

December 12, 2022

## Indo-MIM Private Limited: Rating reaffirmed for existing limits and assigned for enhanced limits

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based term Loan	443.91	1101.15	[ICRA]AA+ (Stable); reaffirmed/assigned
Fund-based cash credit	172.95	166.95	[ICRA]AA+ (Stable); reaffirmed
Unallocated	23.27	-	-
<b>Total</b>	<b>640.13</b>	<b>1,268.10</b>	

\*Instrument details are provided in Annexure-1

### Rationale

ICRA's rating reaffirmation considers the favourable demand prospects for Indo-MIM Private Limited (IMPL/the company), the 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 competencies, which enable it to cater to diverse client segments. IMPL's revenues have improved significantly, at a CAGR of 18.9% over the last five-year period, owing to healthy demand from various client segments such as automotive, defence, medical and consumer products. In FY2022, while a slowdown in the defence sector moderated the profitability margins to a certain extent, the demand from the automotive sector recovered and the medical segment continued to remain strong, thereby driving revenue growth. The company has been able to forge strong client relationships in the US and European nations, 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 in comparison 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. ICRA expects the profitability to remain healthy over the near to medium term, supported by its 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. In addition, given that the company is largely export-oriented, its profitability remains exposed 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 increased over the past 12 months following the geopolitical tensions and 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 flows 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 IMPL 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-year period owing to healthy demand growth from various client segments such as automotive, defence, medical and consumer goods and aerospace. In FY2022, while a slowdown in the defence sector moderated the profitability margins to a certain extent, the demand from the automotive sector recovered and the medical segment continued to remain strong, thereby driving revenue growth. The criticality of MIM's products combined with 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 0.4 times, total debt/OPBDITA of 0.73 times and interest coverage of 22.9 times in FY2022. The return on the capital employed also continues to be robust for the company.

### Credit challenges

**Capital-intensive operations** - The company undertakes regular capacity expansion to have spare capacity to cater to the customers' needs 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 flows from operations of more than Rs. 500 crore in FY2023 against an annual repayment obligation of Rs. 167 crore. Further, the company had unencumbered cash and bank balances of Rs. 210.48 crore as of March 2022 at a consolidated level along with cushion in unutilised working capital facilities. The company does not have any debt on the books of its subsidiaries.

### 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 protection 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 net debt/OPBITDA increasing to more than 0.75 times at a consolidated level.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Consolidation and Rating Approach</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	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

IMPL Standalone (audited)	FY2020	FY2021	FY2022
Operating income (Rs. crore)	1,409.7	1,641.7	2,054.8
PAT (Rs. crore)	304.8	440.3	478.1
OPBDIT/OI (%)	34.6%	43.2%	36.3%
PAT/OI (%)	21.6%	26.8%	23.3%
Total outside liabilities/Tangible net worth (times)	0.74	0.75	0.67
Total debt/OPBDIT (times)	1.06	0.83	0.90
Interest coverage (times)	10.72	17.40	18.73

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

IMPL Consolidated	FY2020	FY2021	FY2022 <sup>^</sup>
Operating income (Rs. crore)	1,536.9	1,974.6	2,503.0
PAT (Rs. crore)	352.8	552.7	597.8
OPBDIT/OI (%)	36.1%	42.8%	36.7%
PAT/OI (%)	23.0%	28.0%	23.9%
Total outside liabilities/Tangible net worth (times)	0.72	0.69	0.60
Total debt/OPBDIT (times)	0.93	0.70	0.73
Interest coverage (times)	12.41	20.00	22.90

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; <sup>^</sup> Provisional

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

### Any other information: None

## Rating history for past three years

Instrument	Type	Current rating (FY2023)		Chronology of rating history for the past 3 years				
		Amount rated (Rs. crore)	Amount outstanding as on Sep 30, 2022 (Rs. crore)	Date & rating	Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020	
				Dec 12, 2022	Sep 30, 2021	Jul 03, 2020	Sep 18, 2019 Apr 08, 2019	
1	Term loans	Long-Term	1101.15	668.66	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)
2	Fund-based – Cash Credit	Long-Term	166.95	-	[ICRA]AA+ (Stable)	[ICRA]AA+ (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)
3	Unallocated	Long-Term	-	-	-	[ICRA]AA+ (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)
4	Proposed NCD	Long-Term	-	-	-	-	[ICRA]AA (Stable); reaffirmed and withdrawn	[ICRA]AA (Stable)

## 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	May-17	-	FY2023	2.87	[ICRA]AA+ (Stable)
NA	Term Loan – 2	Feb-20	-	FY2025	39.79	[ICRA]AA+ (Stable)
NA	Term Loan – 3	Jun-21	-	FY2028	150.00	[ICRA]AA+ (Stable)
NA	Term Loan – 4	May-17	-	FY2024	15.00	[ICRA]AA+ (Stable)
NA	Term Loan – 5	Feb-20	-	FY2026	33.75	[ICRA]AA+ (Stable)
NA	Term Loan – 6	Jul-21	-	FY2028	100.00	[ICRA]AA+ (Stable)
NA	Term Loan – 7	Feb-16	-	FY2023	1.92	[ICRA]AA+ (Stable)
NA	Term Loan – 8	Mar-17	-	FY2025	25.49	[ICRA]AA+ (Stable)
NA	Term Loan – 9	Jun-19	-	FY2026	65.00	[ICRA]AA+ (Stable)
NA	Term Loan – 10	Nov-20	-	FY2027	103.61	[ICRA]AA+ (Stable)
NA	Term Loan – 11	Jun-21	-	FY2028	200.00	[ICRA]AA+ (Stable)
NA	Term Loan – 12	May-17	-	FY2024	15.00	[ICRA]AA+ (Stable)
NA	Term Loan – 13	May-20	-	FY2027	38.25	[ICRA]AA+ (Stable)
NA	Term Loan – 14	Jun-21	-	FY2027	50.00	[ICRA]AA+ (Stable)
NA	Term Loan – 15	Mar-17	-	FY2025	26.84	[ICRA]AA+ (Stable)
NA	Term Loan – 16	Feb-20	-	FY2026	37.63	[ICRA]AA+ (Stable)
NA	Term Loan – 17	May-21	-	FY2028	150.00	[ICRA]AA+ (Stable)
NA	Term Loan – 18	Jul-21	-	FY2028	46.00	[ICRA]AA+ (Stable)
NA	Cash Credit	-	-	-	166.95	[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
Indo-MIM Mexico*	49.00%	Proportionate Consolidation

Source: Company, \*Non-operational

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