

March 31, 2025

Indo-MIM 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 loans	1,286.10	1,749.10	[ICRA]AA+ (Stable); reaffirmed and assigned for enhanced amount
Fund-based cash credit	348.00	748.00	[ICRA]AA+ (Stable); reaffirmed and assigned for enhanced amount
Total	1,634.10	2,497.10	

*Instrument details are provided in Annexure I

Rationale

ICRA's rating reaffirmation considers the favourable demand prospects for Indo-MIM Limited (IML/the company) and its strong market position as a leading player in the global metal injection moulding (MIM) industry, having manufacturing presence spread across four different parts of the world, including India, USA, Mexico and the United Kingdom. IML's track record of consistently reporting attractive operating profit margins across business cycles suggests that its business model enjoys a strong competitive moat, with limited competition from a handful of players present globally. This is due to a combination of factors like high technological entry barriers, the capital-intensive operations, the long approval process in securing new customers and high client stickiness as the quality of MIM components is critical in determining the performance of the final product.

IML's revenues have improved significantly, at a compounded annual growth rate (CAGR) of ~13% over the last five-year period, owing to a healthy demand from diversified client segments, such as automotive, defence, medical, consumer products and aerospace. The company has been able to forge strong client relationships in the US and Europe, corroborated by the repeat orders received from them. ICRA continues to take note of a competent management team, comprising technocrats with over two decades of industry experience. IML is looking to extend its core product offering and sectoral presence by increasing its footprint in the margin-accretive medical and aerospace segments, moving up the value chain from the supply of components to assemblies, and also investing in emerging technologies like 3D printing.

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. IML's financial profile continues to be strong, characterised by healthy debt protection metrics and attractive business return indicators, with the average return on capital employed (RoCE) of over 20.0% and the total debt/OPBITDA being in the range of 0.7-1.7 times over the last few years. However, ICRA observes that IML's profitability metrics and leverage indicators have moderated somewhat since FY2023 on account of higher director/promoter remuneration, rising capex and elevated dividend payout to shareholders. With IML's consolidated borrowing levels increasing by 75-80% between FY2022 and FY2024, its total debt/OPBITDA has steadily trended up since FY2023. However, ICRA understands that the leverage indicators are likely to improve post the expected IPO in FY2026. The proceeds from the IPO are understood to be used to reduce the debt levels. IML's fund raising from the IPO and its ability to reduce its debt to bring down the consolidated total debt/OPBITDA below 1.2 times would be a key monitorable from a credit perspective.

The rating, however, remains constrained by the exposure of IML's distributed global supply chain due to increased adoption of protectionist trade policies by many developed countries, including the US, which alone accounts for 50-60% of IML's revenues. IML's inability to fully pass-on the impact of higher tariffs to customers may impact its business operations and earnings as it generates large part of its revenue from exports. In addition, IML imports 70-80% of its raw material, which exposes it to input price volatility and a heightened risk of supply chain vulnerability, making it necessary for the company to maintain higher inventory to avoid any disruption in timely availability of the products.

While IML faces competition from certain Asian peers, the advantages of large economies of scale and competitive manpower cost derived from the location of its global production hub in India are expected to partly shield the company from pricing pressure. Further, despite the large dividend outflow in recent years, IML's liquidity position remains adequate with healthy cash flow from operations and available cash balances to cover for the debt repayment obligations and capex funding.

The Stable outlook on IML's rating reflects ICRA's opinion that the company's dominant position in its addressable markets is expected to support a healthy earnings growth, which would keep its credit metrics and liquidity at comfortable levels, going forward.

Key rating drivers and their description

Credit strengths

Dominant position in the metal injection moulding (MIM) industry - IML has emerged as one of the largest players in the metal injection moulding industry globally, with a track record of almost three decades. The company has manufacturing presence across four different parts of the world, including India, USA, Mexico and the United Kingdom. Its large scale has aided access to different markets, offered a wide array of products and solutions and reduced the operating leverage. Moreover, the competitive manpower cost derived from the location of its global production hub in India is expected to partly shield the company from pricing pressures.

Significant technological entry barriers and limited number of players ensures attractive profit margins – IML is present in the niche business of metal injection moulding (MIM) technology with a limited number of players worldwide. With no major competitors in India as of now, IML's major competitors globally include Jiangsu Gian Technology Company Limited (China) and ARC Group Worldwide (USA). The critical nature of MIM products and its fractional contribution to the overall product cost enable the company to enjoy a superior pricing power, thereby aiding attractive profit margins.

