Igarashi Motors India Limited

March 04, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	22.55 (Reduced from 29.67)	CARE A+; Stable	Reaffirmed
Long-term / Short-term bank facilities	60.00	CARE A+; Stable / CARE A1+	Reaffirmed
Short-term bank facilities	68.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Igarashi Motors India Limited (IMIL) continue to derive strength from its long operational track record with strong market position in the global automotive motors industry, management team with experienced personnel, and strong relationship with reputed clients, though with high sales concentration. Ratings also factor in the company's efforts for de-risking segment concentration risk through increasing share of non-auto business such as Brushless DC (BLDC) motors for ceiling fan applications and its comfortable capital structure and adequate liquidity position.

However, ratings are constrained by moderation in IMIL's operational performance over the years due to change in product mix towards BLDC, which are lower margin products resulting in the moderation in profitability margins, decline in return on capital employed (ROCE), return on net worth (RONW), and debt coverage indicators, despite improving trend in operational performance in FY24 (refers to April 1 to March 31) and 9MFY25. Ratings are also constrained due to susceptibility of margins to the raw material price fluctuation and foreign currency fluctuation risk.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Ability to grow its scale of operations beyond ₹1,000 crore with a more diversified product profile and end-use applications.
- Increase in profit before interest, lease rentals, depreciation and taxation (PBILDT) margin and ROCE above 15% on a sustained basis.
- Sustenance of low gearing and total debt to PBILDT below 1x.

Negative factors

- Any significant drop in overall sales volumes and PBILDT margins remaining less than 10% on a sustained basis.
- Deterioration in leverage with overall gearing exceeding 0.5x.

Analytical approach: Standalone

Outlook: Stable

The Stable outlook assigned to the long-term ratings of IMIL is due to the expectation of the company to benefit from diversification of its products, customers, and geographies in the medium term. With normalisation of raw material prices and increasing scale of operations, its operating profitability should steadily improve going forward leading to improvement in its overall financial risk profile.

Detailed description of key rating drivers:

Key strengths

Experienced management team and long track record of operations

IMIL has well-established operations with a long track record of over three decades. The company started as a contract manufacturer in 1992, and ventured into the design and development of critical automotive applications since 2000. IMIL has spent significant resources in the development of an actuator motor, a type of DC motor, for the Electronic Throttle Control (ETC) application. IMIL has a presence in Tier-2, Tier-3, and Tier-4 of auto business, with vertically integrated operations in a single company. The Igarashi group of Japan- a global player in DC motors, and its subsidiaries holds the majority stake in IMIL, and the India operations are overseen by a professional board with Hemant M Nerurkar as the board's Chairman. He is an industry veteran, having worked in the auto-sector for an extensive period. IMIL's day-to-day operations are managed by R. Chandrasekaran, the Managing Director and CEO of the company.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Strong relationship with reputed clients, though with high sales concentration
IMIL derives majority revenues from a few large clients, which in turn supply to multiple original equipment manufacturers (OEMs) across the globe. The company has been supplying its products to Tier-I suppliers of leading automobile manufacturers in the world. Most of its manufactured products are exported contributing 52.82% of sales in FY24 (PY: 63.81%). Over the years the company has improved its customer base, reducing its exposure to largest end customer from 61% in FY19 to less than 30% in FY25. IMIL's income stability and order book position depends heavily on the orders from these large customers. However, the company has an extensive relationship with these clients and forms an important part of their global supply chain. Hence, the client concentration risk is mitigated to an extent. Due to the critical application of the products manufactured by IMIL, the risk of the customers switching over to the competitors is minimal. The company is a full-service supplier and vertically integrated to customise the products according to client's requirements. Through such advantages and cost-effectiveness by way of operating in India, IMIL ensures stable customer and revenue profile in the long term to an extent despite high sales concentration to these clients.

