

LMW®

LAKSHMI MACHINE WORKS LIMITED

ANNUAL
REPORT | **2015-16**

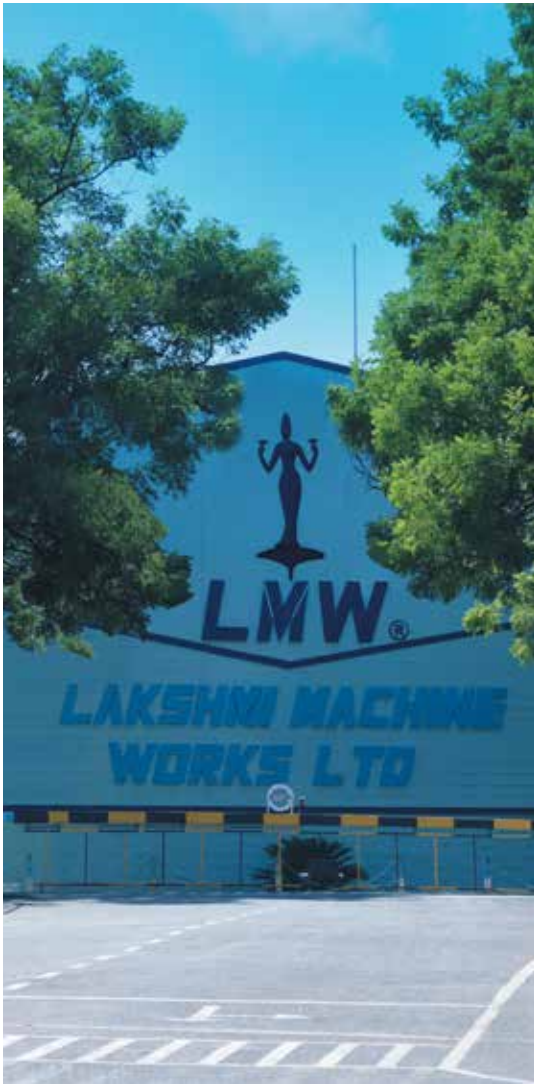
FORWARD LOOKING STATEMENT
IN THIS ANNUAL REPORT WE HAVE DISCLOSED FORWARD-LOOKING INFORMATION TO ENABLE INVESTORS TO KNOW OUR PRODUCT PORTFOLIO, BUSINESS LOGIC & DIRECTION AND COMPREHEND OUR PROSPECTS. THIS REPORT AND OTHER STATEMENTS – WRITTEN AND ORAL – THAT WE PERIODICALLY MAKE ARE BASED ON OUR ASSUMPTIONS. WE HAVE TRIED WHEREVER POSSIBLE TO IDENTIFY SUCH STATEMENTS BY USING WORDS SUCH AS ‘ANTICIPATE’, ‘BELIEVE’, ‘ESTIMATE’, ‘EXPECT’, ‘INTEND’, ‘PLAN’, ‘PROJECT’ AND WORDS OF SIMILAR SUBSTANCE IN CONNECTION WITH ANY DISCUSSION OF FUTURE PERFORMANCE.

WE CANNOT GUARANTEE THAT THESE FORWARD LOOKING STATEMENTS WILL BE REALISED, ALTHOUGH WE BELIEVE THAT WE HAVE BEEN PRUDENT IN OUR ASSUMPTIONS. THE ACHIEVEMENT OF RESULTS IS SUBJECT TO RISKS, UNCERTAINTIES AND EVEN INACCURATE ASSUMPTIONS. IF KNOWN OR UNKNOWN RISKS OR UNCERTAINTIES MATERIALISE, OR IF UNDERLYING ASSUMPTIONS PROVE INACCURATE, ACTUAL RESULTS CAN VARY MATERIALLY FROM THOSE ANTICIPATED, ESTIMATED OR PROJECTED. READERS MAY BEAR THIS IN MIND.

WE UNDERTAKE NO OBLIGATION TO PUBLICLY UPDATE ANY FORWARD LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE.



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THE Indian textile industry is one of the remarkable instances of a sector achieving the national objectives of ‘Make in India’, international competitiveness and grassroots employment.

At LMW, we see ourselves as a catalyst of this economy-driving sector.

