February 26, 2025

# Iron Mountain India Private Limited: [ICRA]BBB-(Stable)/[ICRA]A3 assigned

## Summary of rating action

| Instrument* | Current rated amount (Rs. crore) | Rating action |
|---|---|---|
| **Long-term – Fund-based limits – Overdraft** | 105.00 | [ICRA]BBB- (Stable); assigned |
| **Long-term – Fund-based – Term loan** | 167.00 | [ICRA]BBB- (Stable); assigned |
| **Long-term/ Short-term – Non-fund based limits – Bank Guarantee** | 14.00 | [ICRA]BBB- (Stable)/[ICRA]A3; assigned |
| **Total** | **286.00** | |

**Instrument details are provided in Annexure I*

## Rationale

The rating assigned to the bank lines of Iron Mountain India Private Limited (IMIPL) considers the proven track record of its operations in the record management business, its reputed customer profile, its low customer concentration and stable revenue model, backed by predictable cash flows from contracts. The rating also considers strong need-based support available to IMIPL from its parent, Iron Mountain Inc. (IMI), which is in the same business sector. The same was also demonstrated in the past, when the parent had provided external commercial borrowings and equity infusion to support repayment of external borrowings, capex and working capital requirements. IMIPL has witnessed healthy revenue growth with CAGR of 13% during FY2019–FY2024 driven by gradual expansion of intake volumes, escalations in rentals and new customer additions over the years, while maintaining healthy operating profit margins in the range of 40-45% over the last three years.

The rating, however, is constrained by IMIPL's moderate scale of operations and concentrated revenue profile, as its entire revenue is generated from record management services. ICRA notes that the company has presence in the digital data management system; however, the revenue share remains low at present, and the company's growth in this space remains a key monitorable, going forward. Further, the business remains capital intensive, necessitating regular capital expenditure (capex) related to warehousing needs. Though the capex will aid in capacity enhancement, IMIPL's ability to scale up and garner commensurate returns from its planned capex will remain a critical monitorable. The rating also remains constrained by IMIPL's working capital intensive nature of business due to an elongated collection cycle. This is evident from the high ratio of net working capital vis-à-vis operating income of 52.8% as on March 31, 2024; and the moderate financial risk profile owing to high debt levels as the entire warehousing facility is on lease, resulting in high lease liabilities and moderate net worth levels owing to low accretion to reserves. However, the net worth position is expected to improve in FY2025 owing to equity infusion of ~Rs. 73 crore by IMI in 9M FY2025. Given the debt-funded capex plans, the debt protection metrics are expected to remain moderate.

The Stable outlook on IMIPL's ratings reflects ICRA's opinion that it will continue to benefit from its parentage, sound business model with expectation of growth in the digital data management system business and established relationships with its customers. Although the company is expected to incur debt-funded capex in the near term, the debt coverage indicators are likely to remain stable, driven by steady revenue growth while maintaining healthy operating margins.

## Key rating drivers and their description

### Credit strengths

**Part of Iron Mountain Group, with demonstrated track record of support from IMI** – IMIPL is a 99% subsidiary of IMI, which was established in 1951, and has been operating in the records management business for almost six decades. IMI operates through various subsidiaries spread across various geographies. ICRA derives comfort from the financial support IMI has extended to IIMPL since its inception in the form of equity infusion and external commercial borrowings (ECB); and expects the same to continue, as and when needed. IMI has also provided corporate guarantees to banks for IMIPL's borrowings. Going forward, ICRA expects IMI to provide need-based funding support to IMIPL. IMIPL had a repayment due for one of the ECBs in FY2025, which has been rolled over to FY2028. Further, IMIPL has repayments due for ECBs in July 2025 and August 2026, which are also expected to be rolled over.

**Proven track record of operations** – IMIPL is engaged in the business of document storage, record management and other document management activities. The company has more than 60 warehouses (leased) across India. IMIPL has developed strong relationships with its customers over the years, which ensures repeat business.

