

HMT Machine Tools Limited

February 17, 2021

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 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 rating assigned to 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 networth 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).

Rating Sensitivities

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

- Company getting substantial Government/Holding company support for execution of existing orders and helping the company turning profitable.

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

- Lack of Government/holding company's support in the future
- Delay in servicing repayment obligations to Banks/Financial institutions

Detailed description of the key rating drivers

Key Rating Weaknesses

Weak financial risk profile with stressed liquidity

HMTMTL has been incurring losses since inception. The company's performance in the past has largely been impacted by subdued demand for products from end users segment as well as the company's strained liquidity position, limiting the company to execute orders. Low capacity utilization, ageing machineries, rising overhead expenses, employee costs and ballooning capital charge is behind the company's losses. Company's liquidity is being supported by infusion from its holding company HMT Ltd/GOI every year. During FY20, HMT Machine Tools Limited recorded a net loss of Rs. 98.72 Crore as against Rs. 63.83 Crore in FY19. The increase in loss can be attributed to lower sales, higher production costs incurred by the company during FY20 along with higher interest costs to GOI which are being expensed though not being paid by the company. The accumulated losses of the company stood at Rs.1653.74 crore as of Mar'20 (Rs. 1555.02 crore as of Mar'19). The reduction in production in FY20 is due to the effect of Covid-19 in Q4FY20 as the Company could not complete several finishing and dispatch activities in the last quarter due to non-receipt of imported material, inability of customers to come for pre-dispatch inspection as well as travel restrictions to send engineers for erection and commissioning.

During H1FY21, company has record revenue of Rs.52.62 Cr with PBIDT loss of Rs.43.25 Cr and net loss of Rs.91.79 Cr. The losses are due to delay in orders execution, operational issues etc. leading to clients charging for delays etc. and also due to lockdown restrictions imposed by the Government during Q1FY21. All of the company's plants were closed from mid of March 2020 to May 2020 and were reopened during June 2020 as a part of phase wise listing of lockdown by GOI.

The company's average fund based/ non-fund based working capital are near fully utilized during the past 12 months ending Jan'21.

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, company currently has a running order book position of around Rs.350 Cr.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

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, 2020, the total borrowing from GoI including preference share capital stood at Rs.1074.75 Cr. During 10MFY21, company received support of Rs.18 Cr (FY20: Rs.68 Cr, FY19: 135.75 Cr) from its holding company HMT Ltd.

Liquidity: Poor

The company's gross cash accruals continued to remain negative during FY20. The company's current ratio was 0.22x as on March 31, 2020 and the operating cycle stretched to 386 days in FY20 against 249 days in FY19. Company's average fund based/non-fund based working capital are nearly fully utilized during the past 12 months ending Jan'21. As on Sept 30, 2020, the company's free cash and bank balance was Rs.2.46 Cr. Company has availed the moratorium granted by lenders as a part of RBI's Covid19 regulatory policy for on its fund based limits.

Analytical approach: Standalone

Applicable Criteria

[Rating Methodology - Manufacturing Companies](#)

[CARE's methodology for Short-term Instruments](#)

[Criteria on assigning Outlook and Credit Watch to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

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

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)	FY19 (A)	FY20 (A)
Total operating income	227.54	184.78
PBILDT	5.96	-14.88
PAT	-63.83	-98.72
Overall gearing (times)	NM	NM
Interest coverage (times)	NM	NM

A: Audited; NM: Not Meaningful

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: 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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	49.82	CARE C; Stable	-	1)CARE C; Stable (06-Feb-20)	1)CARE C; Stable (07-Jan-19)	1)CARE C; Stable (15-Jan-18)
2.	Fund-based - ST-Bills discounting/ Bills purchasing	ST	2.00	CARE A4	-	1)CARE A4 (06-Feb-20)	1)CARE A4 (07-Jan-19)	1)CARE A4 (15-Jan-18)
3.	Non-fund-based - ST-BG/LC	ST	70.90	CARE A4	-	1)CARE A4 (06-Feb-20)	1)CARE A4 (07-Jan-19)	1)CARE A4 (15-Jan-18)

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 the 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

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

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About CARE Ratings:

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