

SEPTEMBER 21, 2015

CARE ASSIGNS 'CARE B-/CARE A4' RATINGS TO THE BANK FACILITIES OF HMT LTD.

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Remarks
Fund-based-Long-term-Cash credit	44.56	CARE B- (Single B Minus)	Assigned
Non-fund-based- Short-term-LC/BG	11.25	CARE A4 (A Four)	Assigned
Total	55.81 (Rupees Fifty Five crore Eighty One Lakh only)		

Rating Rationale

The ratings assigned to HMT Limited (HMT) are constrained by plants running at lower capacity utilization levels, continuous decline in sales & operating losses over the years and weak liquidity position of the company. The ratings, however, takes comfort from HMT's long standing & established presence in the industry and continuous support from the Government of India by infusion of funds.

The ability of the company to improve its liquidity position and its ability to turnaround financial and operation performance to reduce its reliance upon GOI funds and bank borrowings would be the key rating sensitivity.

Background

HMT Ltd (HMT) was incorporated in 1953 by the Government of India (GOI) as Hindustan Machine Tools Pvt. Ltd., subsequently renamed as HMT Limited on August 31, 1978. The company was primarily engaged in manufacturing of watches, tractors, printing machinery, metal forming presses, die casting plastic processing machinery, CNC systems and bearings. In 1990, the company was restructured into different business groups such as machine tools business group, industrial machinery business group, tractor business group, consumer business group and food processing business group. In the year 1999-2000, these business groups were regrouped and made subsidiaries of the holding company HMT Limited. HMT spun off machine tools and watch business into subsidiary companies and tractor division was retained with HMT. Presently, HMT has five subsidiaries viz. HMT Machine Tools Ltd. (rated CARE D), HMT Watches Ltd., HMT Chinar Watches Ltd., HMT (International) Ltd. and HMT Bearings Ltd.

HMT has a manufacturing unit at Pinjore, Haryana with an installed capacity to manufacture 8500 tractors p.a. Furthermore, the company has assembly lines at Mohali, Hyderabad and Aurangabad.

During FY15 (refers to the period April 1 to March 31), HMT registered a total operating income of Rs.60.3 crore (PY: Rs.78.4 crore) with a net loss of Rs.93.8 crore (PY: Profit of Rs.87.2 crore).

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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2Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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