December 05, 2025

Indian Metals & Ferro Alloys Limited: Long-term rating upgraded to [ICRA]AA(Stable); short-term rating reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long Term – Fund based - Term loan	0.54	470.50	[ICRA]AA(Stable); upgraded from [ICRA]AA-(Stable); assigned for enhanced amount
Short Term - Non-fund based facilities	200.00	360.00	[ICRA]A1+; Reaffirmed/ Assigned for enhanced amount
Short Term - Non-fund based facilities**	(810.96)	(1,040.00)	[ICRA]A1+; Reaffirmed/ Assigned for enhanced amount
Long term-fund based limits	810.96	1,040.00	[ICRA]AA(Stable); upgraded from [ICRA]AA-(Stable); assigned for enhanced amount
Total	**1,011.50**	**1,870.50**	

**Instrument details are provided in Annexure I; **100% interchangeable / sublimits with corresponding fund based limits*

Rationale

The ratings action for Indian Metals & Ferro Alloys Limited's (IMFA) factors in the expected sharp improvement in the company's scale of operations and consequent earnings from FY2027 onwards, following the recently announced acquisition of Tata Steel Limited's ferro chrome unit at Kalinganagar and commissioning of the upcoming greenfield ferrochrome unit at Kalinganagar. Subsequent to these developments, IMFA's total installed ferrochrome capacity is expected to exceed 0.5 mtpa, positioning it as the largest domestic producer of ferrochrome and sixth largest globally. The strategic location of both units in proximity to IMFA's captive chrome ore mines is expected to structurally lower the freight inward costs, thereby enhancing the cost competitiveness. Besides, the operating leverage benefits accruing from the expected increase in scale will also support the profitability of the company.

Attractive ferro chrome prices in FY2025 along with moderation in key raw material prices like met coke and thermal coal led to healthy ferro chrome spreads, thus supporting healthy profitability. The healthy performance continued in H1 FY2026 as well with ferro chrome prices remaining firm. While ferro chrome prices globally did come under pressure in H2 of CY2024 due to oversupply in the market as a result of increased Chinese smelting capacities, the impact of which was felt by IMFA with a lag effect due to its long term contracts, the situation reversed in H1 of CY2025 with ferrochrome prices staging a rebound after higher global ferrochrome demand was met with lower production. Going forward, rising global stainless steel production is expected to support ferrochrome demand; however, supply side dynamics in China, which accounts for ~52% of total global ferrochrome output will remain a key monitorable.

ICRA has noted that presently ferro chrome prices globally remain significantly higher than the pre-Covid and long-term median levels attributable to factors like the rising production costs of Chinese smelters. Chinese smelting costs remain heavily influenced by the seaborne price of chrome ore for which it is totally dependent on imports, mainly from South Africa (the second largest producer of ferro chrome globally). In this context, the ongoing logistics bottlenecks in South Africa have resulted in elevated prices for imported chrome ore over the last few quarters. At present, the same remains significantly higher than the pre-Covid and long-term median levels, resulting in an increased cost of production for Chinese smelters. Besides, towards the later part of 2024 political unrest in Mozambique disrupted cargo movement along the Maputo corridor, a key hub for chrome ore exports by South African miners, leading to increased logistical challenges. In addition, for South Africa, rising electricity costs, which influence their smelting costs, have been rising steeply, resulting in an increased cost of production for South African smelters. Hence, an upward shift in the cost curve for the leading ferro chrome producers globally is unlikely to lead to a mean reversion of ferro chrome prices over the near term. This in turn, positively impacts IMFA, given its integrated nature of operations, supported by captive chrome ore. Given these developments, IMFA's ferro chrome spreads are likely to remain above the long-term median level for FY2026, leading to another year of healthy earnings and comfortable credit indicators. The ratings also consider the comfortable financial risk profile of the company, which has witnessed a steady improvement over the years following the material deleveraging done since FY2022, supported by attractive ferrochrome spreads. The company's leverage was negative on a net debt basis as end-September 2025. While the leverage is expected to increase somewhat going forward with debt being used to part fund the capex programme, it will continue to remain comfortable.

