

Lokesh Machines Limited

August 29, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	159.98 (Reduced from 172.72)	CARE BBB-; Stable	Downgraded from CARE BBB; Negative
Short-term bank facilities	44.50	CARE A3	Downgraded from CARE A3+

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Revision in ratings to bank facilities of Lokesh Machines Limited (LML) factors in the decline in its scale of operations and profitability in FY25, following the inclusion of company's name in the Office of Foreign Assets Control (OFAC) sanctions list, the impact of which is expected to persist in FY26. Ratings also reflect the working capital intensive operations, moderate debt coverage indicators, and exposure of profitability to raw material price fluctuations. To mitigate the revenue loss from the job work segment due to OFAC restrictions, LML has been exploring defence and forge work opportunities with other players. However, the traction so far has been limited and has not materially offset the revenue decline.

Ratings continue to draw comfort from LML's comfortable capital structure, established and diversified customer base, the promoters' extensive industry experience, and adequate liquidity position. With expected contributions from the defence project, new forge work opportunities, and the potential removal from the OFAC list, the company anticipates a recovery in scale and profitability in FY26. Going forward, improvement in scale of operations and profitability, while maintaining adequate liquidity will remain key monitorable.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Steady growth in revenue to over ₹350 crore while maintaining profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin of ~15% on a sustained basis.
- Total debt to PBILDT improving to less than 2.5x, on a sustained basis.

Negative factors

- Significantly deteriorating total operating income (TOI) or PBILDT by over 30% y-o-y.
- Overall gearing weakening to over 1x.
- Significantly elongating operating cycle, impacting company's liquidity.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CareEdge Ratings) expects the company's operations to remain stable, supported by its established and diversified customer base and the promoters' extensive industry experience.

Detailed description of key rating drivers:

Key strengths

Comfortable capital structure

The company's capital structure remains comfortable, underpinned by a below-unity overall gearing of 0.63x as on March 31, 2025 (0.60x as on March 31, 2024). The debt profile is largely comprised of term loans, including Guaranteed Emergency Credit Line (GECL) facilities availed to support liquidity in the pandemic, and working capital borrowings to fund day-to-day operations. The total outside liabilities-to-net worth ratio stood at 0.96x as on March 31, 2025 (0.94x as on March 31, 2024). The company's tangible net worth stood at ₹212.36 crore as on March 31, 2025 (₹195.44 crore as on March 31, 2024), providing a strong equity base to support business operations and absorb potential shocks. The healthy net worth base and moderate reliance on external borrowings offer financial flexibility, enabling the company to raise additional debt if required for future expansion or working capital needs.

¹Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

Reputed and diversified customer base

With over two and a half decades of presence, the company has built strong relationships with its customers, resulting in repeat business. LML has established itself as one of the prominent CNC machine manufacturers in India, catering to a reputed clientele that includes Ashok Leyland Limited (rated 'CARE AA+; Stable/CARE A1+', September 26, 2024), Kirloskar Oil Engines Limited, Siemens Financial Services Pvt Ltd, Oswal Pumps Limited, and Munjal Kiri Industries Pvt Ltd, among others. The company also has an established export footprint, supplying to markets such as Russia, Italy, the US, Bahrain, and Turkey. However, the inclusion of LML's name in the OFAC sanctions list has led some key customers to suspend job work allocations. The timely removal of its name from the list remains critical for sustaining customer relationships and preserving the company's credit profile.

Extensive experience of promoters in the industry

LML is promoted by Lokeshwara Rao M, who serves as the Managing Director and has been instrumental in steering the company's strategic direction and growth. The board is strengthened by Krishnaswamy K, Director, who brings over 45 years of extensive industry experience and oversees the company's overseas operations. Complementing this is Srinivas Mullapudi, Director, with three decades of experience in the sector and significant expertise in managing and expanding the company's international business. The promoters' long-standing industry experience, deep domain knowledge, and proven track record in both domestic and overseas markets provide the company with strong leadership and operational guidance.

Key weaknesses

Decline in scale of operations and profitability in FY25

The company reported a revenue decline of ~22.28% in FY25, from ₹293.87 crore in FY24 to ₹228.41 crore in FY25, following the inclusion of LML's name in the OFAC list in October 2024. This led to disruption in the supply of electronic components from a key supplier, adversely impacting production. The company has since arranged alternate sourcing to meet its deliverables, and this arrangement is expected to continue until its name is removed from the sanctions list. Mahindra and Mahindra, which contributed ₹58.30 crore and ₹52.93 crore of TOI from the components division in FY23 and FY24, respectively, halted order allocations due to the sanctions. Nevertheless, the company recorded ₹36.72 crore of revenue from this division in 9MFY25. Representations have been made to OFAC for which the management expecting a favourable outcome by December 2025. To compensate for the lost revenue from Mahindra & Mahindra, the company is pursuing forge work opportunities with other players. The decline in scale of operations, and relatively unchanged fixed costs, led to PBILDT margin compression from 13.87% in FY24 to 12.50% in FY25, while APAT margin fell sharply from 4.71% to 0.24% due to higher depreciation and finance costs. With operations from the defence project, new forge work opportunities, and anticipated removal from the OFAC list, the company expects a rebound in scale and profitability in FY26.

