Crisil
Ratings

Rating Rationale

September 09, 2025 | Mumbai

Lohia Corp Limited

Ratings reaffirmed at 'Crisil AA-/Stable/Crisil A1+'

Rating Action

Total Bank Loan Facilities Rated	**Rs.625.15 Crore**
Long Term Rating	**Crisil AA-/Stable (Reaffirmed)**
Short Term Rating	**Crisil A1+ (Reaffirmed)**

Note: None of the Directors on Crisil Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.
1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

Crisil Ratings has reaffirmed its 'Crisil AA-/Stable/Crisil A1+' ratings on the bank loan facilities of Lohia Corp Limited (LCL).

The ratings continue to factor in the dominant market position of LCL in the domestic high-density polyethylene/polypropylene (HDPE/PP) woven-bag machine manufacturing industry, efficient working capital management and healthy financial risk profile. These strengths are partially offset by susceptibility to cyclicality and increasing competition, and volatility in raw material prices and foreign exchange (forex) rates.

The sustained improvement in operating performance of the company due to healthy domestic as well as export demand in the HDPE/PP bags manufacturing industry. The company reported a 19% year-on-year growth in revenue to Rs.1,316 crore in fiscal 25 The revenue is expected to grow at 7-15% going forward driven by healthy order book of Rs 910 cr as on Jun-25 across domestic and export demand due to pick-up in domestic demand with the absorption of excess capacity post 2022. In line with this trend, LCL achieved sales of Rs. 412 crore until July 2025, registering a growth of 35% over the same period in the previous fiscal year.

Also, the operating margin improved to 16.4% in fiscal 2025 from 8.8% in fiscal 2024, aided by with increasing scale, better operational efficiency (post implementation of plans laid down by leading consultant in the recent past) Going forward, margins are expected to sustain in the range of 16-17%, supported by scale benefits, better cost management, and operational efficiencies resulting from the measures introduced in sourcing, budgetary controls, and cost monitoring. Furthermore, the company is expanding its product portfolio to enable it's customer to produce higher-value-added products.

The financial risk profile remains strong with gearing at 0.46x, TOL/TNW was at 1.37 times and interest coverage above 14 times in March 2025. Capital structure marked by gearing is expected to remain less than 0.5 times and TOL/ TNW below 1x over the medium term. Debt protection metrics are also expected to remain comfortable with interest coverage ratio of above 15 times and net cash accruals to total debt ratio expected to remain above 1 time over the medium term.

Analytical Approach

Crisil Ratings has considered the standalone business and financial risk profiles of LCL for arriving at its ratings.

Key Rating Drivers & Detailed Description

Strengths:

- **Strong market position in HDPE/PP woven fabric/sacks machines manufacturing segment:** LCL has established a strong position in the domestic and global markets for HDPE/PP woven fabric/sack machines. It is the largest player in the HDPE/PP woven machinery segment in India, with a market share of over 40% by value. Healthy orders will continue to drive steady revenue growth over the medium term.

  Strong focus on the export market led to significant increase in overall revenue. Share of exports remained healthy at around 50% over the last few years. A balanced mix of export and domestic sales enables the company to with slowdown in any one region. Moreover, diversified end-user segments provide stability in revenue and protect against downturn in any one end-user segment.

  In addition, the company's technology-led R&D initiatives, supported by patents, dedicated manpower and innovation centers, provide a competitive edge in product development infrastructure further supports operational efficiency and strengthens customer engagement.

- **Robust financial risk profile:** Financial risk profile of LCL is likely to remain strong with sizeable networth, despite restructuring of the company into core business (technical textile machines manufacturing Business) and non-core business (real estate/financial assets holdings) resulting in the networth to Rs. 390 crores in core business as on 31st March 2025. However, going forward networth is expected to improve to Rs. 450-650 crores. The company has comfortable gearing going forward at below 0.3 times. Debt protection metrics are expected to remain healthy with interest coverage ratio and net cash accruals to total debt ratio sustaining above 18 times and above 1 times, respectively, over the medium term, supported by healthy accruals and modest debt level. However, any sizeable dividend or buyback reducing networth and cash surplus or any large, debt-funded capex or acquisition impacting debt metrics will remain key rating sensitive factors.

- **Efficient working capital management:** Working capital management remains efficient as reflected in gross current assets of 130-150 days in the recent past and is supported by a short receivables cycle of around 35 days, aided by advance payment terms with domestic customers. The company has also reduced its inventory cycle to 86 days in fiscal 2025 from 96 days in fiscal 2024, while the payables cycle stood at 52 days, indicating a stable and efficient cash conversion cycle.