Over the decades, we have leveraged the country’s resident engineering excellence to manufacture world-class textile spinning machinery. Our products have facilitated the competitiveness of the country’s textile sector.

The result is that at LMW, we bring a serious responsibility to our role and function.

We are not just a company engaged in the manufacture of cutting-edge textile spinning machinery. We are a company engaged in

TAKING THE NATION AHEAD

WE HAVE BEEN
DRIVEN BY THE
NEED TO ACHIEVE
SOMETHING
LARGER FOR THE
**WIDER BENEFIT OF
THE COMMUNITY
AND COUNTRY.**



**We are driven by the need to grow
our customer's business.**
As opposed to the narrow focus on growing our own.



**We focus on the success of the ecosystem of our
customers and partners.**
As opposed to a singular focus on our standalone success.



**We measure success by the growth of the nation's
textile spinning sector competitiveness.**
As opposed to our market share and position.



**We pride in positioning India as a global textiles
spinning hub.**
As opposed to a preoccupation with our own positioning.

LMW STANDS FOR
HUMAN VALUES
THAT HAVE
**TRANSLATED
INTO CORPORATE
VALUE**

VISION

To enhance customer satisfaction and our image globally, achieve exponential growth, and attain leadership through world-class products and services.

MISSION

To deliver greater value to our customers by providing complete, competitive solutions through technological leadership, manufacturing excellence and dynamic responsiveness to market needs.

VALUES

- Excellence
- Integrity
- Learning and sharing
- Contribution to industry and society responsiveness to market needs.

WHEN YOUR BUSINESS
IS DRIVEN BY THE
DREAM OF NATION-
BUILDING,
**SOME AMAZING
THINGS CAN HAPPEN.**

70

LMW's share (%)
in the total yarn
produced in India

3,241

Employment
provided by LMW
at its facilities

75

LMW's share (%)
in the operational
spindlage in India

6,00,000+

Lives touched by LMW
through its social
outreach projects

6.01

Aggregate
compounded
PAT growth
(%) reported by
the Company
in its 53-year
existence,
ending
2015-16

LAKSHMI MACHINE
WORKS LIMITED.
**COMMITTED
TO EXTEND
CORPORATE
PROFITABILITY
TO NATIONAL
PROSPERITY.**

Founded in 1962

Headquartered in
Coimbatore (India) with five
manufacturing locations

Business spread across four
business verticals – Textile
Machinery, Machine Tools,
Castings and Aerospace.

