



LLOYD ELECTRIC AND ENGINEERING LIMITED

ANNUAL REPORT
2015-16



“Creating a Sustainable Future”

Introducing Mylloyd App



**First & only company
in India to help you**

Register

**Your Service Request
in less than**

10

seconds



Just a click away



Trade in
Old Product



Payment
Gateway



Ask for
a Service



Track Service
Request



Request
Call-back



View Service
History



**Give a missed call or
SMS <APP> to 9243107811**



**Download
MyLloyd App
Now**



Contents

CORPORATE OVERVIEW

Key Financial Highlights	2
Chairman's Address	4
Company Snapshot	6
Corporate Social Responsibility	17
Corporate Sustainability	22
Corporate Information	23

STATUTORY REPORTS

Board's Report & its Annexures	24
Management Discussion & Analysis Report	52
Report on Corporate Governance	62

FINANCIAL STATEMENTS

Standalone Financial Statements	
Independent Auditors' Report	80
Financial	86
Consolidated Financial Statements	
Independent Auditors' Report	112
Financial	116
Form AOC-1	140



Key Financial Highlights

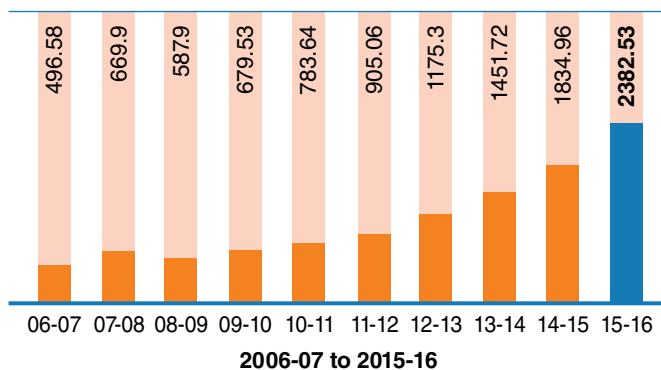
(₹ In Crores)

	Standalone										Consolidated	
	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2015-16	2014-15
Total Income	2382.53	1834.96	1451.72	1175.3	905.06	783.64	679.53	587.9	669.9	496.58	2724.22	2185.41
Operating Profit (EBITDA)	264.48	229.84	189.58	145.88	93.47	84.19	73.12	50.1	82.83	66.07	262.81	245.59
Profit Before Tax	79.78	103.02	81.77	72.87	45.28	48.66	45.28	24.77	62.18	50.82	65.1	111.11
Profit After Tax	56.06	81.64	76.09	56.15	33.59	36.06	34.38	20.37	52.71	42.96	41.94	88.41
Financial Position												
Paid up Capital	36.21	35.32	35.32	31.00	31.00	31.00	31.00	31.00	31.00	31.00	36.21	35.32
Share Capital Suspense	-	-	-	4.32	4.32	-	-	-	-	-	-	-
Total Paid up Share Capital	36.21	35.32	35.32	35.32	35.32	31.00	31.00	31.00	31.00	31.00	36.2	35.32
Reserves & Surplus	732.43	680.56	599.49	526.15	442.53	401.04	371.16	340.4	320.03	268.43	725.26	698.45
Shareholder's fund	788.08	738.69	634.81	561.48	473.54	432.05	402.17	371.4	351.04	299.44	780.91	756.58
Performance Indicator												
EPS	15.48	23.11	21.54	15.9	10.83	11.63	11.09	6.57	17.01	13.86	11.58	25.03

