

BSE Code: 500252 NSE Code: LAXMIMACH Reuters Code: LKMC.NS Bloomberg Code: LMW:IN

Incorporated in the year 1962, Lakshmi Machine Works Ltd. (LMW) is one of the major textile machinery manufacturers prevalent in India. The company is mainly involved in the manufacture of machine tools. LMW has 60% market share in the domestic textile spinning machinery industry. It manufactures spindles, rings, top rollers, flyers, cots & aprons and gears. The company caters to both domestic and international markets.

Key Developments

Working capital position of the company:

LMW had a cash balance of Rs. 975.2 Crores in FY15 amounting to a cash/share of Rs. 886. Net working capital has remained negative since FY06. The company follows the practice of taking advance payment of at least 10% (non-refundable) on new orders, which helps in the working capital management.

Standalone revenue falls by 1.3% YoY to Rs. 564.2 Crores in Q1FY16:

The company witnessed a decline of 1.3% YoY in its net revenues on a standalone basis to Rs. 564.2 Crores in Q1FY16 on lower revenue from the textile machinery division. EBITDA registered a 0.7% YoY de-growth due to the non-performing top-line despite fall in operating expenses. EBITDA Margin stood at 11.6% remaining unchanged as in Q1FY15. PAT for the period under review decreased by 9.7% YoY and was reported at Rs.43.9 Crores as compared to Rs.48.6 Crores in Q1FY15. PAT margin was reported at 7.8%, a decline of 70.0 bps YoY.

Net profit grows by 16.1% to Rs. 219.6 Crores in FY15:

On a consolidated basis, LMW reported a top-line of Rs. 2,488.2 Crores in FY15, a marginal increase of 6% over previous year. EBITDA was reported at Rs. 301.2 Crores a rise of 14.5% from the previous year. EBITDA margin increased to 12.1% from 11.2% in FY14 due to better control of expenses. PAT grew 16.1% to Rs. 219.6 Crores on lower interest, depreciation and tax in FY15. Tax was lower on account of deferred tax asset creation. As a result, PAT margin improved to 9% in FY15 as against 8% in FY14.

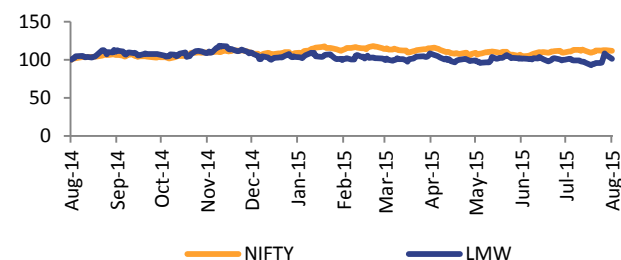
Market Data

CMP (₹)	3,375
Face Value	10
52 week H/L (₹)	4,499.4/3,331.6
Adj. all time High (₹)	4,499.4
Decline from 52WH (%)	25.0
Rise from 52WL (%)	1.3
Beta	0.7
Mkt. Cap (₹Cr)	3,803
Enterprise Value(₹Cr)	2,740

Fiscal Year Ended

	FY13A	FY14A	FY15A
Net Sales (₹cr)	2,017.2	2,337.8	2,488.2
Net Profit (₹cr)	129.6	189.0	219.6
Share Capital (₹Cr)	11.3	11.3	11.3
EPS (₹)	115.0	167.8	194.9
P/E (x)	16.1	18.1	17.3
P/BV (x)	2.2	3.1	3.0
ROE (%)	14.1	18.3	18.4

One year Price Chart



Shareholding	Jun15	Mar15	Diff.
Promoters	28.4	28.4	0.0
DII	26.6	25.3	1.3
FII	1.8	2.6	(0.8)
Others	43.2	43.7	(0.5)

