

MARCH 27, 2015

CARE REAFFIRMS THE RATINGS ASSIGNED TO BANK FACILITIES OF LOKESH MACHINES LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	94.18	CARE B- (Single B Minus)	Reaffirmed
Short term Bank Facilities	27.00	CARE A4 (A Four)	Reaffirmed
Total Facilities	121.18		

Rating Rationale

The ratings of Lokesh Machines Limited (LML) continue to be constrained by the stretched operating cycle with working capital intensive nature of business, revenue concentration from few clients, volatility in raw material prices and weak debt coverage parameters. The ratings also take into account decline in total operating income, PBILDT and PAT in FY14 (refers to the period April 01 to March 31). The ratings remain underpinned by the experienced promoters, reputed clientele and established relationship with key clients, satisfactory capital structure and moderate industry outlook. The ability of the company to increase the scale of operations, profit levels and cash accruals and improve the liquidity position with efficient management of operating cycle are the key rating sensitivities.

Background

Incorporated in December 1983, Lokesh Machines Ltd (LML) is promoted by Mr Lokeswara Rao. The commercial production for the company started from 1986. The company has six manufacturing locations; five in Hyderabad and one in Pune with an installed capacity of 600 machines per annum. The company's operations can be segregated into two divisions namely the machinery division and components division. Under the machinery division, LML manufactures Special Purpose Machines and General Purpose Machines. Under the component division, the company manufactures automobile components i.e., Cylinder heads and Cylinder blocks and also executes job work for automobile manufacturers likes Mahindra & Mahindra Limited and Ashok Leyland Limited.

During FY14, LML reported PBILDT of Rs.28.61 crore (Rs.31.82 crore in FY13) with PAT of Rs.0.46 crore (Rs. 1.06 crore in FY13) on a total operating income of Rs.112.31 crore (Rs.140.61 crore in FY13).

As per the unaudited results for 9MFY15, the company has achieved PBILDT of Rs.22.95 crore with a PAT of Rs.1.69 crore on a total operating income of Rs.87.72 crore

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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CIN - L67190MH1993PLC071691