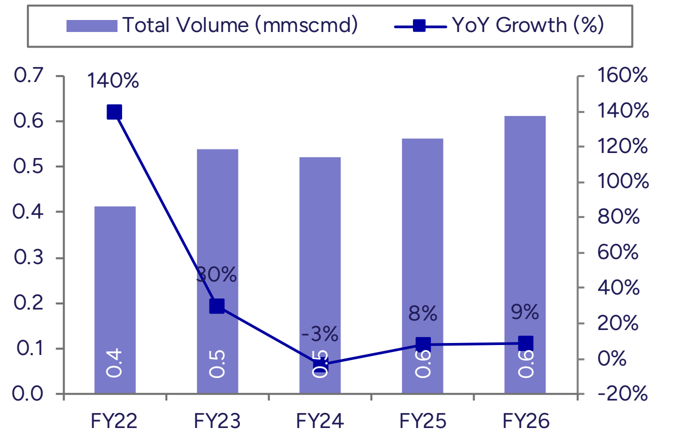
Management Guidance in Q4FY26 concall - Management expects volumes to increase from 223mmscm currently to above 250mmscm going forward in FY27. Company expects margins to remain stable, with EBITDA/scm of ~INR5.2-5.5/scm range going forward. IRM expects to maintain gross and EBITDA margins going forward.

Exhibit 1 : Map of GA's



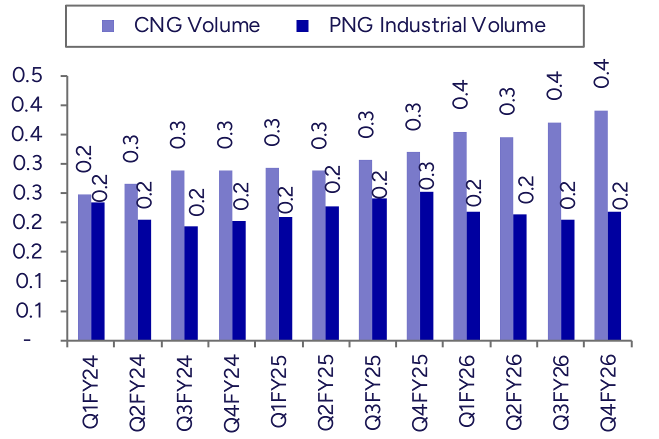
Source: Company, PL

Exhibit 2 : Total volume CAGR stood at 10.3% from FY22-FY25



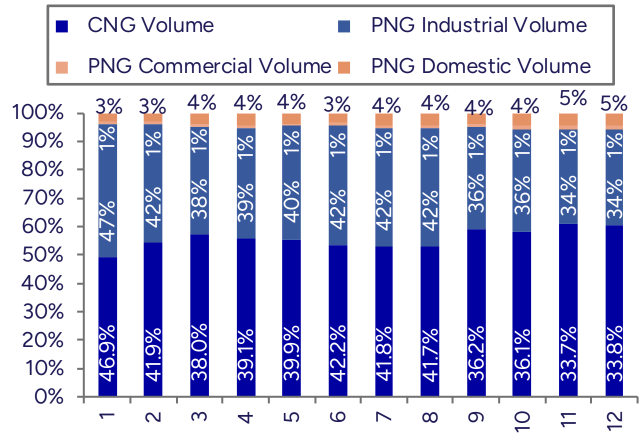
Source: Company, PL

Exhibit 3 : CNG and PNG - Industrial Volumes - mmscmd



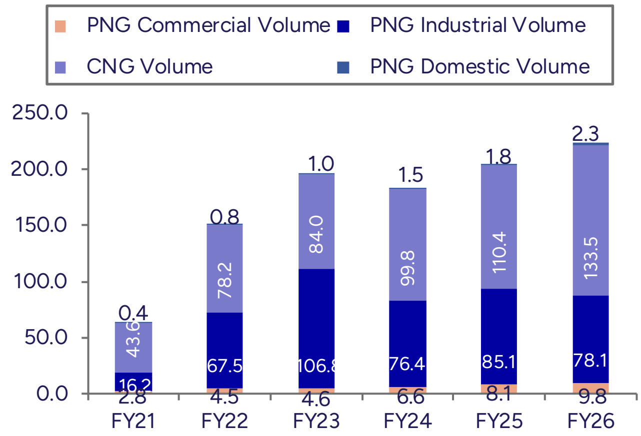
Source: Company, PL

Exhibit 4 : Quarterly Volume mix (%)