Enjoys a global marketing
footprint across 15 nations

Shares listed on the
Mumbai and National Stock
Exchanges in India



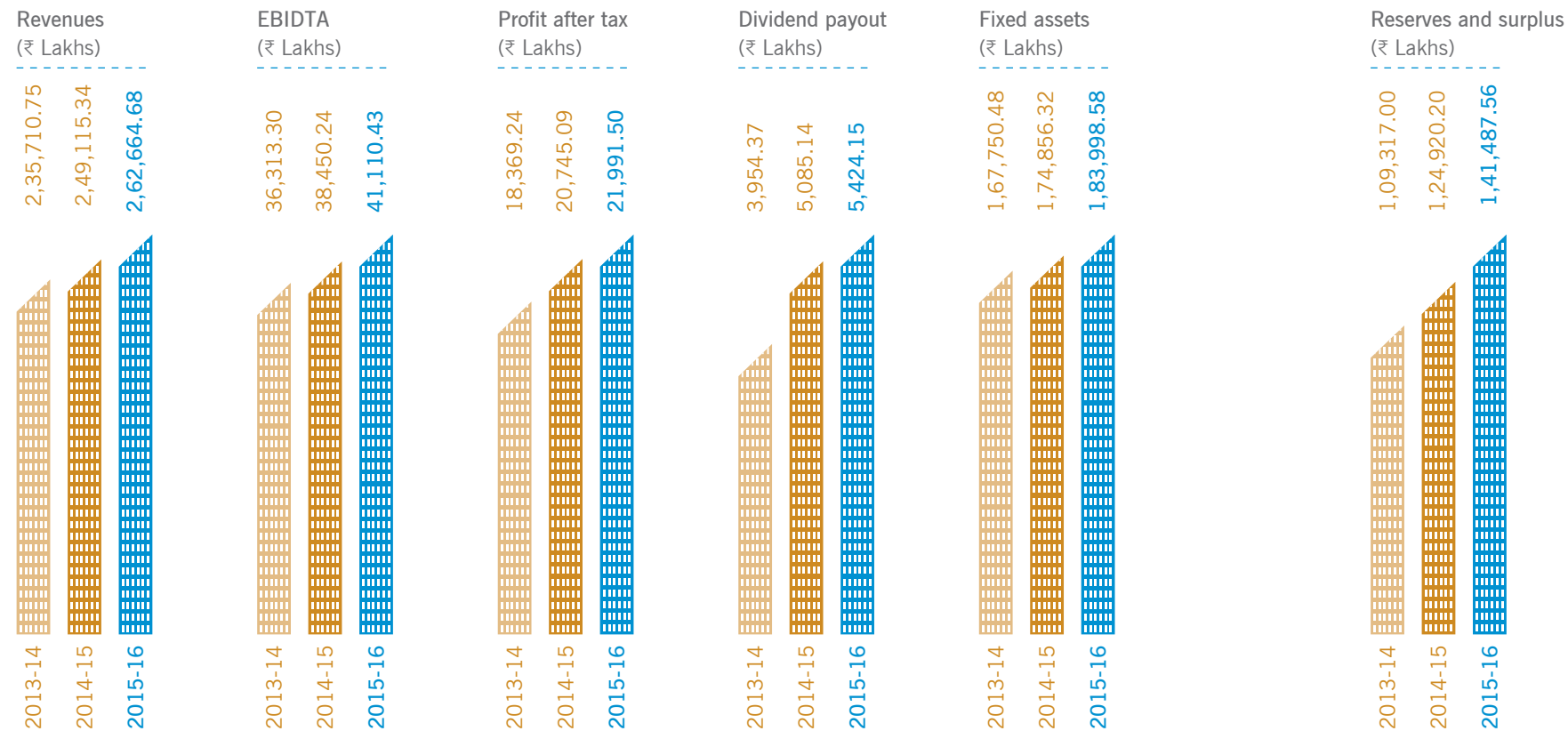
2,627
Revenue
in 2015-16
(₹ Crores)

220
Net Profit After Tax
in 2015-16
(₹ Crores)

3,758
Enterprise Value
as on March 31,
2016 (₹ Crores)

LMW is the only global
textile spinning machinery
company manufacturing
the entire spinning value
chain – from Blow Room
to Winders

AT LMW, WE HAVE CONSISTENTLY
DEMONSTRATED THAT STRENGTHENING
THE BUSINESS OF CUSTOMERS IS
ACTUALLY PROFITABLE FOR YOUR OWN.



Increase in 2015-16
over 2014-15

5.44
Growth in revenues (%)

6.92
Growth in EBIDTA (%)

6.01
Growth in profit after tax (%)

Increase in 2015-16
over 2014-15

13.14
Growth in Net Worth (%)

13.96
Growth in profit before tax (%)

5.23
Growth in gross block (%)

Increase in 2015-16
over 2014-15

6.67
Growth in dividend Outgo (%)

6.01
Growth in earnings
per share (%)

13.14
Growth in book value
per share

LMW's machines spin
the yarn that is used
by one of the world's
finest fabric maker,
which sells more than
50% of its products to
leading global fashion
labels.

Vietnam's largest
melange yarn
manufacturer, who
also has a significant
presence in the
global spinning sector
invested extensively
in LMW's spinning
equipment.



MAKE IN INDIA. DELIGHT THE WORLD.

THE Government of India has showcased its desire to strengthen India's respect across the global community of nations.

The government's simple solution is to Make in India.

This manufacturing focus will leverage the country's deep entrepreneurial tradition, manufacturing competence and cost competitiveness.

Generating employment and national prosperity while enhancing value for customers the world over.

At LMW, we have been engaged in this relevant endeavour across the decades.

