

**Press Release**  
**LOKESH MACHINES LIMITED**  
**February 25, 2025**  
**Rating Assigned and Reaffirmed**



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	36.00	ACUITE BBB   Assigned   Rating Watch with Negative Implications	-
Bank Loan Ratings	127.92	ACUITE BBB   Reaffirmed   Rating Watch with Negative Implications	-
Bank Loan Ratings	44.50	-	ACUITE A3+   Reaffirmed   Rating Watch with Negative Implications
Total Outstanding Quantum (Rs. Cr)	208.42	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

**Rating Rationale**

Acuite has reaffirmed its long-term rating of ‘**ACUITE BBB**’ (read as **ACUITE Triple B**) on the Rs. 127.92 Cr. and short-term rating of ‘**ACUITE A3+**’ (read as **ACUITE A Three plus**) on the Rs.44.50 Cr. bank facilities of Lokesh Machines Limited (LML). The ratings have been placed under ‘**Rating watch with Negative Implications**’.

Acuite has also assigned its long-term rating of ‘**ACUITE BBB**’ (read as **ACUITE Triple B**) on the Rs.36.00 Cr. bank facilities of Lokesh Machines Limited (LML). The ratings have been placed under ‘**Rating watch with Negative Implications**’.

**Rationale for rating watch and reaffirmation :**

Acuite has placed its outstanding ratings under watch with negative implications due to the company’s inclusion on the Office of Foreign Assets Control (OFAC) sanctions list by United States Department of Treasury. This has led to a decline in operating income and profitability in 9MFY2025, with expectations of continued impact on operating performance in the near term. Acuite will continue to monitor the impact of sanctions imposed by US Department of Treasury on the financial and business risk profile of the company.

Further, the rating reaffirmation takes into account the improvement in the scale of operations and profitability in FY2024. Furthermore, it considers its healthy financial risk profile, the company’s long-term presence in the market for more than two and a half decades, and its established relations with the customers which fetch repeated orders.

The rating is, however, constrained by intensive nature of its working capital operations and intense competition in the industry.

**About the Company**

Incorporated in 1983, LML is promoted by Mr. M. Lokeshwara Rao and Mr. B. Kishore Babu and started commercial production in 1986. The company has six manufacturing locations, with five in Hyderabad and one in Pune. The company’s operations are segregated into two divisions, namely the Machines and Components divisions. The company is engaged in the design, development and manufacture of custom-built Special Purpose Machines (SPMs), General Purpose CNC Machines (GPMs), Jigs & Fixtures and Machining of Automobile Cylinder Blocks, Heads and Connecting Rods, Defense Systems and Precision Engineering Components among others. LML also executes job work majorly for Mahindra & Mahindra Limited (M&M). The company's shares are listed on the NSE & BSE.

**Unsupported Rating**

Not applicable

## Analytical Approach

Acuité has considered the standalone business and financial risk profile of LML to arrive at the rating.

## Key Rating Drivers

### Strengths

#### **Established track record in the machine tools industry and its long-term association with the clientele**

The company's long-standing presence, spanning nearly four decades, in the machine tools segment, has helped it develop strong expertise in design and manufacturing capabilities, enabling it to provide customized machines to customers. Further, the four-decade-long experience of the promoters in the Machines Tools industry has helped build healthy relationships with customers (automotive original equipment manufacturers) and suppliers, and a diversified distribution network which helps them with getting repeat orders to an extent. The company ranks in the top 5 CNC Machine Manufacturers in India. Acuité believes that the promoter's experience, understanding of the market dynamics and established relationships with suppliers and customers will continue to support the business profile over the medium term.

#### **Healthy financial risk profile**

The company's financial risk profile is healthy, marked by healthy net worth, low gearing and moderate debt protection metrics. The net worth of the company stood at Rs.195.44 Cr. and Rs.158.67 Cr. as on March 31, 2024, and 2023 respectively. The improvement in net worth is due to the accretion of reserves and equity infusion. Gearing of the company stood at 0.60 times as on March 31, 2024, against 0.56 times as on March 31, 2023. Debt protection metrics – Interest coverage ratio and debt service coverage ratio stood at 3.66 times and 1.86 times as on March 31, 2024, respectively, as against 3.20 times and 1.70 times as on March 31, 2023, respectively.