De-risking segment concentration
The company started with the supply of DC motors for internal combustion engine (ICE) vehicles, which continues to be the mainstay of the business. Moreover, it has consciously moved to other applications and developed other DC motor versions which are engine technology-neutral and find application in electric vehicles. IMIL also sells motor sub-assemblies like armature assembly for the automotive sector. To de-risk from the automotive applications, the company had launched BLDC motors for application in the consumer durable segment such as ceiling and pedestal fans given the long-standing association of its top management with the sector. The BLDC motors have varied applications, and currently, the company has a capacity of 1 million units. In the last three years, the company has significantly increased the Electronics Design capabilities through new product launches and quality improvements. It manufactures printed circuit boards (PCBs) with radio frequency remote and internet of things-enabled features. IMIL has developed Wall Regulator PCB compatible with all standard induction fan regulators. Apart from this, the company has undertaken R&D for EV, 2-wheeler, and 3-wheeler applications. The company's electronics R&D division has successfully developed products across standard, premium, and super-premium segments within the ceiling fan category, emphasising voice recognition, smart sensing technology, and BLDC motors designed for water pump applications. The company has also designed competitive PCB controllers for Domestic Exhaust fans and Table/Pedestal/Wall (TPW) fans, ready for launch upon the introduction of mandatory star ratings for TPW applications by the government, expected within the next 12 months. Non-auto revenue contribution stood at ~20% in FY24 and it has been increasing y-o-y.

Comfortable capital structure
Company's capital structure remained strong characterised by its comfortable overall gearing ratio at 0.36x as on March 31, 2024 (PY: 0.34). Over a period, capital structure is comfortable on the back of accretion of profits to the net worth. Though capital structure of the company is expected to be moderate in the medium term because of the increased reliance of operations on the working capital borrowings (to fund the expected increase in scale), the same is expected to remain at a comfortable level.

Liquidity: Adequate
IMIL has a term debt repayment obligation of ₹13.90 crore in FY25, which is expected to be met comfortably through its internal accruals. It has already generated cash accruals of ₹59.11 crore in 9MFY25. The company had free cash and unencumbered liquid investments of ₹21.11 crore, as on September 30, 2024, which also provides comfort to the overall liquidity profile. The company has planned growth and maintenance capex of ~₹47 crore in FY25, which is planned to be funded through internal accruals of the company. Of the total capex proposed in FY25, the company has already incurred ~₹34 crore by September 30, 2024. With an overall gearing of 0.36x as on March 31, 2024, the company has adequate headroom available to raise additional debt, if required. The average fund-based working capital limit utilisation also remained at a comfortable level of ~57% in the 12-month period ended December 2024. The current ratio of the company also stood comfortable at 1.37 on March 31, 2024.

Key weaknesses
Low operating profitability and return indicators, though improving
Operating profitability marked by PBILDT margin of IMIL which used to be at ~15% till FY21 has declined significantly despite it marginally improved in FY24 and 9MFY25 to 10.29% and 11.89%, respectively, mainly on the back of improved capacity utilisation, stable commodity prices, benefits of improved scale, and improvement in price realisation. Lower operating profitability is primarily on account of geopolitical market conditions post the Covid-19 pandemic, a shift in product mix toward the domestic market, and an increase in share of lower margin products. Along-side lower operating profitability, its ROCE also stood low at 4.74% in FY24 mainly due to only ~50% utilisation of its installed capacity for DC motors.

Margins susceptible to raw material price fluctuation and foreign currency fluctuation risk
Raw material costs as a proportion of TOI for FY24 stood at 67% (PY: 68%). The major raw materials used by the company are steel and copper, where prices are highly volatile in nature. To insulate itself from price increase, IMIL generally draws up an annual price contract with all its clients with a built-in price escalation clause in case of the raw material price increase. However, while changes in the raw material prices are passed on to the clients, there is a lag effect in the same which may impact the profitability. The company imports part of its raw materials (~60%), wherein steel is mainly imported from Japan and Singapore, while copper is procured domestically. Prices of the two major raw materials witnessed a sudden and significant increase in FY22 and after peaking in FY22, both key raw material prices have shown less volatility in FY23, FY24, and 9MFY25. With majority raw materials imported (~60%), IMIL also faces foreign currency risk. However, as the company exports most of its products, it has

a natural hedge. IMIL also hedges a portion of its unhedged foreign currency exposure by entering forward contracts and packing credit in foreign currency.

