

HMT Machine Tools Limited

January 06, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating1	Rating Action
Long term Bank Facilities	49.82 (49.82)	CARE C; Stable (Single C; Outlook: Stable)	Reaffirmed
Short term Bank Facilities	72.90 (72.90)	CARE A4 (A Four)	Reaffirmed
Total Facilities	122.72 (Rs. One hundred twenty two crore and seventy two lakh 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, albeit improvement in FY19, stressed liquidity 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 an instance of LC devolvement and overdrawal in cash credit during the past one year, regularized within a month. These rating weaknesses are partially offset by its parentage, experienced management team and funding support from GOI.

Rating Sensitivities

Positive factors

- Sustenance of positive PBDILT margin and positive gross cash accruals

Negative factors

- Lack of government support in the future
- Delay in servicing repayment obligations

Detailed description of the key rating drivers

Key Rating Weaknesses

Financial risk profile though weak improved during FY19, albeit stressed liquidity

During FY19, HMTMTL posted positive PBILDT margin in more than a decade. The company undertook major cost cutting measures like inventory management, on-time delivery of products to improve their operational performance during this period. The company reported net loss of Rs. 63.83 Cr in FY19 (FY18: Rs. 129.25 Cr loss) and the accumulated losses of the company stood at Rs. 1555.02 crore as on Mar'19 (Mar'18: -1491 crore).

HMTMTL has been incurring losses since inception. The company's performance in the past has largely been impacted by subdued demand for the products from end users segment as well as the company's strained liquidity position limiting the company to execute orders. Low capacity utilization, ageing machineries, rising overhead expenses, employee costs and ballooning capital charge is behind the company's losses. Company's liquidity is being supported by fresh infusion from GOI every year.

In the past 12 months there was an instance of LC devolvement and CC overdrawal which was regularized within a month.

The company clocked revenue of Rs. 130 Cr during 9MFY20 at a PBILDT loss. The company presently has an order book of Rs. 350 Cr to be executed within 1 year.

Key Rating Strengths

Long track record of operation and experienced management team

HMTMTL is part of HMT group, and is operating in the present line of business for more than six decades. Over the years of operation, company has established itself in the industry. The day-to-day affairs of the company are looked after by Shri B.M. Shivashankar, having experience in similar line of business. He is assisted by team of qualified and experienced professionals having adequate experience in respective fields.

Support from GOI

Being a part of HMT Ltd, a central Government entity, HMTML has received support from GoI. During FY19, GoI infused Rs. 135.83 Cr for meeting working capital requirements. As on March 31, 2019, the total borrowing from GoI including preference share capital stands at Rs. 1151.73 crore.

Liquidity: Poor

The company's gross cash accruals continued to remain negative during FY19. The company's current ratio was 0.53 as on March 31, 2019 and the operating cycle stretched to 225 days in FY19 from 209 days in FY18. The company's average fund

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

based working capital utilisation was close to 100% as informed by the bankers. As on December 31, 2019, the company's free cash and bank balance was Rs. 12 crore.

Analytical approach:

Standalone

Applicable Criteria

[Rating Methodology - Manufacturing Companies](#)

[CARE's methodology for Short-term Instruments](#)

[Criteria on assigning Outlook and Credit watch to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

About the Company

HMT Machine Tools Limited is a 100% subsidiary of HMT Limited, incorporated in 1953 by the Government of India (GOI). HMTMTL is engaged in manufacturing of turning, grinding, gear cutting, special purpose machines, die casting machines and plastic injection moulding 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).

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	183.15	227.54
PBILDT	-69.15	5.96
PAT	-129.25	-63.83
Overall gearing (times)	NM	NM
Interest coverage (times)	NM	NM

A: Audited

Status of non-cooperation with previous CRA:

Not Applicable

Any other information:

Not Applicable

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

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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	49.82	CARE C; Stable	-	1)CARE C; Stable (07-Jan-19)	1)CARE C; Stable (15-Jan-18)	1)CARE C; Stable (03-Mar-17)
2.	Fund-based - ST-Bills discounting/ Bills purchasing	ST	2.00	CARE A4	-	1)CARE A4 (07-Jan-19)	1)CARE A4 (15-Jan-18)	1)CARE A4 (03-Mar-17)
3.	Non-fund-based - ST-BG/LC	ST	70.90	CARE A4	-	1)CARE A4 (07-Jan-19)	1)CARE A4 (15-Jan-18)	1)CARE A4 (03-Mar-17)

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities

Name of the Instrument	Detailed explanation
A. Financial covenants	
i	
ii	
iii ...and so on..	
B. Non financial covenants	
i	
ii	
iii ...and so on..	

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.

Contact us**Media Contact**

Mradul Mishra

Contact no. – +91-22-6837 4424

Email ID – mradul.mishra@careratings.com

Analyst Contact

Group Head Name – Archana N R

Group Head Contact no.- 080 - 46625525

Group Head Email ID- archana.nr@careratings.com

Relationship Contact

Name: Nitin Kumar Dalmia

Contact no. : 080-46625555

Email ID : nitin.dalmia@careratings.com

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