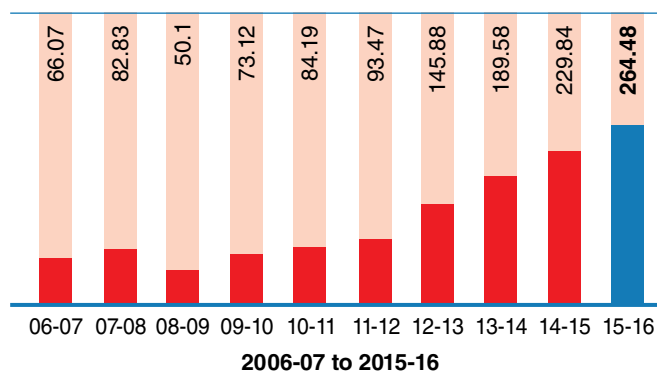


Standalone Financial Trends

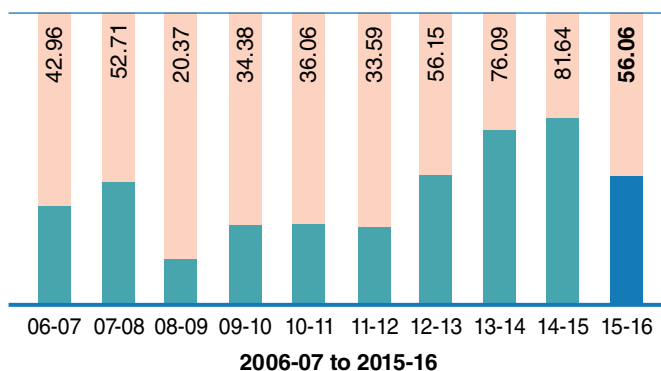
TOTAL INCOME (₹ IN CRORES)



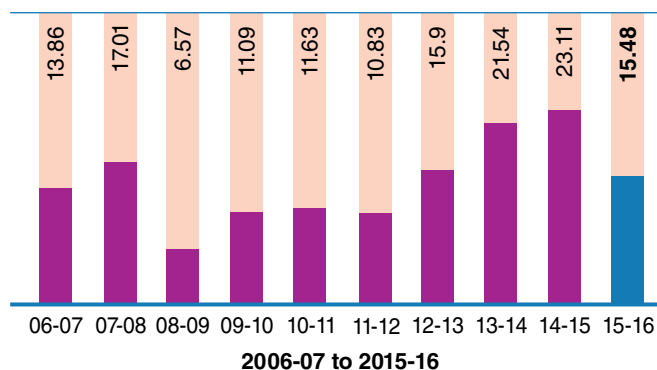
EBITDA (₹ IN CRORES)



PAT (₹ IN CRORES)



EARNING PER SHARE (₹)



Chairman's Address



“We are combining our Group-wide strengths to ensure sustainable growth and realize our long term strategic vision of developing Lloyd as a trusted brand in the global HVAC industry”

Dear Shareholders

Before I take up the Company's performance during the year 2015-16, let me first touch upon the industry scenario and the emerging market dynamics so that there is better evaluation of the performance and strategic pursuits of the Company.

In 2015, global economic activity remained subdued. Growth in emerging market and developing economies declined for the fifth consecutive year, while a modest recovery continued in advanced economies. Three key transitions continue to influence the global outlook- the gradual slowdown and rebalancing of economic activity in China away from investment and manufacturing towards consumption and services; lower prices for energy and other commodities and a gradual tightening in monetary policy in the United States in the context of a resilient U.S. recovery as several other major advanced economy central banks continue to ease monetary policy. Amidst, Indian economy is expected to grow at 7-7.75 percent during FY 2016-17, despite the uncertainties in the global market.

Despite the somewhat unstable economic conditions, your Company is optimistic about the business prospects and about its capabilities to leverage them for the benefit of your Company. Your Company continued its growth momentum during 2015-16, registering 25% growth in consolidated revenue to Rs. 2715 crores. While the domestic business grew at a healthy rate of 30%, the international business declined marginally owing to general slowdown in economic conditions in Europe and uncertain business environment. The Operating margins was impacted due to the currency volatility and grew marginally by 7% to Rs. 263 crores .