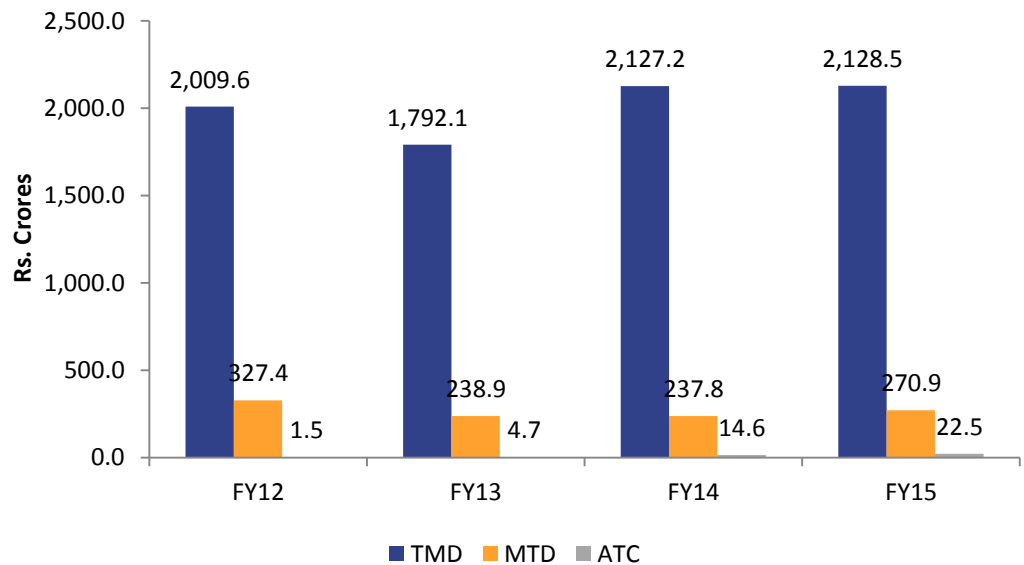
Established in 1962, Lakshmi Machine Works (LMW) is an India based textile machinery manufacturer. The company diversified into CNC Machine Tools and is engaged in the manufacturing of customised products.

Company Overview

Established in the year 1962, Lakshmi Machine Works Ltd. (LMW) is one of the textile machinery manufacturers operating in India. The company is involved in manufacturing machine tools and other customised products. LMW has 60% market share in the domestic Textile Spinning Machinery Industry. It manufactures spindles, rings, top rollers, flyers, cots & aprons and gears. The company caters to both domestic and international markets. The company operates through for divisions viz; Textile Machinery Division (TMD), Machine Tools Division (MTD), Foundry Division and the Advanced Technology Centre (ATC). It also has a Wind Energy Division.

All the divisions of the company have their manufacturing units located in Coimbatore, Tamil Nadu in India. The TMD division caters to ~92% of the company's order inflows. Its domestic business generates 80% of its revenues, while the rest are accounts for by exports. LMW specializes in ring frame based spinning machines and commands 10% market share globally for this division. Its biggest customers include Trident, Vardhman and Welspun. The company has tie-ups with Voltas and Super Sales for selling its components.

Segmental revenue contribution



Order book of the company stood at Rs. 3,050.0 Crores

LMW's order book was Rs. 3,050.0 Crores at end of FY15, out of which Machine tool divisions' order backlog is Rs. 85 Crores and the rest being orders for Textile machinery. At the current order book of Rs. 3,050 Crores, LMW currently operates at 50% capacity utilization and works only two shifts, against the normal practice of working on three shifts.

Net revenue for Lakshmi Machine works registered a marginal decline of 1.3% YoY and stood at Rs. 564.2 Crores during Q1FY16.

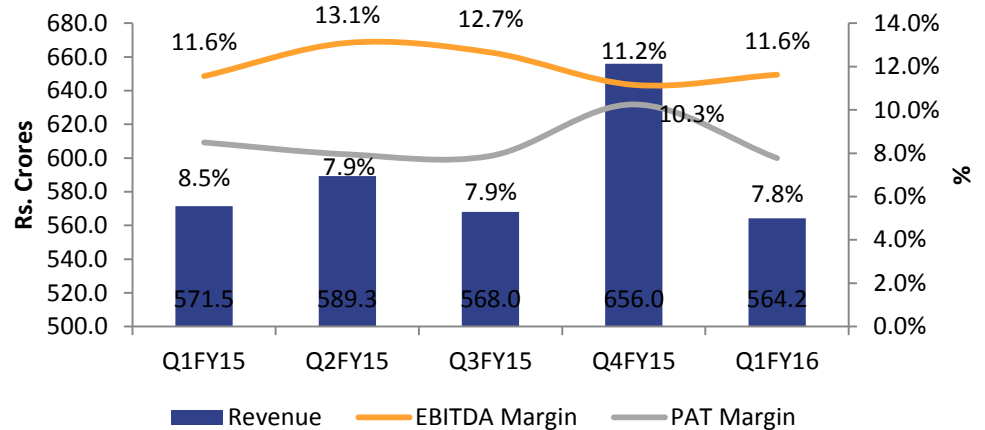
PAT margin was reported at 7.6% declining by 72.5 bps YoY due to higher tax outgo that increased by 15.5% YoY to Rs. 22.2 Crores.

