Indraprastha Institute of Information Technology, Delhi
Valuation and Portfolio Management (ECO 332)

IPO ANALYSIS

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IRM Energy Limited (IRMEL)

Size of the Issue	1,08,00,000 shares (aggregating up to ₹545.40 Cr)
Date of Opening of the Issue	Wed, Oct 18, 2023
Date of Closing of the Issue	Fri, Oct 20, 2023
Allotment Price of the share	₹480 and ₹505 per share
Date of Listing	October 26, 2023
Listing Price	₹477.25 per share
Current Market Price	As of February 15, 2025, the stock price is ₹287.60
High / Low price since listing	₹ 641 / 271

SUMMARY OF THE COMPANY

History and Background

IRM Energy Limited (IRMEL) was incorporated on December 1, 2015, as a City Gas Distribution (CGD) company co-promoted by **Cadila Pharmaceuticals Limited**, a leading Indian pharmaceutical conglomerate. Originally established as IRM Energy Private Limited, the company transitioned to a public entity in March 2022 and is headquartered in **Ahmedabad, Gujarat**. It operates under the broader **Cadila Group**, which has diversified interests spanning healthcare, machinery, and energy. The company was founded with a vision to innovate and expand natural gas distribution networks in India. Its name, **IRM, stands for Innovation, Research, Manifestation,** reflecting its commitment to technological advancement and operational excellence.

Operational Development

IRMEL specializes in developing, operating, and expanding natural gas distribution networks for industrial, commercial, domestic, and automotive customers through Compressed Natural Gas (CNG) and Piped Natural Gas (PNG). Key milestones include:

- **CNG**: Supplying compressed natural gas primarily for transportation, including public transit and private vehicles.
- **PNG:** Delivering piped natural gas for residential, commercial, and industrial use.
- **Geographical Expansion** As of September 2024, IRMEL operates in four key regions:
    - *Banaskantha (Gujarat)*
    - *Fatehgarh Sahib (Punjab)*
    - *Diu & Gir-Somnath (Gujarat and Union Territory of Daman & Diu)*
    - *Namakkal & Tiruchirappalli (Tamil Nadu).*
    - The company has exclusive marketing rights in these regions, allowing it to operate without competition for a specified period. This exclusivity has been instrumental in its rapid expansion and market penetration.

- **Infrastructure Growth** By September 2024, IRMEL's network includes 5,252 inch-km of pipelines (4,451 inch-km of MDPE and 801 inch-km of steel pipelines).
    - As of March 2024, IRMEL served **66,228 domestic customers**, **195 industrial customers**, and **340 commercial customers**, and operated **82 CNG retail outlets.**

Technological Innovations and Safety Measures

IRMEL has implemented advanced technologies to enhance operational efficiency and safety. Key initiatives include:

- **Supervisory Control and Data Acquisition (SCADA):** Deployed at all CNG stations for real-time monitoring and automation.
- **Radio Frequency Identification (RFID)**: Used for tracking CNG cylinders, ensuring timely hydro-testing, and reducing safety risks.
- **Web-Based Applications:** Developed for real-time geo-tagging of gas assets and incident reporting, improving response times and operational transparency.

Strategic Partnerships and Diversification

IRMEL has expanded its services through strategic collaborations, including partnerships with **Shizuoka Gas Co. Ltd, Japan** for expertise in the energy sector, **Farm Gas Private Limited** for BioCNG production in Punjab, **Venuka Polymers Private Limited** for polyethylene (PE) pipes used in CGD infrastructure, and **Ni Hon Cylinders Private Limited** for manufacturing Type-1 steel cylinders for CNG storage and transport.

Achievements and Recognitions

Recognized for its growth, IRMEL was awarded **"City Gas Distribution - Growing Company of the Year 2020"** by the Federation of Indian Petroleum Industries. It also commissioned its **100th industrial customer in Punjab (April 2022)** and launched its **first Fast EV DC Charging Station (November 2022)**, marking its entry into electric vehicle charging infrastructure. Through these initiatives, IRM Energy Limited continues to advance India's energy infrastructure, promote cleaner fuels, and contribute to sustainable development.

Reference: https://www.irmenergy.com/corporate/

SUMMARY OF THE ISSUE

IRM Energy Limited, a prominent city gas distribution (CGD) company, launched its **Initial Public Offering (IPO)** on **October 18, 2023**, which closed on **October 20, 2023**. The IPO was a **fresh issue** of **10.8 million equity shares**, aggregating to **₹545.40 crore**, with a price band of **₹480 to ₹505 per share** and a face value of **₹10 per equity share**. The shares were listed on **BSE and NSE** on **October 26, 2023**. The price band was strategically set to balance investor appeal with valuation goals, implying a P/E ratio of ~24x at the upper end, significantly below the industry average of ~44x. This discount aimed to attract retail and institutional investors amid volatile market conditions. The IPO was structured as a 100% fresh issue to fund expansion and debt repayment, avoiding dilution of promoter equity.

The IPO was divided into categories to ensure broad participation. Retail investors could apply for a minimum of **29 shares (₹14,645)** and a maximum of **13 lots (₹190,385)**, while anchor investors were allocated **54.82 lakh shares (₹276.80 crore)**. Key anchor investors included **Quant Mutual Fund**, **DSP Mutual Fund**, **SBI General Insurance**, and **HDFC Life**, signaling strong institutional confidence. The IPO was managed by **HDFC Bank Limited** and **BOB Capital Markets Limited**, leveraging HDFC Bank's retail network and BOB Capital's public sector expertise. **Link Intime India Private Ltd.** served as the registrar, ensuring smooth IPO logistics and compliance.

IRM Energy's pre-IPO metrics highlighted its growth trajectory. In FY23, the company reported **₹1,045.10 crore in revenue**, reflecting a **3-year CAGR of 121%**. However, **Profit After Tax (PAT)** declined to **₹63.15 crore** from **₹128.03 crore in FY22**, primarily due to aggressive infrastructure investments in Tamil Nadu and rising gas procurement costs. The **EBITDA margin** also dropped to **12.14%** from **39.61% in FY22**, driven by scale-up costs and competitive pricing strategies. Despite these challenges, IRM Energy's **exclusive marketing rights** in its operational areas, granted by the **Petroleum and Natural Gas Regulatory Board (PNGRB)**, and the backing of the **Cadila Group** were key strengths highlighted in the **Red Herring Prospectus (RHP)**.

The IPO proceeds were allocated for three primary objectives. First, **₹340 crore** was earmarked for **Capex in Tamil Nadu**, focusing on developing **1,150 km of pipelines** and **25 CNG stations** in Namakkal and Tiruchirappalli between 2024 and 2026. This expansion targeted Tamil Nadu's high industrial density and low CNG penetration, offering significant growth potential. Second, **₹135 crore** was allocated for **debt repayment**, reducing pre-IPO debt of **₹225 crore** and saving **₹18 crore annually** in interest costs. Third, **₹70.40 crore** was reserved for **general corporate purposes**, including working capital, operational expenses, and technology upgrades.

The IPO witnessed strong investor interest, with an **overall subscription of 27.05 times**. **Qualified Institutional Buyers (QIBs)** led the demand with **44.73x subscription**, followed by **Non-Institutional Investors (NIIs)** at **48.34x**, and **retail investors** at **9.29x**. Anchor investors like **Quant Mutual Fund**, **HDFC Life**, and **SBI General Insurance** played a crucial role in stabilizing demand pre-IPO, betting on India's CGD sector growth and IRMEL's first-mover advantage in new geographical areas (GAs).

However, the **listing day performance** on **October 26, 2023**, was subdued, with shares debuting at **₹477.25 on the NSE**, **5.5% below the upper price band**. This was attributed to weak broader market sentiment and profit-booking post-subscription. Despite this, the IPO reflected IRM Energy's strategic positioning in India's push for cleaner energy, aligning with the government's target of **50% CNG/PNG coverage by 2030**. The company's **asset-light model**, focus on distribution, and **exclusivity period of 8–10 years** in authorized GAs provided a competitive edge.

Post-listing, IRM Energy faces challenges such as **regulatory dependency** on PNGRB's tariff revisions and **gas price volatility**, with 70% of its gas sourced from GAIL at government-regulated rates. Additionally, **geographical concentration**, with 65% of FY23 revenue from Gujarat, poses a risk. To mitigate this, the company is diversifying into Tamil Nadu

Reference:
https://www.sebi.gov.in/filings/public-issues/oct-2023/irm-energy-limited-rhp_77900.html

OVERVIEW OF THE INDUSTRY THE COMPANY OPERATES IN

IRM Energy operates in the **Utilities—Regulated Gas sector**, specifically within **City Gas Distribution (CGD)**. This industry focuses on the regulated supply of **Compressed Natural Gas (CNG) for vehicles** and **Piped Natural Gas (PNG) for residential, commercial, and industrial use**. The CGD sector is crucial for India's transition toward cleaner energy, as it reduces dependence on conventional fuels like petrol, diesel, and liquefied petroleum gas (LPG).

2. Key Growth Drivers

The CGD sector is expected to **grow at a CAGR of 12% until 2030**, supported by multiple factors:

- **Government Initiatives:** India aims to increase **natural gas's share in the energy mix to 15% by 2030** (from ~6% in 2023). Programs like the **Urja Ganga Gas Pipeline Project** and subsidies for CGD infrastructure drive expansion.
- **Urbanization & Environmental Regulations:** Rising urban demand for cleaner fuels and stricter **Bharat Stage-VI (BS-VI) emission norms** accelerate **CNG and PNG adoption**.
- **Economic Viability: Natural gas is ~40% cheaper than petrol/diesel**, making it a cost-effective alternative for **transportation and industrial applications**.
- **Industrial Growth:** PNG demand is increasing in industries like **steel, glass, textiles, ceramics, and food processing**, driven by cost-efficiency and regulatory mandates.

