

LAKSHMI MACHINE WORKS LTD.

28-Jun-16

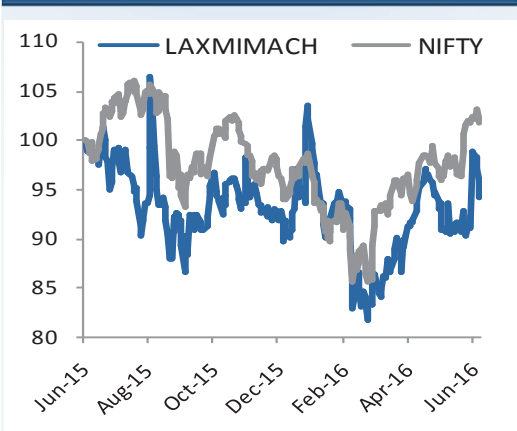
Result Update	
CMP	3651
Target Price	4650
Previous Target Price	-
Upside	27%
Change from Previous	-

Market Data	
BSE Code	500252
NSE Symbol	LAXMIMACH
52wk Range H/L	4199/3050
Mkt Capital (Rs Cr)	4,112
Av. Volume	1042
Nifty	8107

Stock Performance			
	1Month	1Year	YTD
Absolute	2.7	-8.1	-8.8
Rel.to Nifty	-1.3	-9.9	-9.2

Share Holding Pattern-%			
	4QFY16	3QFY16	2QFY16
Promoter	28.35	28.35	28.35
Public	71.65	71.65	71.65
Others	--	--	--
Total	100	100	100

Company Vs NIFTY



Outlook and Valuation:

Lakshmi Machine Works(LMW) has reported FY16 performance which is better than our expectations. We expect that the company's surplus scenario will be continue for atleast next three years. Management expects ~5% YoY growth in domestic geography in FY17E and Export growth will be 22-23%, it intends to place a greater focus on export markets in Pakistan, Bangladesh, Turkey and Vietnam. The thrust on infrastructure development across the country and across almost all the sectors is expected to generate considerable business for the Indian Machine Tool industry. LMW is a leading Textile Machinery Manufacturer in India and one among the three in the world to produce the entire range of Spinning machinery and the country is projected to be the 3rd largest aviation market by the year 2020. We expect 14 % growth in Sales in FY17E and 21% growth in EBITDA. Based on above mentioned reasons we expect good growth going forward and recommend "BUY" for this stock at a target price of Rs 4650.

Result Summary:

The company has achieved a turnover of Rs 2638 Cr for FY16 as against Rs 2488 Cr in FY15. EBITDA of Rs 337 Cr as compare to Rs 311 Cr in FY15 increase of 8% from the previous year. Net profit has been grew by 3% and reported of Rs 226 Cr as against of Rs 220 Cr in FY15. The company has reported an EPS of Rs 201 for the FY16 as against of Rs 195 in the previous year.

Key Risks:

- Sectorial slowdown could impact the growth of the company.
- Non availability of essential raw materials.
- Market share of the company might be reduced by competing forces.
- Product failure is one of the major problems of the company.

	Rs In Cr				
Financials	FY13	FY14	FY15	FY16	FY17E
Sales	2017	2338	2488	2638	2824
EBITDA	227	271	311	337	375
Net Profit	130	189	220	226	256
EBIDTA%	11.3%	11.6%	12.5%	12.8%	13.3%
P/E	0.1	0.1	0.1	0.1	0.1

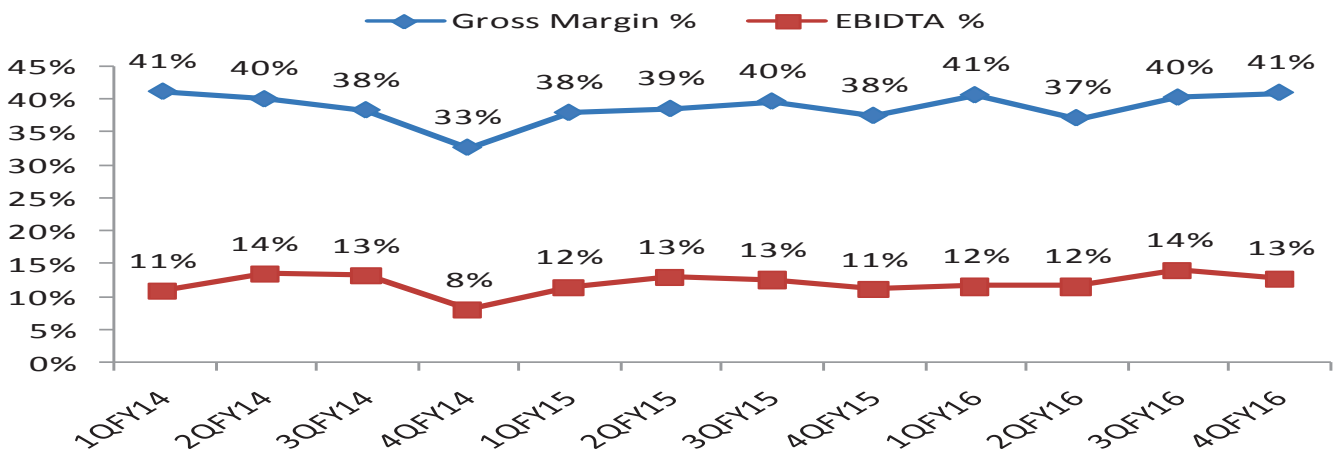
(Source: Company/Eastwind)