TOL/TNW (Total outside liabilities/Total net worth) stood at 1.00 times and 1.06 times as on March 31, 2024, and 2023 respectively. The debt to EBITDA of the company stood at 2.81 times as on March 31, 2024, as against 2.57 times as on March 31, 2023. Acuité believes that the financial risk profile will remain healthy in the absence of any major debt-funded capital expenditure plan in the near term.

### Weaknesses

#### **Working capital intensive operations**

LML's working capital operations are intensive, marked by high gross current Asset (GCA) at 223 days in FY2024, although improved from 254 days in FY2023. The GCA days are impacted mainly on account of high inventory days. The inventory levels of the company have been historically high owing to the lengthy order execution cycle. As these are capital goods, a large part of the inventory remains in the work-in-progress stage. Inventory days stood at 170 days in FY2024 as against 194 days in FY2023. Debtor days stood moderate at 51 days in FY2024 as against 53 days in FY2023. Subsequently, the payable period stood at 83 days in FY 2024 as against 83 days in FY2023. Further, the reliance on bank limits utilization stood at ~89 percent for the fund-based limits and 49 percent for the non-fund-based limits for the past seven months ending in January 2025. Acuité believes that the working capital operations of the company will remain intensive, as evident from its high inventory levels.

#### **Improvement in operating performance in FY2024, albeit moderation in 9MFY2025**

The company witnessed an improvement in its operating revenue marked by y-o-y growth of 22.15 percent in FY 2024, which stood at Rs. 293.54 Cr. in FY 2024 as against Rs. 240.30 Cr. in FY 2023. The improvement in revenues is on account of the increase in utilization levels due to higher order flow and demand revival in the end-user sectors (primarily auto), procurement of CNC machines by customers for productivity and technology improvement initiatives, and favorable industry outlook. The company has an unexecuted order book position of Rs.80.25 Cr. as on January 2025. However, in 9M FY2025, the company's operating revenue moderated to Rs. 189.63 Cr. as against Rs. 213.20 Cr. in 9M FY2024. The moderation is due to its inclusion on the OFAC sanctions list of the United States Department of Treasury. Further, Acuite learns from the management that it has taken steps to resolve the issue, and expects a favorable outcome in the near term. Going ahead, Acuite will continue to monitor the impact of the sanction on the overall financial and business risk profile of the company.

#### **Intense competition in industry**

LML continues to face stiff competition from domestic players in the standardized machinery segment and from imports in the case of high value-added specialized and customized products, which limits its pricing flexibility and margins to an extent. Further, the company's margins remain susceptible to fluctuations in raw material prices as its orders are of a fixed price in nature. Its major raw materials include steel and steel components. Furthermore, the revenue profile is also concentrated on the auto segment; the auto industry has been facing headwinds in the recent fiscal and, thereby impacting demand for LML's products and its profitability. However, going forward, consolidation in the industry and LML's efforts to diversify its sectoral space are likely to support its revenues.

### **Rating Sensitivities**

- Significant growth in revenue and profitability
- Further stretch in the working capital cycle leading to an increase in working capital borrowing and weakening of financial risk profile
- Deterioration in capital structure and other credit metrics due to any large, debt-funded capex/acquisition
- Removal of company's name from OFAC sanction list

### **Liquidity Position: Adequate**

LML's liquidity is adequate, marked by adequate net cash accruals to its maturing debt obligation. The company has generated cash accruals of Rs.23.82 Cr. in FY2024, while its maturing debt obligations were Rs. 5.37 Cr. during the same period. Going forward, the company is expected to generate sufficient net cash accruals against its maturing debt obligation. The current ratio stood at 1.30 times as on March 31, 2024. Further, the reliance on bank limits utilization stood at ~89 percent for the fund-based limits and 49 percent for the non-fund-based limits for the past seven months ending in Jan 2025. The company maintained an unencumbered cash and bank balances of Rs.0.21 Cr. as on March 31, 2024. Acuité believes that the liquidity of the company is likely to improve over the medium term.