The ratings continue to favourably factor in the experience of the promoters in the ferro-alloy industry and the established track record of the company as one of the largest exporters of ferro chrome from India. The ratings also consider IMFA's competitive cost structure, on a global scale, on account of the integrated nature of its operations (it is largely self-reliant in terms of chrome ore and power). ICRA notes that the transition to an auction-based regime has led to an elevated premia for awarding chrome ore mines, which gives IMFA a distinct competitive edge in terms of costs, as its captive mines awarded under the earlier allotment regime are valid till 2049 and 2055. The ratings also consider the company's strong liquidity profile, as reflected in the sizeable free cash and liquid investment portfolio of ~Rs.1070 crore as of end-September 2025. Besides, the established relationships with domestic banks and financial institutions impart the company with considerable financial flexibility. ICRA has also noted that the company has recovered its entire capital invested in Utkal-C coal block, following successful reauctioning of the block to Jindal Steel & Power Limited (JSPL) in February 2022. The recovery of the compensation has boosted the liquidity position of the company.

The ratings are, however, tempered by IMFA's exposure to the inherent cyclicality of the ferro-chrome industry. Prices of ferro chrome, which are primarily used as an input for producing stainless steel, have witnessed a considerable volatility in the past, which makes IMFA's cash flows volatile as well. In addition, surplus power generating capacity continues to be a drag on the company's return on capital employed (RoCE). The ratings also remain constrained by the execution and operational risks associated with the large-scale capex programme to be incurred over the next three years towards setting up of a greenfield ferrochrome unit (~1 lakh TPA) at Kalinganagar and brownfield mine expansions (expansion of Sukinda's capacity from 3.51 lakh TPA to 6 lakh TPA through switching from opencast to underground mining and increasing Mahagiri's underground mining capacity from 3 lakh TPA to 6 lakh TPA). Besides, the company is also setting up a 120 KLPD grain-based ethanol plant. Besides the long gestation period, if the project commissioning coincides with a cyclical downturn in the sector, the capacity ramp-up could potentially get delayed.

ICRA had earlier noted the recent ruling of the Hon'ble Supreme Court of India which upheld the state governments' power to tax mineral rights and mineral-bearing lands under Entries 49 and 50 of List II in the Constitution's Seventh Schedule. On August 14, 2024, the Supreme Court ruled that states have the discretion to decide on the retrospective application of the tax. However, any tax demand will not impact transactions conducted before April 1, 2005. In case of retrospective tax demand, payments will be spread over 12 years, starting from April 1, 2026. Additionally, interest and penalties on demands for the period before July 25, 2024, will be waived for all assesses. The states are yet to come out with their decision on imposition of such retrospective tax. ICRA will assess the impact of the Supreme Court ruling on the company given that it is involved in mining operations and take appropriate action when further clarity emerges from the states with respect to taxation of mineral rights following the Supreme court ruling.

The Stable outlook on the long-term rating reflects ICRA's expectations that IMFA will benefit from the upward shift in the cost curve for the leading ferro chrome producers globally, which is likely to keep ferro chrome prices attractive over the near-to-medium term, helping keep the company's profits and cash accruals at attractive levels in FY2026.

Key rating drivers and their description

Credit strengths

Healthy financial performance in FY2025 and H1FY2026; near term outlook remains favourable – Attractive ferro chrome prices in FY2025 along with moderation in key raw material prices like met coke and thermal coal led to healthy ferro chrome spreads, thus supporting healthy profitability. The healthy performance continued in H1 FY2026 as well with ferro chrome prices remaining firm. An upward shift in the cost curve for the leading ferro chrome producers globally is unlikely to lead to a mean-reversion of ferro chrome prices over the near term. This in turn positively impacts IMFA, given its integrated nature of operations, supported by captive chrome ore. As a result, IMFA's ferro chrome spreads are likely to remain above the long-term median level for FY2026, leading to another year of healthy earnings and comfortable credit indicators.

Long experience of the promoters; company one of the largest exporters of ferro chrome – The promoters have an experience of more than five decades in operating / managing ferro-chrome plants. IMFA is one of the leading domestic producers and exporters of ferro chrome. The total installed capacity is 190 MVA across six furnaces located at two manufacturing sites in Odisha. IMFA exports ~90% of its total annual production. The long-term volume contracts that IMFA has with some of the global leaders in the stainless-steel industry, mitigate demand risks to an extent.

Competitive cost structure due to integrated nature of operations – Chrome ore and power are the two most important cost drivers of ferro-chrome producers, apart from met (metallurgical) coke. IMFA has two operational chrome ore mines with a peak annual mining capacity of ~12 lakh metric tonnes (MT). ICRA notes that the transition to an auction-based regime has led to an elevated premia for awarding chrome ore mines, which gives IMFA a distinct competitive edge in terms of costs, as its captive mines awarded under the earlier allotment regime are valid till 2049 and 2055. Its captive power generation capacity (post de-rating of its old plant) stands at 204.5 MW. The company's integrated nature of operations, (largely self-reliant in chrome ore and power) results in a competitive cost structure. The chrome ore mines' proximity to the plants benefits the company owing to low inward freight costs. For its power unit, IMFA sources domestic coal from a mix of linkages, washery rejects and through e-auction. The location of the plants in the coal-rich region of Odisha results in a competitive landed cost of coal. Moreover, the location of the manufacturing sites close to ports helps in controlling the outward freight cost.