3. Regulatory Framework & Market Structure

The CGD sector operates under strict regulations set by the **Petroleum and Natural Gas Regulatory Board (PNGRB)**:

- **Exclusive Marketing Rights:** Companies like IRM Energy are awarded **8–10 years of exclusive rights** in designated **Geographical Areas (GAs)** before the market is opened to competition.

- **Administered Pricing Mechanism (APM): Gas procurement costs are regulated**, ensuring affordability but also exposing companies to **margin pressures during price volatility**.
- **Infrastructure Development:** Companies must **meet rollout obligations** for pipeline and CNG station construction within a specified timeframe.

4. Competitive Landscape

The CGD sector in India is dominated by major players:

- **Mahanagar Gas Ltd. (Mumbai)**
- **Gujarat Gas Ltd. (Gujarat)**
- **Indraprastha Gas Ltd. (Delhi NCR)**
- **Adani Total Gas Ltd. (Pan-India presence)**
- **GAIL (India) Ltd. (State-owned integrated player)**

IRM Energy competes by **targeting underserved industrial hubs** like **Mandi Gobindgarh (Punjab)** and expanding into **rural-coastal areas** like **Diu**. The company differentiates itself by focusing on **Tier-2 and Tier-3 cities**, where CNG/PNG penetration remains low.

5. Industry Challenges

While the CGD sector offers strong growth potential, several **challenges** impact market dynamics:

- **High Capex Requirements:** Developing pipeline infrastructure and CNG stations requires **₹300–500 crore per GA**, making **capital efficiency critical**.
- **Gas Price Volatility:** Dependence on **imported LNG and domestic APM gas** exposes companies to **cost fluctuations**.
- **Regulatory Risks:** Tariff caps, PNGRB interventions, and delays in licensing approvals affect profitability.
- **Market Penetration Issues:** Infrastructure challenges slow adoption in **non-urban and rural areas**, limiting CGD expansion speed.
- **Electric Vehicle (EV) Competition:** The long-term shift toward **EVs in public and private transport** may impact **CNG demand**.

6. Technological & Operational Trends

To remain competitive, CGD companies are adopting new technologies:

- **Digital Integration:** IRM Energy uses **SCADA (Supervisory Control and Data Acquisition) systems** for **real-time monitoring** and **RFID-based tracking for gas cylinders**.
- **Renewable Hybrid Models:** Pilot projects are testing **BioCNG and hydrogen blending** with natural gas to improve sustainability.
- **Geographical Expansion:** Companies are expanding into **Tier-2 and Tier-3 cities**, where natural gas adoption is still in its early stages.

7. Financial Health of the CGD Sector

The CGD sector has **strong revenue growth but requires capital discipline**:

- **Profitability & Margins:** EBITDA margins for CGD players range between **15%–20%**, but IRM Energy reported **12.14% in FY23** due to **high expansion costs**.
- **Revenue Growth:** The **CGD sector is expected to grow at a 12% CAGR till 2030**, driven by **rising CNG vehicle adoption and PNG household connections**.
- **Debt Burden:** High infrastructure investments lead to **high leverage ratios**. IRM Energy's **debt-to-equity ratio in FY24 was 24.62**, reflecting **capital-intensive operations**.

8. Sustainability & ESG (Environmental, Social, and Governance) Alignment

The CGD sector is central to **India's decarbonization goals**:

- **Emission Reductions:** CNG cuts **CO_2 emissions by 25%** compared to diesel and **90% compared to coal**.
- **Rural Electrification:** PNG adoption reduces reliance on **biomass and kerosene**, improving **indoor air quality** in households.
- **Renewable Energy Integration:** Companies are increasingly investing in **biogas and hydrogen-based fuel alternatives**

Reference:

- https://www.trade.gov/country-commercial-guides/india-renewable-energy#:~:text=While%20natural%20gas%20constituted%206,the%20transition%20to%20renewable%20energy.
- https://pngrb.gov.in/eng-web/

SEBI Guidelines for an IPO

Established in 1988 and empowered under the SEBI Act, 1992, SEBI regulates and supervises the securities market to ensure investor protection, transparency, and market integrity. Its guidelines differentiate between first-time offerings by unlisted companies and Further Public Offers (FPOs) by listed companies.

Eligibility & Pre-IPO Requirements

A. For Unlisted Companies

1. **Profitability Route**
    - **Financial Criteria**:
        - Net Tangible Assets: The company must have a minimum of ₹3 crore in net tangible assets for each of the last three years. Not more than 50% of these assets should be in the form of cash or cash equivalents.
        - Operating Profit: The company must have an average operating profit (before tax) of at least ₹15 crore over the last three years (or at least three out of the last five years).
        - Net Worth: The company must have a net worth of at least ₹1 crore in each of the last three years.
    - **Conditions**:
        - There should be no significant changes in the promoters or controlling shareholders in the past one year.
        - The issue size must not exceed five times the pre-issue net worth of the company.
        - Post-IPO, at least 25% of the paid-up capital must be held by the public. For large companies with a market capitalization of ₹4,000 crore or more, an initial public shareholding of 10% is allowed, which must increase to 25% within three years.
2. **QIB Route** (For Non-Profitable Companies)
    - If a company does not meet the profitability norms, it may opt for the QIB route.

    - At least 75% of the net offer must be compulsorily allotted to Qualified Institutional Buyers (QIBs).
    - Enhanced financial and risk disclosures must be provided in the Draft Red Herring Prospectus (DRHP).
    - If the minimum subscription from QIBs is not met, the company must refund the entire subscription amount.
3. **Appraisal Route**
    - Financial institutions or scheduled commercial banks must participate in the public offer, contributing a minimum of 15% of the issue (with at least 10% coming from the appraisers).
    - The minimum post-issue face value capital must be at least ₹10 crore, or the company must commit to mandatory market-making for a minimum of two years.

B. For Listed Companies (FPOs)

- If a listed company undergoes a name change, at least 50% of the previous year's revenue must be generated under the new name.
- The Further Public Offer (FPO) must not exceed five times the pre-issue net worth based on the audited financial statements of the previous year.
- Public and private sector banks, as well as infrastructure companies with projects appraised by designated financial institutions (such as PFIs, IDFC, IL&FS, or banks formerly classified as PFIs) with at least 5% project cost funding from these institutions, are excluded from these routes.

Documentation & Disclosures

1. **Draft Red Herring Prospectus (DRHP)**:
    - The DRHP must include a comprehensive company overview, including the business model, operations, promoters, and management structure.
    - Audited financial statements for the last three (or five) years, compliant with Indian Accounting Standards (Ind-AS), must be disclosed.
    - Detailed risk factors, including business, market, and regulatory risks, must be outlined.
    - The planned use of IPO proceeds (e.g., for expansion, debt repayment, working capital) must be clearly stated.

    - Details of pending legal proceedings involving the company, promoters, or directors must be provided.
    - The shareholding pattern before and after the IPO must be disclosed.
    - The DRHP must be made public via SEBI's website, stock exchange portals, and the company's website for a period of 21 days to invite investor feedback.
2. **SEBI's Document Repository Platform** (Effective Jan 2025):
    - Merchant bankers must upload IPO documents within 20 days of DRHP filing (reduced to 10 days from April 2025).
3. **Final Offer Document**:
    - The Red Herring Prospectus (RHP) is filed after incorporating SEBI's observations and prior to the IPO opening.
    - The final offer document is submitted to the Registrar of Companies (ROC) once the price band is finalized and issue parameters are confirmed.

Pricing & Allotment

1. **Pricing Methods**:
    - **Fixed Price Issue**: A predetermined share price is set prior to the IPO opening. At least 50% of the issue must be allocated to retail investors.
    - **Book Building Process**: Shares are offered within a declared price band (e.g., ₹480–₹505 per share). Investors submit bids within this range, and the final (cut-off) price is determined based on demand.
2. **Allocation Structure**:
    - 50% of the issue is allocated to Qualified Institutional Buyers (QIBs).
    - 35% is reserved for retail investors.
    - 15% is allocated to Non-Institutional Investors (NIIs).
3. **Lock-In Periods**:
    - **Promoters**: At least 20% of the post-issue capital held by promoters must be locked in for 18 months. The remaining pre-issue promoter shares are subject to a 6-month lock-in period.
    - **Pre-IPO Investors**: Shares held for over one year prior to the IPO are locked in for 6 months post-listing. Shares held for less than one year must remain locked for 1 year post-listing.

   - **Anchor Investors**: Some anchor investors may be required to hold a specified portion of their allotted shares (e.g., 30 days post-listing) to ensure market stability.
4. **Listing Timeline**:
   - IPO shares must be listed on recognized stock exchanges (BSE/NSE) within six working days from the IPO closing date.

Post-IPO Compliance

1. **Financial Reporting**:
   - Companies must submit audited quarterly and annual financial reports in accordance with the SEBI Listing Obligations & Disclosure Requirements (LODR) Regulations, 2015.
2. **Corporate Governance**:
   - At least 50% of the Board of Directors must consist of independent directors, with no obligations to the promoters or the company.
   - **Related-Party Transactions (RPTs)**: SME entities must disclose RPTs exceeding 10% of turnover or ₹50 crore.
3. **ESG Compliance**:
   - **Business Responsibility Report (BRSR)** mandatory for listed firms; value-chain reporting deferred to FY26.
4. **Insider Trading**:
   - Strict adherence to SEBI’s Prohibition of Insider Trading Regulations, 2015. Any trading based on undisclosed, price-sensitive information is prohibited.
5. **Grievance Redressal**:
   - Investors can file complaints through the SEBI Complaints Redress System (SCORES), and companies are required to resolve these grievances within 21 days.

