

## HMT Limited

April 04, 2017

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	44.56	CARE B- [Single B Minus] (under credit watch with developing implications)	Continues on credit watch with developing implications
Short-term Bank Facilities	11.25	CARE A4 [A Four] (under credit watch with developing implications)	Continues on credit watch with developing implications
<b>Total Facilities</b>	<b>55.81</b> <b>(Rupees Fifty Five crore and Eighty One lakh only)</b>		

Details of instruments/facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

The ratings of the bank facilities of HMT limited (HMT) continues to be on 'credit watch with developing implications' in view of Government of India (GOI) approving closure of operations of HMT Limited's tractor division and provide financial assistance to discharge all liabilities of company's tractor division including rated bank facilities. Till March 23, 2017, GOI had released Rs.543.68 crore of the approved Rs.718.7 crore to HMT for settling VRS payments and outstanding salaries and statutory dues.

The ratings continue to remain constrained by company's weak financial risk profile marked by continuous decline in sales and operating losses over the years while taking comfort from continuous funding support from GOI.

### Detailed description of the key rating drivers

#### Key Rating Weakness

**Weak financial risk profile:** Company's financial performance is marked by continuous decline in sales and operating losses over the years. Company's sales declined in FY16 to Rs.45.4 crore from Rs.60.2 crore in FY15 on account of lower demand of its tractors. HMT continued to post cash losses with negative GCA of Rs. 22.2 crore in FY16 as against negative Rs.93.8 crore in FY15. Company's networth declined from Rs.1,040.3 crore as on March 2015 to Rs.392.5 crore as on March 2016 owing to accumulated losses and write off investments/ loans and advances in subsidiaries to the extent of Rs.623.1 crore. For 9MFY17, HMT's sales were at Rs.18.3 crore and cash loss of Rs.132.3 crore

#### Key Rating Strength

**Funding support from GOI:** Company has been supported by the GOI from time to time with infusion of funds by way of equity and unsecured loans. During April 2013, the GOI has approved the Revival and Financial Restructuring Plan for the company under which, company was provided financial support of Rs.1,083.48 crore. Now, in November 2016, the GOI has approved infusion of funds of Rs.718.7 crore as interest free loan to discharge the liabilities of its tractor division.

**Analytical approach:** Standalone

### Applicable Criteria

[Criteria for placing rating on credit watch](#)  
[CARE's methodology for manufacturing companies](#)  
[CARE's methodology for Short-term Instruments](#)  
[Criteria on assigning Outlook to Credit Ratings](#)  
[CARE's policy on Default Recognition](#)  
[Financial Ratios-Non Financial Sector](#)

### About the Company

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

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 holding company HMT Limited. HMT spun off machine tools and watch business into subsidiary companies and tractor division was retained with HMT. HMT had five subsidiaries viz. HMT Machine Tools Ltd. (rated 'CARE C/Stable/CARE A4'), HMT Watches Ltd., HMT Chinar Watches Ltd., HMT (International) Ltd. and HMT Bearings Ltd.

During January 2016, Cabinet Committee on Economic Affairs (CCEA) approved closure of three of its subsidiaries viz. HMT Watches Ltd., HMT Chinar Watches Ltd. and HMT Bearings Ltd. Accordingly, in FY16 (refers to the period April 1 to March 31), company has extinguished redeemable preference shares and set it off against the loans and advances extended to these subsidiaries to the extent of Rs.623.14 crore.

Furthermore, during November 2016, GOI approved for closure of operations at HMT Tractor division and also to provide financial assistance to HMT Limited to discharge all liabilities of Tractor division, including bank loans.

HMT posted net loss of Rs.24.8 crore in FY16 (Audited, refers to the period April 1 to March 31) on a total operating income of Rs.45.4 crore as against net loss of Rs.95.4 crore on a total operating income of Rs.60.2 crore in FY15.

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

**Analyst Contact:**

Name: Mr Karthik Raj K

Tel: 080-46625527

Mobile: 9980562244

Email: [karthik.raj@careratings.com](mailto:karthik.raj@careratings.com)

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**

**About CARE Ratings:**

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

**Disclaimer**

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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.

