Lalbaba Engineering Limited

July 16, 2026

Facilities/Instruments	Name of the Regulator[1]	Amount (₹ crore)	Rating[2]	Rating Action
Long-term bank facilities	RBI	157.50 (Enhanced from 25.00)	CARE A-; Stable	Reaffirmed
Long-term bank facilities	RBI	147.36	CARE A-; Stable	Assigned
Short-term bank facilities	RBI	54.97	CARE A2+	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Lalbaba Engineering Limited (LEL) factor in the extensive experience of its promoter group having a long-standing presence in the engineering, capital goods, and railway systems and components industry. Ratings also draw comfort from the company's diversified business profile across tubular solutions, railway systems, railway services and forgings, which provides revenue diversification across multiple end-user industries. LEL has demonstrated strong growth in its scale of operations in recent years, supported by healthy demand, improved execution capabilities and increasing contribution from value-added products, resulting in an improvement in profitability and return metrics.

Ratings additionally consider the company's established relationships with reputed customers, healthy order book position providing revenue visibility, its favourable growth prospects supported by the ongoing expansion in the seamless tubes and speciality steel segments, and its ability to leverage demand tailwinds in these industries.

The rating strengths are partly offset by the company's moderate capacity utilisation in key segments, working capital intensive operations, which necessitate continued reliance on working capital borrowings. The company also remains exposed to customer concentration and sectoral risks, given the significant contribution of railway-related businesses to its revenue profile, and the tender-driven nature of order inflows from Indian Railways, which could lead to fluctuations in revenues and profitability. In addition, the company's margins remain susceptible to volatility in steel and other raw material prices, particularly in fixed-price contracts. The company’s financial risk profile remains moderate while showing signs of improvement supported by rising cash accruals and strengthening debt coverage indicators.

Ratings are further constrained by the company's moderate capital structure and the execution risks associated with the ongoing debt-funded capex programme at Haldia. While the project is expected to support business diversification, margin expansion and future growth, timely execution within the envisaged cost and timeline, and successful ramp-up of the expanded capacities, remain key rating monitorable.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in financial performance marked by total operating income (TOI) above ₹1,500.00 crore while maintaining profit before interest, lease rentals, depreciation and taxation (PBILDT) margin above 11% on a sustained basis.
- Successful completion of initial public offer (IPO) and subsequent improvement in capital structure.

Negative factors

- Moderation in PBILDT level below 10% and decline in turnover below ₹900 crore.
- Increase in operating cycle above 100 days.
- Moderation in capital structure with total debt to PBILDT (TD/PBILDT) above 2.5x on a sustained basis.

Analytical approach: Consolidated.

[1]SEBI: Securities and Exchange Board of India; RBI: Reserve Bank of India; MCA: Ministry of Corporate Affairs; IRDAI: Insurance Regulatory and Development Authority of India; PFRDA: Pension Fund Regulatory and Development Authority
[2]Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE Ratings Limited’s publications.

Consolidated approach have been taken considering business and risk profiles of LEL's subsidiary Lalbaba NF Rail Engg Private Limited. The two joint ventures (JV) of LEL, DTL Lalbaba Rail Engg LLP and Indodeutsche Precision Tubes Private Limited, and two associate companies, Lalbaba Projects Private Limited and Railex Engineering Private Limited, have been consolidated based on equity method. Entities consolidated have been mentioned under Annexure-5.

Outlook: Stable

CareEdge Ratings has assigned 'Stable' outlook of expected continuation of improvement in the company's financial performance in the near-to-medium term backed by addition of capacities and healthy demand outlook.

Detailed description of key rating drivers:

Key strengths

Experienced promoters with established track record

The company benefits from its promoters' extensive experience in the railway components and engineering industry. The Dhanuka family has been associated with Indian Railways through the manufacture of forged and cast components for freight wagons for over five decades, providing deep domain expertise and long-standing industry relationships. The company is led by Kishan Dhanuka, Chairman and Managing Director, who possesses significant experience in the engineering, capital goods, and railway systems and components sectors and is actively involved in formulating the company's strategic direction and overseeing its operations.

The other promoter-directors, Amit Dhanuka, Nikunj Dhanuka, and Nishit Dhanuka, serve as Whole-Time Directors and contribute expertise across different business functions. Their efforts are supported by an experienced professional management team responsible for the day-to-day operations and execution of the company's business plans. The extensive industry experience of the promoters and management is expected to continue supporting the company's operational performance and growth initiatives.