### **Outlook: Not Applicable**

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	293.54	240.30
PAT	Rs. Cr.	13.85	9.67
PAT Margin	(%)	4.72	4.03
Total Debt/Tangible Net Worth	Times	0.60	0.56
PBDIT/Interest	Times	3.66	3.20

### Status of non-cooperation with previous CRA (if applicable)

Not Applicable

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
07 Dec 2023	Letter of Credit	Short Term	17.50	ACUITE A3+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	13.50	ACUITE A3+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	7.75	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	5.75	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	45.00	ACUITE BBB   Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	4.18	ACUITE BBB   Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	3.81	ACUITE BBB   Stable (Reaffirmed)
	Cash Credit	Long Term	10.75	ACUITE BBB   Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	1.14	ACUITE BBB   Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	0.95	ACUITE BBB   Stable (Reaffirmed)
	Cash Credit	Long Term	13.25	ACUITE BBB   Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	1.36	ACUITE BBB   Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	1.13	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	7.66	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	25.00	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	4.69	ACUITE BBB   Stable (Reaffirmed)
	Term Loan	Long Term	8.81	ACUITE BBB   Stable (Assigned)
	Proposed Long Term Loan	Long Term	0.19	ACUITE BBB   Stable (Assigned)
24 Nov 2023	Letter of Credit	Short Term	17.50	ACUITE A3+ (Upgraded from ACUITE A3)
	Bank Guarantee (BLR)	Short Term	13.50	ACUITE A3+ (Upgraded from ACUITE A3)
	Bank Guarantee (BLR)	Short Term	7.75	ACUITE A3+ (Upgraded from ACUITE A3)
	Letter of Credit	Short Term	5.75	ACUITE A3+ (Upgraded from ACUITE A3)
	Cash Credit	Long Term	45.00	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Covid Emergency Line.	Long Term	4.18	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Covid Emergency Line.	Long Term	3.81	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Cash Credit	Long Term	10.75	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Covid Emergency Line.	Long Term	1.14	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Covid Emergency Line.	Long Term	0.95	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Cash Credit	Long Term	13.25	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)

	Covid Emergency Line.	Long Term	1.36	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Covid Emergency Line.	Long Term	1.13	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Term Loan	Long Term	7.66	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Term Loan	Long Term	25.00	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Term Loan	Long Term	4.69	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
02 Sep 2022	Stand By Line of Credit	Short Term	2.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	10.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	4.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	2.25	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	3.25	ACUITE A3 (Reaffirmed)
	Proposed Bank Guarantee	Short Term	9.50	ACUITE A3 (Assigned)
	Proposed Bank Guarantee	Short Term	5.50	ACUITE A3 (Assigned)
	Proposed Letter of Credit	Short Term	7.50	ACUITE A3 (Assigned)
	Proposed Letter of Credit	Short Term	2.50	ACUITE A3 (Assigned)
	Covid Emergency Line.	Long Term	6.42	ACUITE BBB-   Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	0.43	ACUITE BBB-   Stable (Reaffirmed)
	Cash Credit	Long Term	9.25	ACUITE BBB-   Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	1.69	ACUITE BBB-   Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	0.95	ACUITE BBB-   Stable (Reaffirmed)
	Cash Credit	Long Term	11.50	ACUITE BBB-   Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	2.02	ACUITE BBB-   Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	1.12	ACUITE BBB-   Stable (Reaffirmed)
	Dropline Overdraft	Long Term	8.62	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	25.00	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	37.00	ACUITE BBB-   Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	6.00	ACUITE BBB-   Stable (Assigned)
	Proposed Cash Credit	Long Term	1.50	ACUITE BBB-   Stable (Assigned)
	Proposed Cash Credit	Long Term	1.50	ACUITE BBB-   Stable (Assigned)
	Covid Emergency Line.	Long Term	3.38	ACUITE BBB-   Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	0.54	ACUITE BBB-   Stable (Assigned)
	Stand By Line of Credit	Short Term	1.00	ACUITE A3 (Assigned)
		Short		