  Exports, which form around 50% of revenues are to developing countries in South, Central America, Africa etc. where the economies are facing challenges with currency depreciation and political instability. Despite the same, Lohia Corp has been able to manage to keep its receivables lower as most of its export orders are LC backed. Further, efforts on strengthening of supply chain and material procurement will benefit LCL to maintain inventory at 80-100 days in the medium term. Moreover, LCL's dominant presence in the market as well as strong relationship with its suppliers and customers has given them the advantage to dictate the terms in their favour. Going forward, working capital management to remain efficient with gross current assets to remain in the range of 130-150 days.

Weaknesses:
- **Susceptibility of revenue to cyclicality in the HDPE/PP woven bag machine industry:** Demand for HDPE/PP woven machines comes essentially from capacity expansion in end-user industries and replacement of old technology. Capacity expansion by HDPE/PP bag manufacturers is in turn linked to overall growth in the economy, especially in sectors such as cement, fertilisers and chemicals. This may cause volatility in revenue and order flow, and in turn impact the operating efficiency.

- **Vulnerability to competition and volatile raw material prices and forex rates:** Operating margin is susceptible to the price of metals, which is a key input and a highly volatile commodity. Raw material costs have been 57-65% of the revenue in the past five years. Besides, the company derives about 40-50% of its revenue through exports and imports about 10% of the total raw material requirement. This exposes the operating margin to fluctuations in forex rates. The company also faces competition from cheaper Chinese imports. Increasing competition and volatility in raw material prices may continue to constrain profitability despite improvement in operating efficiency.

Liquidity: Strong

Lohia enjoys strong liquidity driven by expected cash accruals of more than Rs. 140 crores per annum in FY26 and FY27. It also has access to fund-based limits of Rs. 145 crores, utilized to the tune of 27% on an average over the 12 months ended June 2025 (~Rs. 131 crores unutilized as of June'25). The company has long term repayment obligations around Rs. 70 crores and Rs. 35 crores each in FY26 and FY27, with capex requirement of Rs. 20-40 crores over the same period. Low gearing and healthy networth provide the financial cushion to any adverse conditions or downturns in the business.

Liquidity remains strong, driven by expected cash accruals of Rs.160-170 crore annually across the next three fiscals against repayment obligations of Rs.30–70 crore and capex requirement of Rs.20–40 crore. The company has free cash and cash equivalents of Rs.25 crore as on March 2025 and had access to unutilized fund-based limits of Rs.131 crore as on June 2025, providing comfortable financial flexibility.

Outlook: Stable

Crisil Ratings believes LCL will continue to benefit from its established operational track record and dominant market position in the domestic HDPE/PP woven-bag machine manufacturing industry and its longstanding relationships with the customers. Financial risk profile should remain robust, supported by healthy cash accrual, moderate capex and prudent working capital management

Rating sensitivity factors

Upward Factors:
- Substantial and sustainable increase in revenue and operating profitability, leading to cash accrual more than Rs 200 crore
- Sustenance of healthy financial risk profile, debt metrics and liquidity

Downward Factors:
- Substantial decline in operating performance resulting in cash accruals less than Rs 100 crore per annum
- Material deterioration in debt metrics due to sizeable debt funded capex or acquisitions leading to gearing increasing above 1 time.
- Substantial reduction in liquidity, because of investment in unrelated ventures or high dividend payout, or buyback.

About the Company

With implementation of NCLT approved Scheme of Arrangement, the core business of Demerged Company viz Lohia Trade Services Limited (Formerly LCL) stands vested in this Resulting Company, renamed as LCL, with effect from the appointed date of 1st April 2024, the company, is a part of the Lohia group. The company manufactures complete range of machines for producing HDPE/PP bags. These machines include extrusion lines, winders, circular looms, processing machines, conversion machines and other machines. The Lohia family holds 100% stake in LCL through individual holdings.