Diversified business profile across segments and products; despite exposed to customer and sector concentration risks

LEL benefits from a diversified business profile, with operations across tubular solutions, railway systems, railway services and forgings, catering to multiple end-user industries such as railways, power, oil & gas, and automotive and industrial infrastructure. The tubular solutions segment, which accounted for ~41% of the company's revenues in FY25, focuses on manufacturing cold-finished seamless tubes used in critical and high-performance applications. The railway business, comprising railway systems and railway services, contributed ~45% of revenues in FY25. The railway systems division manufactures critical components and assemblies used in freight wagon braking systems, while the railway services segment undertakes projects directly for Indian Railways, including air-conditioning installation, interior furnishing, refurbishment, and upgradation works. In addition, the forgings segment contributed ~13% of revenues in FY25 and strengthens the company's manufacturing capabilities while enhancing value addition across its product portfolio.

However, the company's revenue profile remains characterised by moderate customer concentration, with the top 10 customers contributing ~42% of revenues in FY25. A significant share of revenues is derived from railway-related businesses, exposing LEL to sector-specific risks, changes in government spending and the tender-driven nature of Indian Railways' procurement process. Reduction in orders from key customers, slowdown in railway capex, or increased competitive intensity could impact the company's revenue growth and profitability.

The risks are partially mitigated by the company's long-standing relationships with marquee customers, its established presence in the railway sector, diversified operations across multiple business segments and end-user industries, and a healthy order book providing medium-term revenue visibility. The ongoing expansion in the tubular solutions and speciality steel segments is expected to enhance business diversification and reduce dependence on the railway sector over the medium term.

Strong revenue growth and improving scale and profitability

LEL has demonstrated a strong track record of growth in its scale of operations over the past few years. On a standalone basis, the company's operating income increased significantly to ₹694 crore in FY25 from ₹123 crore in FY21, registering a healthy compound annual growth rate (CAGR) of ~41%. On a consolidated basis, revenue grew by ~29%, to ₹771 crore in FY25 from ₹598 crore in FY24, supported by higher execution across the rail systems and tubular solutions segments, and increasing contribution from the forging business. The sustained growth reflects healthy demand across key business segments, improving execution capabilities, and the company's expanding operational scale.

The profitability profile has also strengthened, with the PBILDT margin improving to 12.57% in FY25 from 9.31% in FY23. The improvement has been driven by better operating leverage, favourable product mix and an increasing contribution from relatively higher-margin businesses such as rail systems and forgings. Consequently, return metrics have shown a positive trend, with return on capital employed (ROCE) improving to ~20.4% in FY25, reflecting more efficient capital utilisation and enhanced operating efficiency.

Going forward, the company's revenue is expected to witness further growth in FY26, supported by higher execution in the cold-rolled precision tubes segment. Demand prospects for this business remain favourable, driven by end-user industries, such as power, automotive, and oil & gas. Profitability is also expected to improve further, aided by continued focus on value addition, improving capacity utilisation and a favourable product mix.

The company had an unexecuted order book of ~₹799 crore as on May 31, 2026, which provides healthy revenue visibility and supports growth prospects over the medium term. The sizeable order backlog, and its established market position and execution capabilities, remains a key credit strength.

Key weaknesses

Moderate capacity utilisation in key segments

LEL has established manufacturing capacities across its key business segments, with utilisation levels indicating adequate headroom for growth. In the cold-finished seamless tube segment, reported capacity utilisation improved from ~36% in FY23 to ~46% in FY25. However, as utilisation is measured on a volumetric basis, the reported figures do not fully capture the impact of the product mix, which comprises tubes of varying diameters, thicknesses and specifications. According to the management, the effective utilisation level is reasonably higher.

The railway components segment reported healthy utilisation levels in FY25, with slack adjusters and double-end ferrules operating at ~83% and 80% capacity utilisation, respectively. The Uluberia forging unit also witnessed an improvement in utilisation to ~66%, indicating gradual stabilisation of operations. However, utilisation in the air brake pipe segment moderated to ~52% in FY25.

Going forward, despite the addition of 20,000 MTPA capacity in the seamless tube segment in FY26, overall utilisation is expected to remain at comfortable levels, supported by healthy demand prospects, product mix optimisation and the company's expanding customer base in the niche cold rolled precision tube segment. The available capacity headroom provides scope for revenue growth without significant incremental capital expenditure in the near term.