Segmental Performance:

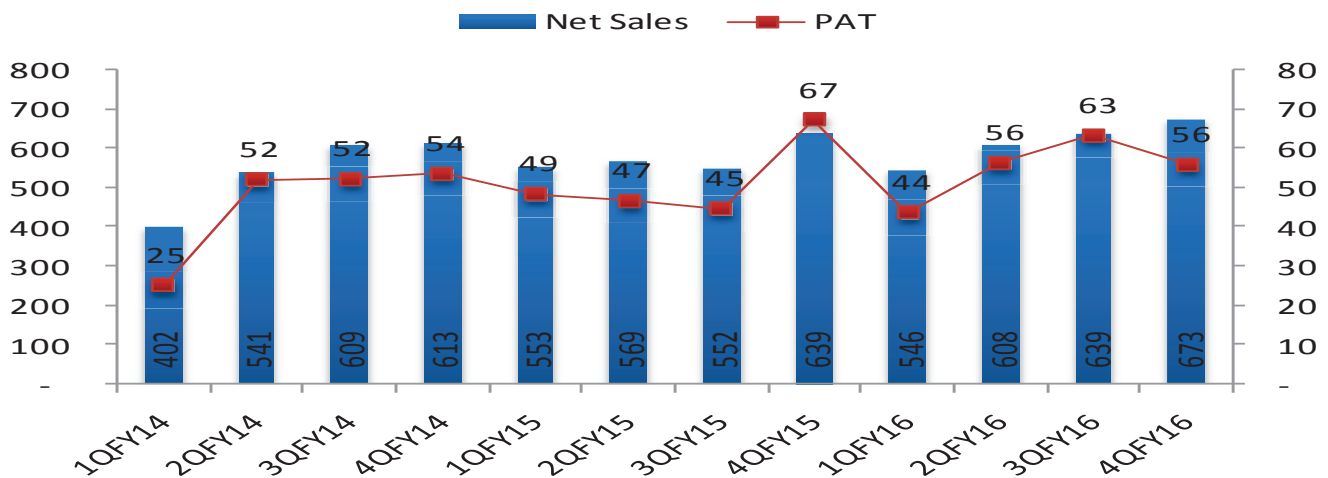
Segment Details	In Cr											
	1QFY15	2QFY15	3QFY15	4QFY15	1QFY16	2QFY16	3QFY16	4QFY16	1QFY17E	2QFY17E	3QFY17E	4QFY17E
Textile Machinery Division	527	518	515	568	507	559	579	628	594	603	613	623
Machine Tool & Foundry Division	52	76	56	87	56	68	74	69	59	71	72	67
Advanced Technology Centre	3	5	6	9	7	5	6	6	5	5	6	7
Total	581	599	577	665	570	632	658	703	657	679	691	697

Indian textile industry and enable it to achieve 20% growth in exports and sustain a 12% growth rate in domestic market till 2024-25.

Trend of Gross margin & EBITDA margin:



Trend of Net Sales & PAT (Cr) :



Guidance for FY17E:

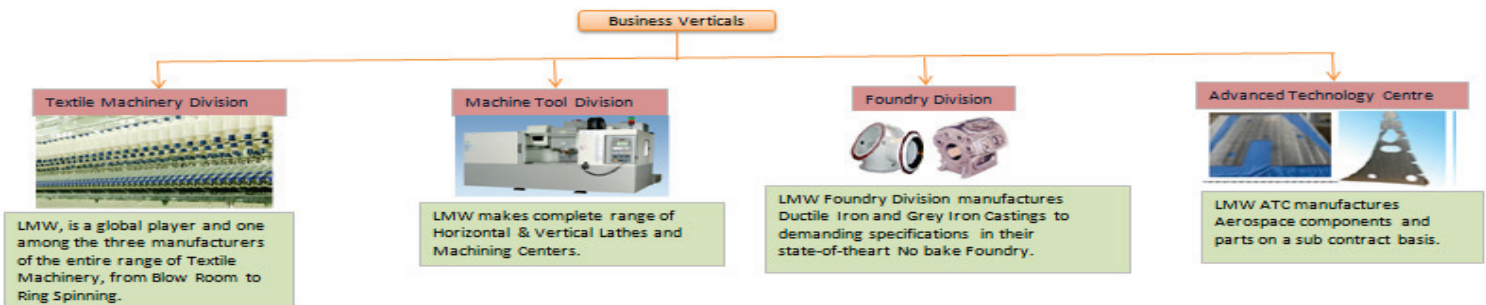
- There will be an organic growth in Textile segment.
- Order book will sustain to 60-65%.
- Export growth 22-23%.
- Spares growth 16-17%.
- The Gujarat government's make in Gujarat policy is seeing textile capacity come back into the state and orders on this front will continue to drive revenues well into FY17.

