

Lokesh Machines Limited

September 30, 2026

Facilities/Instruments	Name of the Regulator ¹	Amount (₹ crore)	Rating ²	Rating Action
Long-term bank facilities	RBI	163.95 (Enhanced from 159.98)	CARE BBB-; Stable	Reaffirmed
Short-term bank facilities	RBI	44.50	CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings assigned to bank facilities of Lokesh Machines Limited (LML) factors in the company's comfortable capital structure, healthy profitability, established and diversified customer base, and promoters' extensive experience in the machine tools industry. Ratings also derive strength from the company's established presence in the computer numerical control (CNC) machine manufacturing segment, and increasing contribution from the defence and forging segments. Recent removal of LML from the Office of Foreign Assets Control (OFAC) sanctions list is expected to support recovery in its operating scale and order inflows, while healthy unexecuted order book provides revenue visibility in the near-to-medium term.

However, ratings continue to be constrained by moderate scale of operations, which was adversely impacted by business disruptions following the OFAC listing, and the company's working capital intensive operations marked by an elongated operating cycle. Ratings are further constrained by moderate debt coverage indicators and profitability vulnerable to fluctuations in key raw material prices. While the company's liquidity position remains adequate, high utilisation of working capital limits and negative operating cash flow in FY26 warrant monitoring. The company's ability to scale up operations following its removal from the OFAC list, improve working capital management, and strengthen debt coverage indicators will remain key rating monitorables.

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

- Deterioration in 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 entity's capital structure remained comfortable as on March 31, 2026, marked by an overall gearing ratio of 0.74x (PYE: 0.63x) and a total outside liabilities to tangible net worth (TOL/TNW) ratio of 1.12x (PYE: 0.96x). TNW increased to ₹227.97 crore as on March 31, 2026, from ₹212.36 crore as on March 31, 2025, providing a strong equity base to support the company's operations and future growth. The debt profile primarily comprises external borrowings in the form of working capital facilities and term debt.

¹SEBI: 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.

²Complete definitions of ratings assigned are available at www.careratings.com and in other CARE Ratings Limited's publications.

Moderation in leverage in FY26 was primarily attributable to an increase in term debt and higher utilisation of working capital borrowings. Going forward, the capital structure is expected to remain comfortable and improve gradually, supported by absence of major debt-funded capital expenditure, which is expected to keep debt levels broadly stable, and accretion to net worth through retention of profits and the fresh issue of equity shares.

Healthy profitability

Improvement in PBILDT margin despite moderation in TOI reflects the company's shift towards higher-value CNC machines and a greater focus on machine manufacturing, which offers better margins compared to job-work operations. Discontinuation of job-work operations following the OFAC listing also supported margins, as the job-work segment carried relatively lower margins owing to higher overhead and associated costs, while machine manufacturing is comparatively less power and manpower intensive. Going forward, increasing contribution from the defence segment, which is expected to generate relatively higher margins, is likely to support further improvement in overall profitability. With commencement of operations under the defence project, new forging work opportunities, and recent removal of LML from the OFAC list, the company's profitability is expected to improve further.

Reputed and diversified customer base

With over four decades of industry presence, LML established strong and long-standing relationships with its customers, resulting in repeat business and a stable customer base. The company has established itself as a prominent manufacturer of CNC machines in India and caters to a reputed clientele across industries. LML also has an established export presence, with its products being supplied to markets including Russia, Italy, the US, Bahrain, and Turkey, providing some geographical diversification. However, LML's inclusion on the OFAC sanctions list resulted in suspension of orders, adversely impacting its business operations. With recent removal of LML's name from this list, the company is expected to benefit from resumption of orders, which could support recovery in business volumes and improve its operating performance. The company has also diversified in the defence segment and has commenced operations catering to customers such as the Indian Army and DRDO, which is expected to provide an additional avenue for business growth and diversification.

Extensive industry experience of promoters

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 four decades 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 domestic and overseas markets provide the company with strong leadership and operational guidance.

