March 13, 2025

# IRM Private Limited (erstwhile IRM Limited): Ratings reaffirmed

## Summary of rating action

| Instrument* | Previous rated amount (Rs. crore) | Current rated amount (Rs. crore) | Rating action |
|---|---|---|---|
| Long term - Fund Based-Term Loan | 30.00 | 25.96 | [ICRA]BBB- (Stable); reaffirmed |
| Long term - Fund Based-Cash Credit | 8.50 | 8.50 | [ICRA]BBB- (Stable); reaffirmed |
| Long term/Short term - Non fund based- Bank Guarantee | 7.50 | 7.50 | [ICRA]BBB- (Stable)/ [ICRA]A3; reaffirmed |
| Long term/Short term – Unallocated limits | - | 4.04 | [ICRA]BBB- (Stable)/ [ICRA]A3; reaffirmed |
| **Total** | **46.00** | **46.00** | |

**Instrument details are provided in Annexure I*

## Rationale

The rating action on the bank limits of IRM Private Limited (IRMPL) considers ICRA's expectation that the company will maintain its credit profile on the back of healthy demand across its diversified business segments, leading to an improvement in its earnings and financial profile. The company's revenue growth moderated to 4% in FY2024 owing to closure of the travel management and foreign currency exchange businesses due to continuous losses. However, the air charter segment recorded a steady growth of 6% on the back of increased flying hours, while the agro business vertical operating under the subsidiary recorded a healthy growth of 19%. The company's revenue is expected to moderate marginally in FY2025 owing to moderation in revenues from the air charter segment, while tea, facilities management and agro segments are expected to record a healthy growth. Its operating margin is also expected to improve in FY2025 on the back of lower operating costs in the air transport segment as reliance of third-party charters were negligible as the company leased 'Gulfstream G550' jet in May 2023. The ratings further consider the operational and financial support from Cadila Pharmaceuticals Limited (CPL). The ratings also favourably factor in the company's adequate capitalisation and liquidity profile, as reflected by a sound net worth base and buffer in fund-based limits.

The ratings, however, are constrained by the fragmented and intensely competitive nature of the tea business, and the exposure of profitability to agro-climatic changes in the business, which keeps the margins under check. The operations of air transport are also exposed to regulatory changes as well as external shocks, along with vulnerability of margins to volatility in air turbine fuel (ATF) expenses. The company expects to grow its air charter and allied services under its air transport operations, wherein it has leased a bigger aircraft. Moreover, its ability to profitably scale up the same remains critical from the credit perspective.

The Stable outlook on IRMPL's rating reflects ICRA's opinion that the company's earnings are expected to witness a steady growth on the back of improved margins in the air charter and tea segments and continued healthy demand in the agro and pharma machinery segments.

## Key rating drivers and their description

### Credit strengths

**Operational and financial support/business synergies for being a part of the Cadila Group –** IRMPL belongs to the Cadila Group, the flagship company of which is CPL, a reputed player in the Indian pharmaceutical market. IRMPL drew around ~47%

of its revenue from CPL in FY2024, mainly for its air charter and facility management businesses, apart from the benefits in terms of operational and financial support. CPL is expected to provide operational and financial support to IRMPL, if required.

**Presence in diverse business segments –** IRMPL operates diverse businesses such as tea production, facility management services, rental of immovable properties and charter flights. It discontinued its foreign currency exchange business and travel management services in FY2023, in which it was incurring losses. It is also involved in agro, veterinary and pharma machinery verticals through its subsidiary. This diversification leads to low dependence on a single business and to an extend shields it from the adverse cyclical movement in a particular segment. The company has adequate capitalisation with a net worth base of ~Rs. 104 crore (as of FY2024) at the consolidated level and a comfortable liquidity position.

## Credit challenges

**Average financial risk profile, revenue remains vulnerable to air charter segment –** The company's financial profile remains average, with a moderate scale of operations and subdued operating margin. Further, the revenues are vulnerable to the air transport business as it derives ~75% of its revenue at the standalone level and 42% of its revenue at the consolidated level from the same. The tea and the facility management, agro, pharma machinery and veterinary businesses remain small in scale, lacking any competitive edge. IRMPL is planning to provide a gamut of aviation related services to third parties, including maintenance, repairs and overhaul (MRO) services, management and operations, among others. Therefore, the ability of the company to scale up its air charter business will remain critical from the credit perspective.

**Operations have low entry barriers, company exposed to tough competition –** IRMPL operates various businesses such as air charter and tea plantation, which are characterised by low entry barriers and is therefore exposed to intense competition. Besides, the small size of business segments might put additional pressure on the company's margins in times of slowdown in the industry.

**Vulnerability of profitability to fluctuations in input costs for tea and air transport businesses and related regulatory changes –** The company's tea business remains exposed to agro-climatic risks. Likewise, the operations of the air transport segment remain exposed to the volatility in ATF prices and regulatory changes, which can affect its revenues and margins.