Ongoing project implementation risk

The company is undertaking a capacity expansion and diversification project adjacent to its Haldia facility, West Bengal, at an estimated cost of ~₹200 crore (excluding land cost). The project envisages increasing the installed capacity for seamless tubes by 150,000 MTPA, taking the overall capacity to 235,000 MTPA, while also enabling the company to enter the specialised steel manufacturing segment. The project is being implemented in two phases, with the first phase focused on speciality steel and high-grade stainless-steel tubes and the second phase on alloy and carbon seamless tubes. Land has already been acquired for the same along with partial funding tie-up amounting to ₹60 crore.

The project is proposed to be funded through a mix of term debt of ~₹150 crore and internal accruals of ~₹50 crore. While the expansion is expected to support product diversification, enhance value addition and improve profitability over the medium term, the company remains exposed to risks associated with timely project execution, cost overruns, delays in receipt and installation of machinery, and the successful ramp-up of capacities. The company's ability to achieve the envisaged revenue growth and operating efficiencies from the expanded facilities will remain a key monitorable.

The risk is partly mitigated by the favourable demand outlook for seamless tubes and speciality steel products. The project is eligible under the PLI Scheme 1.2 for specialty steel, and the company has already executed an Memorandum of Understanding (MoU) with the Government in this regard. The expected incentive, estimated at 12%-15% of the incremental revenues, is likely to support project viability, improve return metrics, and strengthen cash flow generation over the medium term.

Moderate capital structure with improving debt coverage metrics

LEL's capital structure remains moderate, with overall gearing remaining largely stable at 1.54x as on March 31, 2025, on a consolidated basis. The increase in debt levels over the years has been primarily driven by higher working capital requirements to support the growing scale of operations. The company's net worth remained comfortable at ₹182.28 crore as on March 31, 2025.

The debt coverage metrics remain adequate, supported by healthy operating profits, with PBILDT interest coverage at 3.55x in FY25, broadly in line with previous years.

Going forward, the company is expected to avail additional debt of ~₹180 crore, comprising a ₹30-crore Emergency Credit Line Guarantee Scheme (ECLGS) 5.0 loan and ₹150 crore of term borrowings for the expansion of its seamless tube facility and foraying into speciality steel manufacturing at Haldia, West Bengal. Despite the planned debt-funded capex, the leverage profile is expected to remain manageable, with peak gearing to remain below 1.50x as on March 31, 2026, supported by the anticipated increase in revenues and profitability from the expanded capacities. The capital structure is expected to strengthen thereafter through improved earnings generation leading to steady accretion to net worth.

Susceptibility to raw material price volatility and competitive intensity
LEL remains exposed to fluctuations in raw material prices, particularly steel and steel-related products, which constitute a significant portion of its cost structure. While railway project contracts generally contain price variation clauses that provide partial protection against adverse movements in input costs, orders from private sector customers are largely short-term and fixed price in nature, exposing the company to margin pressures in periods of sharp raw material price volatility.

The company also operates in a competitive industry characterised by the presence of several established players across the engineering and seamless tube segments, which can exert pressure on pricing and profitability.

These risks are partly mitigated by LEL's presence in the niche cold-rolled seamless tube segment, where the company manufactures customised products with precise thickness and diameter specifications catering to industrial applications, mainly automobile, and energy sector. The company's focus on specialised and value-added products, rather than volume-driven offerings, provides a degree of pricing flexibility and supports customer stickiness. Its established relationships with industrial customers, technical capabilities and product differentiation help mitigate competitive pressures to an extent and support its profitability profile.

Working capital intensive operations
LEL's operations remain working capital intensive, driven by the nature of its business and the execution of railway and engineering projects. The company relies on both fund-based and non-fund-based working capital facilities to support its operations. Operating cycle remained at ~86 days in FY25 on a consolidated basis driven by average collection and inventory period remaining between 63 days and 65 days, respectively.

The working capital intensity is expected to remain elevated over the near-to-medium term, given the increasing contribution of railway-related orders, which are typically characterised by longer receivable cycles (~90 days) due to billing certification and payment procedures. Consequently, overall collection period is expected to remain above 60 days in the near-to-medium term.

Liquidity: Adequate
LEL's liquidity position is adequate, supported by healthy cash accruals and moderate debt repayment obligations. On a consolidated basis, the company reported gross cash accruals of ~₹58 crore in FY25 against scheduled debt repayments of ₹14.22 crore in FY25 and ₹19.28 crore in FY26, resulting in comfortable debt-servicing coverage. Although debt repayment obligations are expected to increase over the near term following the proposed term borrowings for the ongoing capex programme, the same is expected to remain adequately covered by the company's projected cash accruals.