Healthy free cash/bank/liquid investment portfolio and established relationships with domestic banks and financial institutions impart financial flexibility – IMFA's liquidity profile remains strong, reflected in the sizeable free cash and liquid investment portfolio of ~Rs.1070 crore as of end-September 2025. The company also enjoys established relationships with domestic banks and financial institutions. As a result, it has a considerable financial flexibility.

Credit challenges

Exposure to the cyclical nature of the ferro-chrome industry results in volatile cash flows – The company remains exposed to the cyclical nature of the ferro-chrome industry. In the past, IMFA witnessed considerable volatility in cash flows following fluctuations in ferro-chrome prices. However, IMFA's status as one of the low-cost ferro-chrome producers makes it resilient to industry downcycles, when ferro chrome prices remain tepid.

Surplus power generating capacity continues to be a drag on the company's financials – IMFA has captive thermal power plants and solar power plants of 204.5 MW capacity, leading to energy cost savings. However, the installed generation capacity is significantly higher than its internal requirements at present. Given the non-remunerative Odisha state grid tariff levels, and unavailability of coal from captive sources, as previously envisaged, following cancellation of the Utkal C block, the company has not been able to fully utilise its power generation capacity for the last few years. Such a large capital blockage, which are not generating any returns, has affected IMFA's overall RoCE.

Sizeable capex and associated risks – The company has large capex/investment programme accumulating around Rs.2,200 crore, to be incurred over the next three years. While a portion of the same is earmarked towards acquisition of Tata Steel

Limited's ferro chrome unit at Kalinganagar where project related risks do not remain given the already operational unit, executional and operational risks remain for the upcoming greenfield ferrochrome unit (~1 lakh TPA) at Kalinganagar and brownfield mine expansions (expansion of Sukinda's capacity from 3.51 lakh TPA to 6 lakh TPA through switching from opencast to underground mining and increasing Mahagiri's underground mining capacity from 3 lakh TPA to 6 lakh TPA). Besides, the company is also setting up a 120 KLPD grain-based ethanol plant. Besides the long gestation period, if the project commissioning coincides with a cyclical downturn in the sector, the capacity ramp-up could potentially get delayed.

Environmental and Social Risks

Environmental considerations – Ferro alloy manufacturing is an energy-intensive process and requires a substantial use of fossil fuels, which results in greenhouse gas emissions, industrial waste generation, and environmental pollution. Increasing regulatory requirements to reduce greenhouse gas emissions and stricter air pollution standards may lead to higher costs for ferro alloy manufacturers in the medium term. This in turn leads to a greater focus on reducing the carbon footprint through various technological interventions. With many of these emerging low-carbon technologies yet to achieve commercial viability, this transition could entail a significant investment for ferro alloy manufacturers. Further, the company faces the risk of physical climate change from floods and drought in the form of disruption in raw material availability due to extreme weather events and impact on water availability due to drought.

Social considerations – Social risks for ferro alloy manufacturers manifest from health and safety of employees involved in the manufacturing activity. Casualties/ accidents at operating units due to gaps in safety practices could not only lead to production outages for ferro alloy manufacturers like IMFA, but also invite penal actions from regulatory bodies. The sector is exposed to labour-related risks and risks of protests/social issues with local communities, which might impact expansion/modernisation plans. Also, the adverse impact of environmental pollution in nearby localities could hamper smooth operations of the plant.

Liquidity position: Strong

IMFA's liquidity profile remains **strong**, as reflected in the large free cash balance and liquid investment portfolio of ~Rs.1070 crore as of end-September 2025, which impart a high degree of financial flexibility to the company. Notwithstanding the large-scale capex plans announced by the company, the large on-balance sheet liquidity and healthy retained cash flows expected going forward will support the liquidity profile of the company.

Rating sensitivities

Positive factors - The long-term rating could be upgraded if there is a significant increase in the company's earnings while maintaining healthy profitability and liquidity profile. Specific metrics that could lead to an upgrade is Total Debt/OPBDITA of less than 0.5 times on a sustained basis.

