

HMT Machine Tools Limited

January 07, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating	Rating Action
Long term Bank Facilities	49.82	CARE C; Stable (Single C; Outlook: Stable)	Reaffirmed
Short term facilities	72.90	CARE A4 (A Four)	Reaffirmed
Total	122.72 (Rs. One Hundred Twenty-Two Crore and Seventy-Two Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of HMT Machine Tools Limited continues to be constrained by its weak financial profile with continuing losses and negative networth in addition to deferring its dues on long-term loans extended by Government of India (GOI). The rating is also constrained by instances of LC devolvments and continuing overdrawals in cash credit account though the same is being regularized within a month. These rating weaknesses are partially offset by its parentage, experienced management team and funding support from GOI.

Going forward, company's ability to turn operations profitably while effectively utilizing its WC limits would be key rating sensitivities.

Detailed description of the key rating drivers

Key rating Weaknesses

Weak liquidity and financial risk profile: The company continues to post losses during FY18 with company incurring net loss of Rs. 129.2 crore during the year (FY17: Loss of Rs.127.6 crore). Low capacity utilization, ageing machineries, rising overhead expenses, employee costs and ballooning capital charge is behind the company's losses. As on March 2018, the company's accumulated losses were at Rs.1491 crore. There have been instances of CC overdrawals and LC devolvement but the same is regularized within a month.

Key Rating Strengths

Support from GOI: Being a part of HMT Ltd, a central Government entity, HMTML has received support from GoI. During FY18, the company received Rs. 59.3 crore from GOI. During FY17 also, company has received Rs 64.6 cr from GOI as a working capital loan to help address the company's acute working capital shortage.

Long track record of operation and experienced management: HMT Machine Tools is a part of HMT group and is operating similar line of business for more than six decades. Over the years, the company has established itself in the industry. and experienced professionals.

Analytical approach: Standalone

Applicable Criteria

[Rating Methodology - 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

HMT Ltd (HMT) (parent of HMT Machine Tools Ltd) was incorporated in 1953 by the Government of India (GOI) as a Hindustan Machine Tools Pvt Ltd, subsequently renamed as HMT Limited on August 31, 1978. HMTMTL is engaged in 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 Bangalore, Pinjore (Haryana), Hyderabad (Andhra Pradesh), Ajmer, and Kalamassery (Kerala).

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	185.50	183.15
PBILDT	-77.56	-69.15

PAT	-127.59	-129.25
Overall gearing (times)	NM	NM
Interest coverage (times)	NM	NM

A: Audited; NM-Not meaningful

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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Analyst Contact:

Name: Himanshu Jain

Tel: 080-46625528

Mobile: 8123793395

Email: Himanshu.jain@careratings.com

****For detailed Rationale Report and subscription information, please contact us at 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

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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	-	-	-	49.82	CARE C; Stable
Fund-based - ST-Bills discounting/ Bills purchasing	-	-	-	2.00	CARE A4
Non-fund-based - ST-BG/LC	-	-	-	70.90	CARE A4

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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	49.82	CARE C; Stable	-	1)CARE C; Stable (15-Jan-18)	1)CARE C; Stable (03-Mar-17)	1)CARE D (23-Feb-16)
2.	Fund-based - ST-Bills discounting/ Bills purchasing	ST	2.00	CARE A4	-	1)CARE A4 (15-Jan-18)	1)CARE A4 (03-Mar-17)	1)CARE A4 (23-Feb-16)
3.	Non-fund-based - ST-BG/LC	ST	70.90	CARE A4	-	1)CARE A4 (15-Jan-18)	1)CARE A4 (03-Mar-17)	1)CARE A4 (23-Feb-16)

CONTACT**Head Office Mumbai**

Ms. Meenal Sikchi
Cell: + 91 98190 09839
E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva
Cell: + 91 98196 98985
E-mail: ankur.sachdeva@careratings.com

Ms. Rashmi Narvankar
Cell: + 91 99675 70636
E-mail: rashmi.narvankar@careratings.com

Mr. Saikat Roy
Cell: + 91 98209 98779
E-mail: saikat.roy@careratings.com

CARE Ratings Limited

(Formerly known as Credit Analysis & Research Ltd.)

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

AHMEDABAD

Mr. Deepak Prajapati
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-9099028864
Tel: +91-79-4026 5656
E-mail: deepak.prajapati@careratings.com

BENGALURU

Mr. V Pradeep Kumar
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91 98407 54521
Tel: +91-80-4115 0445, 4165 4529
Email: pradeep.kumar@careratings.com

CHANDIGARH

Mr. Anand Jha
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 85111-53511/99251-42264
Tel: +91- 0172-490-4000/01
Email: anand.jha@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

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

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

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

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

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

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

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