

Lakshmi Machine Works ₹7594

1 of the top 3 Manufacturer...!!! Buy



Apr 13, 2018

Company Background

Lakshmi Machine Works Limited was incorporated on 14th September, 1962 to provide the Indian Textile Mills with the latest Spinning Technology, today a global player and one among the three manufacturers of the entire range of Textile Machinery. It caters to both domestic and international markets. Company is helping to create the building block of textile super power, it manufactures equipment to support all textile processes from bale plucking, mixing, cleaning, carding and spinning and also LMW has diversified into manufacturing of CNC machine tools. Operations of the company are classified as Textile Machinery Division for spinning preparatory and yarn making machine, Machine Tool Division for CNC lathes and machining centres and Foundry Division for ductile iron and grey iron casting, all the divisions are ISO: 9000 certified. Textile machinery products are primarily exported to Turkey, Bangladesh, Pakistan, Nepal, Indonesia, Vietnam and China. Recently it entered into new global markets in South-East Asia, Middle East and Africa. LMW's Machine Tool Division manufactures CNC Lathes, Machining Centres and other hi-tech. Machining Centres and 2 Turning Centres are under development. The company has partnered with Japanese consultants for aligning operational systems and introduced two new lathes which provide higher accuracies and productivity.

Key Highlights

- ➔ For Q3 Net sales posted to ₹ 5424.20 mn, operating profit rose by 2.17% to ₹ 645.2 mn, other income increased by 62.17% to ₹ 327.10 mn, financial charges was declined by 28.13% to ₹ 2.3 mn and net profit soared by 22.45% to ₹ 566.20 mn on quarterly basis.
- ➔ In 2016-17 made partnership with Japanese consultants for aligning operational systems and process with global best Practices for developing more efficient and accurate Mother machines and introduced two new lathes which provide higher accuracies and productivity.
- ➔ Company has two foundry units. India's foundry industry is the third biggest globally in terms of production 10 mn tonnes in FY16, China 40 mn tonnes and the USA 11 mn tonnes.

Key Financials

Year Ended 31 st	Mar 15	Mar 16	Mar 17
Revenue (INR mn)	26,775.3	30,684.1	27,418.8
Rev. growth (%)	5.36	14.60	(10.64)
EBITDA (INR mn)	3,649.5	3,851.3	4,119.4
Net profit (INR mn)	2,074.5	2,201.2	1,906.0
Shares outstanding (mn)	11.3	11.3	11.0
EPS (INR)	176.5	187.7	165.6
EPS growth (%)	11.75	6.37	(11.79)
P/E (x)	21.68	17.76	25.48
RONW (%)	17.54	15.93	12.53
ROCE (%)	21.20	21.94	16.45

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Info Codes

Reuters	: LKMC.BO
Bloomberg	: LMW IN
NSE	: LAXMIMACH
BSE	: 500252

Market Data

52 Wk Range (₹)	: 4315/7824
Shares in Issue (mn)	: 11
Market. Cap (bn)	: 83.19
BSE 2 Wk Avg Vol	: 2353

Share Holding Pattern (%)

Promoters Holding	: 30.07
Public & Others	: 46.81
Corporate Holding	: 00.00
Foreign Institution	: 00.00
Institutions	: 23.12

Investment Theme

The Indian textiles industry, currently estimated at around \$108 bn, is expected to reach \$223 bn by 2021. LMW Ltd has 3 division like; Textile machinery, Machine tools and Foundry divisions. Textile machinery division caters to the domestic as well global markets. It has been consistently at the first place of technological advancements in textile machinery. During the year it was entered into the new global markets in South-East Asia, Middle East and Africa. In 2016-17 government notifying the Amended Technology Upgradation Fund Scheme to provide a one-time capital subsidy for investments in employment & technology-intensive segments of the sector, a move aimed at promoting exports. Government is working on removal of the National Textile Policy in the FY18, aims to achieve \$300 bn textile exports by 2024-25.

Complete Textile Machinery Manufacturer...!!!

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 15	Mar 16	% Chg	Mar 17	% Chg
Net Sales	23,848.2	27,530.2	15.4	24,322.6	(11.7)
Other Income	1,063.3	983.7	(7.5)	906.0	(7.9)
Change in Stocks	93.1	99.3	6.7	(68.1)	(168.6)
Raw Material Con.	14,761.1	17,468.4	18.3	15,132.6	(13.4)
Employee Exp.	2,360.2	2,403.1	1.8	2,454.5	2.1
Indirect Taxes	1,863.8	2,170.2	16.4	2,190.2	0.9
Other Exp.	2,168.1	2,451.9	13.1	1,968.9	(19.7)
Operating Exp.	21,153.2	24,493.6	15.8	21,746.2	(11.2)
Operating Profit	3,851.4	4,119.6	7.0	3,414.3	(17.1)
Total Interest	6.3	8.9	41.3	4.0	(55.1)
Gross Profit	3,845.1	4,110.7	6.9	3,410.3	(17.0)
Net Dep.	965.0	828.9	(14.1)	747.3	(9.8)
Total Taxation	805.6	1,080.6	34.1	757.0	(29.9)
Net Profit/Loss	2,074.5	2,201.2	6.1	1,906.0	(13.4)