Key Financial Indicators

Particular	Unit	2025	2024*
Revenue	Rs crore	1,316	1,102
Profit after tax (PAT)	Rs crore	119	39
PAT margin	%	9.0	3.5
Adjusted debt/adjusted networth	Times	0.46	0.46
Interest coverage	Times	15.52	5.8

**Fiscal 2024 consolidated figures for the core and non-core business as demerger was effective April 1, 2024.*

Any other information: Not applicable

Note on complexity levels of the rated instrument:
Crisil Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

Crisil Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the Crisil Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name Of Instrument	Date Of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs. Crore)	Complexity Levels	Rating Outstanding with Outlook
NA	Cash Credit&	NA	NA	NA	145.00	NA	Crisil AA-/Stable
NA	Foreign Exchange Forward#	NA	NA	NA	20.00	NA	Crisil A1+
NA	Letter of credit & Bank Guarantee@	NA	NA	NA	30.00	NA	Crisil A1+
NA	Loan Equivalent Risk Limits>	NA	NA	NA	85.15	NA	Crisil A1+
NA	Term Loan	NA	NA	31-Mar-28	230.00	NA	Crisil AA-/Stable
NA	Term Loan	NA	NA	31-Mar-28	40.00	NA	Crisil AA-/Stable
NA	Term Loan^^	NA	NA	31-Dec-28	75.00	NA	Crisil AA-/Stable

& - Sub-limit of packing credit, pre-shipment credit in foreign currency, export packing credit, foreign bills purchase, foreign bills discounting
 # - Sanctioned as Credit exposure limits
@ - Sub-limit of letter of credit (for capital goods)
> - Rs.72.65 crore limits sanctioned as Domestic Pre-settlement risk limits
^^ - FCTL equivalent to 10 million us dollar

Annexure - Rating History for last 3 Years

	Current			2025 (History)		2024		2023		2022		Start of 2022
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	ST/LT	595.15	Crisil AA-/Stable / Crisil A1+		--	06-12-24	Crisil AA-/Stable / Crisil A1+	06-01-23	Crisil AA-/Positive / Crisil A1+	31-10-22	Crisil AA-/Positive	Crisil AA-/Positive
			--		--	02-04-24	Crisil AA-/Stable / Crisil A1+		--	03-10-22	Crisil AA-/Positive	--
Non-Fund Based Facilities	ST	30.0	Crisil A1+		--	06-12-24	Crisil A1+	06-01-23	Crisil A1+	31-10-22	Crisil A1+	Crisil A1+
			--		--	02-04-24	Crisil A1+		--	03-10-22	Crisil A1+	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Cash Credit&	50	State Bank of India	Crisil AA-/Stable

Cash Credit[&]	40	The Hongkong and Shanghai Banking Corporation Limited	Crisil AA-/Stable
Cash Credit[&]	15	Axis Bank Limited	Crisil AA-/Stable
Cash Credit[&]	40	HDFC Bank Limited	Crisil AA-/Stable
Foreign Exchange Forward[#]	20	State Bank of India	Crisil A1+
Letter of credit & Bank Guarantee[@]	10	HDFC Bank Limited	Crisil A1+
Letter of credit & Bank Guarantee[@]	5	Axis Bank Limited	Crisil A1+
Letter of credit & Bank Guarantee[@]	10	State Bank of India	Crisil A1+
Letter of credit & Bank Guarantee[@]	5	The Hongkong and Shanghai Banking Corporation Limited	Crisil A1+
Loan Equivalent Risk Limits[>]	72.65	HDFC Bank Limited	Crisil A1+
Loan Equivalent Risk Limits[>]	12.5	Axis Bank Limited	Crisil A1+
Term Loan	230	HDFC Bank Limited	Crisil AA-/Stable
Term Loan	40	Axis Bank Limited	Crisil AA-/Stable
Term Loan[^^]	75	The Federal Bank Limited	Crisil AA-/Stable

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Criteria Details

Links to related criteria
[Basics of Ratings (including default recognition, assessing information adequacy)]
[Criteria for manufacturing, trading and corporate services sector (including approach for financial ratios)]

Media Relations	Analytical Contacts	Customer Service Helpdesk
Ramkumar Uppara Media Relations **Crisil Limited** M: +91 98201 77907 B: +91 22 6137 3000 ramkumar.uppara@crisil.com **Kartik Behl** Media Relations **Crisil Limited** M: +91 90043 33899 B: +91 22 6137 3000 **kartik.behl@crisil.com** **Divya Pillai** Media Relations **Crisil Limited** M: +91 86573 53090 B: +91 22 6137 3000 **divya.pillai1@ext-crisil.com**	Mohit Makhija Senior Director **Crisil Ratings Limited** B:+91 124 672 2000 mohit.makhija@crisil.com Shounak Chakravarty Director **Crisil Ratings Limited** B:+91 22 6137 3000 shounak.chakravarty@crisil.com Rohan Gambhir Rating Analyst **Crisil Ratings Limited** B:+91 124 672 2000 rohan.gambhir@crisil.com	Timings: 10.00 am to 7.00 pm Toll free Number:1800 267 3850 For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com For Analytical queries: ratingsinvestordesk@crisil.com