**Stable business model, ensuring sticky customer association and low customer concentration** – The records management business is a stable one, as it necessitates customers from banking/ corporate sectors to store large amounts of documents over long periods. This ensures strong customer association and lends longer revenue visibility. Further, the company's customer concentration remains low as reflected by its top 10 customers with revenue share of 9% of its total revenues. IMIPL has witnessed healthy revenue growth with CAGR of 13% during FY2019–FY2024, driven by gradual expansion of intake volumes, escalations in rentals and new customer additions over the years. Further, the company has maintained healthy operating profit margins in the range of 40-45% over the last three years, which is likely to remain stable, going forward.

### Credit challenges

**High working capital and capital-intensive nature of business** – The company has a high working capital requirement depicted by the high net working capital vis-à-vis operating income of 52.8% in FY2024. The collection cycle is elongated due to the long approval cycle for Government entities. Further, the nature of its business is capital intensive on account of capex related to warehousing needs, which is mandated to support its growth plans. Though the capex will aid in capacity enhancement, IMIPL's ability to scale up and garner commensurate returns from it will remain a critical monitorable.

**Moderate financial risk profile with moderate net worth** – The financial risk profile of IMIPL remains moderate owing to high debt levels, primarily lease liabilities, since all its warehouse facilities are leased. The company had also availed ECB loans from its parent entity for repayment of its term loans, working capital requirement and capex requirements, resulting in high debt levels. IMIPL's capital structure remained moderate with gearing of 4.3 times as on March 31, 2024, owing to high debt levels and moderate net worth position of the company due to low accretion to reserves. However, the equity infusion of ~Rs. 73 crore in FY2025 is expected to support the net worth to an extent. Further, the coverage indicators also remained moderate as reflected by total debt vis-à-vis operating profit of 5.4 times and interest coverage of 2.3 times as on March 31, 2024. However, some comfort can be drawn from the higher average residual lease tenor of 8-10 years. Given the debt-funded capex plans, the debt protection metrics are expected to remain moderate.

**Concentrated revenue profile and secular shift away from paper and document storage in long term** – The company has a concentrated revenue profile as it derives around 80% of its total revenue from the traditional physical records management business. Further, rising digitisation remains a threat for the growth of physical data storage on a long-term basis. ICRA notes that the company operates in the digital data management system, where its revenue share remains low at present. Hence, IMIPL's growth in the digital data management system remains a key monitorable, going forward.

## Liquidity position: Adequate

The liquidity position is adequate, supported by free cash of ~Rs. 17 crore as on March 31, 2024, net cash accruals of Rs. 113.8 crore in FY2024, and stable cash flow from operations. The average working capital utilisation remained moderate at 55% of sanctioned limits for the last 12 months ending in November 2024, with buffer of Rs. 92 crore as on November 30, 2024. Further, comfort can be drawn from IMIPL's nil repayment obligation during FY2025–FY2027, with expectation that the ECBs due in FY2026 and FY2027 will be rolled over. The company is estimated to incur capex of Rs. 300-350 crore (excluding right of use assets) during FY2025-FY2026 towards capacity expansion, consolidation of facilities, and upgradation of existing facilities, which is likely to be funded by equity, ECBs, additional term loans, internal accruals, and existing cash and liquid investments. Further, equity infusion of ~Rs. 73 crore in FY2025 and undrawn term loans of Rs. 92 crore as on March 31, 2024, provide comfort to the liquidity position of the company.

## Rating sensitivities

**Positive factors** – ICRA could upgrade IMIPL's ratings if the company demonstrates a notable increase in its scale of operations and maintains healthy operating margins, leading to the strengthening of its return indicators and liquidity profile on a sustained basis. The improvement in the parent company's credit profile could also be a positive rating trigger.

**Negative factors** – Pressure on IMIPL's ratings could arise if there is a material decline in revenues, or profitability margins adversely impacting the debt coverage metrics. Any large debt-funded capex or any stretch on its working capital requirement, posing a stretch on liquidity or moderation in coverage indicators on a sustained basis, will also be a negative rating trigger. Moderation in the credit profile of the parent company and/ or weakening in linkages with the parent company could also be a negative trigger.