## Liquidity position: Adequate

The company's liquidity position remains adequate, with healthy buffer of Rs. 11-12 crore in its working capital limits and free cash and bank balance of ~Rs. 19 crore as on December 31, 2024. The average utilisation of the working capital limit stood at ~26% in the last 12-month period ending in December 2024. The company is expected to generate retained cash flows of Rs. 18-20 crore in the next 12 months. Against these sources of cash, it has repayment obligations of Rs. 6-7 crore and capex plan of Rs. 5 - 6 crore per annum. The company is also expected to receive financial support from CPL, as and when required.

## Rating sensitivities

**Positive factors** – ICRA could upgrade IRMPL's ratings if an improvement in the outlook for its key business segments translates into an increase in the consolidated scale and profitability, and, consequently, cash accruals and the overall liquidity on a consistent basis. Also, any improvement in the credit profile of CPL can be considered favourably.

**Negative factors** – Pressure on the ratings could emerge if a material decline in revenues or profitability impacts its liquidity or coverage indicators. Any weakening in the business linkage with CPL, or a deterioration in CPL's credit profile, which materially impacts IRMPL's credit profile, will also be a negative rating trigger.

## Analytical approach

| Analytical approach | Comments |
|---|---|
| **Applicable rating methodologies** | Corporate Credit Rating Methodology<br>ICRA's Methodology on Tea |
| **Parent/Group support** | Group support: Cadila Pharmaceuticals Limited. The ratings assigned to IRMPL factors in the likelihood of its Group company extending financial support because of the close business linkages between them. |
| **Consolidation/Standalone** | The ratings are based on the consolidated financial statements of IRMPL, which includes IRM Enterprises Pvt. Ltd. and its step-down subsidiary, as shared in Annexure II. |

## About the company

Incorporated in 1994, IRMPL is a Group company of CPL. The company is involved in various businesses such as facility management services, tea production, and air transport. It leased Gulfstream G550 jet in May 2023 for 10 years, which was hired by CPL based on its requirement. It was also involved in other businesses such as travel management and foreign exchange money changing earlier. However, it exited these businesses in FY2023 owing to low profitability. IRMEPL is a wholly owned subsidiary of IRMPL, which is involved in the pharmaceutical machinery, agro and trading in veterinary products.

### Key financial indicators (audited)

| Consolidated | FY2023 | FY2024 |
|---|---|---|
| **Operating income** | 300.9 | 313.1 |
| **PAT** | 5.3 | 13.4 |
| **OPBDIT/OI** | 3.7% | 4.1% |
| **PAT/OI** | 1.8% | 4.3% |
| **Total outside liabilities/Tangible net worth (times)** | 1.6 | 1.5 |
| **Total debt/OPBDIT (times)** | 2.9 | 2.9 |
| **Interest coverage (times)** | 3.4 | 3.4 |

*Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. Crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation*

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

## Rating history for past three years

| | Current rating (FY2025) | | | Chronology of rating history for the past 3 years | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | FY2024 | | FY2023 | | FY2022 | |
| Instrument | Type | Amount rated (Rs. crore) | Mar 13, 2025 | Date | Rating | Date | Rating | Date | Rating |
| **Cash Credit** | Long Term | 8.50 | **[ICRA]BBB- (Stable)** | Mar-28-24 | [ICRA]BBB- (Stable) | Jan-25-23 | [ICRA]BBB- (Stable) | Oct-07-21 | [ICRA]BBB- (Stable) |
| **Term Loan** | Long Term | 25.96 | **[ICRA]BBB- (Stable)** | Mar-28-24 | [ICRA]BBB- (Stable) | Jan-25-23 | [ICRA]BBB- (Stable) | Oct-07-21 | [ICRA]BBB- (Stable) |
| **Bank Guarantee** | Long Term/ Short Term | 7.50 | **[ICRA]BBB- (Stable)/ [ICRA]A3** | Mar-28-24 | [ICRA]BBB- (Stable)/ [ICRA]A3 | Jan-25-23 | [ICRA]BBB- (Stable)/ [ICRA]A3 | Oct-07-21 | [ICRA]BBB- (Stable)/ [ICRA]A3 |
| **Unallocated Limited** | Long Term/ Short Term | 4.04 | **[ICRA]BBB- (Stable)/ [ICRA]A3** | - | - | - | - | - | [ICRA]BBB- (Stable)/ [ICRA]A3 |

## Complexity level of the rated instruments

| Instrument | Complexity indicator |
|---|---|
| **Cash Credit** | Simple |
| **Term Loan** | Simple |
| **Bank Guarantee** | Very Simple |
| **Unallocated Limited** | Not Applicable |