Working capital intensive nature of operations

The company's operations are inherently working capital intensive, with the operating cycle extending to 226 days in FY25 from 166 days in FY24. The manufacturing process for machine tools, its primary product line, takes ~8-10 months, while component manufacturing requires about two months. Owing to the capital goods nature of its products, a significant portion of inventory remains in the work-in-progress stage. Inventory days were elevated at 233 days in FY25 (PY: 167 days), with raw materials and work-in-process constituting about 88% of total inventory. This high working capital intensity is also reflected in the gross current asset days, which increased to 320 days in FY25 (PY: 233 days), primarily due to a longer inventory holding period and higher receivables. The collection period, though moderate, increased to 59 days from 47 days in FY24, with payments generally realised within 45-60 days. Debtors outstanding for over six months stood moderately high at ₹16.56 crore as on March 31, 2025, compared to ₹14.84 crore as on March 31, 2024. On the liabilities side, the company availed a longer average credit period from suppliers at 66 days in FY25 (PY: 47 days). The elongated operating cycle necessitates continued reliance on working capital bank borrowings to bridge funding requirements.

Moderate debt coverage indicators

Coverage indicators moderated in FY25, with total debt to gross cash accruals (TD/GCA) standing at 9.06x against 4.58x in the previous year, and PBILDT interest coverage ratio at 1.88x compared to 3.55x in FY24. Total debt to PBILDT also increased to 4.68x in FY25 from 2.90x in FY24. The moderation in these indicators was primarily considering a decline in operating profits during the year, and an increase in finance costs. However, the indicators remain within a manageable range and are supported by the company's comfortable capital structure and adequate liquidity profile.

Profitability vulnerable to fluctuation in raw material prices

Raw material consumption constitutes a significant cost component for the company, with steel and aluminium being the primary inputs. Prices of these commodities have remained volatile in the last few years. Any adverse movement in raw material prices, without a corresponding adjustment in finished goods prices, could impact the company's profitability. While finished goods prices

are generally aligned with raw material prices, the order-based nature of operations results in a time lag in passing on cost changes to customers. This exposes the company's margins to risks arising from raw material price fluctuations.

Liquidity: Adequate

The company's liquidity position remains adequate, backed by sufficient cash accruals to service its debt repayment obligations. As on March 31, 2025, the current ratio stood at 1.29x, while the quick ratio was lower at 0.37x, indicating a high share of inventory within current assets. Average utilisation of working capital limits over the 12 months ended May 2025 was 83.93% for fund-based facilities and 44.19% for non-fund-based facilities. Net cash flow from operations was positive at ₹20.91 crore in FY25, and unencumbered cash and bank balances stood at ₹0.43 crore as on March 31, 2025. The company has maintained financial discipline, with no instances of overdrawing in working capital limits in the previous 12 months.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Auto Components & Equipments](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital goods	Industrial products	Other industrial products

Incorporated in December 1983, LML started commercial operations in 1985, and is promoted by M. Lokeswara Rao. The company has six manufacturing units, with five in Hyderabad and one in Pune with a total installed capacity of 900 general purpose machines (GPM) and 10 special purpose machines (SPM) per annum (reported capacity; however, depending on the size and the type of machine, the capacity may vary). The company's operations can be segregated into two divisions, namely, machines and components division. The product portfolio consists of machine tools such as CNC lathes, vertical machining centres, horizontal machining centres, vertical turning centres, special purpose milling machines, line boring machines, and gun drilling machines, among others.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	3MFY26 (UA)
Total operating income	293.87	228.41	48.05
PBILDT	40.75	28.56	8.61
PAT	13.85	0.54	0.46
Overall gearing (times)	0.60	0.63	NA
Interest coverage (times)	3.55	1.88	1.96

A: Audited UA: Unaudited NA: Not available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	89.00	CARE BBB-; Stable
Fund-based - LT-Term Loan		-	-	June 2032	70.98	CARE BBB-; Stable
Non-fund-based - ST-BG/LC		-	-	-	44.50	CARE A3

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)Withdrawn (26-Jul-22) 2)CARE BB+; Positive (26-Jul-22)
2	Fund-based - LT-Cash Credit	LT	-	-	-	-	-	1)CARE BB+; Positive (26-Jul-22) 2)Withdrawn (26-Jul-22)
3	Non-fund-based - ST-Letter of credit	ST	-	-	-	-	-	1)Withdrawn (26-Jul-22) 2)CARE A4+ (26-Jul-22)
4	Non-fund-based - ST-ILC/FLC	ST	-	-	-	-	-	1)CARE A4+ (26-Jul-22) 2)Withdrawn (26-Jul-22)
5	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	-	-	-	-	-	1)Withdrawn (26-Jul-22) 2)CARE BB+; Positive / CARE A4+ (26-Jul-22)
6	Fund-based - LT-Term Loan	LT	70.98	CARE BBB-; Stable	-	1)CARE BBB; Negative (24-Feb-25)	1)CARE BBB-; Positive (05-Jan-24)	1)CARE BBB-; Stable (29-Mar-23)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
						2)CARE BBB; Stable (04-Oct-24)		
7	Fund-based - LT-Cash Credit	LT	89.00	CARE BBB-; Stable	-	1)CARE BBB; Negative (24-Feb-25) 2)CARE BBB; Stable (04-Oct-24)	1)CARE BBB-; Positive (05-Jan-24)	1)CARE BBB-; Stable (29-Mar-23)
8	Non-fund-based - ST-BG/LC	ST	44.50	CARE A3	-	1)CARE A3+ (24-Feb-25) 2)CARE A3+ (04-Oct-24)	1)CARE A3 (05-Jan-24)	1)CARE A3 (29-Mar-23)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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