Q1FY16 results disappoint

LMW registered a marginal decline in its revenue by 1.3% YoY and stood at Rs. 564.2 Crores during Q1FY16. The revenue for the textile machinery division (TMD) declined marginally by 3.8% from Rs. 526.7 Crores in Q1FY15 to Rs. 506.9 Crores in Q1FY16 due to financing issues within the industry. Revenues for the Machine Tools Division (MTD) increased by 7.7% YoY and reported at Rs. 55.8 Crores led by a pick-up in automotive demand.

EBITDA registered a 0.7% YoY de-growth in Q1FY16. EBITDA margin stood at 11.6% remaining unchanged as in Q1FY15. PAT for the period under review decreased by 9.7% YoY and was reported at Rs.43.9 Crores as compared to Rs.48.6 Crores in Q1FY15. PAT margin was reported at 7.8% declined by over 70.0 bps YoY. The decline in the bottom-line can be attributed to higher tax outgo that increased by 15.5% YoY to Rs. 22.2 Crores.

Quarterly performance trend



Major segments of LMW

The Company has four major divisions viz; Textile Machinery Division (TMD), Machine Tools Division (MTD), Foundry Division and the Advanced Technology Centre (ATC). It also has a Wind Energy Division. All these divisions are located in and around Coimbatore, Tamil Nadu.

TMD – This division provides Spinning Technology machines to the domestic market as well as exports the products to Asian and Oceanic Regions. TMD manufactures spinning preparatory machines, yarn making machines and also accessories and spares. LMW sold about 4,419 machineries at a value of Rs. 2,036.71 Crores in FY15 (FY14 – 4,086 machineries worth Rs. 1,929.41 Crores).

MTD – LMW has established the Machine Tool Division to manufacture CNC Lathes, Machining Centres and other hi-tech Machine Tools. During FY15, this division has sold 978 machines for a value of Rs. 204.97 Crores (FY14:Rs. 161.47 Crores).

Foundry Division is engaged in manufacturing Ductile Iron and Grey Iron Castings as per specific requirements of customers using state-of-the-art facilities.

The company has four divisions namely; TMD, MTD, Foundry and ATC. Besides these, it also has a Wind Energy Division.

This division has sold 3,464 MT (FY14: 4,000 MT) of ductile iron and grey iron castings valued at Rs. 56.27 Crores during FY15. (FY14: Rs. 67.26 Crores). Out of the total castings sold about 59% accounting for Rs. 35.39 Crores was exported.

ATC - LMW has set up the Advanced Technology Centre to cater to the needs of Aerospace industry. ATC has many facilities and machines in place like CNC Lathes, VTLs, CNC Turn Mill Centre, CNC Machining Centres (Multi axes & Multi face), Sheet Metal fabrication and special processes with surface treatment, heat treatment & NDT facilities. It is also NADCAP(National Aerospace and Defense Contractors Accreditation Program) certified for special process like chemical process, NDT and Heat treatment. ATC has tied up the projects with major OEM's in US & Europe and various division of Hindustan Aeronautics Limited. During FY15 ATC had a turnover of Rs. 11.29 Crores (Previous Year: Rs. 4.73 Crores). During FY15 this division had received orders from international Tier II Aerospace product suppliers from USA, France, Canada and Netherlands. The Company has invested in facilities necessary to meet with special requirements of clients and has obtained all the necessary quality certification.

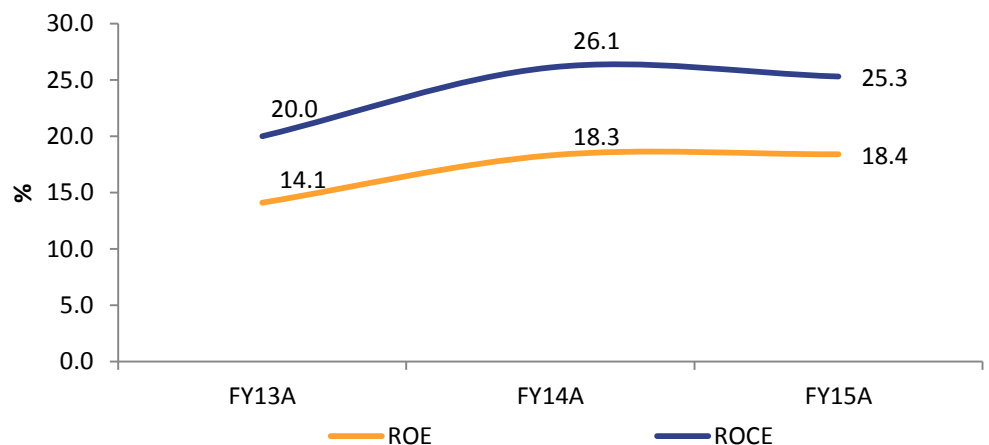
Wind energy division - As on 31st March, 2015 the Company has installed 28 WEGs(Wind Energy Generators) with a total capacity of 36.85 MW. This division has generated 732 Lakh units of power during 2014-15. A major portion of wind power generated has been captively consumed by the manufacturing units within the Company and thereby has helped to reduce the power cost.