The average utilisation of fund-based working capital limits remained at ~57% in the 12 months ended April 2026, although utilisation levels increased from January 2026 onwards due to higher raw material prices and consequent inventory funding requirements. The utilisation levels are expected to reduce following the expected sanction / drawdown of ₹30-crore ECLGS 5.0 loan as articulated by the management.

Applicable criteria

[Definition of Default](#)
[Consolidation](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Rating Outlook and Rating Watch](#)
[Manufacturing Companies](#)
[Financial Ratios – Non financial Sector](#)
[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital goods	Industrial manufacturing	Industrial products

LEL was incorporated on June 26, 2006, as Lalbaba Steel Industries Private Limited in Kolkata by the Dhanuka family. The company was renamed Lal Baba Seamless Tubes Private Limited in January 2007, converted into a public company as Lal Baba Seamless Tubes Limited in February 2025, and subsequently renamed to its present name Lalbaba Engineering Limited on March 10, 2025. The company has evolved from a steel/tube manufacturer to an integrated engineering solutions provider engaged in seamless tubes, precision forgings, and rail systems and components. LEL is among the largest cold finished seamless tube manufacturer in India with installed capacity of 85,000 MTPA, with further enhancement plan of 150,000 MTPA.

Brief Consolidated Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)
Total operating income	598.24	770.97
PBILDT	70.58	96.95
PAT	26.61	42.44
Overall gearing (times)	1.55	1.54
Interest coverage (times)	3.03	3.55

A: Audited Note: these are latest available financial results
*PBILDT: Profit before interest, lease rentals, depreciation and tax.

Brief Standalone Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)
Total operating income	599.50	693.91
PBILDT*	72.07	91.54
Profit after tax (PAT)	26.57	39.05
Overall gearing (x)	1.55	1.38
Interest coverage (x)	3.10	3.53

A: Audited Note: these are latest available financial results
*PBILDT: Profit before interest, lease rentals, depreciation and tax.

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

For complexity level of instruments rated refer to Annexure-1

Lender details: Annexure-4

Disclosure on facilities/instruments and name of the regulators:
A list of facilities / instruments falling under the purview of various financial sector regulators (FSRs) along with the names of respective FSRs has been duly disclosed by CareEdge Ratings on its website. A link to the same has been provided below for ready reference:

https://www.careratings.com/activities_and_regulators

Note: For facilities or instruments falling under the purview of FSRs other than Securities and Exchange Board of India (SEBI), the grievance / dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Annexure-1: Details of instruments/facilities

Name of the Instrument	Name of the Regulator	Complexity Level	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Bank Overdraft	RBI	Simple	-		-	-	3.50	CARE A-; Stable
Fund-based - LT-Cash Credit	RBI	Simple	-		-	-	157.50	CARE A-; Stable
Fund-based - LT-Term Loan	RBI	Simple	-		-	30-06-2031	143.86	CARE A-; Stable
Non-fund-based - ST-BG/LC	RBI	Simple	-		-	-	54.97	CARE A2+

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 2026-2027	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
1	Fund-based - LT-Cash Credit	LT	157.50	CARE A-; Stable	1)CARE A-; Stable (08-Jul-26)	-	-	-
2	Fund-based - LT-Term Loan	LT	143.86	CARE A-; Stable				
3	Non-fund-based - ST-BG/LC	ST	54.97	CARE A2+				
4	Fund-based - LT-Bank Overdraft	LT	3.50	CARE A-; Stable				

LT: Long term; ST: Short term;

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

Annexure-4: Lender details

To view lender-wise details of bank facilities please click here

Annexure-5: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Lalbaba NF Rail Engg Private Limited	Full	Subsidiary with LEL holding 51%
2	Lalbaba Projects Private Limited	Moderate	Associate Company with LEL holding 49%
3	Railex Engineering Private Limited	Moderate	Associate Company with LEL holding 49%
4	Indodeutsche Precision Tubes Private Limited	Moderate	Joint Venture
5	DTL Lalbaba Rail Engg LLP	Moderate	Joint Venture

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.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Ankur Sachdeva Senior Director **CARE Ratings Limited** Phone: +91-22-6754 3444 E-mail: Ankur.sachdeva@careedge.in	Punit Singhania Director **CARE Ratings Limited** Phone: +91-033- 4018 1620 E-mail: punit.singhania@careedge.in Abhishek Khemka Associate Director **CARE Ratings Limited** Phone: +91-033- 4018 1647 E-mail: Abhishek.khemka@careedge.in Soumadip Kumar Lead Analyst **CARE Ratings Limited** E-mail: Soumadip.Kumar@careedge.in

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