Strong revenue growth, backed by healthy demand for MIM products in diversified client segments - IML's revenues have improved significantly over the last five years owing to a healthy demand growth from various client segments, such as automotive, defence, medical, consumer goods and aerospace. The entity has been able to forge a strong relationship with these clients over the years, corroborated by the repeat orders received from them.

Healthy financial risk profile, characterised by low gearing and comfortable debt coverage indicators - Despite the regular debt-funded capacity expansion plans undertaken by the company, its consistent track record of positive cash flow from operations has kept the borrowing levels under check. Between FY2020 and FY2022, IML's gearing stood at less than 0.5 times, the total debt/OPBITDA at less than 1 times and the interest coverage at over 12 times. While the 75-80% increase in borrowings since FY2022 largely on account of the high dividend payouts and higher remuneration to promoter/directors has deteriorated the leverage and coverage indicators, IML's financial profile continues to be healthy, reflected in a gearing of 0.60 times, total debt/OPBDITA of 1.66 times and an interest coverage of 7.85 times in FY2024. While IML's total debt/OPBITDA breached the negative rating trigger threshold of 1.20 times in FY2024 and is likely to remain above this level in FY2025 as well, ICRA understands that the leverage metric is likely to improve after the expected IPO in FY2026 as the proceeds from the offer will be used to reduce the debt. The company had earlier planned the IPO in FY2025. The company's ability to raise funds from the IPO and then use it to lower its debt levels would be a key monitorable from a credit perspective.

Credit challenges

Higher dividend payout and increase in director remuneration leading to steady increase in borrowings-- The company has been paying higher dividends of ~Rs. 374 crore in FY2024 and ~Rs. 284 crore in FY2025 against Rs. 131 crore in FY2023. Further, the directors' remuneration has increased multi-fold to Rs. 84 crore in FY2024 from ~Rs. 18 crore in FY2022. This, coupled with a higher capex intensity during this period, has substantially increased the company's borrowings.

Exposure to supply chain disruption due to heightened trade protectionism – IML derives 85-90% of its revenues from exports with the US being a major market forming 50-60% of its revenues. It also has a high share of imports of raw material. With the adoption of protectionist trade policies by many countries via the levy of tariff/duty, IML will be exposed to supply chain disruptions if a key overseas market imposes an adverse trade barrier. This may result in a displacement of global trade flows and reduce the market access for players for products on which additional tariffs are being imposed. IML’s inability to fully pass on the impact of higher tariffs to customers may impact its business operations and earnings, and would be a key credit monitorable.

Exposed to raw material price volatility, disruption in timely availability and high inventory holding period – IML imports key raw materials, such as carbonyl iron powder, stainless steel iron powder etc, from Germany, Japan and China. The high share of 70-80% of imported raw materials in the consumption mix exposes IML to input price volatility, as seen during the recent geopolitical tension wherein the prices of key raw materials like carbonyl iron powder had shot up. Further, the company always maintains a high inventory to avoid any disruption in the timely availability of raw material, as reflected in an average inventory holding period of 125-135 days.

Liquidity position: Adequate

IML’s liquidity position remains adequate with expected cash flow from operations of ~Rs. 650 crore in FY2026 against an annual estimated repayment obligation of ~Rs. 380 crore (repayment includes FY2025 capex which is expected to be funded in a debt and internal accrual mix of 80:20 and repayable from FY2026 in five years). Further, the company had a cash and bank balance of ~Rs. 191 crore as on December 31, 2024, at a consolidated level along with cushion in unutilised working capital facilities of ~20%. Further, banks have recently sanctioned an enhancement in its working capital limits for Rs. 175 crore and the company is in an advanced stage of receiving a sanction for Rs. 225 crore. This would enhance its working capital limits by Rs. 400 crore which will provide further cushion.