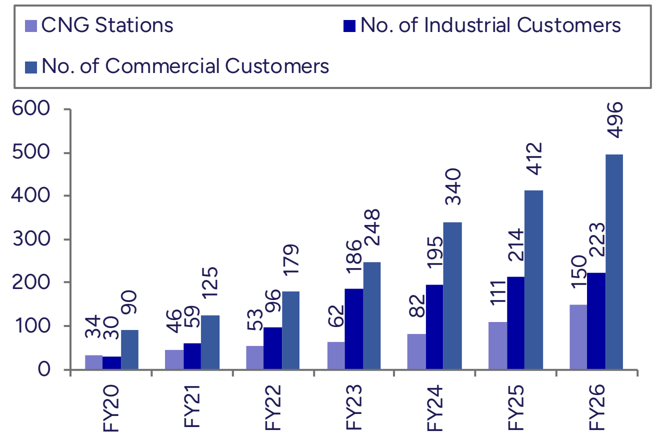
Source: Company, PL

Exhibit 5 : Annual volume mix (mmscm)



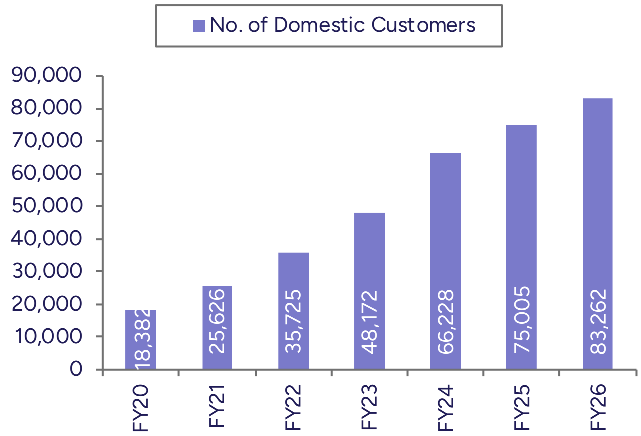
Source: Company, PL

Exhibit 6 : CNG stations and no. of customer



Source: Company, PL

Exhibit 7 : Domestic customers trend



Source: Company, PL

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (INR)	Share Price (INR)
1	Aarti Industries	Accumulate	529	488
2	Bharat Petroleum Corporation	REDUCE	316	291
3	Bharti Airtel	BUY	2226	1884
4	Clean Science and Technology	Hold	846	818
5	Deepak Nitrite	REDUCE	1495	1749
6	Fine Organic Industries	BUY	5353	4607
7	GAIL (India)	Buy	190	161
8	Gujarat Fluorochemicals	REDUCE	3478	3784
9	Gujarat Gas	HOLD	380	397
10	Gujarat State Petronet	Hold	242	236
11	Hindustan Petroleum Corporation	Hold	402	384
12	Indian Oil Corporation	REDUCE	126	146
13	Indraprastha Gas	Buy	181	157
14	Jubilant Ingrevia	REDUCE	647	697
15	Laxmi Organic Industries	REDUCE	143	152
16	Mahanagar Gas	Accumulate	1302	1174
17	Mangalore Refinery & Petrochemicals	Sell	143	186
18	Navin Fluorine International	Accumulate	7489	7125
19	NOCIL	HOLD	176	182
20	Oil & Natural Gas Corporation	Accumulate	297	274
21	Oil India	Accumulate	550	507
22	Petronet LNG	Accumulate	310	283
23	Reliance Industries	BUY	1635	1328
24	SRF	REDUCE	2579	2720
25	Sudeep Pharma	REDUCE	627	673
26	Vinati Organics	Accumulate	1475	1288

PL's Recommendation Nomenclature (Absolute Performance)

BUY	:	> 15%
Accumulate	:	5% to 15%
Hold	:	+5% to -5%
Reduce	:	-5% to -15%
Sell	:	< -15%
Not Rated (NR)	:	No specific call on the stock
Under Review (UR)	:	Rating likely to change shortly

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