

## Machine tools

Industry Code (as per CMIE Prowess): 0101014001150000'

June 2022

Overall Industry Risk Score: **11/20 | Marginally Favourable**

Sample Size: 13 Companies

Median Rating Value of sample size: BB

### Individual Parameters Contributing to the Score

#### Demand & Supply Balance



8/20

Moderate Over Supply

Capacity utilization (CU) across the industries in FY21 remained low (close to 70%) due to subdued economic activity. As per OBICUS survey of RBI, the capacity utilisation was at 63.3% for Q2FY21 & 66.6% for Q3FY21 but has marginally improved in FY22 from 68.3% for Q2FY22 to 72.4% for Q3FY22. As per CMIE data, the industry reported a y-o-y 30.4% decline in sales from Rs.11.2 billion in March 2021 quarter to Rs.7.5 billion during the quarter ended March 2022. On the contrary, the industry exports witnessed a sharp spike of 52.71% from Rs.24 billion in FY21 to Rs.36.85 billion in FY22. The demand for machine tools will depend on the recovery of the capex cycle over the medium term.

#### Extent of Competition



8/20

Fragmented Industry

Lower demand has intensified competition in the industry along with substantial imports from countries such as China.

## Regulatory Risk



16/20

Stable Regulatory environment

The government is encouraging FDI investments in the machine tools sector to reduce the dependence on imports.

## Input Related Risk



12/20

Largely predictable supply of inputs from diversified sources or Raw Materials with rare, occasional disruptions / fairly predictable price band

Rising steel and other metal prices can escalate input cost for this industry. The volatility in the currency is also a challenge for the players who either source components through imports or engage in exports.