

## HMT Machine Tools Limited

November 28, 2023

| Facilities/Instruments     | Amount (₹ crore) | Rating <sup>1</sup> | Rating Action |
|----------------------------|------------------|---------------------|---------------|
| Long-term bank facilities  | 49.82            | CARE D              | Reaffirmed    |
| Short-term bank facilities | 72.90            | CARE D              | Reaffirmed    |

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The reaffirmation of the ratings assigned to the bank facilities of HMT Machine Tools limited (HMTMTL) continues to factor in the delays in meeting debt servicing as per the lender and auditor feedback. The delays in the interest payments are continuing beyond 30 days, and the company has been classified either under SMA 1 or SMA2 continuously.

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

#### Positive factors

Improvement in the liquidity position of the company thereby no overdrafts/ delays in rated facilities for minimum of three consecutive months and also turnaround in operations which would ensure such instances does not recur.

**Negative factors** – Not applicable

**Analytical approach:** Standalone

**Outlook:** Not applicable

### Detailed description of the key rating drivers:

#### Key weakness

##### Delays in debt servicing

There are delays in debt servicing beyond 30 days as confirmed by the lenders. These are primarily due to company's poor liquidity position and elongated receivables' cycle. The company has been incurring losses historically due to high fixed costs and lower absorption of its overhead costs.

#### Key strengths

##### Support from Government of India/ holding company

Being a part of HMT Ltd, a central Government entity, HMTMTL has received support from Government of India (GOI)/HMT Ltd. As on March 31, 2023, the total borrowing from GoI including preference share capital stood at ₹1,260.89 crore (₹1,198 crore as on March 31, 2022). Timely receipt of further support would be key to the company's prospects.

#### Liquidity: Poor

The company's gross cash accruals (GCA) continued to remain negative during FY23. The company's average fund-based/non-fund-based working capital are nearly fully utilised during the past 12 months ending September 2023. As on March 31, 2023, the company's free cash and bank balances stood at ₹32.70 crore.

### Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Manufacturing Companies](#)

[Policy on Withdrawal of Ratings](#)

<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

## About the company and industry

### Industry classification

| Macro-economic Indicator | Sector        | Industry                 | Basic Industry      |
|--------------------------|---------------|--------------------------|---------------------|
| Industrials              | Capital goods | Industrial manufacturing | Industrial products |

HMTMTL is a 100% subsidiary of HMT Limited, incorporated in 1953 by the GoI. HMTMTL is engaged in the 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 (Kerela).

| Brief Financials (₹ crore) | March 31, 2022 (A) | March 31, 2023 (A) | September 30, 2023 (UA) |
|----------------------------|--------------------|--------------------|-------------------------|
| Total operating income     | 153.43             | 143.98             | 63.36                   |
| PBILDT                     | -56.35             | -58.98             | -22.85                  |
| PAT                        | -145.73            | -131.65            | -65.78                  |
| Overall gearing (times)    | NM                 | NM                 | NM                      |
| Interest coverage (times)  | NM                 | NM                 | NM                      |

A: Audited UA: Unaudited; 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-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 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-Cash credit                        | LT              | 49.82                        | CARE D | -   | 1)CARE D (02-Mar-23)<br>2)CARE D (08-Jul-22) | 1)CARE C; Stable (05-Jan-22)                | 1)CARE C; Stable (17-Feb-21)                |
| 2       | Fund-based - ST-Bill discounting/ Bills purchasing | ST              | 2.00                         | CARE D | -   | 1)CARE D (02-Mar-23)<br>2)CARE D (08-Jul-22) | 1)CARE A4 (05-Jan-22)                       | 1)CARE A4 (17-Feb-21)                       |
| 3       | Non-fund-based - ST-BG/LC                          | ST              | 70.90                        | CARE D | -   | 1)CARE D (02-Mar-23)<br>2)CARE D (08-Jul-22) | 1)CARE A4 (05-Jan-22)                       | 1)CARE A4 (17-Feb-21)                       |

\*Long term/Short 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-Cash Credit                        | Simple           |
| 2       | Fund-based - ST-Bill Discounting/ Bills Purchasing | Simple           |
| 3       | Non-fund-based - ST-BG/LC                          | 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 for any clarifications.

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