## Analytical approach

| Analytical approach | Comments |
|---|---|
| **Applicable rating methodologies** | Corporate Credit Rating Methodology |
| **Parent/Group support** | Parent Company: Iron Mountain Inc. (IMI)<br>ICRA expect IMIPL's parent, IMI, to be willing to extend financial support to IMIPL, should there be a need. |
| **Consolidation/Standalone** | The ratings are based on the consolidated financials of the company. As on March 31, 2024, the company had three subsidiaries, which are enlisted in Annexure 2. |

## About the company

IMIPL is engaged in the business of document storage, record management and other document management activities. The company is a subsidiary of IMI. The Holding Company (Iron Mountain Inc.) is listed at New York Stock Exchange (NYSE). IMI owned or operated over 1,350 facilities worldwide and had over 240,000 customers as on December 31, 2024. IMI currently serves customers across an array of market verticals, such as commercial, legal, financial, healthcare, insurance, life sciences, energy, business services, entertainment and government organisations. IMI is a global leader in storage and information management services. The data are stored in the form of paper, digital, media, and other physical forms.

IMIPL offers record management services, including storage of physical documents, tapes, and critical customer data, and provides services in over 61 regions pan India. The company has a presence in both physical storage and the digital data management business.

IMIPL have three subsidiaries—namely, OEC Records Management Company Private Limited (acquired on October 16, 2017), Recall India Information Management Private Limited (acquired on December 21, 2022) and Recall Total Information Management Private Limited (acquired on March 28, 2024). These subsidiaries operate in the same business of records management and document storage.

### Key financial indicators (audited)

| IMIPL (consolidated) | FY2023 | FY2024 |
|---|---|---|
| Operating income | 413.5 | 469.8 |
| PAT | -23.9 | -0.9 |
| OPBDIT/OI | 45.8% | 43.8% |
| PAT/OI | -5.8% | -0.2% |
| Total outside liabilities/Tangible net worth (times) | 4.2 | 4.7 |
| Total debt/OPBDIT (times) | 5.0 | 5.4 |
| Interest coverage (times) | 2.5 | 2.3 |

*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 (FY2025) | | | Chronology of rating history for the past 3 years | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | FY2025 | | | FY2024 | | FY2023 | | FY2022 | |
| Instrument | Type | Amount Rated (Rs Crore) | Feb 26, 2025 | Date | Rating | Date | Rating | Date | Rating |
| Long term-term loan-fund based | Long Term | 167.00 | [ICRA]BBB- (Stable) | - | - | - | - | - | - |
| Long term / short term-bank guarantee-non fund based | Long Term/Short Term | 14.00 | [ICRA]BBB- (Stable)/[ICRA]A3 | - | - | - | - | - | - |
| Long term-overdraft-fund based | Long Term | 105.00 | [ICRA]BBB- (Stable) | - | - | - | - | - | - |

## Complexity level of the rated instruments

| Instrument | Complexity indicator |
|---|---|
| Long term – Fund based limits - Overdraft | Simple |
| Long-term fund based – Term loan | Simple |
| Long term/ Short Term – Non-Fund based Limits – Bank Guarantee | Very Simple |

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 | Overdraft | NA | NA | NA | 105.00 | [ICRA]BBB-(Stable) |
| NA | Term loan | FY2023 | NA | FY2028 | 75.00 | [ICRA]BBB-(Stable) |
| NA | Term loan | FY2025 | NA | FY2030 | 92.00 | [ICRA]BBB-(Stable) |
| NA | Bank Guarantee | NA | NA | NA | 14.00 | [ICRA]BBB-(Stable)/[ICRA]A3 |

*Source: Company*

[*Please click here to view details of lender-wise facilities rated by ICRA*]

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

| Company Name | Ownership | Consolidation Approach |
|---|---|---|
| OEC Records Management Company Private Limited | 100.00% | Full Consolidation |
| Recall India Information Management Private Limited | 99.75% | Full Consolidation |
| Recall Total Information Management Private Limited | 100.00% | Full Consolidation |

*Source: Annual report, *As on March 31, 2024*

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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.

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.

For more information, visit www.icra.in

## ICRA Limited

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