

## Indian Machine Tool Manufacturers' Association

October 16, 2023

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	188.09 (Reduced from 230.87)	CARE BBB-; Stable	Revised from CARE BB+; Stable

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The revision in the rating of bank facilities of Indian Machine Tool Manufacturers' Association (IMTMA) takes into account turnaround in operations of the Association during FY23 which in turn led to improvement its liquidity profile. After witnessing significant amount of loss in the revenue during FY21 and FY22 on account of either cancellation/rescheduling of exhibitions amid COVID-19, the Association has conducted the earlier rescheduled IMTEX-Forming exhibition in addition to the IMTEX-Cutting and other Bangalore International Exhibition Centre (BIEC) exhibitions during FY23. CARE Ratings Limited (CARE Ratings) positively takes note of the customer advances received by the Association, which provides revenue visibility in the near term.

The rating of bank facilities of IMTMA continues to derive strength from the Association being the sole face of the Indian machine tool industry possessing unique infrastructure and specialised designs, and its satisfactory capital structure.

However, these rating strengths are partially offset by the absence of the promoters due to which IMTMA has to depend on additional debt raising to manage its liquidity position in case of contingencies such as COVID-19. The ratings are also constrained by the revenue fluctuation every alternate year with IMTEX – Cutting and IMTEX – Forming exhibitions being held on alternate years. It is pertinent for IMTMA to maintain the revenue and profitability in line with pre-COVID-19 levels considering the upcoming high debt repayments.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Improvement in overall gearing to < 0.50x.

#### Negative factors

- Cancellation/postponement of exhibition, leading to revenue loss and refund of substantial amount of customer advances subsequently exerting pressure on liquidity profile of the association.
- Any additional debt availed by the Association/lower-than-envisaged profits leading to overall gearing > 1.00x and cash coverage ratio (CCR) < 1.20x.

### Analytical approach:

Standalone

### Outlook: Stable

Stable outlook is on account of CARE Ratings' expectation on sustainability of the revenues and profitability of the Association near to its pre COVID-19 levels after it has witnessed its turnaround in its operations during FY23.

### Detailed description of the key rating drivers:

#### Key strengths

##### Turnaround in operations during FY23

After witnessing significant revenue loss during FY21 and FY22 on account of either cancellation/rescheduling of exhibitions amid COVID-19, IMTMA could conduct the earlier rescheduled IMTEX-Forming exhibition, in addition to the IMTEX-Cutting exhibition and other BIEC events during FY23. With the same, IMTMA has witnessed turnaround in operations and earned historically high revenues of ₹193 crore at PBIDT margin of 57.9% helping the Association with improvement in its liquidity profile. Though the revenues are expected to moderate from FY24 onwards with conducting of the Association's major exhibitions back to the normal cycle, wherein IMTEX-Cutting exhibition and IMTEX-Forming exhibitions would be held in alternative years, CARE Ratings expects the revenues and profitability margins to be sustainable at its pre COVID-19 levels.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

### Revenue visibility in the near term

Generally, the Association receives 10%-15% of its customer advances for its own exhibitions (i.e., Cutting, Forming) in the preceding financial year itself. Total customer advances for upcoming events stood at ₹24.55 crore as on August 22, 2023. Also, as on August 23, 2023, IMTMA has confirmed revenues of more than ₹40 crore from the BIEC rentals for FY24. These, along with improving queries from its own members as well as non-members for organising several events in H2FY24, provides the company revenue visibility in the near term.

### Sole face of Indian machine tool industry

IMTMA has more than three decades of experience in the machine tools exhibition space. With specialised designs and infrastructure, IMTMA has the world-class exhibition facility in BIEC which also has the India's first Leadership in Energy and Environmental Design (LEED) certification. IMTMA has been playing active role in assisting the industry its members to improve the industry's image, increase competitiveness, upgrade quality & technology standards and provide business opportunities through exhibitions and related events. As on September 30, 2023, IMTMA had membership of 484 companies from public as well as private sectors which include professionals, engineers and designers holding senior positions in various companies of varying size & scale and having vast experience in the machine tool industry. These exhibitions have generated sizeable orders and enquiries for the exhibitors vis-à-vis the cost incurred by them. Considering the same, CARE Ratings expects the companies to continue spending towards the exhibitions which in turn augurs well for Association's revenue profile.