Key weaknesses**Moderate scale of operations**

The company reported an 8.57% decline in TOI to ₹208.81 crore in FY26 from ₹228.38 crore in FY25, primarily due to business disruptions following the inclusion of LML in the Specially Designated Nationals and Blocked Persons List by the United States Department of the Treasury's OFAC in October 2024. The sanctions disrupted supply of electronic components from a key supplier, adversely affecting production and order execution. The company subsequently arranged alternative sources of supply to meet its delivery commitments. Mahindra & Mahindra, which contributed ~₹50 crore to TOI from connecting rods job-work division in each of FY23 and FY24, halted order allocations following sanctions, further impacting the company's operating scale. The company has since repurposed the connecting rods capacity towards forging operations and commenced manufacturing auto components for Tier-1 auto component companies. Revenue from the forging segment is expected to increase further in FY27. Dispatches of certain core defence products were also temporarily delayed pending multi-stage technical and quality clearances from government agencies. A high-value special purpose machine (SPM) order could not be dispatched in FY26 as the customer delayed providing the matching input trial components required to complete the necessary technical "prove-out" runs at LML's facility. The order is now expected to be delivered in the first week of September 2026. Despite these challenges, revenue from the core SPM and general purpose machine (GPM) divisions increased by 32% in FY26, outperforming the broader machine tool industry's average growth.

The company reported turnover of ₹56 crore in Q1FY27. As on June 30, 2026, the unexecuted order book stood at ~₹251 crore. LML was removed from the OFAC sanctions list through an administrative directive dated June 30, 2026, which is expected to support a recovery towards the company's earlier scale of operations.

Working capital intensive operations with an elongated operating cycle

The company's operations are inherently working capital intensive, with the operating cycle elongating to 315 days in FY26 from 226 days in FY25, primarily driven by higher inventory holding. Inventory days increased significantly to 330 days in FY26 (PY: 233 days), with raw materials and work-in-process (WIP) together constituting ~93% of the total inventory. The company's primary product line, machine tools, has a manufacturing cycle of up to 10 months. Given the capital goods nature of products and relatively long manufacturing cycle, a significant portion of the inventory remains tied up in WIP for an extended period.

The newly established defence and forging segments are also at an initial stage of operations and have resulted in a modest build-up of inventory. A high-value SPM order could not be dispatched in FY26, considering delay from the customer-end. These factors contributed to the increase in WIP inventory in the year. The relatively longer manufacturing cycle for higher-value machines results in working capital remaining tied up in WIP for an extended period. Consequently, the elongated operating cycle necessitates continued reliance on bank borrowings to meet the company's working capital requirements.

Moderate debt coverage indicators

Debt coverage indicators improved marginally in FY26, although they remained at moderate levels. Total debt to gross cash accruals (TD/GCA) ratio improved to 8.14x as on March 31, 2026, from 9.06x as on March 31, 2025, while the PBILDT interest coverage ratio improved to 2.10x in FY26 from 1.88x in FY25. Similarly, the TD/PBILDT ratio moderated to 4.39x in FY26 from 4.68x in FY25. Improvement across coverage indicators was primarily driven by the increase in operating profitability.

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 remained volatile in the last few years. 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, 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, supported by sufficient cash accruals to meet its scheduled debt repayment obligations. As on March 31, 2026, the current ratio stood at 1.42x, while quick ratio was lower at 0.47x, reflecting the relatively high proportion of inventory in current assets. Average utilisation of working capital limits for 12 months ended June 30, 2026, remained at 89% for fund-based facilities and 62% for non-fund-based facilities. There were no instances of reliance on ad-hoc limits or overdrawing of working capital facilities in the period. The net cash flow from operations remained negative in FY26, primarily due to the increase in inventory levels, which is consistent with the company's working capital intensive operations. Unencumbered cash and bank balances stood at ₹0.87 crore as on March 31, 2026.

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 commenced commercial operations in 1985 and is promoted by M Lokeswara Rao. The company is engaged in manufacturing GPMs and SPMs. The company's product portfolio includes 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. The company also manufactures forgings and defence equipment, including sub-machine guns and light machine guns, among other products. LML operates six manufacturing units, of which five are in Hyderabad and one in Pune.

