

HMT Machine Tools Limited

January 05, 2022

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	49.82	CARE C; Stable (Single C; Outlook: Stable)	Reaffirmed
Short Term Bank Facilities	72.90	CARE A4 (A Four)	Reaffirmed
Total Bank Facilities	122.72 (Rs. One Hundred Twenty-Two Crore and Seventy-Two Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings of the bank facilities of HMT Machine Tools Limited (HMTMTL) continues to be constrained by its weak financial profile, stressed liquidity with continuing losses and negative net worth in addition to deferring its dues on long-term loans extended by Government of India (GoI). Also, company's average fund based/non-fund based working capital limits are near fully utilized. These rating weaknesses are partially offset by its parentage, experienced management team and funding support from its holding company/Government of India (GOI). CARE also takes note of the proposal by the company for its merger with the holding company HMT Limited.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Company earning cash profits (adjusted for interest not paid on GOI loans) on sustained basis.

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Lack of Government/holding company's support in timely manner

Detailed description of the key rating drivers

Key Rating Weaknesses

Weak liquidity and financial risk profile

The company continues to post losses with it incurring net losses of Rs.132.79 crore and Rs.84.59 crore in during FY21 and H1FY22 respectively (FY20: Loss of Rs.98.72 crore). The increase in losses can be attributed to lower sales, higher production costs incurred by the company amid Covid19 along with higher interest costs to GOI and holding company which are being expensed through Profit and loss account, however not being paid by the company. Low capacity utilization, ageing machineries, rising overhead expenses, employee costs and ballooning capital charge is behind the company's losses over the years. As of March 31, 2021, company's accumulated losses stood at Rs.1786 crore. Working capital limits were near fully utilized in the past 12 months ending November 2021.

Key Rating Strengths

Long track record of operations and experienced management team

HMTMTL is a part of HMT group, and is operating in the present line of business for more than six decades. Over the years of operation, the company has established itself in the industry. Due to the same, order book position of the company stood at Rs.285.40 Cr as of July 31, 2021.

Support from Government of India/ Holding company

Being a part of HMT Ltd, a central Government entity, HMTMTL has received support from GOI/HMT Ltd. As on March 31, 2021, the total borrowing from GoI including preference share capital stood at Rs.1136.74 Cr. During H1FY22, in the form of loans and advances, company received support of Rs.18.80 Cr (FY21: Rs.41.63 Cr) from its holding company HMT Ltd.

Liquidity: Poor

The company's gross cash accruals continued to remain negative during FY21. The company's current ratio was 0.21x as on March 31, 2021 and the operating cycle stretched to 450 days in FY21 against 386 days in FY20. Company's average fund based/non-fund based working capital are nearly fully utilized during the past 12 months ending Nov'21. As on Sept 30, 2021, the company's free cash and bank balance was Rs.7.32 Cr.

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

Analytical approach: Standalone while factoring the support from the holding company, HMT Limited

Applicable Criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

About the Company

HMT Machine Tools Limited is a 100% subsidiary of HMT Limited, incorporated in 1953 by the Government of India. HMTMTL is engaged in manufacturing of turning, grinding, gear cutting, special purpose machines, die casting machines and plastic injection molding machines, presses and press brakes, printing machines, CNC control systems and precision components. Its manufacturing plants are located at Bengaluru, Pinjore (Haryana), Hyderabad (Telangana), Ajmer (Rajasthan) and Kalamassery (Kerala).

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	H1FY22 (UA)
Total operating income	184.78	171.26	57.61
PBILDT	-14.88	-44.83	-30.22
PAT	-98.72	-132.79	-84.59
Overall gearing (times)	NM	NM	NM
Interest coverage (times)	NM	NM	NM

A: Audited; UA: Un-Audited; NM: Not Meaningful

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	49.82	CARE C; Stable
Fund-based - ST-Bills discounting/ Bills purchasing	-	-	-	-	2.00	CARE A4
Non-fund-based - ST-BG/LC	-	-	-	-	70.90	CARE A4

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Cash Credit	LT	49.82	CARE C; Stable	-	1)CARE C; Stable (17-Feb-21)	1)CARE C; Stable (06-Feb-20)	1)CARE C; Stable (07-Jan-19)
2	Fund-based - ST-Bills discounting/ Bills purchasing	ST	2.00	CARE A4	-	1)CARE A4 (17-Feb-21)	1)CARE A4 (06-Feb-20)	1)CARE A4 (07-Jan-19)
3	Non-fund-based - ST-BG/LC	ST	70.90	CARE A4	-	1)CARE A4 (17-Feb-21)	1)CARE A4 (06-Feb-20)	1)CARE A4 (07-Jan-19)

LT: Long Term; ST: Short Term

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

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - ST-Bills discounting/ Bills purchasing	Simple
3	Non-fund-based - ST-BG/LC	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

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

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