Key Regulatory Updates (2024–2025)

1. **SME IPO Rules**:
   - **Profitability**: ₹1 crore operating profit in 2 of last 3 years.
   - **OFS Cap**: Promoters can sell ≤50% stake.
   - **Fund Utilization**: ≤15% proceeds for general purposes (max ₹10 crore).
2. **Debt Listing**:

    - Mandatory demat issuance for bonds/debentures.
3. **AI Governance**:
    - SEBI-regulated entities must ensure data privacy and accountability for AI tools.
4. **Penalties**:
    - Misuse of IPO funds or false disclosures may lead to fines, delisting, or criminal prosecution.

Prohibited Practices

- **Fund Misuse**: Proceeds cannot repay promoter/related-party loans.
- **Market Manipulation**: Real-time surveillance of suspicious trades.

IPO Fund Utilization Guidelines

1. **Permitted Uses**:
    - **Capex**: Funding new projects, infrastructure development, or capacity expansion.
    - **Debt Repayment**: Reducing existing borrowings to improve financial health.
    - **Working Capital**: Meeting day-to-day operational expenses.
    - **Inorganic Growth**: Acquiring other businesses or assets.
    - **General Corporate Purposes (GCP)**: Up to 25% of proceeds can be used for unspecified purposes, subject to disclosure.
2. **Prohibited Uses**:
    - Repaying promoter loans or related-party debts.
    - Investing in unrelated businesses or speculative ventures.
    - Funding capital markets or real estate (unless core business).
3. **Monitoring**:
    - Companies must appoint a **monitoring agency** for issues >₹100 crore to track fund usage.
    - Quarterly updates on fund utilization must be submitted to SEBI and stock exchanges.

Additional Important Points

1. **Minimum Application Size**:
    - **Retail Investors**: ₹10,000–₹15,000 per application.
    - **SME IPOs**: Increased to ₹2–4 lakh to attract serious investors.

2. **ASBA Mechanism**:
    - **Application Supported by Blocked Amount (ASBA):** Ensures funds remain in the investor's account until shares are allotted, reducing risk.
3. **Green Shoe Option**:
    - Allows underwriters to oversell shares (up to 15%) to stabilize post-listing prices.
4. **Employee Reservation**:
    - Companies can reserve up to 10% of the issue for employees, often at a discount.
5. **Underwriting**:
    - Mandatory for fixed-price issues; optional for book-built IPOs.
6. **Pre-IPO Placement**:
    - Up to 60% of the issue can be allocated to QIBs before the IPO opens.

Key Takeaways:

- SEBI prioritizes **transparency** (e.g., T+3 listing, document repository) and **investor protection** (e.g., stricter SME norms, anchor lock-ins).
- Recent updates focus on **ESG alignment**, **debt market efficiency**, and **AI accountability**.
- IPO funds must be used strictly for disclosed purposes, with stringent penalties for misuse.

Reference:
https://www.taxmann.com/post/blog/analysis-sebi-proposes-enhancements-to-the-sme-ipo-framework

SEBI Guidelines for an IPO (using ChatGPT)

The Securities and Exchange Board of India (SEBI) is the regulatory body responsible for overseeing and regulating the securities market in India. SEBI has established comprehensive guidelines for Initial Public Offerings (IPOs) to ensure transparency, fairness, and investor protection. Below is a detailed overview of the key SEBI guidelines for IPOs, presented in a professional manner:

1. Eligibility Criteria for Companies

To be eligible for an IPO, a company must meet the following criteria:

- **Track Record**: The company must have a track record of distributable profits for at least three out of the immediately preceding five years, with a minimum net worth of ₹3 crore in each of the preceding three years.
- **Net Tangible Assets**: The company must have net tangible assets of at least ₹3 crore, with not more than 50% held in monetary assets.
- **Issue Size**: The issue size (offer through offer document + firm allotment + promoters' contribution through offer document) should not exceed five times the pre-issue net worth.
- **Alternative Routes**: If the company does not meet the profit criteria, it can still go public through the "book-building process" with a minimum issue size of ₹10 crore or by meeting specific conditions related to project financing.

2. Disclosure Requirements

SEBI mandates detailed disclosures in the Draft Red Herring Prospectus (DRHP) and Red Herring Prospectus (RHP) to ensure transparency. Key disclosures include:

- **Financial Statements**: Audited financial statements for the last five years.
- **Risk Factors**: A detailed description of risks associated with the business.
- **Use of Proceeds**: Clear explanation of how the funds raised will be utilized.
- **Management Discussion and Analysis (MD&A)**: Insights into the company's financial condition, results of operations, and future prospects.

- **Legal and Litigation Information**: Details of any ongoing or pending litigation.
- **Promoter Details**: Information about the promoters, their background, and shareholding patterns.

3. Pricing of the Issue

- **Fixed Price Mechanism**: The company can fix the price of the shares in consultation with the lead manager.
- **Book Building Process**: The price is determined through a bidding process within a price band. At least 75% of the issue must be allocated to institutional investors (QIBs), and the remaining 25% to retail and non-institutional investors.

4. Allocation and Reservation

- **Retail Investors**: A minimum of 35% of the net offer is reserved for retail individual investors (RIIs).
- **Non-Institutional Investors (NIIs)**: Up to 15% of the issue is reserved for NIIs.
- **Qualified Institutional Buyers (QIBs)**: At least 50% of the issue is reserved for QIBs.
- **Employee Reservation**: Companies can reserve up to 10% of the issue for employees, subject to a maximum limit of ₹2 lakh per employee.

5. Lock-in Period

- **Promoters' Contribution**: Promoters must contribute at least 20% of the post-issue capital, which is subject to a lock-in period of 18 months from the date of allotment.
- **Pre-issue Capital**: Shares held by promoters prior to the IPO are subject to a lock-in period of one year from the date of allotment.

6. Underwriting

- The issue must be underwritten by a SEBI-registered underwriter.
- Underwriters are required to fulfill their obligations in case of undersubscription.

7. Listing Requirements

- The company must list its shares on a recognized stock exchange within six working days from the finalization of the basis of allotment.
- The company must comply with the listing agreement of the stock exchange.

8. Advertising and Publicity

- All advertisements related to the IPO must be truthful, fair, and not misleading.
- The advertisement must include a disclaimer stating that the issue is subject to SEBI regulations and that investors should rely on the prospectus for detailed information.

9. Green Shoe Option (GSO)

- SEBI allows the use of the Green Shoe Option (GSO) to stabilize the post-listing price of the shares.
- Under GSO, the issuer can overallot shares up to 15% of the issue size, with the option to buy back the shares from the market if the price falls below the issue price.

10. Merchant Banker's Role

- The lead merchant banker is responsible for ensuring compliance with SEBI regulations.
- They must conduct due diligence, verify disclosures, and ensure that the issue is managed in a fair and transparent manner.

11. Investor Protection Measures

- **ASBA (Application Supported by Blocked Amount)**: Investors must use the ASBA facility, where funds are debited only upon allotment.
- **Refunds**: Refunds must be processed within 12 days from the closure of the issue.
- **Grievance Redressal**: SEBI provides a mechanism for investors to file complaints in case of any grievances.

12. Post-Issue Compliance

- The company must submit a post-issue report to SEBI within 10 days of the issue closure.
- The company must also file a final prospectus with the Registrar of Companies (RoC) within 30 days of the issue closure.

13. Penalties for Non-Compliance

- SEBI imposes strict penalties for non-compliance with IPO guidelines, including fines, suspension of trading, and debarment of promoters and merchant bankers from the securities market.

14. Recent Updates

SEBI periodically updates its guidelines to align with market dynamics and investor protection needs. Recent updates include:

- **Reduction in Timeline for Listing**: The listing timeline has been reduced from T+6 to T+3 days to expedite the process.
- **Enhanced Disclosures**: Additional disclosures related to ESG (Environmental, Social, and Governance) factors and key performance indicators (KPIs) are now required.

Reference: chatgpt

Salient Points about the IPO Process

The capital market has two interdependent segments: the **new issuers (primary market)** and **stock (secondary market)**. The primary market is where companies raise fresh capital by issuing securities to the public for the first time through an **Initial Public Offering (IPO)**. This process is a critical milestone for any company, providing long-term funds, boosting **publicity**, and enhancing **credibility**.

1. Appointment of Underwriters and Intermediaries
The IPO process begins with the appointment of underwriters, typically investment banks or merchant bankers, who play a pivotal role in managing the offering. These intermediaries assist in conducting due diligence, determining the issue size, pricing the shares, and ensuring compliance with regulatory requirements. They also help in drafting key documents such as the **Red Herring Prospectus (RHP)** and coordinate with other professionals like legal advisors and auditors to ensure a smooth process. Underwriters sign an **underwriting agreement**, which outlines the deal's specifics, including the amount to be raised and the securities being issued.

2. Preparation of Key Documents
One of the most critical steps in the IPO process is the preparation of the **Draft Red Herring Prospectus (DRHP)**, which provides detailed information about the company's financials, business model, risk factors, and plans for utilizing the raised funds. The DRHP is filed with the Registrar of Companies (RoC) and stock exchanges for review. Once approved, the final RHP is issued, which serves as the primary document for investors to make informed decisions. SEBI ensures that all necessary disclosures are made to protect investor interests.

3. Pricing Mechanisms
The pricing of shares is a crucial aspect of the IPO process. Companies can opt for either a **fixed price issue** or a **book-building process**. In a fixed price issue, the share price is predetermined and disclosed upfront. In contrast, the book-building process involves setting a price band (e.g., ₹100–₹110), allowing investors to bid within this range. The final price, known as the **cut-off price**, is determined based on investor demand and market conditions. The book-building process is often preferred as it helps discover the optimal price and demand for the shares.