### Key weaknesses

#### Revenue fluctuation with IMTEX-Cutting and IMTEX-Forming exhibitions being held alternate years

The operational performance of the Association is allied to the type of exhibition being conducted. IMTEX-Cutting and IMTEX-Forming are conducted by the Association every alternate year. IMTEX-Cutting witnesses higher number of exhibitors than IMTEX-Forming resulting in revenue fluctuation every year. However, in FY23, IMTMA conducted the Forming exhibition, which was rescheduled from Q4FY22, apart from the regular Cutting exhibition during Q4FY23, as per its normal cycle. From FY24 onwards, the normal cycle i.e. Cutting exhibition in the odd numbered financial years and Forming exhibition in even numbered financial years, has resumed.

#### High repayments during Forming years vis-à-vis cash accruals

During the IMETX-Forming years, the debt repayments of the Association are higher than the expected gross cash accruals (GCA). However, IMTMA being a section 8 company, it is not allowed to distribute its profits, and hence, CARE Ratings expects that the higher cash accruals generated during the Cutting exhibition years are expected to remain with the Association with which the deficit in debt servicing during Forming years is expected to be met.

### Liquidity: Adequate

The liquidity of IMTMA is marked by cash and bank balances of ₹53.26 crore as on August 22, 2023, against fixed costs of around ₹5 crore p.m. and debt repayments of around ₹30 crore during September 2023 to March 2024. Current liquidity is likely to remain intact in the medium term considering the Cutting exhibition planned for FY25 is expected to bring higher revenues as witnessed in the past years. Also, being a section 8 company, IMTMA is not allowed to declare dividends and therefore can help the Association in maintaining adequate liquidity going forward.

### Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Service Sector Companies](#)

[Policy on Withdrawal of Ratings](#)

### About the company and industry

#### Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Consumer Services	Other Consumer Services	Other Consumer Services

IMTMA was incorporated in March 1973 as a section 8 company (earlier referred as Section 25 company as per old Companies Act). It was started with the purpose of promotion and development of the machine tool industry and, as a part of the process, Bangalore International Exhibition Centre (BIEC) was set-up in FY07. BIEC has five exhibition halls with a total exhibition space

of 75,000 sq. m. Presently, IMTMA holds a few exhibitions [IMTEX-Cutting, IMTEX-Forming, Tooltech and Machine Tool Expo (MTX)] on its own as well as provides facility for exhibitions to be held by others at BIEC. Apart from BIEC, IMTMA has facilities in Delhi and Pune, where training programmes and seminars are conducted for the machine tool industry.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	26.54	192.60
PBILDT	-17.11	111.44
PAT	-43.66	83.09
Overall gearing (times)	1.52	0.77
Interest coverage (times)	NM	6.59

A: Audited; NM: Not Meaningful; Note: 'the above results are latest financial results available'

**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:** Annexure-4

**Lender details:** Annexure-5

#### 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-Term loan	-	-	-	June 1, 2029	188.09	CARE BBB-; Stable

#### 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 2023-2024	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
1	Fund-based - LT-Term loan	LT*	188.09	CARE BBB-; Stable	-	1)CARE BB+; Stable (04-Oct-22)	1)CARE BBB-; Negative (08-Nov-21) 2)CARE BBB-; Negative (26-May-21)	1)CARE BBB+; Negative (01-Dec-20)

\*LT: Long term.

**Annexure-3: Detailed explanation of covenants of the rated instruments/facilities:** Not Applicable

#### Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term loan	Simple

## Annexure-5: Lender details

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

**Note on the 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](mailto:care@careedge.in) for any clarifications.

### Contact us

<p><b>Media Contact</b></p> <p>Mradul Mishra Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3596 E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a></p> <p><b>Relationship Contact</b></p> <p>Deepak Prajapati Senior Director <b>CARE Ratings Limited</b> Phone: +91-79-4026 5656 E-mail: <a href="mailto:deepak.prajapati@careedge.in">deepak.prajapati@careedge.in</a></p>	<p><b>Analytical Contacts</b></p> <p>Karthik Raj K Director <b>CARE Ratings Limited</b> Phone: +91-80-4662 5555 E-mail: <a href="mailto:karthik.raj@careedge.in">karthik.raj@careedge.in</a></p> <p>Himanshu Jain Associate Director <b>CARE Ratings Limited</b> Phone: +91-80-4662 5555 E-mail: <a href="mailto:himanshu.jain@careedge.in">himanshu.jain@careedge.in</a></p> <p>Mahendranatha Reddy Annavaram Lead Analyst <b>CARE Ratings Limited</b> E-mail: <a href="mailto:mahendranatha.reddy@careedge.in">mahendranatha.reddy@careedge.in</a></p>
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### About us:

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