On the operational front, we have made significant progress during the last year. Lloyd has emerged as a prominent brand in the Indian Consumer Durables Market with well entrenched distribution network with PAN India footprint supported by an efficient after sales service network. The Consumer Durable Segment contributed significantly with revenue growth of 60% over the previous year. This was primarily as a result of extensive marketing initiatives undertaken by the Company, expansion in dealer network and customer delight by offering quality products with after sales services. All this factors resulted in Lloyd brand enjoying 13% market share in Indian Room AC market during the year under review and ranking amongst top 5 players in Indian Room Air-Conditioning Market in India. In 2015, the Company has also launched air purifiers and refrigerators under Lloyd brand in Indian market. The Company is planning to promote its new line of product category more aggressively in the years to come.

Over the years, Lloyd has expanded its air conditioning product offerings by investing in new product development, manufacturing, marketing, brand building and distribution reach and after sales service. We manufacture wide range of room air-conditioners and area premier supplier of quality products to the original equipment manufacturers (OEMs) in Domestic and Export market.



Your Company is vertically integrated across HVAC value chain and provides solutions beginning from manufacturing components, air conditioners to selling to OEM and to the end customers, resulting in better control on cost, reduced volatility in margins and hedge against demand volatility. With constant improvement in performance of our products and services, augmented with quality and recognition of our brand, we believe that we enjoy brand equity and reliability in the market. This has even helped us in understanding the changing needs and demand of the customers in India.

The year was a significant year when the Company closed its third overseas acquisition in the HVAC space by acquiring the Rail & Vehicle business of Noske Kaeser group based in four continents- Germany, New Zealand, Australia, Brazil and United States. NK R&V has supplied and serviced the HVAC systems for the world's leading rolling stock companies and military vehicle builders in Germany. It has also been actively involved in armoured vehicle air-conditioning projects in India and has also delivered state of the art HVAC systems multiple High Speed Rail ("HSR") projects in Germany including the priced Maglev ("Magnetic Levitation") trains. We hope that NK R&V will play a crucial role in strengthening Lloyd's engineering and designing capabilities.

With these powerful synergies that Noske Kaeser Rail & Vehicle brings to Lloyd, we will be uniquely positioned to offer superior quality HVAC solutions for upcoming High Speed Rail projects in India and other international markets. We are combining our group-wide strengths to ensure sustainable growth and realize our long term strategic vision of developing Lloyd as a trusted brand in the global HVAC industry.

Another significant development was at the front of the Railway business for the supply of packaged HVAC units (Heating, Ventilation and Air-Conditioning) which further contributed to the growth. I am pleased to announce that your Company has signed Transfer of Technology Agreement (TOT) with Toshiba, Japan for the supply of the HVAC units for Delhi Metro RS10 project.

In the international market, economic situation has been close to stagnation in the major EU countries. Trade with Russia dropped enormously and does not show any sign of turnaround in the near future. Russia is actively pushing to substitute EU made goods by local production, which may change picture of the Russian market for several years. The recent political decisions within EU tend to be rather protectionist, which does not support business growth. Domestic demand has been very flat across the whole EU.

As a result of this economic instability and sharp drop of demand in the Russian market, the sales of Janka dropped drastically by 25% over previous year to Euro 11.2 Million. On the other hand, LCE reported slight decline in revenue by 3% due to metal price effect and reached Euro 34.4 Million. Major sales loss has been reported in Russia and UK, both being markets with exceptionally high margin levels. To compensate the loss, new business has been acquired primarily in Germany where the price level is much more competitive. Moreover, new sales were targeted mainly in the strategic segment of close control AC, which is a new product range for us with extremely demanding customer requirements. At the close of the year, Janka have initiated larger revitalization project consisting of three areas – design driven cost reduction; procurement; and headcount. Since February 2016 external restructuring expert was hired and proposed main cost saving actions, which will be implemented within the first half of the new financial year.

As we look to the future, we believe that we will be operating in a demanding and challenging environment. To remain competitive, the benchmark has to be high in anticipation of the stated and unstated need of the customers and markets.