4. Roadshows and Investor Marketing
To generate interest among potential investors, companies conduct **roadshows**, which are marketing campaigns aimed at institutional investors, high-net-worth individuals (HNIs), and retail investors. These roadshows often include presentations by the company's management, highlighting the business's growth prospects, financial performance, and future plans. The goal is to build confidence and attract strong demand for the IPO. Companies also leverage digital platforms and media campaigns to amplify visibility.
5. Subscription and Allotment
Once the IPO opens, investors can submit their bids through brokers or online platforms. The subscription period typically lasts for **3–5 days**, during which investors can revise their bids. In case of oversubscription, shares are allotted proportionally, and refunds are processed for excess bids. The allotment process is usually completed within **10 days** of the IPO's closure, and investors are notified of their share allocation. A well-received IPO is often oversubscribed two to three times, as seen in high-profile cases like LIC.
6. Listing on Stock Exchanges
After the allotment process, the company's shares are listed on stock exchanges such as the National Stock Exchange (NSE) or the Bombay Stock Exchange (BSE). Listing usually occurs **6–10 days** after the allotment is finalized. The debut price on the listing day may differ from the IPO price, depending on market demand and investor sentiment. Listing marks the company's transition from a private entity to a publicly traded one. The NSE's **E-IPO system** facilitates a fully automated, screen-based bidding process, ensuring efficiency and transparency.
7. Post-IPO Compliance and Governance
Post-listing, the company must adhere to ongoing compliance requirements, such as timely financial disclosures, maintaining minimum public shareholding (e.g., 25%), and ensuring robust corporate governance practices. Regular communication with shareholders, quarterly financial reporting, and adherence to stock exchange regulations are essential to maintain investor confidence and market credibility. Companies must also implement **lock-in periods** to prevent internal investors from manipulating stock prices, ensuring price stability in the initial trading phase.
8. Role of Intermediaries
Throughout the IPO process, various intermediaries play critical roles. **Merchant bankers** manage the allotment process, while **registrars** handle share

distribution and refunds. Legal advisors ensure compliance with regulatory frameworks, and auditors verify the company's financial statements. Public relations teams are also engaged to create positive visibility and manage the company's image during the IPO. Underwriters provide analyst recommendations and help manage price volatility post-listing.

9. Timeline and Strategic Considerations

The IPO process in India typically takes **10–12 months** for mainboard listings and **6–8 months** for SME listings. However, the timeline can vary depending on factors such as regulatory approvals, market conditions, and the complexity of the company's financials. Companies often strategize their IPO timing to coincide with favorable market conditions to maximize investor interest and valuation. The **cooling-off period** is used to finalize the offer price and the number of shares to be issued, often underpricing the IPO to ensure full subscription and compensate investors for taking risks.

10. Pre-IPO Placements and Anchor Investors

To bolster investor confidence and ensure a successful IPO, companies often allocate shares to **anchor investors** or **Qualified Institutional Buyers (QIBs)** before the public offering. These pre-IPO placements help secure strong initial demand and provide a benchmark for pricing the public issue. Anchor investors play a crucial role in stabilizing the stock price during the initial trading phase.

In conclusion, the IPO process in India is a comprehensive and well-structured mechanism that enables companies to raise capital from the public while providing investors with an opportunity to participate in the company's growth. From appointing underwriters to listing on stock exchanges, each step is meticulously planned and executed to ensure transparency, compliance, and success in the capital markets

Reference: https://corporatefinanceinstitute.com/resources/equities/ipo-process/

Questions Based on the Prospectus

1. **Registered office.**

   4th Floor, 8th Block, Magnet Corporate Park, Near Sola bridge, Sarkhej - Gandhinagar Hwy, Ahmedabad, Gujarat 380054

2. **Head office / corporate office.**

   a. **What is the difference between the two?**

      The terms "head office" and "corporate office," while often used synonymously, can represent slightly different functions within a company. The head office typically serves as the company's central administrative and operational hub. It's the primary location for executive leadership, management oversight, and day-to-day business operations. Think of it as the control center where key decisions are made and implemented. The corporate office, on the other hand, often focuses more on high-level strategy, corporate governance, and essential administrative functions like finance, legal, and human resources. It's where the long-term vision and direction of the company are shaped. While the head office is heavily involved in the doing of business, the corporate office is more focused on the planning and governing of the business.

   b. **Can a Company have regd. office at one place and operate from another place?**

      Yes, A company can have its registered office at one location and conduct its primary business operations from another. This is a common practice, especially for larger companies or those with diverse operational needs

      The registered office serves as the official address for all legal and regulatory communications. It's where official notices, documents, and correspondence are sent. This location might be chosen for legal or administrative convenience, perhaps due to lower costs or better access to government offices. The company's main operations, such as manufacturing, sales, or customer service, might be better suited to a different location. This could be due to factors like proximity to resources, skilled labor, or target markets. Some companies might choose to separate their registered office from their main operations for strategic reasons. For example, they might want to establish a presence in a specific region or maintain a distinct corporate identity

For IRM Energy, their head office and corporate office appear to be at the same location, as indicated in their prospectus.

c. **What is the significance of the regd. office?**
   The registered office serves as the official legal address of the company, as recorded with the Registrar of Companies.
   All official communications, legal notices, and correspondence from government agencies, regulatory bodies, and other stakeholders are sent to this address. It's the company's primary point of contact for legal and statutory matters
   The registered office address is part of the public record, accessible to anyone who wants to find information about the company. This transparency fosters trust and credibility with stakeholders, including customers, investors, and partners.Maintaining a registered office is a mandatory legal requirement for all companies.Failure to have a registered office or to keep the address updated can lead to penalties, fines, or even legal action against the company.

3. **Corporate Identification Number: L40100GJ2015PLC085213**

a. **Significance?**

   The Corporate Identification Number (CIN) is a unique 21-digit alphanumeric code assigned to every company incorporated in India. It serves as a distinct identifier, enabling easy tracking and retrieval of company information through government databases. This facilitates legal and regulatory compliance, ensuring accurate identification in official interactions and promoting transparency by making company details publicly accessible. The CIN also plays a vital role in corporate governance and business transactions, simplifying monitoring and contract execution. Essentially, it's a crucial tool for anyone interacting with or researching Indian companies, streamlining identification and ensuring accountability.

4. **Who are the promoters and what is their background?**

   Dr. Rajiv Indravadan Modi: He is the Promoter and Non-Executive Director of IRM Energy. Dr. Modi has a strong academic background, holding a Bachelor of Technology in chemical engineering from IIT Bombay, a diploma in Biochemical Engineering from University College London, and a Ph.D. in Biological Sciences from the University of Michigan. He is also a fellow member of the Indian National Academy of Engineering. Dr. Modi has extensive experience in various industries, including pharmaceuticals, where he has held leadership positions at Cadila Pharmaceuticals.

   Cadila Pharmaceuticals Limited: This is a major pharmaceutical company and is also a promoter of IRM Energy. Cadila Pharmaceuticals is the flagship company of the Cadila Group, a diversified conglomerate with interests in pharmaceuticals, healthcare, and other sectors.

IRM Trust: The prospectus also lists IRM Trust as a promoter entity. Trusts are often used as vehicles for holding and managing investments, and in this case, the IRM Trust is likely involved in holding a stake in IRM Energy.

a. **Who are the book running lead managers?**
   HDFC Bank Limited
   BOB Capital Markets Limited
b. **Who can act as lead managers?**
   In India, Book Running Lead Managers (BRLMs) for an IPO must be SEBI-registered merchant bankers, typically investment banks or merchant banking firms, possessing the expertise and regulatory compliance to manage the IPO process. These entities must meet SEBI's requirements, including registration, demonstrated experience, and capital adequacy, while adhering to regulations regarding disclosures, pricing, and allotment. Essentially, SEBI ensures BRLMs are qualified and capable of effectively managing IPOs, protecting investor interests and maintaining market integrity.
c. **How many lead managers can be there in an issue?**
   While no fixed upper limit exists, the number of lead managers (BRLMs) for an IPO in India is typically determined by the issue's size and complexity. Smaller IPOs, especially SME issues, often involve one or two lead managers, while larger, more complex offerings commonly utilize a syndicate of several. Though SEBI regulations guide the number based on issue size to ensure effective management and prevent conflicts, the final decision rests with the company, considering factors like target investors and desired support.

5. **Who are the registrars?** Link Intime India Private Ltd.

a. **Who can act as registrars to an issue?**

   In India, entities acting as registrars for IPOs must be registered with SEBI as Registrars to an Issue and Share Transfer Agents (RTAs), complying with regulations outlined in the SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993. These entities must meet specific eligibility criteria, including financial soundness, adequate infrastructure, and often, experience in handling similar assignments. Adherence to SEBI regulations regarding application processing, allotment, refunds, record-keeping, and investor grievance redressal, along with a strict code of conduct, is mandatory. Essentially, SEBI ensures registrars are qualified, capable, and compliant, safeguarding investor interests and maintaining IPO process integrity.

   There are companies specifically dedicated to providing RTA services. These are often independent entities with expertise in handling share registration, transfer, and related processes. Examples include Link Intime India Pvt. Ltd. (as mentioned for IRM Energy)

   Scheduled commercial banks are permitted to act as RTAs. They often have the necessary infrastructure, including extensive branch networks and robust technology systems, to handle the large volumes of applications and transactions involved in IPOs.