Maintain the liquidity position

LMW controls its working capital requirement. The company has adequate cash and owns a cash balance of Rs. 975.2 Crores which is around 68% of the entire balance sheet size of the company resulting in cash /share of Rs. 886. Networking capital has remained negative since FY06. The company follows the practice of taking advance payment of at least 10% (non-refundable) on new orders, which helps in the working capital management. Its cash conversion cycle for FY15 was (15) days.

LMW has a cash balance of Rs. 975.2 Crores in FY15, around 68% of its balance sheet size leading to a cash/share of Rs. 886.

Return ratios trend



Balance Sheet (Consolidated)

(Rs. Cr)	FY13A	FY14A	FY15A
Share Capital	11.3	11.3	11.3
Reserve and surplus	945.2	1,096.9	1,270.6
Net Worth	956.5	1,108.1	1,281.8
Total Debt	0.0	0.0	0.0
Other non-current liabilities	246.9	225.8	134.5
Capital Employed	1,203.4	1,334.0	1,416.3
Fixed Assets	456.6	428.2	445.0
Investments	96.5	86.9	87.5
Net current assets	650.4	818.9	874.1
Deferred tax assets	0.0	0.0	9.7
Capital Deployed	1,203.4	1,334.0	1,416.3

Profit & Loss Account (Consolidated)

(Rs. Cr)	FY13A	FY14A	FY15A
Net Sales	2,017.2	2,337.8	2,488.2
Expenses	1,790.2	2,074.9	2,187.0
EBITDA	227.0	262.9	301.2
Other Income	76.3	110.6	100.3
Depreciation	119.2	104.5	99.7
EBIT	184.1	269.0	301.8
Interest	0.4	0.6	0.6
Profit Before Tax	183.7	268.4	301.1
Tax	54.1	79.4	81.5
Net Profit	129.6	189.0	219.6

Cash Flow (Consolidated)

Y/E (Rs. Cr)	FY13A	FY14A	FY15A
Net profit/loss before tax	183.7	268.4	301.1
Net cash flow from operating activities	82.3	150.9	130.6
Net cash used in investing activities	(30.1)	(113.8)	(53.8)
Net cash used from financing activities	(65.4)	(27.3)	(40.4)
Net inc/dec in cash and cash equivalents	(13.2)	9.8	36.4
Cash and cash equivalents begin of year	31.8	18.7	28.5
Cash and cash equivalents end of year	18.7	28.5	64.9

Key Ratios (Consolidated)

	FY13A	FY14A	FY15A
EBITDA Margin (%)	11.3	11.2	12.1
EBIT Margin (%)	9.1	11.5	12.1
NPM (%)	6.4	8.1	8.8
ROCE (%)	20.0	26.1	25.3
ROE (%)	14.1	18.3	18.4
EPS (Rs.)	115.0	167.8	194.9
P/E (x)	16.1	18.1	17.3
BVPS(Rs.)	848.9	983.5	1,137.7
P/BVPS (x)	2.2	3.1	3.0
EV/EBITDA (x)	5.8	9.6	9.4

Financial performance snapshot

LMW reported a top-line of Rs. 2,488.2 Crores in FY15, a marginal increase of 6% over previous year. LMW's order book was Rs. 3,050.0 Crores at end of FY15. Machine tool divisions' order backlog in this is Rs. 85 Crores, while the rest being orders for Textile machinery. EBITDA was reported at Rs. 301.2 Crores in FY15, a rise of 14.5% from the previous year. EBITDA margin increased to 12.1% during the year from 11.2% in FY14 due to better control of expenses. PAT grew 16.1% to Rs. 219.6 Crores on lower interest, depreciation and tax in FY15. Tax was lower on account of deferred tax asset creation. PAT margin was reported at 9% during the year as against 8% in FY14.



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