**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	44.56	CARE B- (Under Credit watch with Developing Implications)
Non-fund-based - ST-BG/LC	-	-	-	11.25	CARE A4 (Under Credit watch with Developing Implications)

**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 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Fund-based - LT-Cash Credit	LT	44.56	CARE B- (Under Credit watch with Developing Implications)	1)CARE B- (Under Credit watch with Developing Implications) (23-Dec-16)	1)CARE B- (21-Sep-15)	-	-
2.	Non-fund-based - ST-BG/LC	ST	11.25	CARE A4 (Under Credit watch with Developing Implications)	1)CARE A4 (Under Credit watch with Developing Implications) (23-Dec-16)	1)CARE A4 (21-Sep-15)	-	-

**CONTACT****Head Office Mumbai****Mr. Amod Khanorkar**

Mobile: + 91 98190 84000

E-mail: [amod.khanorkar@careratings.com](mailto:amod.khanorkar@careratings.com)**Mr. Saikat Roy**

Mobile: + 91 98209 98779

E-mail: [saikat.roy@careratings.com](mailto:saikat.roy@careratings.com)**CREDIT ANALYSIS & RESEARCH LIMITED**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: [care@careratings.com](mailto:care@careratings.com)**AHMEDABAD****Mr. Mehul Pandya**

32, Titanium, Prahaladnagar Corporate Road,

Satellite, Ahmedabad - 380 015

Cell: +91-98242 56265

Tel: +91-79-4026 5656

E-mail: [mehul.pandya@careratings.com](mailto:mehul.pandya@careratings.com)**BENGALURU****Mr. Deepak Prajapati**

Unit No. 1101-1102, 11th Floor, Prestige Meridian II,

No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91-9099028864

Tel: +91-80-4115 0445, 4165 4529

E-mail: [deepak.prajapati@careratings.com](mailto:deepak.prajapati@careratings.com)**CHANDIGARH****Mr. Sajan Goyal**

SCF No. 54-55,

First Floor, Phase 11,

Sector 65, Mohali - 160062

Chandigarh

Cell: +91 99888 05650

Tel: +91-172-5171 100 / 09

Email: [sajan.goyal@careratings.com](mailto:sajan.goyal@careratings.com)**CHENNAI****Mr. V Pradeep Kumar**

Unit No. O-509/C, Spencer Plaza, 5th Floor,

No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)**COIMBATORE****Mr. V Pradeep Kumar**

T-3, 3rd Floor, Manchester Square

Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)**HYDERABAD****Mr. Ramesh Bob**

401, Ashoka Scintilla, 3-6-502, Himayat Nagar,

Hyderabad - 500 029.

Cell : + 91 90520 00521

Tel: +91-40-4010 2030

E-mail: [ramesh.bob@careratings.com](mailto:ramesh.bob@careratings.com)**JAIPUR****Mr. Nikhil Soni**

304, Pashupati Akshat Heights, Plot No. D-91,

Madho Singh Road, Near Collectorate Circle,

Bani Park, Jaipur - 302 016.

Cell: +91 - 95490 33222

Tel: +91-141-402 0213 / 14

E-mail: [nikhil.soni@careratings.com](mailto:nikhil.soni@careratings.com)**KOLKATA****Ms. Priti Agarwal**

3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)

10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: [priti.agarwal@careratings.com](mailto:priti.agarwal@careratings.com)**NEW DELHI****Ms. Swati Agrawal**

13th Floor, E-1 Block, Videocon Tower,

Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: [swati.agrawal@careratings.com](mailto:swati.agrawal@careratings.com)**PUNE****Mr. Pratim Banerjee**

9th Floor, Pride Kumar Senate,

Plot No. 970, Bhamburda, Senapati Bapat Road,

Shivaji Nagar, Pune - 411 015.

Cell: +91-98361 07331

Tel: +91-20- 4000 9000

E-mail: [pratim.banerjee@careratings.com](mailto:pratim.banerjee@careratings.com)

CIN - L67190MH1993PLC071691