6. **Has the Company obtained govt. approval for its proposed project? Is it required?**

   Yes, IRM Energy has obtained the necessary approvals for its City Gas Distribution (CGD) projects. The company operates in geographical areas (GAs) allotted by the Petroleum and Natural Gas Regulatory Board (PNGRB) Yes, government approval is mandatory for CGD projects. The PNGRB regulates the allocation of GAs and ensures compliance with safety and operational standards. They require Approvals related to the environmental impact of their projects. Approvals for the supply and distribution of natural gas.

7. **Is this a fresh offer or an offer for sale or a combination of the two? Indicate the break up in case of a hybrid offer.**

   The IRM Energy IPO is entirely a fresh issue of 1.08 crore equity shares, with no offer-for-sale (OFS) component. The company aims to raise ₹545.40 crore through this fresh issue

8. **When did the Company decide to issue additional equity shares? Who approves of the Company's plan to issue further equity?**

   IRM Energy Limited has not announced any plans to issue additional equity shares beyond its initial public offering (IPO) in October 2023. The IPO, which opened on October 18, 2023, and closed on October 20, 2023, offered shares at a price range of ₹480 to ₹505 per share. The allotment for the IPO was finalized on October 27, 2023, and the shares were listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE) on October 26, 2023

   The decision to issue additional equity shares was made as part of the company's plan to raise funds for capital expenditure and debt repayment. The approval for issuing further equity is granted by the Board of Directors and shareholders of the company, in compliance with the Companies Act, 2013, and SEBI regulations

9. **Where the Company's shares would be listed?**

   IRM Energy's shares were listed on both the BSE Limited (BSE) and the National Stock Exchange of India Limited (NSE).

10. **What are the provisions of the Sec 68 A of the Companies Act 1956?**

    Section 68A of the now-repealed Companies Act, 1956, aimed to prevent fraudulent share acquisitions by prohibiting applications or transfers using fictitious names and imposing penalties, including imprisonment, for violations. This section also mandated the prominent display of its provisions in company prospectuses and share application forms to deter such fraudulent activity and promote transparency in share transactions. While the 1956 Act has been replaced by the Companies Act, 2013, the core principle of preventing personation for acquiring securities remains in force under Section 38 of the current Act.

11. **How much is the minimum amount of subscription that the Company must receive if it has to make allotment to the investors? In how much time this money should come in?**

    For an IPO to proceed, the company must receive a minimum subscription of 90% of the issue size. If this threshold is not met, the entire subscription amount must be refunded to investors within 15 days from the closure of the issue, as per SEBI regulations

    In the case of IRM Energy, their IPO was for ₹545.40 crores. Therefore, they needed to receive valid applications for at least 90% of this amount (i.e., approximately ₹490.86 crores) to be able to proceed with the allotment process)

12. **Is the issue underwritten? Who can underwrite an issue? How much amount can one underwriter underwrite in an issue?**

    Yes, the IRM Energy IPO is underwritten. The company has entered into an Underwriting Agreement dated October 21, 2023, with the underwriters. The underwriting obligations are shared among the Book Running Lead Managers (BRLMs), and the total issue is underwritten up to ₹5,443.63 million., issue are underwritten by SEBI-registered merchant bankers, investment banks, or other approved financial institutions to mitigate undersubscription risk. Although no fixed limit exists on individual underwriter commitments, SEBI regulations ensure reasonable commitments based on financial capacity and risk assessment, considering factors like issue size and market conditions. Underwriters, bound by agreements with the company, receive a commission and are obligated to subscribe to any unsubscribed portion up to their commitment, with details of underwriting arrangements often found within the prospectus or Red Herring Prospectus.

13. **Is underwriting mandatory?**

    Underwriting is mandatory for Small and Medium Enterprises (SMEs) in India when conducting an Initial Public Offering (IPO). This requirement ensures that SMEs have a guaranteed subscription for their shares, providing confidence to investors and facilitating the success of the offering.

    For larger companies, underwriting is not mandatory. However, companies may choose to include underwriting arrangements to enhance investor confidence and ensure the success of the IPO. In such cases, the underwriting agreement must be executed prior to the filing of the Red Herring Prospectus (RHP), and the underwriters' commitments should be disclosed in the RHP

14. **What is the meaning of contingent underwriting?**

    Contingent underwriting is a less prevalent form of IPO underwriting where the underwriter's obligation to cover unsubscribed shares is conditional upon specific pre-defined events, such as market fluctuations, regulatory changes, or adverse due diligence findings. This arrangement offers underwriters increased protection against unforeseen circumstances, reducing their risk exposure compared to traditional underwriting agreements, though it also introduces greater complexity in defining the triggering or waiving conditions of their commitments.

15. **What is the authorized capital of the Company? How much is the issued, subscribed & paid up capital? What is the relationship between these?**

IRM Energy Limited has an authorized capital of ₹900 million, comprising 50 million equity shares and 40 million preference shares, each with a face value of ₹10. Before the IPO, the issued, subscribed, and paid-up capital stood at ₹302.59 million (30,259,677 equity shares) and ₹349.99 million (34,999,432 redeemable preference shares). After the IPO, the paid-up equity capital increased to ₹410.59 million (41,059,677 equity shares). The relationship between authorized, issued, subscribed, and paid-up capital is that authorized capital represents the maximum amount a company can raise through share issuance, while issued capital refers to the portion of authorized capital actually allocated to shareholders. Subscribed capital is the portion of issued capital that investors have agreed to purchase, and paid-up capital is the amount that has been fully paid for by the shareholders, which in most cases equals the subscribed capital

16. **What is the size of the present issue?**

    The size of the IRM Energy IPO was ₹545.40 crores.This represents the total amount of money the company aimed to raise through the issuance of new shares. It was a fresh issue of 10,800,000 equity shares with a face value of ₹10 each.

    a. **How much are the promoters contributing?**

       The promoters of IRM Energy Limited, Cadila Pharmaceuticals Limited and IRM Trust, collectively contributed 67.94% of the pre-issue shareholding, amounting to 20,558,773 equity shares. Specifically, Cadila Pharmaceuticals Limited held 49.50% (14,978,535 shares), while IRM Trust held 18.44% (5,580,238 shares). These promoter shares are subject to lock-in requirements, with at least 20% of the post-issue equity share capital locked in for three years, while the remaining promoter holdings are locked in for one year from the date of allotment

b. **Is there a minimum amount that a promoter should contribute?**
   Yes, SEBI mandates that promoters must contribute at least 20% of the post-issue paid-up capital in an IPO under the SEBI (ICDR) Regulations, 2018, and this contribution must be locked in for three years from the date of allotment. Any additional promoter holding beyond this is subject to a one-year lock-in. However, exemptions apply to companies without identifiable promoters, such as professionally managed firms or those listing on the Innovators Growth Platform (IGP). In the case of IRM Energy Limited, the promoters held 67.94% of pre-IPO equity, ensuring compliance with SEBI's minimum promoter contribution rule, with at least 20% of the post-issue shareholding locked in for three years
c. **How many shares have been allotted on a firm basis?**
   IRM Energy Limited has allotted 10,800,000 equity shares in its IPO, including 216,000 shares under the Employee Reservation Portion and 10,584,000 shares under the Net Issue
d. **To whom?**
   The allocation breakdown is as follows:
   A total of 3,175,200 equity shares were allotted on a firm basis to Anchor Investors in the IPO. Additionally, the total Net Issue comprised 10,584,000 equity shares, with allocations to different investor categories, including 5,292,000 shares for Qualified Institutional Buyers (QIBs), 1,587,600 shares for Non-Institutional Bidders, and 3,704,400 shares for Retail Individual Bidders. Moreover, 216,000 equity shares were reserved for employees under the Employee Reservation Portion

e. **What are the guidelines regarding firm allotment?**

   SEBI guidelines on firm allotment in IPOs regulate the allocation of shares on a guaranteed basis to specific investors before the issue is opened to the public. Eligible categories include institutional investors, employees, and existing shareholders(Typically, a significant portion of the offer is reserved for Qualified Institutional Buyers (QIBs), while Non-Institutional and Retail Investors receive shares proportionately), with up to 5% of the issue often reserved for employees. Firmly allotted shares may be subject to a lock-in period, restricting their sale or transfer for a defined duration. The pricing of these shares must comply with SEBI's regulations to ensure fairness. These provisions promote transparency, equitable distribution, and investor protection in the IPO process.

f. **When would the promoter's & firm allotment money come in?**

   Promoter contributions and payments from firm allottees, including anchor investors, are typically received before an IPO opens to the public. Anchor investors bid and pay a day prior, while promoters and other firm allottees, primarily QIBs, also finalize their payments before the public subscription period. This pre-IPO payment process demonstrates commitment, ensures fund availability upon successful allotment, and facilitates a smoother share transfer process.

g. **What if it does not?**

   If the promoter's contribution or firm allotment money is not received before the IPO closes, SEBI may reject or suspend the issue until compliance is ensured, as promoters must contribute at least 20% of post-issue capital before the IPO opens. Failure to comply can lead to financial penalties, legal action, and restrictions on future fundraising under SEBI (ICDR) Regulations and the

Companies Act, 2013. Additionally, non-receipt of firm allotment funds may raise investor concerns, damage market confidence, and impact IPO performance. To prevent such risks, companies must ensure all required funds are secured and deposited before launching the IPO.

17. **Is there a reservation for certain categories of investors? On what basis?**

    Yes, SEBI mandates reservations for certain categories of investors in an IPO to ensure fair allocation and broader market participation. The reservation is based on investor type and follows these key criteria:

    Qualified Institutional Buyers (QIBs): At least 50% of the issue must be reserved for QIBs (mutual funds, banks, insurance companies, foreign portfolio investors, etc.).

