

## Indian Machine Tool Manufacturers' Association

December 01, 2020

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long term Bank Facilities	<b>191.78</b> (Reduced from 201.70)	<b>CARE BBB+; Negative (Triple B Plus; Outlook: Negative )</b>	<b>Reaffirmed; Outlook revised from Stable</b>
<b>Total Facilities</b>	<b>191.78</b> (Rs. One Hundred Ninety-One Crore and Seventy-Eight Lakhs Only)		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The revision in outlook of rating of Indian Machine Tool Manufacturers' Association (IMTMA) reflects likely pressure on its cashflows in the absence of visibility of exhibitions in H2FY21. The Covid19 pandemic has adversely impacted the credit profile of the IMTMA due to the restrictions placed by the state and central governments on social gatherings and organizing of events as a part of containment measures. Most of the exhibitions have either been cancelled or postponed to H1FY22 and therefore IMTMA has applied for additional debt facilities to fund temporary cash flow mismatch, timely sanction of which is critical for its credit profile. As such, current liquidity of the company is sufficient enough for next 4-5 months of debt servicing and fixed cost expenses. During H1FY21, Government of Karnataka (GoK)/ BBMP (Bruhat Bangalore Mahangar Palike; civic body of Bengaluru) had taken over the space of the Association and converted into Covid Care Centre (CCC) for 66 days for which the association has billed to BBMP. The status on receipt of amount is uncertain as there was no prior definitive understanding/agreement between IMTMA and GoK/BBMP on pricing before taking over of the facility. CARE believes that, timely receipt of the CCC's revenues from BBMP or sanction of at least one of the applied loans will be crucial for IMTMA from the liquidity perspective.

Nevertheless, CARE positively takes note of importance of IMTMA to machine tools industry. In the past, these exhibitions have generated significant orders/ enquiries for exhibitors vis-à-vis cost incurred by them. The same provides incentive for exhibitors to take participation in upcoming exhibitions planned.

The rating of bank facilities of IMTMA continues to derive strength from the Association being the sole face of the Indian machine tool industry possessing unique infrastructure and specialized designs and its satisfactory capital structure. These rating strengths are partially offset by the revenue fluctuation every alternate year with IMTEX – Cutting and IMTEX – Forming exhibitions being held on alternate years. Ability of the company to conduct exhibitions as envisaged will be key rating monitorable.

### Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Achieving of Pre-Covid sales levels by the Association with sustainable profitability margins.

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Deterioration in liquidity of IMTMA due to non-receipt of sanction from lenders in timely manner/ refund of advances etc.
- Further postponement of IMTEX-Cutting exhibition beyond June'21.
- Any major debt funded capex undertaken by the association in near to medium term affecting capital structure and debt coverage indicators.

### Outlook: Negative

The negative outlook is on account of cancellation/postponement of exhibitions planned in FY21 due to Covid-19 which is likely to exert pressure on Association's liquidity. IMTMA has applied for sanction of additional facilities from the lenders to match the likely cash flow mismatches, timely sanction of which is crucial for company's prospects. The outlook may be revised to 'Stable' in case the association is able to receive sanction from banks in timely manner/cashflows from BBMP.

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

## Detailed description of the key rating drivers

### Key Rating Strengths

#### ***Sole face of Indian machine tool industry***

IMTMA has more than three decades of experience in the machine tools exhibition space. With specialized designs and infrastructure, IMTMA has the world class exhibition facility in Bangalore International Exhibition Centre (BIEC) which also has the India's first LEED (Leadership in Energy and Environmental Design) certification. IMTMA has been playing active role in assisting the industry its members to improve the industry's image, increase competitiveness, upgrade quality & technology standards and provide business opportunities through exhibitions and related events. As of June 30, 2020, IMTMA had membership of 468 companies from public as well as private sectors which include professionals, engineers and designers holding senior positions in various companies of varying size & scale and having vast experience in the machine tool industry. These exhibitions have generated sizeable orders and enquiries for the exhibitors vis-à-vis the cost incurred by them.

#### ***Satisfactory capital structure***

IMTMA's capital structure continues to remain satisfactory with overall gearing of 0.84x as of Mar'20 against 0.87x as on Mar'19. The marginal improvement is due to part of the term debt repayments during FY20. Further, IMTMA being a section 8 company, is not allowed to distribute profits in turn supports its networth base. With additional debt being planned to be raised by IMTMA, its capital structure is expected to moderate in near to medium term.