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Mar 14	Mar 15	Mar 16	Mar 17
SOURCES OF FUNDS	13,276.1	13,949.5	16,046.9	16,386.4
Equity Share capital	112.7	112.7	112.7	109.6
Equity Application Money	0.0	0.0	0.0	0.0
Equity Share Warrants	0.0	0.0	0.0	0.0
Reserves & Surplus	10,931.7	12,492.0	14,920.8	15,274.7
Secured Loans	0.0	0.0	0.0	0.0
Unsecured Loans	2,231.7	1,344.8	1,013.4	1,002.1
USES OF FUNDS	13,276.1	13,949.5	16,046.9	16,386.4
Gross Block	16,775.0	17,485.6	4,655.3	5,281.7
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	12,945.6	13,744.6	646.3	659.1
Net Block	3,829.4	3,741.0	4,009.0	4,622.6
Capital Work in Progress	27.4	31.1	75.7	33.4
Investments	1,288.3	1,288.3	1,527.6	1,262.4
Current Assets	14,853.2	16,299.5	16,437.5	15,715.9
Less : Current Liabilities	6,923.7	7,769.1	7,035.3	6,734.8
Total Net Current Assets	7,929.5	8,530.4	9,402.2	8,981.1
Misc. Expenses not writtenoff	201.5	358.7	1,032.4	1,486.9
NOTE				
Book Value of Unquoted Investments	699.8	699.8	882.6	1,056.2
Market Value of Quoted Investments	565.8	638.9	876.2	611.1
Contingent Liabilities	553.6	624.8	739.3	1,301.0
Dividend (%)	300.0	375.0	400.0	350.0

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Mar 17	Jun 17	Sep 17	Dec 17
Net Sales	7,119.6	6,961.4	5,730.4	5,424.2
Cost Of Sales	6,213.1	6,258.0	5,098.9	4,779.0
Operating Profit	906.5	703.4	631.5	645.2
Other Income	199.2	214.9	201.7	327.1
Adjusted PBDIT	1,105.7	918.3	833.2	972.3
Financial Expenses	0.5	0.0	3.2	2.3
Depreciation	240.7	218.0	182.3	141.6
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	864.5	700.3	647.7	828.4
Tax Charges	181.5	224.1	185.6	265.1
Reported Profit	682.9	476.3	462.2	563.5
Extra Ordinary Items	(1.7)	(2.7)	(0.2)	(2.7)
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Adjusted Net Profit	684.6	479.0	462.4	566.2

52 Week Index Relative Percentage Appreciation

Lakshmi Machine vs SENSEX
Risks Associated

- ➔ India's cotton yarn production at ₹ 3,936 mn kg for FY 2016-17, nearly 5% lower than ₹ 4,138 mn kg output reported in the previous financial year.
- ➔ Cotton spinners in India are considering production cuts during the year to sustain profit margins, if current scenario continues, experts are estimates an average production cut of 15% for financial year 2017-18. Domestic spinning industry remains highly dependent upon exports, slowdown in exports to China.
- ➔ For 2016-17 net sales was declined by 11.7% to ₹ 24,322.6 mn, other income marginally decreased to ₹ 906 mn and net profit down by 13.4% to ₹ 1906 mn.
- ➔ Higher production cost and lower demand, spinning companies have not able to pass on such increase on customers.

Scope of Growth

- ➔ Government has notified the Amended Technology Upgradation Fund Scheme to provide a one-time capital subsidy for investments in employment and technology intensive segments of the textile sector.
- ➔ Government is working on removal of National Textile Policy in the FY18, policy aims to achieve \$300 bn worth of textile exports by 2024-25.
- ➔ Company remains focused on widening its global presence by strengthening its presence in existing geographies and entering new textile hubs across the world.
- ➔ Company has undertaken various measures aimed at boosting productivity & minimise overall cost. This initiatives would help the company to respond positively to any developing market opportunity.

In a Nutshell

Lakshmi Machine Works was incorporated on 14th September, 1962 to provide Textile Mills with the latest Spinning Technology. It is one among the three manufacturers of the entire range of Textile Machinery. Company operations are classified as; Textile Machinery, Machine Tools and Foundry Divisions. Out of all those 3 divisions Textile Machinery Division is major revenue generator. Textile Machinery Division turnover is ₹ 3318.75 mn for 2016-17 as against ₹ 3229.62 mn in 2015-16. Machine Tools division's turnover of ₹ 3188.56 mn from sale of 1,466 machines in 2016-17 as against ₹ 2155.4 mn in 2015-16. This increase was primarily due to the launch of more sophisticated machines. India is at 13th in production and 10th in the consumption of machine tools in the world. Foundry Division sold 3,986 MT of ductile iron and grey iron castings valued at ₹ 593.73 mn in 2016-17 against 3,927 MT valued at ₹ 725.86 mn in the previous year. Out of the total castings sold, about 24%, valued at ₹ 150.80 mn were exported. India's foundry industry is 3 biggest in the world in terms of production capacity. Indian Government has taken some steps to develop the sector. In 2016-17 government notifying the Amended Technology Upgradation Fund Scheme to provide a one-time capital subsidy for investments in employment and technology-intensive segments of the textile sector, a move aimed at promoting exports and import substitution. Advanced Technology Centre specialises in developing high precision parts and components required for the aerospace industry. The ATC is spread over 25,000 sq meter built up area. Government plans to increase the total number of operational airports in India from 75 to 118. Textile Machinery is the major revenue contributor for the company.

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Rating Interpretation

Buy : Expected to appreciate 20% or more over 12-months

Accumulate : Expected to appreciate 10% to 20% over 12-months

Trade Buy : Expected to appreciate more than 10% over 45-days

Reduce : Expected to depreciate up to 10% over 12-months

Sell : Expected to depreciate 10% or more over 12-months

Trade Sell : Expected to depreciate more than 10% over 45-days

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