Brief Financials (₹ crore)	March 31, 2025 (A)	March 31, 2026 (A)	Q1FY27 (UA)
Total operating income	228.38	208.81	55.77
PBILDT*	28.56	38.54	9.92
Profit after tax (PAT)	0.54	3.86	1.01
Overall gearing (x)	0.63	0.74	NA
Interest coverage (x)	1.88	2.10	2.13

A: Audited; UA: Unaudited NA: Not available; 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 regulators:

A list of facilities / instruments falling under the purview of 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 (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	RBI	Simple	-		-	-	89.00	CARE BBB-; Stable
Fund-based - LT-Term Loan	RBI	Simple	-		-	30-09-2032	74.95	CARE BBB-; Stable
Non-fund-based - ST-BG/LC	RBI	Simple	-		-	-	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 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-Term Loan	LT	74.95	CARE BBB-; Stable	1)CARE BBB-; Stable (09-Sep-26)	1)CARE BBB-; Stable (29-Aug-25)	1)CARE BBB; Negative (24-Feb-25) 2)CARE BBB; Stable (04-Oct-24)	1)CARE BBB-; Positive (05-Jan-24)
2	Fund-based - LT-Cash Credit	LT	89.00	CARE BBB-; Stable	1)CARE BBB-; Stable (09-Sep-26)	1)CARE BBB-; Stable (29-Aug-25)	1)CARE BBB; Negative (24-Feb-25) 2)CARE BBB; Stable (04-Oct-24)	1)CARE BBB-; Positive (05-Jan-24)
3	Non-fund-based - ST-BG/LC	ST	44.50	CARE A3	1)CARE A3 (09-Sep-26)	1)CARE A3 (29-Aug-25)	1)CARE A3+ (24-Feb-25) 2)CARE A3+ (04-Oct-24)	1)CARE A3 (05-Jan-24)

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](#)

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 Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Analytical Contacts Karthik Raj K Director CARE Ratings Limited Phone: +91-80- 4662 5555 E-mail: karthik.raj@careedge.in
Relationship Contact Saikat Roy Senior Director CARE Ratings Limited Phone: 912267543404 E-mail: saikat.roy@careedge.in	Niraj Thorat Assistant Director CARE Ratings Limited Phone: 914040102030 E-mail: Niraj.Thorat@careedge.in
	Bhushanreddy Ankill Lead Analyst CARE Ratings Limited E-mail: Bhushanreddy.ankilla@careedge.in

About us:

Established in 1993, CareEdge Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the Reserve Bank of India. With an equitable position in the Indian capital market, CareEdge Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CareEdge Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CareEdge Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit. For more information: www.careratings.com

Disclaimer:

This disclaimer pertains to the ratings issued and content published by CARE Ratings Limited ("CareEdge Ratings"). Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. Any opinions expressed herein are in good faith and are subject to change without notice. The rating reflects the opinions as on the date of the rating. A rating does not convey suitability or price for the investor. The rating agency does not conduct an audit on the rated entity or an independent verification of any information it receives and/or relies on for the rating exercise. CareEdge Ratings has based its ratings/outlook on the information obtained from reliable and credible sources. CareEdge Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. The users of the rating should rely on their own judgment and may take professional advice while using the rating in any way. CareEdge Ratings shall not be liable for any losses that user may incur or any financial liability whatsoever to the user of the rating. The use or access of the rating does not create a client relationship between CareEdge Ratings and the user.

CAREEDGE RATINGS DISCLAIMS WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR OTHER WARRANTIES OR CONDITIONS, TO THE EXTENT PERMITTED BY APPLICABLE LAWS, INCLUDING WARRANTIES OF MERCHANTABILITY, ACCURACY, COMPLETENESS, ERROR-FREE, NON-INFRINGEMENT, NON-INTERRUPTION, SATISFACTORY QUALITY, FITNESS FOR A PARTICULAR PURPOSE OR INTENDED USAGE.

Most entities whose bank facilities/instruments are rated by CareEdge Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CareEdge Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. CareEdge Ratings does not act as a fiduciary by providing the rating. The ratings are intended for use only within the jurisdiction of India. The ratings of CareEdge Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades. CareEdge Ratings has established policies and procedures as required under applicable laws and regulations which are available on its website.

Privacy Policy applies. For Privacy Policy please refer to https://www.careratings.com/privacy_policy

© 2026, CARE Ratings Limited. All Rights Reserved.

This content is being published for the purpose of dissemination of information required as per applicable law and regulations and CARE Ratings Limited holds exclusive copyright over the same. Any reproduction, retransmission, modification, derivative works or use or reference to the contents, in whole, in part or in any form, is prohibited except with prior express written consent from CARE Ratings Limited.

**For detailed Rating Report and subscription information,
please visit www.careratings.com**