

HMT Machine Tools Limited

July 08, 2022

Rating

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

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

The revision in ratings of the bank facilities of HMT Machine Tools Limited takes into account overdrawals of more than 30 days reported in cash credit account in company's FY22 audited annual report. Company continues to have poor liquidity position amid continuing elongated receivables.

Rating sensitivities

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

- Improvement in liquidity position of the company thereby no overdrawals/ delays in rated facilities for minimum of three consecutive months and also turnaround in operations which would ensure such instances doesn't recur.

Negative factors – Factors that could lead to negative rating action/downgrade: Not applicable

Detailed description of the key rating drivers

Key rating weaknesses

Delays in debt servicing

As per FY22 audited annual report, there are overdrawals reported in cash credit account which were regularized beyond 30 days. The same were due to its poor liquidity position and elongated receivables' cycle. Company has been incurring losses historically due to high fixed costs and lower absorption of its overhead costs further accentuated by the operational issues caused by Covid19.

Key rating strengths

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, 2022, the total borrowing from GoI including preference share capital stood at Rs.1198.82 Cr (Rs.1136.74 Cr as of March 31, 2021). Timely receipt of further support would be key to company's prospects.

Liquidity: Poor

The company's gross cash accruals continued to remain negative during FY22. Company's average fund based/non-fund based working capital are nearly fully utilized during the past 12 months ending June 2022. As on March 31, 2022, the company's free cash and bank balances stood at Rs.7.48 Cr.

Analytical approach: Standalone.

Applicable criteria

[Policy on default recognition](#)

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).

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

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	Q1FY23 (UA)
Total operating income	166.99	153.43	NA
PBILDT	-48.68	-56.35	NA
PAT	-132.79	-145.73	NA
Overall gearing (times)	NM	NM	NA
Interest coverage (times)	NM	NM	NA

A: Audited; UA: Un-Audited; NM: Not Meaningful; NA: Not Available.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: 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 (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	49.82	CARE D
Fund-based - ST-Bill Discounting/ Bills Purchasing	-	-	-	-	2.00	CARE D
Non-fund-based - ST-BG/LC	-	-	-	-	70.90	CARE D

Annexure-2: Rating history for the 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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	49.82	CARE D	-	1)CARE C; Stable (05-Jan-22)	1)CARE C; Stable (17-Feb-21)	1)CARE C; Stable (06-Feb-20)
2	Fund-based - ST-Bill Discounting/ Bills Purchasing	ST	2.00	CARE D	-	1)CARE A4 (05-Jan-22)	1)CARE A4 (17-Feb-21)	1)CARE A4 (06-Feb-20)
3	Non-fund-based - ST-BG/LC	ST	70.90	CARE D	-	1)CARE A4 (05-Jan-22)	1)CARE A4 (17-Feb-21)	1)CARE A4 (06-Feb-20)

*LT/ST: Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/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-Bill 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 instruments: CARE Ratings 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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About us:

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