Investment arguments:

- Management expects ~5% YoY growth in domestic geography in FY17. And Export growth will be 22-23%, it intends to place a greater focus on export markets in Pakistan, Bangladesh, Turkey and Vietnam.
- It is expected that the Indian Foundry industry will face increased demand for its products.
- The thrust on infrastructure development across the country and across almost all the sectors is expected to generate considerable business for the Indian Machine Tool industry.
- Indian textile industry and enable it to achieve 20% growth in exports and sustain a 12% growth rate in domestic market till 2024-25.
- The Government of India has set a goal of doubling India's share in the global textile trade to 8% by 2020.
- It is expected that the Indian Foundry industry will face increased demand for its products.

Company's background:

Lakshmi Machines Works (LMW) was founded in the year 1962, is today a global player and one among the three manufacturers of the entire range of Textile machinery. LMW has 60% of market share in the domestic Textile Spinning Machinery Industry. LMW diversified into CNC machines tools and is brand leader in manufacturing customized products. LMA foundry makes Precisen castings for industries the worlds over. It is the only in Asia outside Europe to manufacture OE products for Mikron of Switzerland. LMW's Global presence has grown over the years, with a market presence not only in developing countries but also in Europe.



Financials Snap Shot

INCOME STATEMENT

	FY14	FY15	FY16	FY17E
Revenue (Net of Excise D	2338	2488	2638	2824
Other Income	111	100	93	100
Total Revenue	2448	2588	2732	2925
COGS	1445	1518	1582	1694
GPM	1	1	1	1
Other Expenses	382	418	466	477
EBITDA	271	311	337	375
EBITDA Margin (%)	12%	12%	13%	13%
Depreciation	104	100	88	94
EBIT	167	211	249	280
Interest	1	1	1	1
PBT	268	301	336	380
Tax	79	81	110	124
Tax Rate (%)	30%	27%	33%	33%
Reported PAT	189	220	226	256
Dividend Paid	26	40	49	53
No. of Shares	1	1	1	1

Source: Eastwind/Company

RATIOS

	FY14	FY15	FY16	FY17E
EPS	167.8	195.0	201.0	226.9
Book Value	983.6	1137.7	1292.0	1472.2
DPS	23.4	35.1	43.9	46.8
Payout (incl. Div. Tax.)	14%	18%	22%	21%
Valuation(x)				
P/E	18.1	19.7	16.9	15.4
Price / Book Value	3.1	3.4	2.6	2.4
Dividend Yield (%)	0.77%	0.91%	1.29%	1.34%
Profitability Ratios				
RoE	17%	17%	16%	15%
RoCE	15%	16%	17%	17%
Turnover Ratios				
Asset Turnover (x)	1.1	1.1	1.1	1.1
Debtors (No. of Days)	23.9	30.3	32.6	35.0
Inventory (No. of Days)	84.6	78.2	79.9	82.0
Creditors (No. of Days)	49.2	49.4	46.0	46.0
Net Debt/Equity (x)	0.00	0.00	0.00	0.00

Source: Eastwind/Company

BALANCE SHEET

	FY14	FY15	FY16	FY17E
Share Capital	11	11	11	11
Reserves	1097	1271	1444	1647
Net Worth	1108	1282	1456	1659
Long term Debt	0	0	0	0
Short term Debt	0	0	0	0
Deferred Tax	3	0	0	0
Total Capital Employed	1108	1282	1456	1659
Net Fixed Assets	428	445	471	516
Capital WIP	36	6	32	0
Debtors	153	207	236	271
Cash & Bank Balances	913	975	1049	1180
Trade payables	315	336	333	356
Total Provisions	46	60	61	64
Net Current Assets	819	874	979	1131
Total Assets	2068	2237	2378	2632

Source: Eastwind/Company

CASH FLOW STATEMENT

	FY14	FY15	FY16E	FY17E
OP/(Loss) before Tax	268	301	336	380
Depreciation	104	100	88	94
Direct Taxes Paid	(90)	(91)	(110)	(124)
Operating profit before w	274	318	425	475
CF from Op. Activity	151	131	243	324
Capital expenditure on fix	(78)	(119)	(115)	(139)
CF from Inv. Activity	(114)	(54)	(115)	(139)
Repayment of Long Term Borrowings				
Interest Paid	(79)	(81)	0	0
Divd Paid (incl Tax)	(1)	(1)	0	0
CF from Fin. Activity	(27)	(40)	(50)	(54)
Inc/(Dec) in Cash	10	36	77	131
Add: Opening Balance	19	29	975	1049
Closing Balance	29	65	1052	1180

Source: Eastwind/Company