    Non-Institutional Investors (NIIs/HNIs): At least 15% of the issue is reserved for High Net-worth Individuals (HNIs) applying for more than ₹200,000.

    Retail Individual Investors (RIIs): At least 35% of the issue is reserved for retail investors applying for up to ₹200,000.

    Employee & Shareholder Reservation: Companies can reserve up to 5% of the issue for employees and a portion for existing shareholders if applicable.

    The reservation ensures that institutional investors bring stability, while retail investors get fair access to public offerings.

18. **How much is the offer to the public? Is there any requirement on the amount regd. to be offered to public?**

    IRM Energy Limited's offer to the public consists of 10,800,000 equity shares, amounting to ₹5,443.63 million, representing 26.30% of the post-issue paid-up equity share capital of the company

    Minimum Public Offer Requirement:

As per SEBI (ICDR) Regulations, a company must offer:
At least 25% of post-issue paid-up capital if its post-issue market capitalization is below ₹4,000 crore.
At least 10% of post-issue paid-up capital if the market capitalization exceeds ₹4,000 crore, subject to increasing it to 25% within three years.
IRM Energy's issue complies with SEBI's requirements by offering 26.30% of post-issue capital, ensuring regulatory compliance for listing

19. **Is there any lock in period on promoter's contribution?**

Yes, SEBI mandates a lock-in period on the promoter's contribution to ensure long-term commitment and investor confidence.
Lock-in Period for Promoter's Contribution:
Minimum 20% Contribution:
At least 20% of the post-issue paid-up capital contributed by promoters is locked in for 3 years from the date of allotment.
Excess Promoter Contribution:
Any promoter shareholding beyond the minimum 20% is locked in for 1 year from the date of allotment.
Exceptions & Conditions:
The lock-in period may not apply if the promoter's holding is below 20% due to a professionally managed company structure (e.g., ITC, L&T).
Shares pledged under certain conditions (e.g., lender-approved security arrangements) may be subject to additional restrictions.

20. **How much is the application amount? What is the minimum numbers of shares an investor can apply for? Are there different application forms for different investors?**

The IPO offered shares at a price band of ₹480 to ₹505 per share. The minimum lot size for an application was 29 shares, requiring a minimum investment of ₹14,645.Yes, there are different Bid cum Application Forms for various investor categories:

Retail Individual Bidders (RIBs), Non-Institutional Bidders (NIBs), and Qualified Institutional Buyers (QIBs) use white-colored forms.

Non-Resident Investors (NRIs, FPIs, etc.) use blue-colored forms.

Anchor Investors use separate white forms.

Eligible Employees applying under the Employee Reservation Portion use pink forms

21. **What is the meaning of ASBA and its significance?**

    ASBA (Application Supported by Blocked Amount) is a mechanism where the application amount is blocked in the investor's bank account until shares are allotted. It eliminates refund delays and prevents fund misuse

22. **How can one make an application using UPI?**

    Retail investors can apply using UPI through SCSBs (Self-Certified Syndicate Banks) and mobile apps linked to the UPI system. Investors must enter their UPI ID in the application form and approve the mandate request received on their UPI app

23. **Can a joint application be made? In case of a joint application in whose favour would the refund be made?**

    Yes, joint applications are allowed, but refunds (if any) are credited to the bank account of the first applicant

24. **What are multiple applications? What are the provisions regarding multiple applications?**

    Multiple applications by the same investor using the same PAN are not allowed and will be rejected. However, FPIs under the Multiple Investment Manager (MIM) structure can apply with different beneficiary account numbers

25. **What is the provision for applications under power of attorney?**

    applications under a Power of Attorney (PoA) are generally allowed, provided the PoA is valid and registered, and it specifically authorizes the

PoA holder to apply for shares in IPOs. The necessary documents and details of the PoA holder must be submitted along with the application.

26. **What are the tax benefits available to the Company and its members? Who has certified these benefits?**

    There are no special tax benefits available to the Company, its subsidiary, its jointly controlled entities, or its shareholders under direct and indirect tax laws in India. The general tax benefits available to all registered companies have not been enumerated separately, as they would apply as per prevailing statutory provisions

    However, Venuka Polymers Private Limited, a subsidiary, is registered as an eligible startup by the Department for Promotion of Industry and Internal Trade (DPIIT). As per Section 80-IAC of the Income Tax Act, 1961, it is eligible for a 100% exemption on profits and gains derived from business for any three consecutive assessment years out of ten years from its incorporation, provided its turnover does not exceed ₹100 crore in any financial yearThese tax benefits have been certified by Mukesh M. Shah & Co., Chartered Accountants, who have issued a statement of possible special tax benefits as per SEBI ICDR Regulations, 2018

27. **What are the objects of the issue? How many Significant Risk Factors (internal and external) are listed in the prospectus? In your reasoned opinion the three most important risk factors are:**

    The company proposes to utilize the Net Proceeds from the IPO for the following purposes:

    - Funding Capital Expenditure for City Gas Distribution (CGD) Development
        - The company plans to allocate ₹3,072.62 million for the development of the CGD network in Namakkal and

    Tiruchirappalli (Tamil Nadu). This will be deployed over Fiscal 2024 to Fiscal 2027

- Repayment or Prepayment of Outstanding Borrowings
    - An amount of ₹1,350 million will be used to reduce the company's outstanding debt, improving its balance sheet and financial flexibility
- General Corporate Purposes
    - The company will allocate ₹536.01 million for strategic initiatives, acquisitions, brand building, and meeting other corporate expenses.

IRM Energy Limited has identified 56 significant risk factors in its prospectus, categorized as follows:
Internal Risks: 31 risk factors, primarily related to business operations, supply chain dependencies, financial obligations, and regulatory compliance.
External Risks: 25 risk factors, including macroeconomic instability, geopolitical risks, exchange rate fluctuations, and environmental policyDependence on Third-Party Suppliers for Natural Gas Procurement

- Top Three Most Important Risk Factors (Reasoned Opinion)
    - The company sources 100% of its natural gas from seven suppliers. Any disruption in supply or transportation delays could significantly impact business operations
- Regulatory and Licensing Risks
    - The company requires multiple licenses and approvals to operate. Failure to obtain, renew, or comply with these approvals could halt operations
- Heavy Reliance on CNG and PNG Sales

- The company's revenue is heavily dependent on CNG (49.43%) and industrial PNG (46.86%) sales. A drop in demand or regulatory changes could negatively impact revenue

28. What is cost of the project if any?

The total estimated cost for the development of IRM Energy Limited's City Gas Distribution (CGD) network in Namakkal and Tiruchirappalli (Tamil Nadu) is ₹3,884.81 million. This includes expenses related to setting up City Gate Stations, CNG Stations, steel and MDPE pipeline networks, and infrastructure development

29. If the answer to the above is yes then what are the means of finance?

Breakdown of Cost Components (₹ million):

Facilities (City Gate Stations, CNG Stations, Steel & MDPE Pipe Network, etc.): ₹3,374.22 million

Other Costs (Land acquisition, contingencies, and miscellaneous expenses): ₹510.59 million

Funding Sources (Means of Finance):

Net Proceeds from the IPO: ₹3,072.62 million

Internal Accruals & HDFC Bank Term Loan: ₹812.19 million

30. Who has appraised these? Is there any requirement of project appraisal?

The capital expenditure report has been certified by MECON Limited, and the estimated capital expenditure for certain infrastructure projects has been verified by Vanita Niranjan Thakkar, Chartered EngineerWhile SEBI does not mandate project appraisal for equity issues, it is generally required for debt-financed projects. Companies seeking funding from banks or financial institutions often undergo independent appraisal to assess feasibility, risk, and financial viability the capital expenditure report has been certified by MECON Limited, and the estimated capital expenditure for certain infrastructure projects has been verified by Vanita Niranjan Thakkar, Chartered Engineer

31. **What does the company propose to do with the proceeds of the issue?**

IRM Energy Limited plans to utilize the net proceeds from its IPO (₹4,958.63 million) for the following purposes:

Funding Capital Expenditure – ₹3,072.62 million

- ○ Development of the City Gas Distribution (CGD) network in Namakkal and Tiruchirappalli (Tamil Nadu).
- ○ The project will be implemented from Fiscal 2024 to Fiscal 2027.

Prepayment or Repayment of Outstanding Borrowings – ₹1,350.00 million

- ○ This will help reduce debt obligations and improve financial stability.

General Corporate Purposes – ₹536.01 million

- ○ Includes working capital, business expansion, brand building, and other corporate expenses.
- ○ Additionally, IPO-related expenses are estimated at ₹485.00 million, covering fees for merchant bankers, legal counsel, registrar, and listing cost

32. **When was the Company incorporated? Was it incorporated as a Public Ltd. or private Ltd? What is the difference?**

The company IRM Energy Limited was originally incorporated as a private limited company under the name "IRM Energy Private Limited" on December 1, 2015. Later, it was converted into a public limited company on March 23, 2022, following a board resolution on February 25, 2022, and a shareholders' special resolution on March 8, 2022

Difference Between Private Limited and Public Limited Companies

- Ownership & Shareholders

    - Private Limited Company: Ownership is restricted to a small group of shareholders (usually up to 200). Shares cannot be freely traded.
    - Public Limited Company: Shares can be publicly issued and traded on stock exchanges, allowing wider ownership.
- Regulatory Requirements
    - Private Limited: Less stringent regulatory and disclosure requirements.
    - Public Limited: Must comply with SEBI regulations, financial reporting, and public disclosures.
- Fundraising
    - Private Limited: Raises capital through private placements or venture funding.
    - Public Limited: Can raise capital through an IPO, issuing shares to the public.
- Minimum Directors & Shareholders
    - Private Limited: Requires at least 2 directors and 2 shareholders.
    - Public Limited: Requires at least 3 directors and 7 shareholders.