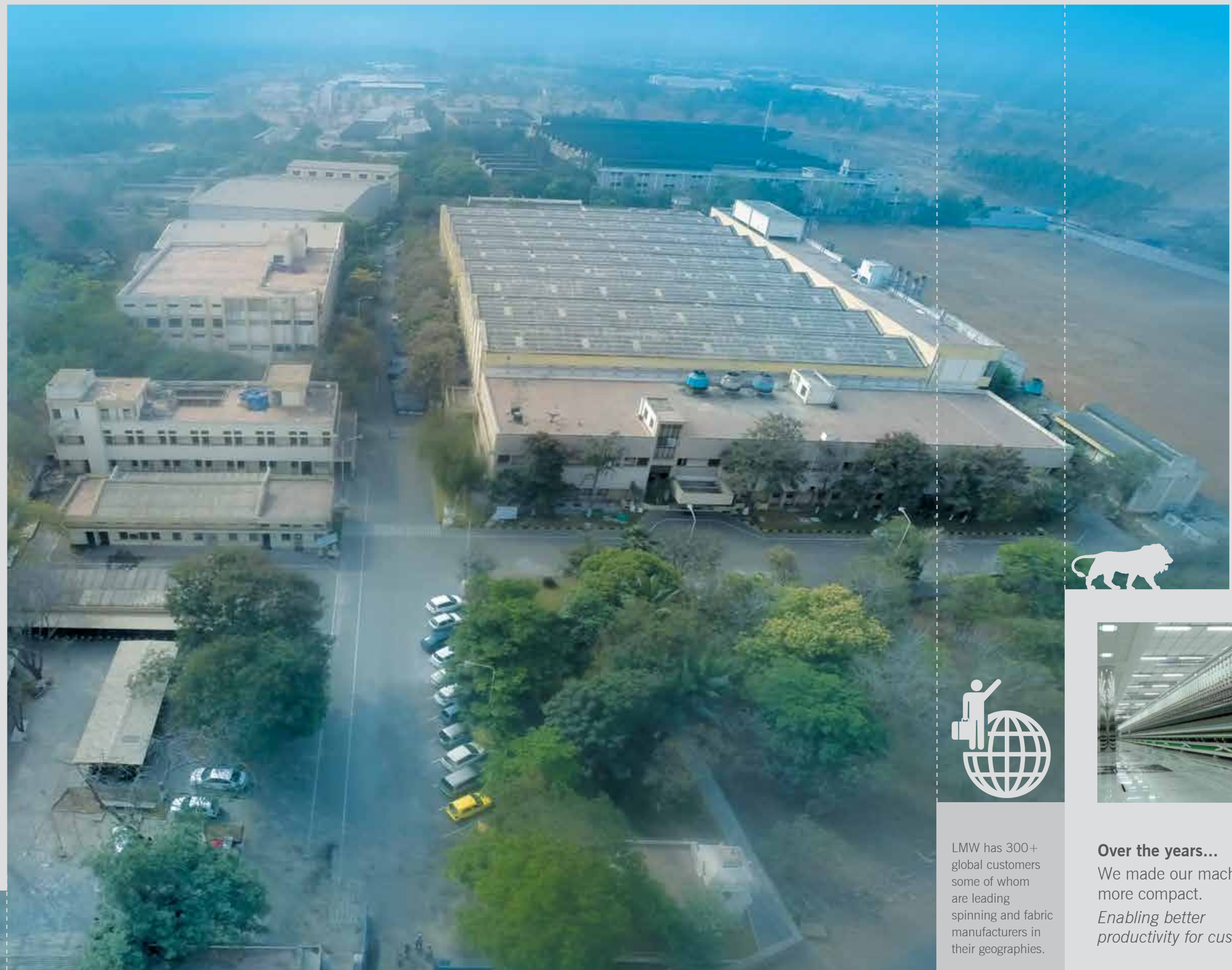
Over 70% of Spun Yarn produced in India is from LMW's machinery.

We shipped more than 24 lakh spindles during 2015-16; nearly 22.36% of our 2015-16 revenues were derived from exports.

We strengthened the price-value proposition by keeping equipment prices unchanged over time.

The result: Our turnover grew 3.54% CAGR and profit after tax grew 9.92% CAGR in the five years ending 2015-16.

Demonstrating that Make in India is good for the country, customer and the world.



LMW has 300+ global customers some of whom are leading spinning and fabric manufacturers in their geographies.



Over the years...
We made our machines more compact.
Enabling better productivity for customers.



LMW is renovating the Periyanaickenpalayam Railway Station, among the first instances of a private sector company renovating national railway infrastructure.



