Indian Machine Tool Manufacturers Association

October 03, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	145.76 (Reduced from 188.09)	CARE BBB; Stable	Upgraded from CARE BBB-; 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 sustained improvement in its operations aided by increasing demand from exhibitors translating into higher revenue and profitability than pre-Covid levels as well as restoring healthy liquidity position. 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 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 considering the upcoming high debt repayments.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Overall gearing below 0.30x

Negative factors

- Any additional debt availed by the Association/lower-than-envisaged profits leading to overall gearing > 0.75x.
- Deterioration in liquidity profile of IMTMA

Analytical approach: Standalone

Outlook: Stable

Stable outlook is on account of CARE Ratings' expectation on sustainability of the revenues and profitability of the Association aided by the large area being held by IMTMA which attracts more exhibitors.

Detailed description of key rating drivers:

Key strengths

Consistent improvement in the scale of operations

The Association has witnessed turnaround in operations post witnessing muted demand in the exhibition sector during FY21 & FY22. In FY24, IMTMA has surpassed pre-COVID levels of operations by recording Rs. 127.61 Cr of sales at 46.20% PBILDT margin despite being a year of IMTEX Forming exhibitions. It may be mentioned that IMTMA earned revenue of Rs. 110.1 crore during FY20 when the similar exhibition had happened. The completion of Hall 5, just before COVID, is now yielding results. Moreover, the IMTEX Cutting exhibition, planned for FY25 is expected to bring in more revenue and improve liquidity position.

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. Based on the customer advances received and number of exhibitions booking, CARE Ratings estimates IMTMA's revenue to grow by 40% during FY25.

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

Sole face of Indian machine tool industry
Having more than three decades of experience in the machine tools exhibition space, IMTMA has the world class exhibition facility in Bangalore International Exhibition Center (BIEC) with specialized designs and infrastructure. BIEC also has the India's first LEED (Leadership in Energy and Environmental Design) certification.
IMTMA's members include professionals, engineers and designers holding senior positions in various companies of varying size & scale and having vast experience in the machine tool industry. As of September 30, 2024, IMTMA had membership of close to 500 companies from public as well as private sectors. IMTMA has been playing active role in assisting the industry and assisting its members to improve the industry's image, increase competitiveness, upgrade quality & technology standards and provide business opportunities through exhibitions and related events.

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. 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

Liquidity of IMTMA is marked by cash and bank balances of Rs. 102.98 Cr as of July 31, 2024, against debt repayment of Rs. 42.31 Cr in FY25. Current liquidity is likely to remain intact in the medium term considering the Cutting exhibition planned for FY25 which is expected to bring higher revenues.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Service Sector Companies

About the company and industry

Industry classification

Macroeconomic 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 Gurgaon and Pune, where training programmes and seminars are conducted for the machine tool industry.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	June 30, 2024 (UA)
Total operating income	192.60	133.27	15.73
PBILDT	111.44	66.20	NA
PAT	83.09	37.93	NA
Overall gearing (times)	0.77	0.64	NA
Interest coverage (times)	6.59	3.39	NA

A: Audited UA: Unaudited; NA: Not available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Term Loan	-	-	-	01/06/2029	145.76	CARE BBB; Stable

Annexure-2: Rating history for 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 2024-2025	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
1	Fund-based - LT-Term Loan	LT	145.76	CARE BBB; Stable	-	1)CARE BBB-; Stable (16-Oct-23)	1)CARE BB+; Stable (04-Oct-22)	1)CARE BBB-; Negative (08-Nov-21) 2)CARE BBB-; Negative (26-May-21)

LT: Long term

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

Annexure-4: Complexity level of 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 complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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