33. What have been the Companies main activities before the public issue?

The company operated in Banaskantha (Gujarat), Fatehgarh Sahib (Punjab), Diu & Gir Somnath (Daman and Diu/Gujarat), d was engaged in the City Gas Distribution (CGD) business, which involves laying, operating, and expanding natural gas distribution he company supplies Compressed Natural Gas (CNG) for vehicles and Piped Natural Gas (PNG) for industrial, commercial, and domestic consumers

34. What are the main objects of the Company?

- City Gas Distribution (CGD) Business: The company is engaged in storage, supply, distribution, and sale of natural gas and its derivatives, including Compressed Natural Gas (CNG), Piped Natural Gas (PNG), and other gaseous fuels.
- Infrastructure Development for Gas Distribution: The company is involved in designing, fabricating, constructing, laying, installing, operating, maintaining, repairing, and replacing gas distribution pipelines, meters, and other associated equipment.
- Establishment of CNG & PNG Networks: It undertakes City Gas Distribution (CGD) projects in various cities and installs terminal points at retail outlets of Oil Marketing Companies (OMCs) for the supply of Natural Gas, CNG, and PNG. It also sets up exclusive CNG dispensing outlets for automobiles.
- Power & Energy Distribution: The company is authorized to generate, accumulate, transmit, distribute, purchase, sell, and supply electricity and other energy sources (both conventional and non-conventional) to consumers, businesses, and power companies

35. Does the Company have any subsidiary?

IRM Energy Limited has a well-defined group structure comprising one Subsidiary and three Associates (Joint Control Entities). The subsidiary is SKI-Clean Energy Private Limited, which focuses on renewable energy projects and is based at 3rd Floor, Block-8, Magnet Corporate Park, Near Sola Bridge, S.G. Highway, Ahmedabad, Gujarat – 380054. Its associates include Farm Gas Private Limited (registered at 3rd Floor, Kailash-A, 6+7, Sumangalam C.H.S.L., Drive-In Road, Bodakdev, Ahmedabad, Gujarat – 380054), which is engaged in the production of BioCNG and related energy solutions; Venuka Polymers Private Limited (located at 4th Floor, Block-8, Magnet Corporate Park, Near Zydus Hospital, S.G. Highway, Ahmedabad, Gujarat – 380054), which manufactures polyethylene (PE) pipelines for the CGD infrastructure; and Ni Hon Cylinders Private Limited (with its registered office at HR-18A, First Floor, Gali No.-10, Indl. Area Anand Parbat, Near Indl Area, New Delhi, Central Delhi, Delhi – 110005), which supplies Type-1 cylinders for CNG retrofitment. These entities form the core of IRM Energy's group, supporting its operations and expansion in the City Gas Distribution sector.

36. **How many directors are there in the Company? Are they directors of any other Company?**

IRM Energy Limited's Board of Directors comprises nine members, including both executive and non-executive directors.
Dr. Rajiv Indravadan Modi: He is the Chairman and Managing Director of Cadila Pharmaceuticals Limited.
Mr. Amitabha Banerjee: Whole-time Director

37. **Who is the Managing Director? Who is the Chairman? Who is in charge of day-to-day operations?**

Chairman and Non-Executive Director: Dr. Rajiv Indravadan Modi
Managing Director: Mr. Amitabha Banerjee
Chief Executive Officer (CEO): Mr. Manoj Kumar Sharma

38. **How many key personnel the Company has? What are their qualifications?**

- 11 key personnel of the Company
- Dr. Rajiv Indravadan Modi: Chairman and Non-Executive Director. Holds a Bachelor of Technology in Chemical Engineering from the Indian Institute of Technology, Bombay, and a Doctor of Philosophy in Biological Sciences from the University of Michigan. He has over 30 years of experience in the pharmaceutical industry and currently serves as the Chairman and Managing Director of Cadila Pharmaceuticals Limited.

- Mr. Amitabha Banerjee: Whole-time Director. Holds a Post Graduate Degree in Commerce from the University of Calcutta. He has over 44 years of experience, including 25 years with Cadila Pharmaceuticals Limited, where he served as CFO from 1999 to 2018. He has been associated with IRM Energy Limited since 2015.
- Mr. Manoj Kumar Sharma: Chief Executive Officer (CEO) and Whole-Time Key Managerial Personnel. Member of the Institute of Cost and Works Accountants of India and the Institute of Certified Management Accountants, Australia. Holds a BSc. (Hons.) in Chemistry, LLB, and a Masters in Planning and Management (PGDM) - Finance.
- Mr. Harshal Anjaria: Chief Financial Officer (CFO). Holds a Bachelor's degree in Commerce and is a Chartered Accountant.
- Mr. Akshit Soni: Company Secretary and Compliance Officer. Holds a Bachelor's degree in Commerce, an LLB, and is a qualified Company Secretary with more than 10 years of experience.
- Mr. Prashant Sagar: Chief Operating Officer (COO) and Executive Vice President of PNG Projects. Holds a Bachelor's degree in Engineering and a Post Graduate Diploma in Management.
- Mr. Raghuvirsinh Solanki: Executive Vice President of Commercial & Marketing. Holds a Bachelor's degree in Engineering and a Post Graduate Diploma in Management.
- Ms. Prachi Joshi: Senior Manager of HR & Admin. Holds a Bachelor's degree in Commerce and a Post Graduate Diploma in Human Resource Management.
- Mr. Prerit Gupta: General Manager (GA) Head of Fatehgarh Sahib. Holds a Bachelor's degree in Engineering.

- Mr. Budhram Siyag: GA Head of Banaskantha. Holds a Bachelor's degree in Engineering.
- Mr. Arivazhgan R: GA Head of Namakkal and Tiruchirappalli. Holds a Bachelor's degree in Engineering

39. Where would the company's new project if any be located? What is the existing place of business?

IRM Energy Limited is developing a City Gas Distribution (CGD) network in Namakkal and Tiruchirappalli (Tamil Nadu). Key infrastructure includes:

Two City Gate Stations in Tiruchirappalli.

LCNG station in Namakkal.

Pipeline network and CNG stations across the new geographical areas

Existing Place of Business:

IRM Energy currently operates in 3 Geographical Areas (GAs):

Banaskantha (Gujarat)

Fatehgarh Sahib (Punjab)

Diu & Gir Somnath (Daman & Diu/Gujarat)

40. Has the Company entered into any collaboration / technical arrangement? What are the salient points?

- Partnership with Shizuoka Gas Co. Ltd., Japan:
  - Objective: To leverage Shizuoka Gas's technical expertise and best practices as a total energy provider.
  - Details: Shizuoka Gas, the fourth-largest gas company in Japan, co-owns the LNG terminal at Shizuoka and manages over 5,000 km of pipeline assets in Japan.
  - Impact: This partnership aims to add significant value to IRM Energy's operations by incorporating advanced technologies and operational efficiencies.
- 2. Collaboration with MINDRA EV Pvt Ltd:

    - Objective: To install Fast DC EV charging stations at IRM Energy's CNG retail outlets across Gujarat.
    - Details: The collaboration includes the installation, maintenance, and upgradation of EV chargers, with services accessible via MINDRA's ChareMi mobile app.
    - Impact: This initiative supports the adoption of electric vehicles in Gujarat by providing accessible and efficient charging infrastructure

41. Are there any group Companies which are listed? What is the relevant stock exchange data?

Zydus Lifesciences Limited (Formerly known as Cadila Healthcare Limited)

Market price : ₹ 902

Market Cap

₹ 90,747 Cr.

Current Price

₹ 902

High / Low

₹ 1,324 / 889

Stock P/E

20.0

Book Value

₹ 217

Dividend Yield

0.33 %

ROCE

22.3 %

ROE

20.7 %

Face Value

₹ 1.00

42. Does the Company have any outstanding litigations / defaults?

Based on the prospectus data, the litigation profile is as follows: Against the Company, there is one material civil case amounting to ₹29.62 million and two taxation cases totaling ₹4.04 million, with no criminal cases reported. The subsidiary has no outstanding litigations in any category. Among the Directors, there are two criminal cases totaling ₹0.73 million and regulatory actions amounting to ₹10.83 million across 13 cases, with no material civil or taxation cases. For the Promoters, there are three criminal cases totaling ₹0.73 million, 33 regulatory actions amounting to ₹15.20 million, and 51 taxation cases totaling ₹1,206.75 million; however, no litigation has been initiated by the Promoters themselves. Overall, while these figures indicate some ongoing legal and taxation-related matters, they are disclosed as part of routine legal proceedings and do not suggest any widespread defaults.

43. Has there been a change of directors since incorporation?

Resignations:

Mr. Anand Mohan Tiwari resigned as an Independent Director on October 26, 2024.

Ms. Geeta Goradia resigned as a Director on January 6, 2024.

Appointments:

Mr. Krishan Kumar Gupta was appointed as an Additional Non-Executive Independent Director on October 26, 2024.

Ms. Kaushal Nakrani was appointed as an Additional Non-Executive Independent Director on May 21, 2024.

44. How would the allotment take place in case of oversubscription?

In the event of an oversubscription during an Initial Public Offering (IPO), where the demand for shares exceeds the number available, the allotment process is typically managed through one of the following methods:

Lottery System:

In this approach, the registrar conducts a random draw to allocate shares among applicants. Each applicant has an equal chance of receiving shares, regardless of the number of shares applied for. This method ensures fairness when the issue is oversubscribed.

