

OCTOBER 08, 2015

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

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	93.14 (reduced from 94.18)	CARE B- (Single B Minus)	Re-affirmed
Short term Bank Facilities	27.00	CARE A4 (A Four)	Re-affirmed
Total Facilities	120.14 (Rupees One Hundred and Twenty crore and Fourteen lakh only)		

Rating Rationale

The ratings of Lokesh Machines Limited (LML) continues to be constrained by the stretched operating cycle with working capital intensive nature of business, small scale of operations, revenue concentration from few clients and weak debt coverage parameters albeit improved in FY15 (refers to the period April 01 to March 31). The ratings also factor in the re-schedulement of the Non-convertible Debentures. The ratings remain underpinned by the experienced promoters, reputed clientele and established relationship with key clients, satisfactory capital structure, equity infusion during FY15 & Q1FY16 and moderate industry outlook. The ability of the company to increase the scale of operations without any decline in operating margins and improve the liquidity position with efficient management of operating cycle are the key rating sensitivities.

Background

LML incorporated in December 1983 is promoted by Mr M Lokeswara Rao and started commercial production from 1986. The company has six manufacturing locations with five in Hyderabad and one in Pune with an installed capacity of 600 Machines per annum. The company's operations are segregated into two divisions namely Machines and Components division. The company initially started the operations by doing job works for Hindustan Machine Tools Limited (HMT) and later on moved to manufacturing of machines. Under machinery division, LML manufactures Special Purpose Machines (SPM) and General Purpose Machines (GPM). Under component division, the company manufactures automobile components viz., cylinder heads, and cylinder blocks and also executes job work for automobile manufacturers like Mahindra & Mahindra Limited (M& M) and Ashok Leyland Limited (ALL).

During FY15, LML reported PAT of Rs.0.75 crore (Rs. 0.46 crore in FY14) on a total operating income (TOI) of Rs.118.69 crore (Rs.112.31 crore in FY14). As per the unaudited results for Q1FY16, LML reported net loss of Rs.0.85 crore on TOI of Rs.20.80 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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