Over the years...
We made our machines technology-intensive.
Widening product development versatility.



BUILD INDIA

THE Indian Government is inviting the private sector to 'Build India' from the grassroots upwards. We believe that this shared responsibility will catalyse community building, create the next generation of community achievers and stimulate local economies.

At LMW, we embarked on this fulfilling journey from the time we went into business.

Healthcare: We fund hospitals managed by charitable institutions. We support the medication expenses of patients suffering from cancer. We organise annual eye camps in the villages of Periyanaickenpalayam and Kaniyur.

Education: We operate the GKD Matriculation Higher Secondary School, Periyanaickenpalayam, providing education to more than 2,000 students from LKG to Class XII. We selectively fund the infrastructure needs of a number of schools in our hinterland. We implemented a skill development programme in Nagaland.

Infrastructure: We play an active role in infrastructure development; part-funded the construction of rural roads; funded the procurement and installation of solar lanterns in rural Uttarakhand.

In doing so, we touched the lives of millions in just five years.



Over the years...

We made our machines 'intelligent'.

Strengthening person-machine productivity

LMW is funding coastal fishermen's training in surfing, so that this skill can be transformed into a tourist activity to supplement incomes.

SKILL INDIA

THE Indian Government has pledged to make India the skill capital of the world. We believe that when the competence of the second most populous nation, endowed with the youngest global population, is enhanced, the resulting economic benefits can extend across the world for the longest tenure.

At LMW, we have been committed to this ideal for decades.

We have invested in strengthening the skills of our employees, business partners and the larger community with the conviction that education and awareness can transform destinies.

We institutionalised a training calendar for our management, staff, workmen and contract labour. We provided over 12,000 person-days of training in 2015-16

We trained our vendors in enhancing their machine productivity and quality. We provided a learning opportunity to weaker community sections

Living the philosophy that Skill India translates into Win India.



Over the years...

We made our machines easily serviceable.

Increasing machine uptime.



THE Indian Government has pledged to make the country one of the cleanest in the world. We believe that Clean India will translate into enhanced healthfulness, lower national health care costs and increased national productivity.

At LMW, we have been completely aligned with this perspective since we went into business.

We made significant forward-looking

investments in pollution management equipment well before they became mandatory.

All LMW units enjoy a zero-liquid discharge status.

We prudently invested in replenishing the water table in and around our manufacturing facilities.

All LMW facilities and headquarters are provided with extensive rain-water harvesting.

We undertake afforestation programmes across all our manufacturing units.

The LMW green cover extends to about 25% of our campus area.

We have invested in clean renewable power sources.

Our windmills generated 595 lakh units of power, saving significant quantities of coal.

We responded to the Swachh Bharat Abhiyaan.

We contributed to the Coimbatore Corporation to commission toilets.

Even as these investments may have generated no tangible return, we are proud to state that the LMW brand stands for environment responsibility.

Representing our humble contribution to a Clean India and Green India.

FROM THE
CHAIRMAN'S DESK

“WE BELIEVE THAT ‘WHAT IS GOOD FOR INDIA IS GOOD FOR LMW’. THIS HAS NAVIGATED OUR BUSINESS DIRECTION. **ENHANCING VALUE FOR COMPANY, COMMUNITY AND COUNTRY.**”

SANJAY JAYAVARTHANAVELU
CHAIRMAN AND MANAGING DIRECTOR

Dear shareholders,

AT LMW, WE BELIEVE THAT THE COUNTRY COMES FIRST.

In an increasingly competitive environment, success is derived from the ability to align strategy with customer needs and national objectives.

The Government of India desires to shift the global textile industry's centre of gravity to India. For this to transpire, companies will need to fundamentally build their foundations around the efficient conversion of abundant cotton being grown within the country. This foundation will need to be reinforced through investments in larger spinning capacities, cutting-edge technologies,

cost-effective infrastructure, equipment versatility and maximised machine uptime.

At LMW, we proactively built our business around a singular focus: empower customers and make their businesses successful. In doing so, we transformed from a company respected for equipment quality to one admired for its service commitment. The result is that despite increased competition, we protected our domestic market share and established a strong presence in key global spinning hubs.