Proportional Allocation:

Alternatively, shares may be allotted on a proportional basis, where the number of shares allocated to each applicant is in proportion to the number of shares they applied for. For example, if an investor applies for 100 shares in an oversubscribed issue, they might receive a proportionate number of shares based on the total number of shares applied for by all investors

45. Who is the company Secretary?

Company Secretary & Compliance Officer

(then) Ms. Shikha Jain , current : CS Akshit Soni

a. **Who are the bankers, auditors of the Company?**

   Bankers to the Company:

   Union Bank of India

   Bank of Baroda

   HDFC Bank Limited

   Kotak Mahindra Bank Limited

   Statutory Auditors:

   Mukesh M. Shah & Co., Chartered Accountants

b. **Who are the bankers to the issue? Who are the refund bankers?**

   Bank of Baroda (Escrow Collection Bank)

   HDFC Bank Limited (Public Issue Account Bank & Refund Bank)

   Kotak Mahindra Bank Limited (Sponsor Bank)

46. Has the Company taken any loan / working capital facilities from any Bank / Financial Institution? What are the terms and conditions of the loan if any?

IRM Energy has availed various loans and financing facilities from banks and financial institutions to meet its working capital and operational requirements. As of August 31, 2023, the company had the following borrowings:

- Total Borrowings: ₹5,143.33 million, with an outstanding balance of ₹3,148.96 million.
- Term Loans (Secured): ₹3,643.33 million sanctioned, with ₹1,648.96 million outstanding.
- Term Loans (Unsecured): ₹1,500 million, fully utilized.
- Working Capital Loan (Fund-Based): ₹150 million, with no outstanding balance.
- Working Capital Loan (Non-Fund Based): ₹2,881.30 million, with ₹2,820.59 million outstanding.

1. Interest Rate: Ranges from 7.60% to 9.55% per annum, linked to one-year MCLR and three-month T-bill rates.
2. Loan Tenure:
   - Term Loans: 9 to 14.5 years.
   - Other loans: 6 to 36 months.
3. Security:
   - Hypothecation of assets (including vehicles).

    - Mortgage of specified company properties.
    - Charge on fixed and current assets.
    - Corporate guarantee from Cadila Pharmaceuticals Limited.
4. Prepayment: Allowed with a 1-2% penalty on prepayment amount.
5. Repayment: Most loans are structured with quarterly repayments, with some repayable on demand.
6. Events of Default: Includes non-payment of dues, management changes, and insolvency.

- IRM Energy secured loans from HDFC Bank, Union Bank, Punjab National Bank, and Bank of Baroda for capital expenditure in various Geographical Areas (GAs), including Banaskantha, Fatehgarh Sahib, Diu, Gir, and Somnath.
- The HDFC Bank facility of ₹750 million (sanctioned on July 28, 2022) carries 8.49% interest, with a 3-year tenure and prepayment restrictions for the first 15 months

47. How much is the fees payable to the lead manager, registrar and other intermediaries?

The estimated issue-related expenses for IRM Energy's IPO are approximately ₹485 million, which includes the following key payments:
Book Running Lead Managers' (BRLMs) Fees & Commissions: ₹140.27 million (28.92% of total expenses)
Fees to the Registrar: ₹12.60 million (2.60% of total expenses)
Fees to Other Advisors: ₹171.10 million (35.28% of total expenses)
Listing, SEBI Filing, and Other Regulatory Fees: ₹21.28 million (4.39% of total expenses)
Printing & Stationery: ₹15.22 million (3.14% of total expenses)
Advertising & Marketing Expenses: ₹27.93 million (5.76% of total expenses)
Legal Counsel Fees: ₹37.17 million (7.66% of total expenses)
Fees for Monitoring Agency: ₹3.04 million (0.63% of total expenses)

Miscellaneous Expenses: ₹28.15 million (5.80% of total expenses)

48. What provisions of Article of Association of the Company are required to be disclosed in the prospectus?

The provisions of the Articles of Association (AOA) that are required to be disclosed in the prospectus include key regulations governing the management, shareholding, and governance structure of the company. These typically include:

- Applicability of Table F – The company specifies that the standard regulations under Table F of Schedule I of the Companies Act, 2013, do not apply unless explicitly mentioned.
- Share Capital and Shareholder Rights – Defines the authorized share capital, procedures for increasing or modifying share capital, and the rights attached to different classes of shares.
- Board Powers and Director Responsibilities – Outlines the powers of directors regarding the issuance of shares, management of the company, and their decision-making authority.
- Restrictions on Share Transfer – Specifies any preemptive rights, lock-in requirements, or conditions on share transfers.
- Dividend and Profit Distribution – Details how and when dividends can be declared and distributed among shareholders.
- General Meetings and Voting Rights – Lays down the procedures for convening and conducting shareholder meetings, along with voting rights and quorum requirements.
- Regulatory Compliance – Ensures that the company adheres to all provisions of the Companies Act, SEBI regulations, and other applicable laws.

- Powers of Directors – Describes the extent of authority directors hold in managing the company, including financial and operational decisions.
- Winding Up and Liquidation – Specifies the process to be followed in case of the dissolution of the company, including the distribution of remaining assets.

49. How many documents and material contracts been filed with the ROC?

IRM Energy has filed six material contracts and eleven material documents with the Registrar of Companies (ROC). These include agreements related to the IPO process, underwriting, and resolutions from the Board of Directors and shareholders

50. When was the prospectus adopted by the Board of Directors?

The Board of Directors of IRM Energy approved the Prospectus on October 21, 2023

51. What justification has the company/merchant bankers given regarding the issue price?

- Qualitative Factors:
  - Market Demand: The price was set through the Book Building Process, based on demand from investors.
  - Exclusive Market Position: The company holds exclusivity for City Gas Distribution (CGD) in its Geographical Areas (GAs).
  - Robust Growth: Faster expansion of CGD infrastructure than the national average.
  - Strategic Locations: Presence in underpenetrated and high-growth areas.
  - Strong Partnerships: Backed by Cadila Pharmaceuticals Ltd. and Shizuoka Gas Co. Ltd., a major gas company in Japan.

    - Operational Strength: Focus on cost-effective gas sourcing and efficient operations.
- Quantitative Factors:
    - Earnings Per Share (EPS): Weighted average EPS of ₹27.16 over the last three fiscal years.
    - Market Multiples:
    - Market Cap-to-Revenue Ratio: 1.98x (FY23 revenue)
    - Price-to-Earnings (P/E) Ratio: 32.84x (based on FY23 earnings)
    - Enterprise Value to EBITDA: 18.70x (FY23 EBITDA)
    - Issue Price vs Face Value: The issue price of ₹505 per share is 50.50 times the face value of ₹10.
    - Comparison with Past Transactions: The issue price was 1.49 times the weighted average cost of acquisition over the last three years

52. What were the category wise subscription figures?

Qualified Institutional Buyers (QIBs): 44.73 times

Non-Institutional Investors (NIIs): 48.34 times

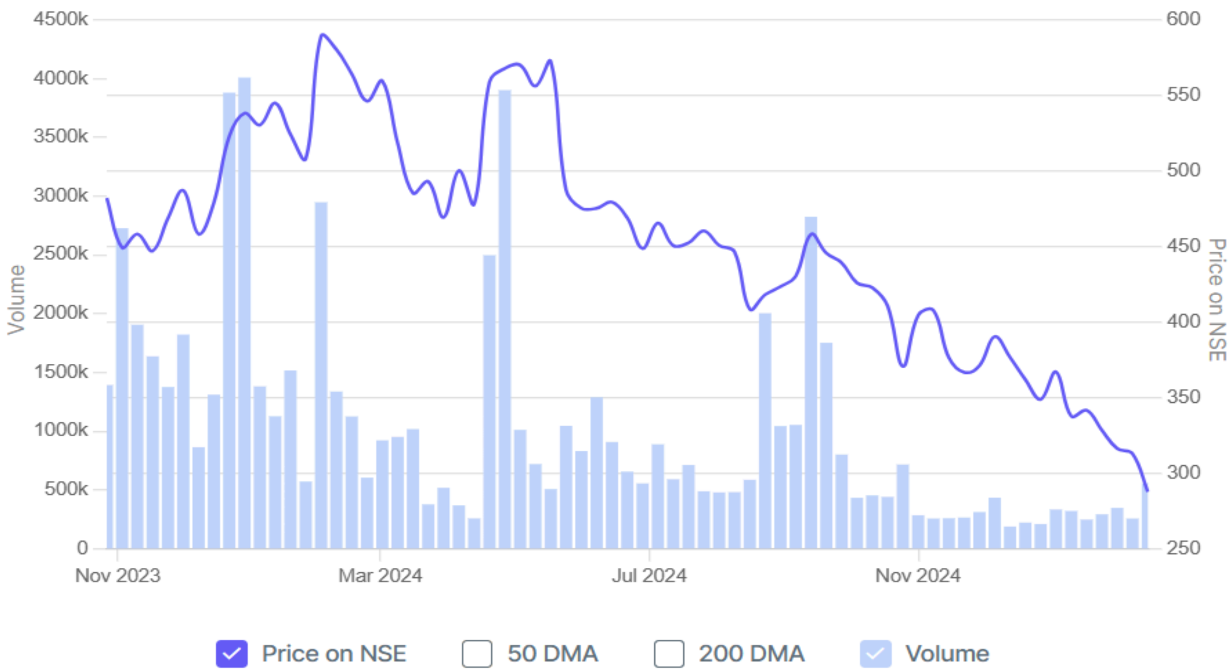
NIIs (bids above ₹10 Lakhs): 52.29 times

NIIs (bids below ₹10 Lakhs): 40.46 times

Retail Individual Investors (RIIs): 9.29 times

Employee Category: 2.05 time

53. Indicate graphically the price movement of the stock since listing.



Reference: https://www.screener.in/company/IRMENERGY/consolidated/