

HMTc Engineering Company (Kolkata) Private Limited: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	5.50	SMERA B /Stable (Assigned)
Cash Credit (Proposed)	2.00	SMERA B /Stable (Assigned)
Bank Guarantee	4.00	SMERA A4 (Assigned)

SMERA has assigned long term rating of '**SMERA B**' (**read as SMERA B**) on the Rs.7.50 crore (fund based) and short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs.4.00 crore (non-fund based) bank facilities of HMTc Engineering Company (Kolkata) Private Limited (HMTc). The outlook is '**Stable**'. The ratings are constrained by the small scale of operations and working capital intensive business. However, the ratings draw comfort from the experienced management, established market position, reputed clientele and moderate financial risk profile.

Established in 2010, HMTc is a Kolkata-based company engaged in the fabrication of steel structures. The company undertakes design and manufacture of continuous bulk material handling equipments used to convey coal, iron ore and other mineral additives to bunkers or conveyors as the need may be.

HMTc's small scale of operations is marked by revenue of Rs.19.02 crore in FY2016 (provisional) as against Rs.15.23 crore in FY2015. Moreover, the company has a current order book position of Rs.23.00 crore to be executed by March'17 that provides moderate revenue visibility over the medium term. The company has already registered revenue of Rs.8 crore upto 31st July, 2016. The working capital intensive operations are marked by high gross current assets days of 367 days in FY2016 (provisional) as against 480 days in FY2015. This is on account of huge pile up of inventory of 136 days in FY2016 (provisional) as compared to 211 days in FY2015 and receivables at 180 days in FY2016 (provisional) and 195 days in FY2015 respectively. The creditors stand at 255 days and 308 days in FY2016 (provisional) and FY2015 respectively.

HMTc was established by K.M. Chatterjee as a partnership firm under the name - Hindustan Machine Tools Corporation in 1948 and later converted into a private limited company in April 2010. The management has more than five decades of experience in fabrication of steel structures. This is the third generation in the business.

Over the years, HMTc has established relationships with reputed customers such as TATA Projects Limited, Larsen & Toubro Limited, McNally Bharat Engineering Co. Ltd. to name a few.

The financial risk profile of the company is marked by moderate debt protection metrics, healthy gearing levels and low net worth base. The interest coverage and debt service coverage ratios have been at 1.71 times and 1.58 times respectively in FY2016 (provisional). The gearing levels have improved from 1.28 times in FY2015 to around 0.98 times in FY2016 (provisional). The net worth base remains at relatively low levels of around Rs.7.22 crore as on March 31, 2016 (provisional). The company does not have significant capex plans over the medium term.

Rating Sensitivity Factors

- Scaling up of operations and profitability
- Efficient working capital management
- Extent of capex and its funding mix

Outlook-Stable

SMERA believes that HMTC will maintain a stable outlook in the medium term backed by its promoters' extensive experience and established relations with its customers. The outlook may be revised to 'Positive' if the company scales up operations and profitability while improving working capital management. However, the outlook may be revised to 'Negative' if the company fails to achieve the expected revenues, profitability or if the working capital cycle further deteriorates.

Criteria applied to arrive at the ratings:

- Manufacturing entities

About the Company

HMTC is a Kolkata-based company engaged in the fabrication of steel structures at Hooghly and Howrah. The management possesses experience of over five decades in the aforesaid business.

For FY2016 (provisional), the company reported profit after tax (PAT) of Rs.0.31 crore on total operating income of Rs.1.34 crore, as compared with PAT of Rs.0.53 crore on total operating income of Rs.-0.45 crore in FY2015. The tangible net worth stands at Rs.7.22 crore in FY2016 (provisional) as compared to Rs.6.91 crore in FY2015.

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ABOUT SMERA

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