Just like the four P's of Marketing (product, place, price and promotion), Human resource can build a brand with four P's of its own – people, pay, process and promotion. Human resources are a key driver of growth of Lloyd Group and we will progressively increase our emphasis on fostering human resource development going forward. Your Company's brand is driven through its culture and woven through all aspects of HR including recruiting, onboarding, training, development, rewards and performance evaluations. Our global footprint has expanded. Today, we are a global Group that is all about using technology and innovation to empower people everywhere to succeed. It has been an era of innovation and growth and I feel incredibly fortunate to have been a "hands-on" part of it.

As we enter a new financial year, the global economy continues to be fragile, now compounded by Brexit phenomenon. The silver-lining is that India is regarded as the best-growing economy and is able to attract sizable foreign investments. The fundamentals of the Indian economy are considered to be strong and the various policy initiatives by the Government to broad-base the economy can further strengthen the economic foundation for a rewarding long-term growth. The implementation of the 7th pay commission recommendations will give a much needed boost to the demand on the consumer durable sector as consumer spending is expected to rise.

Lloyd's commitment to contributing to building prosperous and sustainable societies in and around the places where we operate is deeply embedded into our corporate culture based on our corporate philosophy. Our CSR initiatives are carried under the aegis of "Pandit Kanhaya Lal Punj Trust", a philanthropic arm of Lloyd Group which undertakes all the activities on behalf of the group. The trust operates in the field of education, healthcare, empowerment of rural women through vocational training etc. A detailed report on the CSR initiatives forms the part of the Annual Report.

We have always strived to enhance stakeholder's value for investors. To sustain profitable growth by providing the best customer experience and dealer support. Customer's satisfaction is the guiding principle of your Company. With relentless commitment to quality, consistent dedication to customer satisfaction and unparalleled standards of service. Lloyd Group is recognized as a benchmark for new age technology, superior quality, concepts and personalized service that has ensured loyal customers and a wide acclaim in the industry. We remain extremely well positioned to deliver strong results, grow our businesses, our people and unlock opportunities that lie ahead of us.

I would like to thank all our stakeholders for their support and encouragement during the year. As we step into a new decade, there are many reasons to be excited about the future of our business. There will be more opportunities to deliver something meaningful and purposeful as we race ahead with our plans for your Company's future in the years to come.

Warm Regards
Yours Sincerely

Brij Raj Punj
Chairman & Managing Director

Extensive Market Strategy...

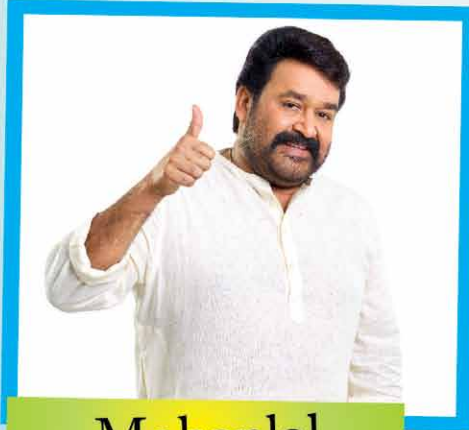
#PLAYBOLD
BE HAPPY
LLOYD



ASSOCIATE SPONSOR



LLOYD BRAND AMBASSADORS



Mohanlal

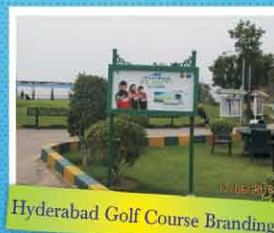


Shruti Haasan

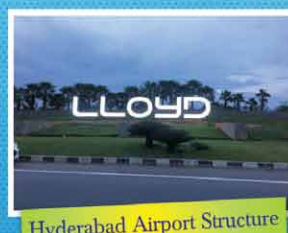
LLOYD PRO-AM BT GOLF TOURNAMENT



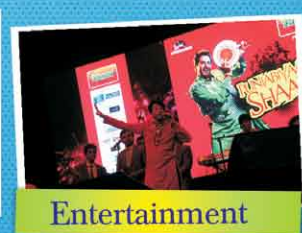
Lloyd Exclusive Store



Hyderabad Golf Course Branding



Hyderabad Airport Structure



Entertainment

Glimpses of Domestic State of Art Manufacturing Facilities...