Negative factors – The ratings could witness pressure if any adverse movement in realisations/costs significantly affects margins, leading to a material deterioration of the credit metrics and liquidity position. Specific triggers that could lead to ratings downgrade include Total Debt/OPBDITA of more than 1.25 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	[Corporate Credit Rating Methodology]
Parent/Group support	Not Applicable
Consolidation/Standalone	As on March 31, 2025, IMFA had one subsidiary, a) IMFA Alloys Finlease Ltd. The operation of this subsidiary is not meaningful compared to IMFA's current scale. Moreover, there is no external debt in IMFA's subsidiary. Therefore, for arriving at the ratings, ICRA has considered the standalone financials of IMFA.

About the company

Indian Metals & Ferro Alloys Limited (IMFA), promoted by Late Dr. Bansidhar Panda, was incorporated in November 1961. The company primarily produces ferro alloys, including charge chrome (high carbon ferro chrome), and has an installed furnace capacity of 190 MVA (2,84,000 metric tonnes per annum (MTPA)) in its two plant sites at Therubali and Choudwar, in Odisha. The company's operations are supported by a 200-MW captive thermal power plant at Choudwar, captive chromite mines and a 4.5-MW solar power plant.

Key financial indicators (audited)

IMFA (Standalone)	FY2023	FY2024	FY2025
Operating income (Rs. crore)	2,676.4	2,780.2	2,564.6
PAT (Rs. crore)	225.7	363.7	378.1
OPBDIT/OI (%)	19.0%	21.9%	20.8%
PAT/OI (%)	8.4%	13.1%	14.7%
Total outside liabilities/Tangible net worth (times)	0.4	0.4	0.4
Total Debt/OPBDIT (times)	0.6	0.4	0.7
Net Debt/OPBDIT (times)	0.1	-0.2	-1.0
Interest coverage (times)	7.5	16.3	17.4

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

Instrument	Current Rating (FY2026)			Chronology of Rating History for the past 3 years					
	Type	Amount Rated (Rs. crore)	Dec 05, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Term loan	Long-term	470.50	[ICRA]AA (Stable)	Sep 04, 2024	[ICRA]AA- (Stable)	Aug 28, 2023	[ICRA]AA- (Stable)	Mar 15, 2023	[ICRA]AA- (Stable)
				Aug 26, 2024	[ICRA]AA- (Stable)	-	-	-	-
Fund-based limits	Short-term	-	-	Aug 26, 2024	[ICRA]A1+	Aug 28, 2023	[ICRA]A1+	Mar 15, 2023	[ICRA]A1+
Non-fund based facilities	Short-term	360.00	[ICRA]A1+	Sep 04, 2024	[ICRA]A1+	Aug 28, 2023	[ICRA]A1+	Mar 15, 2023	[ICRA]A1+
				Aug 26, 2024	[ICRA]A1+	-	-	-	-
Non-fund based facilities **	Short-term	(1040.00)	[ICRA]A1+	Sep 04, 2024	[ICRA]A1+	Aug 28, 2023	[ICRA]A1+	Mar 15, 2023	[ICRA]A1+
				Aug 26, 2024	[ICRA]A1+	-	-	-	-
Untied limits	Long-term	-	-	Sep 04, 2024	[ICRA]AA- (Stable)	Aug 28, 2023	[ICRA]AA- (Stable)	Mar 15, 2023	[ICRA]AA- (Stable)
				Aug 26, 2024	[ICRA]AA- (Stable)	-	-	-	-
Fund-based limits	Long-term	1040.00	[ICRA]AA (Stable)	Sep 04, 2024	[ICRA]AA- (Stable)	-	-	-	-

***100% interchangeable with corresponding fund-based limits*

Complexity level of the rated instruments

Instrument	Complexity indicator
Long Term – Fund based - Term loan	Simple
Short Term - Non-fund based facilities	Very Simple
Short Term - Non-fund based facilities**	Very Simple
Long term-fund based limits	Simple

***100% interchangeable with corresponding fund-based limits*

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	**Term loan**	FY21	NA	FY33	470.50	[ICRA]AA (Stable)
NA	**Fund-based limits**	NA	NA	NA	1,040.00	[ICRA]AA (Stable)
NA	**Non-fund based facilities**	NA	NA	NA	360.00	[ICRA]A1+
NA	**Non-fund based facilities****	NA	NA	NA	(1,040.00)	[ICRA]A1+

*Source: Company; **100% interchangeable with corresponding fund-based limits*

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

Annexure II: List of entities considered for consolidated analysis – Not applicable

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