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 be revised downwards if any adverse impact on the company’s revenue/profitability deteriorates the debt coverage metrics. Further, any sizeable dividend payout or a higher working capital requirement, adversely impacting 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 a 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 Limited (IML), incorporated in 1996, is one of the world’s largest metal injection moulding (MIM) part manufacturers in terms of installed capacity (~34 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 an 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)

IML Consolidated	FY2023	FY2024
Operating income	2,752.9	2,887.9
PAT	471.2	351.6
OPBDIT/OI	29.6%	26.2%
PAT/OI	17.1%	12.2%
Total outside liabilities/Tangible net worth (times)	0.72	0.85
Total debt/OPBDIT (times)	1.20	1.66
Interest coverage (times)	13.48	7.85

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 (FY2025)			Chronology of rating history for the past 3 years					
	Type	FY2025		FY2024		FY2023		FY2022	
		Amount rated (Rs. crore)	Mar 31, 2025	Date	Rating	Date	Rating	Date	Rating
Long term - Cash credit - Fund-based	Long term	748.00	[ICRA]AA+ (Stable)	04-MAR-2024	[ICRA]AA+ (Stable)	12-DEC-2022	[ICRA]AA+ (Stable)	30-SEP-2021	[ICRA]AA+ (Stable)
Long term - Term loan - Fund-based	Long term	1749.10	[ICRA]AA+ (Stable)	04-MAR-2024	[ICRA]AA+ (Stable)	12-DEC-2022	[ICRA]AA+ (Stable)	30-SEP-2021	[ICRA]AA+ (Stable)
Unallocated	Long term	-	-	-	-	-	-	30-SEP-2021	[ICRA]AA+ (Stable)

Complexity level of the rated instruments

Instrument	Complexity indicator
Fund-based – Term loans	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	-	FY2026	9.01	[ICRA]AA+ (Stable)
NA	Term loan – 2	Jun-21	-	FY2028	80.71	[ICRA]AA+ (Stable)
NA	Term loan – 3	Oct-23	-	FY2029	142.50	[ICRA]AA+ (Stable)
NA	Term loan – 4	Jun-25	-	FY2031	200.00	[ICRA]AA+ (Stable)
NA	Term loan – 5	Feb-20	-	FY2026	6.75	[ICRA]AA+ (Stable)
NA	Term loan – 6	Jul-21	-	FY2028	44.99	[ICRA]AA+ (Stable)
NA	Term loan – 7	Sep-25	-	FY2031	139.00	[ICRA]AA+ (Stable)
NA	Term loan – 8	Jun-19	-	FY2026	35.80	[ICRA]AA+ (Stable)
NA	Term loan – 9	Nov-20	-	FY2027	38.37	[ICRA]AA+ (Stable)
NA	Term loan – 10	Jun-21	-	FY2028	138.56	[ICRA]AA+ (Stable)
NA	Term loan – 11	Nov-22	-	FY2029	91.67	[ICRA]AA+ (Stable)
NA	Term loan – 12	Jun-25	-	FY2031	125.00	[ICRA]AA+ (Stable)
NA	Term loan – 13	Jul-21	-	FY2028	20.70	[ICRA]AA+ (Stable)
NA	Term loan – 14	Mar-25	-	FY2031	150.00	[ICRA]AA+ (Stable)
NA	Term loan – 15	May-20	-	FY2027	9.08	[ICRA]AA+ (Stable)
NA	Term loan – 16	Jun-21	-	FY2027	27.50	[ICRA]AA+ (Stable)
NA	Term loan – 17	Apr-23	-	FY2029	64.76	[ICRA]AA+ (Stable)
NA	Term loan – 18	Apr-25	-	FY2031	150.00	[ICRA]AA+ (Stable)
NA	Term loan – 19	Mar-23	-	FY2029	38.01	[ICRA]AA+ (Stable)
NA	Term loan – 20	Mar-25	-	FY2031	75.00	[ICRA]AA+ (Stable)
NA	Term loan – 21	Feb-20	-	FY2026	8.32	[ICRA]AA+ (Stable)
NA	Term loan – 22	May-21	-	FY2028	82.62	[ICRA]AA+ (Stable)
NA	Term loan – 23	Nov-24	-	FY2030	70.00	[ICRA]AA+ (Stable)
NA	Proposed term loan	NA	-	NA	0.75	[ICRA]AA+ (Stable)
NA	Cash credit	-	-	-	748.00	[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
Conway Marsh Garrett Technologies Limited, UK	100.00%	Full consolidation

Source: Company

ANALYST CONTACTS

Girishkumar Kadam

+91 22 6114 3441

girishkumar@icraindia.com

Vikram V

+91 40 6939 6410

vikram.v@icraindia.com

Ritabrata Ghosh

+91 33 6114 3438

ritabrata.ghosh@icraindia.com

Chinmay Sheth

+91 79 4027 1550

chinmay.sheth@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

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ICRA Limited



Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



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