04 Feb 2022	Stand By Line of Credit	Term	1.00	ACUITE A3 (Assigned)
	Bank Guarantee (BLR)	Short Term	1.00	ACUITE A3 (Assigned)
	Bank Guarantee (BLR)	Short Term	3.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	1.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	9.00	ACUITE A3 (Assigned)
	Bank Guarantee (BLR)	Short Term	2.00	ACUITE A3 (Assigned)
	Bank Guarantee (BLR)	Short Term	0.25	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	2.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	1.25	ACUITE A3 (Assigned)
	Cash Credit	Long Term	1.00	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	36.00	ACUITE BBB-   Stable (Assigned)
	Working Capital Term Loan	Long Term	1.00	ACUITE BBB-   Stable (Assigned)
	Working Capital Term Loan	Long Term	6.90	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	1.25	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	8.00	ACUITE BBB-   Stable (Assigned)
	Working Capital Term Loan	Long Term	1.00	ACUITE BBB-   Stable (Assigned)
	Working Capital Term Loan	Long Term	1.05	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	1.50	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	10.00	ACUITE BBB-   Stable (Assigned)
	Working Capital Term Loan	Long Term	1.25	ACUITE BBB-   Stable (Assigned)
	Working Capital Term Loan	Long Term	1.00	ACUITE BBB-   Stable (Assigned)
	Dropline Overdraft	Long Term	1.00	ACUITE BBB-   Stable (Assigned)
	Dropline Overdraft	Long Term	8.05	ACUITE BBB-   Stable (Assigned)



## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
State Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	13.50	Simple	ACUITE A3+   Reaffirmed   Rating Watch with Negative Implications
Punjab National Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	7.75	Simple	ACUITE A3+   Reaffirmed   Rating Watch with Negative Implications
Punjab National Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.75	Simple	ACUITE BBB   Reaffirmed   Rating Watch with Negative Implications
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	55.00	Simple	ACUITE BBB   Reaffirmed   Rating Watch with Negative Implications
Indusind Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	13.25	Simple	ACUITE BBB   Reaffirmed   Rating Watch with Negative Implications
Indusind Bank Ltd	Not avl. / Not appl.	Covid Emergency Line.	22 Apr 2022	Not avl. / Not appl.	26 Mar 2026	0.66	Simple	ACUITE BBB   Reaffirmed   Rating Watch with Negative Implications
Indusind Bank Ltd	Not avl. / Not appl.	Covid Emergency Line.	22 Apr 2024	Not avl. / Not appl.	26 Mar 2028	0.94	Simple	ACUITE BBB   Reaffirmed   Rating Watch with Negative Implications
State Bank of India	Not avl. / Not appl.	Covid Emergency Line.	22 Jan 2022	Not avl. / Not appl.	26 Dec 2025	1.79	Simple	ACUITE BBB   Reaffirmed   Rating Watch with Negative Implications
State Bank of India	Not avl. / Not appl.	Covid Emergency Line.	22 Feb 2024	Not avl. / Not appl.	22 Jan 2028	2.92	Simple	ACUITE BBB   Reaffirmed   Rating Watch with Negative Implications
Punjab National Bank	Not avl. / Not appl.	Covid Emergency Line.	22 Apr 2022	Not avl. / Not appl.	26 Mar 2026	0.51	Simple	ACUITE BBB   Reaffirmed   Rating Watch with Negative Implications
Punjab National Bank	Not avl. / Not appl.	Covid Emergency Line.	22 Apr 2023	Not avl. / Not appl.	25 Mar 2027	0.67	Simple	ACUITE BBB   Reaffirmed   Rating Watch with Negative Implications
Punjab National Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.75	Simple	ACUITE A3+   Reaffirmed   Rating Watch with Negative Implications
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	17.50	Simple	ACUITE A3+   Reaffirmed   Rating Watch with Negative Implications
Not Applicable	Not avl. / Not appl.	Proposed Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE BBB   Assigned   Rating Watch with Negative Implications
Not Applicable	Not avl. / Not appl.	Proposed Long Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.47	Simple	ACUITE BBB   Reaffirmed   Rating Watch with Negative Implications
Punjab National Bank	Not avl. / Not appl.	Term Loan	23 Jan 2023	Not avl. / Not appl.	23 Dec 2031	6.54	Simple	ACUITE BBB   Reaffirmed   Rating Watch with Negative Implications
State Bank of India	Not avl. / Not appl.	Term Loan	23 Sep 2023	Not avl. / Not appl.	01 Mar 2030	23.00	Simple	ACUITE BBB   Reaffirmed   Rating Watch with Negative Implications
Punjab National Bank	Not avl. / Not appl.	Term Loan	23 Sep 2023	Not avl. / Not appl.	23 Jun 2032	11.42	Simple	ACUITE BBB   Reaffirmed   Rating Watch with Negative Implications
State Bank of India	Not avl. / Not appl.	Term Loan	01 Dec 2024	Not avl. / Not appl.	01 Mar 2032	26.00	Simple	ACUITE BBB   Assigned   Rating Watch with Negative Implications



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