### Key Rating Weaknesses

#### ***Adverse impact of Covid-19 on association's credit profile with no visibility on exhibitions for FY21***

Covid19 has adversely impacted the credit profile of the IMTMA. With restrictions placed by state/central governments on social gatherings and organizing events, most of the events got either cancelled or postponed to later dates. The association has refunded the customer advances for the cancelled events. Though vide its order dated Sept 29, 2020, Government of India (GOI) allowed B2B shows from Oct 15, 2020, the association doesn't foresee any major exhibition happening in H2FY21 due to high gestation period associated with the exhibition/event business. Due to the fixed costs, refunding of advances and debt servicing during H1FY21, cash and bank balances of the association depleted from Rs.64 Cr as of March 31, 2020 to Rs.32.15 Cr as of September 30, 2020.

#### ***Revenue fluctuation every alternate year with IMTEX-Cutting and IMTEX-Forming exhibitions being held alternatively***

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. The association conducted the IMTEX-Forming exhibition in FY20 which led to lower income and profits.

#### ***Prospects of industry in the wake of Covid19***

Indian exhibition sector got impacted heavily with lockdown measures and restrictions against organizing event announced by the state and central governments during H1FY21. However, with Government of India allowing B2B exhibitions from October 15, 2020 in the Unlock 5 notification, most of the exhibition/event space providers are getting ready to start hosting the exhibitions. With mandatory SOPs from the Government and manufacturing sector slowly getting to the pre Covid levels, exhibition sector is expected to gradually come back to the pre Covid levels.

### **Liquidity: Adequate**

IMTMA had cash and bank balances of Rs.32.15 Cr as on Sept'20 which are sufficient for next 4-5 months of fixed cost expenses and debt repayments. IMTMA had opted for moratorium from May to Aug'20 for deferment of Interest and principal payments. However, the association has paid the entire interest accrued during the moratorium along with September month's instalment. The Association has approached various lenders for additional loan facilities to meet any cash flow mismatches caused by cancellation/postponement of events due to Covid19. Receipt of the revenues from BBMP related to Covid Care Centre or sanction of at least one of the applied loans will be crucial for IMTMA from the liquidity perspective. IMTMA's financial flexibility is also derived from the asset value it has created over the years translating into low LTV of 0.22x and provides sufficient headroom to raise additional debt.

**Analytical approach:** Standalone.

### **Applicable Criteria**

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

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

[Financial ratios - Non-Financial sector](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

### About the Company

Indian Machine Tool Manufacturer's Association (IMTMA) was incorporated in March 1973 as a section 8 company (earlier referred as Section 25 company as per old Companies Act). IMTMA 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 Delhi and Pune, where training programs and seminars are conducted for the machine tool industry.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	150.40	111.36
PBILDT	74.62	31.62
PAT	38.82	-2.52
Overall gearing (times)	0.87	0.84
Interest coverage (times)	3.83	1.47

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

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

**Complexity level of various instruments rated for this company:** Annexure 4

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

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	March 2029	191.78	CARE BBB+; Negative

### 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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	191.78	CARE BBB+; Negative	-	1)CARE BBB+; Stable (03-Dec-19)	1)CARE BBB+; Stable (03-Jan-19) 2)CARE BBB+; Stable (05-Dec-18)	1)CARE BBB+; Stable (17-Nov-17)

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

Name of the Instrument – Term Loans	Detailed explanation
<b>A. Financial covenants</b>	DSCR shall not fall below 1.10x
	Debt equity ratio shall not exceed 2:1
	Total indebtedness ratio (leverage ratio) shall not exceed 2.5:1
	Min Net fixed assets coverage ratio to be maintained: 1.25x
<b>B. Non-financial covenants</b>	Security: Pari passu first charge on the entire moveable and immoveable fixed assets of IMTMA located at Bangalore International Exhibition Centre (BIEC). Bangalore (spread over Madanayakanahalli village and Madavara Village. aggregating to 64 acres approx.)
	IMTMA not to contract additional term borrowing, shall not undertake any new project or expansion or any other form of capital investment or obtain equipment on lease, other than that undertaken in the normal course of business, without prior approval from the lender.

**Annexure 4: Complexity level of various instruments rated for this company**

Sr No	Name of instrument	Complexity level
1	Fund-based - LT-Term Loan	Simple

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

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### 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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