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

## Annexure I: Instrument details

| ISIN | Instrument name | Date of issuance | Coupon rate | Maturity | Amount rated (Rs. crore) | Current rating and outlook |
|---|---|---|---|---|---|---|
| **NA** | **Cash Credit** | NA | NA | NA | 8.50 | [ICRA]BBB-(Stable) |
| **NA** | **Term Loan** | FY2022 | NA | FY2032 | 25.96 | [ICRA]BBB-(Stable) |
| **NA** | **Bank Guarantee** | NA | NA | NA | 7.50 | [ICRA]BBB-(Stable)/ [ICRA]A3 |
| **NA** | **Unallocated Limited** | NA | NA | NA | 4.04 | [ICRA]BBB-(Stable)/ [ICRA]A3 |

*Source: Company*

## Annexure II: List of entities considered for consolidated analysis

| Company Name | IRMPL Ownership | Consolidation Approach |
|---|---|---|
| **IRM Enterprises Private Limited** | 100.00% | Full Consolidation |
| **GIG- IRM Glass Insulators Private Limited (Subsidiary of IRMEPL)** | 50.00% | Equity Method |

*Source: Company*

## ANALYST CONTACTS

**Shamsher Dewan**
+91 12 4454 5300
shamsherd@icraindia.com

**Srikumar Krishnamurthy**
+91 44 4596 4318
ksrikumar@icraindia.com

**Nithya Debbadi**
+91 40 6939 6416
nithya.debbadi@icraindia.com

**Roshan Dugar**
+91 20 6606 9924
roshan.dugar@icraindia.com

## RELATIONSHIP CONTACT

**L. Shivakumar**
+91 22 6114 3406
shivakumar@icraindia.com

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**
Tel: +91 124 4545 860
communications@icraindia.com

## HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

## ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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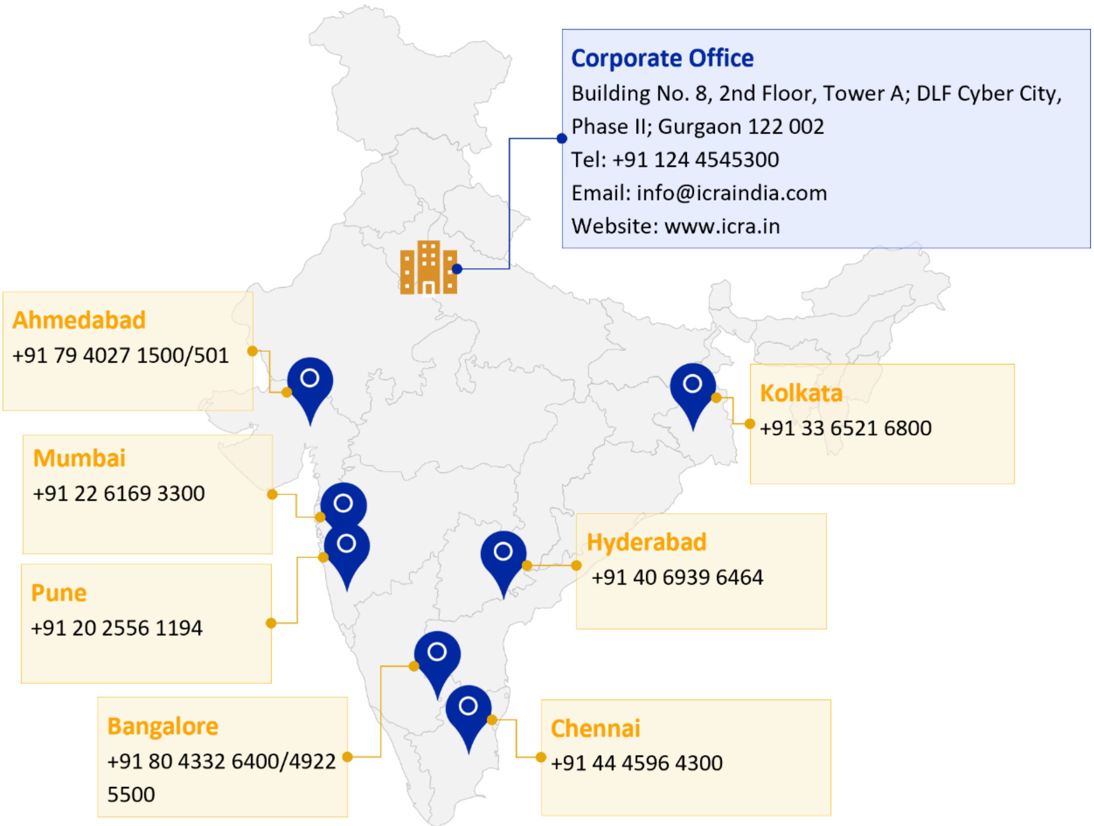
## ICRA Limited

### Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

### Branches



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