March 04, 2024

Indo-MIM Private Limited: Rating reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based term loan	1,101.15	1,286.10	[ICRA]AA+ (Stable); reaffirmed/assigned
Fund-based cash credit	166.95	348.00	[ICRA]AA+ (Stable); reaffirmed/assigned
Total	**1,268.10**	**1,634.10**	

**Instrument details are provided in Annexure-I*

Rationale

ICRA's rating reaffirmation considers the favourable demand prospects for Indo-MIM Private Limited (IMPL/the company), the moderate growth in its scale of operations and its strong market position in the global metal injection moulding (MIM) industry. These factors are supported by the company's strong technical competency, which enable it to cater to diverse client segments. IMPL's revenues have improved significantly, at a CAGR of ~14% over the last five-year period, owing to healthy demand from various client segments, such as automotive, defence, medical and consumer products. In FY2023, while a slowdown in the defence sector moderated the profitability margins to a certain extent, the demand from the automotive and medical sectors continued to be strong, thereby driving revenue growth. The company has been able to forge strong client relationships in the US and Europe, corroborated by the repeat orders received from these clients.

The rating also positively factors in the healthy growth prospects of the MIM industry as the technology has higher precision and better cost advantage compared to alternative technologies. IMPL's financial profile continues to be robust, characterised by strong debt protection metrics and superior return indicators, with the average return on capital employed (RoCE) of over 30.0% over the past three years ended FY2022. However, it moderated to ~27% in FY2023 on account of a dip in operating margins and capex and is expected to remain subdued because of the ongoing capex. ICRA expects the profitability to remain healthy over the near to medium term, despite a marginal dip, supported by IMPL's strong operating performance. ICRA continues to take note of a competent management team, comprising technocrats with over two decades of industry experience.

The rating, however, remains constrained by the company's capital-intensive operations, which requires continuous part debt-funded capacity expansions, which, in turn, are likely to keep the debt levels moderately elevated. Moreover, the company is largely export-oriented, exposing its profitability to the volatility in foreign exchange prices. The risk is mitigated to some extent by the natural hedge provided by raw material imports as well as the hedging policy adopted by the company. In addition, raw material prices have remained volatile following the geopolitical tensions; the ability of the company to pass on these costs to its customers would be a key monitorable.

While the company faces competition from certain Asian peers, the advantages of economies of scale and manpower cost are expected to shield the company from pricing pressure. Further, despite the large dividend outflow in recent years, IMPL's liquidity position remains comfortable with healthy cash flow from operations and available cash balances to cover for the debt repayment obligations and capex funding.

The Stable outlook on IMPL's rating reflects ICRA's opinion that the company will continue to benefit from its established position as a supplier of MIM products in the export markets.

Key rating drivers and their description

Credit strengths

Established and dominant presence in metal injection moulding (MIM) industry - IMPL has emerged as one of the largest players in the metal injection moulding industry over the years. The company's inherent advantages owing to its strong technical competency and scale are expected to sustain over the medium term.

Strong revenue growth, backed by healthy demand for MIM products in diversified client segments – IMPL's revenues have improved significantly over the last five years owing to healthy demand growth from various client segments such as automotive, defence, medical, consumer goods and aerospace. In FY2023, while a slowdown in the defence sector moderated the profitability margins to a certain extent, the demand from the automotive and medical sectors continued to be strong, thereby driving revenue growth. The criticality of MIM's products and the fractional cost in the overall product cost enable the company to enjoy a superior pricing power in the market.

Strong financial risk profile, characterised by low gearing, strong debt coverage and comfortable liquidity - Despite the regular debt-funded capacity expansion plans undertaken by the company, the financial profile of IMPL remains strong, reflected in total debt/net worth of 0.5 times, total debt/OPBDITA of 1.2 times and interest coverage of 13.5 times in FY2023. The return on the capital employed also continues to be robust for the company, though it has declined in FY2023.

Credit challenges

Capital-intensive operations - The company undertakes regular capacity expansion to have spare capacity to cater to the customers in a timely manner. While this would keep the debt level moderately elevated, ICRA expects the company's capitalisation and debt coverage metrics to remain healthy, supported by a steady operating performance.

Exposure to foreign exchange fluctuations - Exports contribute to a large portion of IMPL's revenues, exposing the company to forex fluctuations. While the import of key raw materials provides a natural hedge to a certain extent, the company has historically adopted a policy of hedging its net exposure.

Cost pressure and competition from global players – Raw material prices have increased following the geopolitical tensions and the ability of the company to pass on these costs to its customers would be a key monitorable. Further, while the company faces competition from certain Asian peers, the advantages of economies of scale and manpower cost are expected to shield the company from pricing pressures.

Liquidity position: Strong

IMPL's liquidity position remains strong with expected cash flow from operations of more than Rs. 500 crore in FY2024 against an annual repayment obligation of Rs. 230-240 crore. Further, the company had cash and bank balance of ~Rs. 330 crore as on March 31, 2023, at a consolidated level along with cushion in unutilised working capital facilities.

Rating sensitivities

Positive factors – The rating could be upgraded if the company is able to significantly scale up its revenues and profitability and diversify the geographic and customer industry profile on a sustained basis.

