

July 27, 2017

## IRM Limited

### Summary of rated instruments

Instrument*	Rated amount (in Rs. crore)	Rating action
Long-term, term loans	7.01 (reduced from 11.55)	[ICRA]BBB- (stable); re-affirmed
Long-term, fund based facilities	35.00	[ICRA]BBB- (stable); re-affirmed
Long-term / Short-term, non-fund based facilities	10.00	[ICRA]BBB- (stable) / [ICRA]A3; re-affirmed

\*Instrument details are provided in Annexure-1

### Rating action

ICRA has reaffirmed long-term rating of [ICRA]BBB- (pronounced ICRA triple B minus) to the term loans and fund based facilities of IRM Limited (IRM) aggregating to Rs. 7.01 crore<sup>1</sup> (reduced from Rs. 11.55 crore) and Rs. 35 crore respectively<sup>2</sup>. ICRA has also reaffirmed long-term rating of [ICRA]BBB- (pronounced ICRA triple B minus) and short-term rating of [ICRA]A3 (pronounced ICRA A three) to the non-fund based limits of IRM aggregating to Rs. 10 crore. The non-fund based limits will attract either long-term or short-term rating based on the tenure of usage. The combined utilization of such limits should not exceed Rs. 10 crore. The outlook on the long-term rating is 'stable'.

### Rationale

The reaffirmation of ratings takes into account the strong parent (Cadila Pharmaceuticals Limited) support enjoyed by IRM. The ratings also factor in IRM's reputed client profile across its business segments with back-up of business from the parent and its AD Category II license holder status which enables it to buy and sell all types of currencies. The ratings are however constrained by IRM's stretched financial profile, small scale of operations and the fragmented / highly competitive nature of its businesses (especially the travel and forex management) which is expected to continue exerting pressure on the company's margins. ICRA takes into account capacity expansion in the tea business and IRM's venturing into air taxi business in the last couple of years which is likely to boost the company's revenues in the near to medium term. Nonetheless, the air taxi business having availed relatively large medium term loan for funding the margin money requirement will exert some pressure on the capital structure and coverage indicators in the near to medium term. Going forward, performance of air taxi business will remain key rating sensitivity and would be monitored.

<sup>1</sup> 100 lakh = 1 crore = 10 million

<sup>2</sup> For complete rating scale and definitions, refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications.

## Key rating drivers

### Credit strengths

- **Strong parent support provides flexibility in business operations and financial profile** –IRM is one of the group companies of Cadila Pharmaceuticals Limited (CPL), which is one of the reputed players in the Indian pharmaceutical market. IRM was initially set-up to cater to the indigenous requirements of CPL relating to travel, foreign exchange, facility management, etc. Currently, CPL contributes around one-third of IRM's revenues thus providing stability to cash flows. CPL also has a demonstrated track record of lending financial support to IRM as and when required.
- **Reputed client profile** – Apart from CPL, through its gamut of businesses, the company provides services to more than 300 corporates with reputed and established track record thus mitigating customer concentration risks to some extent.
- **Diverse business segments** – IRM is currently present in diverse business lines including travel management, foreign exchange money changing (FEMC), facility management services, tea production, charter flight, etc., thus , leading to low dependence on a single business.
- **One of the few AD Category II license holders** – IRM is one of the few AD Category II License Holders, which enables it to buy as well as sell all types of currencies. The company is also licensed as Full Fledged Money Changer by the Reserve Bank of India since 1997.
- **Expanded tea operations and relatively new air taxi business likely to boost revenues in the near to medium term** – More than one-third of IRM's revenues are contributed by the tea business. The company's tea processing capacity doubled to 40,000 kg per day in FY2016. This coupled with company's entry into charter flight business in FY2015 is expected to drive company's future revenue growth.

### Credit weaknesses

- **Intense competition given the low entry barriers in most of IRM's businesses expected to keep margins at modest levels** – The company is present in businesses like travel management, foreign exchange money changing, tea processing, facility management, etc. which have low entry barriers. This has resulted in modest margins in the past and they are expected to remain under pressure going forward.
- **Leveraged capital structure as well as modest coverage indicators** – Despite improvement, the company's capital structure continued to remain leveraged as of FY2017 at 2.33x (FY2016 – 3.00x). Nonetheless, notable portion of the debt comprises loans from promoters thus providing some comfort as reflected by an adjusted gearing of 1.76x as of FY2017. As of last fiscal, the interest coverage (2.08x) and other key debt related indicators (TD/OPBDIT: 4.9x) continued to remain modest.

**Analytical approach:** For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

### Links to applicable criteria:

[Corporate Credit Rating Methodology](#)

### About the company:

IRM Limited is one of the group companies of Cadila Pharmaceuticals Ltd. (CPL). CPL is one of the reputed players in the Indian pharmaceutical market with a focus in the area of formulations & APIs. IRM Ltd. was incorporated in 1994, with the primary objective to provide guest house facilities to the personnel of Cadila Group. Over the years, the company has successfully ventured into a gamut of



businesses – travel management, foreign exchange money changing (FEMC), facility management services and tea production. Recently the company has also ventured into charter flight business.

In FY2017, on a provisional basis, the company reported a net profit of Rs. 4.1 crore on an operating income of Rs. 74.1 crore, as compared to a net profit of Rs. 3.7 crore on an operating income of Rs. 70.6 crore in the previous year.

**Key Financial Indicators (Audited)**

	FY2016	FY2017 Provisional
Operating Income (Rs. crore)	70.61	74.08
PAT (Rs. crore)	3.68	4.14
OPBDIT/ OI (%)	18.2%	15.5%
RoCE (%)	14.2%	13.1%
Total Debt/ TNW (times)	3.00	2.33
Total Debt/ OPBDIT (times)	4.49	4.91
Interest coverage (times)	2.05	2.08
NWC/ OI (%)	29.1%	20.6%

*OI: Operating Income; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net-Worth + Deferred Tax Liability - Capital Work - in Progress); NWC: Net Working Capital*

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not applicable

**Rating history for last three years:**
**Table:**

S. No.	Instrument	Current Rating (FY2018)			Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Date & Rating	Date & Rating in FY2016	Date & Rating in FY2015	Date & Rating in FY2014
				<b>July 2017</b>	<b>March 2016</b>	<b>March 2015</b>	<b>March 2014</b>
1	Term Loans	Long Term	7.01	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)
2	Cash Credit	Long Term	35.00	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)
3	Bank Guarantee	Long Term/Short Term	10.00	[ICRA]BBB-(Stable) / [ICRA]A3	[ICRA]BBB-(Stable) / [ICRA]A3	[ICRA]BBB-(Stable) / [ICRA]A3	[ICRA]BBB-(Stable) / [ICRA]A3

**Complexity level of the rated instrument:**

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

**Annexure-1**  
**Instrument Details**

<b>ISIN No</b>	<b>Instrument</b>	<b>Date of Issuance/Sanction</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Amount Rated (Rs. crore)</b>	<b>Current Rating and Outlook</b>
-	Term Loans	April 2010	-	March 2021	7.01	[ICRA]BBB-(Stable)
-	Cash Credit	-	-	Upto 1 year	35.00	[ICRA]BBB-(Stable)
-	Bank Guarantee	-	-	Upto 1 year	10.00	[ICRA]BBB-(Stable) / [ICRA]A3

Source: the company

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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.

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