Environment, social, and governance (ESG) risks

Environmental:

Key environmental goals:

- 15% reduction in non-renewable energy consumption in total energy mix by FY25.
- 30% (Scope 1 + Scope 2) emission reduction by FY30.
- 15% (Scope 3) emission reduction by FY30.
- Net zero target by CY2070 per India's commitment.
- Reduction in generation of hazardous and non-hazardous waste Y-o-Y as a proportion on sales.

Various initiatives undertaken by company to achieve sustainability goals include:

- Procurement of 64% renewable electricity from private renewable energy (wind power) suppliers in FY24.
- Installed in-house 400 KW capacity solar power system - completed in March 2024.
- Zero hazardous waste in landfills.

Social:

Key social goals:

- Increase in the number of women in managerial position to 25% by 2030 (vs 17% in 2022).
- Cover 50% of value chain partners under ESG Indicators by FY25.
- Strive to maintain status of Zero Fatality.
- Increase in the total training hours per annum.
- 100% coverage of reskill / upskill employee with future fit skills (e.g. ESG-related topics).

Various initiatives undertaken by company to achieve sustainability goals include:

- 84% (1830 out of 2,179) of employees (Including Associates) are covered by skill upgrade training.
- 34% of value chain partners are assessed on ESG parameters.

Governance:

The company is managed by professional board of directors having extensive experience in auto ancillary industry and board of directors is well diversified with two independent directors including one woman director.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Auto Components & Equipments
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Automobile and auto components	Auto components	Auto components & equipment

IMIL was originally incorporated as CG Igarashi Motors Limited in January 1992 as a joint venture (JV) between Crompton Greaves Limited (CGL), India, Igarashi Electric Works Limited (IEWL), Japan, and International Components Corporation (ICC), USA. Over the years, the shareholding pattern has undergone multiple changes, and as on December 31, 2024, Agile Electric Sub-Assembly Private Limited (AESPL), Igarashi Electric Works H.K. Ltd, and Igarashi Electric Works Limited (Japan) together holds 75% of the stake in the company. IMIL is primarily engaged in the production and sale of permanent magnet DC motors and its sub-assemblies, seat applications, and motor accessories mainly for automotive sector specifically for passenger cars. To de-risk the business from being entirely automotive, the company has developed the BLDC motors which is used in consumer applications like fans and has started supplying to customers from FY20 onwards. The company's manufacturing facilities are based out of Chennai, Tamil Nadu.

Brief Financials (₹ crore)	FY23 (A)	FY24 (A)	9MFY25 (UA)
Total operating income	656.25	725.04	651.02
PBILDT	61.09	74.63	77.42
PAT	5.24	9.57	21.11
Overall gearing (times)	0.34	0.36	NA
Interest coverage (times)	4.75	5.62	7.20

A: Audited UA: Unaudited NA: Not available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT/ ST-Working Capital Limits	-	-	-	-	60.00	CARE A+; Stable / CARE A1+
Fund-based - ST-EPC/PSC	-	-	-	-	68.00	CARE A1+
Term Loan-Long Term	-	-	-	October 2027	22.55	CARE A+; Stable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - ST-EPC/PSC	ST	68.00	CARE A1+	-	1)CARE A1+ (07-Feb-24)	1)CARE A1+ (06-Mar-23)	1)CARE A1+ (21-Dec-21)
2	Term Loan-Long Term	LT	22.55	CARE A+; Stable	-	1)CARE A+; Stable (07-Feb-24)	1)CARE A+; Stable (06-Mar-23)	1)CARE A+; Stable (21-Dec-21)
3	Fund-based - LT/ ST-Working Capital Limits	LT/ST	60.00	CARE A+; Stable / CARE A1+	-	1)CARE A+; Stable / CARE A1+ (07-Feb-24)	1)CARE A+; Stable / CARE A1+ (06-Mar-23)	1)CARE A+; Stable / CARE A1+ (21-Dec-21)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT/ ST-Working Capital Limits	Simple
2	Fund-based - ST-EPC/PSC	Simple
3	Term Loan - Long Term	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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