Commissioned as a backward integration to support the infrastructure of our core business, the machine tools division has emerged as a value-leader. Going

forward, this unit promises to strengthen India Inc.'s resolve in establishing a more meaningful global role with the launch of technology-intensive mother machines.

Castings form the essential backbone of industrial production. Specialised in heavily-cored, thin-walled castings, our foundry unit's products find application in engine blocks, compressors, transmission systems, locomotives and traction motor housings as well as heavy castings for machine tools. As our products gain acceptance from global MNCs operating in India, this unit is expected to strengthen India's global image in the global manufacturing space as a quality-respecting manufacturing base.

Our recent venture in the aerospace sector was also driven by the philosophy to prioritise national interests. This extension was inspired by the perception that when India purchases aircraft from global aircraft suppliers, there

will be a growing need for offset programmes. Over the years, we received component approvals from leading global aircraft manufacturers, providing us with a window of opportunity in the global aerospace sector. We are optimistic that this vertical will make an attractive contribution to our growth.

Looking ahead

The Government of India has outlined the aspiration to double India's share of the global textile trade to

The Government of India desires to shift the global textile industry's centre of gravity to India.

8% by 2020. We believe that this acceleration in a compressed time-frame will necessitate significant investments across the sector's value chain.

LMW is prepared for what lies ahead.

Over the years, the Company has proactively reoriented from a conventional equipment manufacturing company into a modern service-driven organisation with a robust manufacturing back-end.

We believe that this complement will make it possible for LMW to address exciting sectoral opportunities, translating into attractive growth over the foreseeable future.



MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Economy Overview

In February 2016, the Central Statistical Office estimated India's economic growth to be 7.6% for 2015-16. During the same period, India's Gross Value Addition for the manufacturing sector is expected to be 7.3%. These figures stand in comparison to the economic growth rate of 7.2% and the manufacturing Gross Value Addition rate of 7.1% achieved during 2014-15. On the other hand, Asian Development Bank and Reserve Bank of India expect India's economic growth during 2016-17

to be at 7.4% and 7.6% respectively. All economic data indicate that India's economy is likely to grow by over 7% in this fiscal year and the next. However, repeated contractions in factory output and subdued export performances are indicative of prospective challenges. Likewise, India's economy seems to be expanding in spite of a slowdown in green-field investments, resulting in a shortage of new job opportunities.

To spur domestic investments, RBI cut the repo rates in April 2016. This move is expected to enhance the supply of liquidity and facilitate bank lending. While inflation during 2016-17 is expected to remain stable, the status quo could be challenged if unfavourable weather escalates food prices; the Indian Rupee depreciates sharply and crude oil prices rise. The gradual implementation of the Seventh Pay Commission recommendations is also likely to be a factor.

With the continuing global slowdown and fall in commodity prices, India's

7.6%

India's economic growth for the year 2015-16.

India's Gross Value Addition in 2015-16 for the manufacturing sector is expected to be 7.3%.

exports in the first 11 months of 2015-16 dropped to USD 238 billion, as against the figure of USD 286 billion in 2014-15. Cumulative imports for the same period of 11 months were worth more than USD 351 billion, as against USD 412 billion in 2014-15. The drop in global oil prices facilitated lower import costs for the country.

The Indian Government has taken several measures to facilitate the ease of doing business within the country. These initiatives, along with the 'Make in India', 'Skill India' and 'Startup India' flagship programmes of the government, promise to boost the contribution of the manufacturing sector to the GDP, and also bring in further foreign investments into the country. In addition, the Government has also laid an emphasis on addressing infrastructure bottlenecks in the country.

These measures seem to be bearing fruit. Recent statistics suggest a turnaround in economic activity, with major infrastructure markers like electricity generation, cement production, cargo handled at ports and two-wheeler/LCV sales growing rapidly compared to the same period in the previous year. Also, Foreign Direct Investment in the country increased to USD 42 billion during the April – February period of 2015-16, an increase of 27.45% from the inflows in the corresponding period of the previous year.

Segment Information

Your Company has four major product segments, comprising the Textile Machinery Division (TMD), Machine Tools Division (MTD), Foundry Division (FDY), Advanced Technology Centre (ATC) and a Wind Energy Division. All these divisions are located in and around Coimbatore, Tamil Nadu, India.

USD 42 bn

Foreign Direct Investment in the country during the April – February period of 2015-16