Negative factors – The rating could witness a downward revision if any adverse impact on the revenue/profitability of the company deteriorates the debt coverage metrics. Further, any sizeable dividend payout or higher working capital requirement, leading to an adverse impact on the liquidity position of the company, can trigger a downward rating revision. A specific credit metric for downgrade includes the total debt/OPBITDA increasing to more than 1.20 times at a consolidated level on sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	[Corporate Credit Rating Methodology]
Parent/Group support	Not Applicable
Consolidation/Standalone	The rating is based on the consolidated financial profile of the company. The list of subsidiaries considered for consolidation is provided in Annexure II

About the company

Indo MIM Private Limited (IMPL), incorporated in 1996, is one of the world's largest metal injection moulding (MIM) part manufacturers in terms of installed capacity (~30 crore parts per year), with manufacturing facilities in Bengaluru, India and Texas, USA. It caters to various segments, including automobile, consumer products, defence, industrial products and medical products, and has a tool inventory of over 3,000 tools. The company is also vertically integrated with plating, heat treatment, grinding, industrial casting and machining capabilities.

Key financial indicators (audited)

IMPL Consolidated	FY2022	FY2023
Operating income (Rs. crore)	2,503.0	2,752.9
PAT (Rs. crore)	597.8	471.2
OPBDIT/OI (%)	36.7%	29.6%
PAT/OI (%)	23.9%	17.1%
Total outside liabilities/Tangible net worth (times)	0.6	0.7
Total debt/OPBDIT (times)	0.8	1.2
Interest coverage (times)	22.9	13.5

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

Instrument		Current rating (FY2024)				Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding as on Dec 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
					Mar 04, 2024	Dec 12, 2022	Sep 30, 2021	Jul 03, 2020
1	**Term loans**	Long term	1286.10	808.77	**[ICRA]AA+ (Stable)**	**[ICRA]AA+ (Stable)**	**[ICRA]AA+ (Stable)**	**[ICRA]AA (Stable)**
2	**Fund-based – Cash credit**	Long term	348.00	-	**[ICRA]AA+ (Stable)**	**[ICRA]AA+ (Stable)**	**[ICRA]AA+ (Stable)**	**[ICRA]AA (Stable)**
3	**Unallocated**	Long term	-	-	-	-	**[ICRA]AA+ (Stable)**	**[ICRA]AA (Stable)**
4	**Proposed NCD**	Long term	-	-	-	-	-	**[ICRA]AA (Stable); reaffirmed and withdrawn**

Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund-based – Term loan	Simple
Fund-based – Cash credit	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 / Sanction	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	**Term Loan – 1**	Feb-20	-	FY2025	20.27	[ICRA]AA+ (Stable)
NA	**Term Loan – 2**	Jun-21	-	FY2028	121.06	[ICRA]AA+ (Stable)
NA	**Term Loan – 3**	Oct-23	-	FY2029	150.00	[ICRA]AA+ (Stable)
NA	**Term Loan – 4**	Feb-20	-	FY2026	18.00	[ICRA]AA+ (Stable)
NA	**Term Loan – 5**	Jul-21	-	FY2028	70.00	[ICRA]AA+ (Stable)
NA	**Term Loan – 6**	FY2023	-	FY2030	139.00	[ICRA]AA+ (Stable)
NA	**Term Loan – 7**	Mar-17	-	FY2025	5.67	[ICRA]AA+ (Stable)
NA	**Term Loan – 8**	Jun-19	-	FY2026	30.00	[ICRA]AA+ (Stable)
NA	**Term Loan – 9**	Nov-20	-	FY2027	65.80	[ICRA]AA+ (Stable)
NA	**Term Loan – 10**	Jun-21	-	FY2028	174.42	[ICRA]AA+ (Stable)
NA	**Term Loan – 11**	Nov-22	-	FY2029	100.00	[ICRA]AA+ (Stable)
NA	**Term Loan – 12**	Jul-21	-	FY2028	34.50	[ICRA]AA+ (Stable)
NA	**Term Loan – 13**	May-20	-	FY2027	22.50	[ICRA]AA+ (Stable)
NA	**Term Loan – 14**	Jun-21	-	FY2027	37.50	[ICRA]AA+ (Stable)
NA	**Term Loan – 15**	Apr-23	-	FY2029	75.00	[ICRA]AA+ (Stable)
NA	**Term Loan – 16**	Mar-17	-	FY2025	5.96	[ICRA]AA+ (Stable)
NA	**Term Loan – 17**	Mar-23	-	FY2029	72.00	[ICRA]AA+ (Stable)
NA	**Term Loan – 18**	Feb-20	-	FY2026	21.25	[ICRA]AA+ (Stable)
NA	**Term Loan – 19**	May-21	-	FY2028	122.97	[ICRA]AA+ (Stable)
NA	**Proposed Term Loan**	NA	-	NA	0.20	[ICRA]AA+ (Stable)
NA	**Cash Credit**	-	-	-	348.00	[ICRA]AA+ (Stable)

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
Indo-MIM Inc., USA	100.00%	Full Consolidation
Triax Industries LLC, USA	100.00%	Full Consolidation

Source: 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.

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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