

Lakshmi Machine Works.... From Textiles to Key Player in Defence Sector

CMP: 8500, Market Cap: 9400Cr

LMW is a global player and one among the few manufacturers to provide the entire range of spinning machinery. It was founded in 1962. The Company diversified into CNC Machine Tools and is one of the leading manufacturers of customized products. LMW's foundry makes Precision Castings that cater to diverse industries. In 2009, the Company leveraged its engineering expertise to develop components for the highly-complex aerospace sector.

It is headquartered in Coimbatore, and business is divided into four verticals

1. Textile Machinery
2. Machine Tools
3. Castings
4. Aerospace

Websites:

<https://www.lakshmimach.com>

<http://www.lmwatc.com/> [ATC website]

<http://www.lmw.co.in/espares/index.aspx> (e-spares portal for domestic and international customers)

E-spares portal is very easy to use and instant orders can be placed. It gives option to customers to pay online and provide feedback. Customers has to pay in advance while placing orders online.

Below stats about espares portal shows that it's being used frequently by customers:

★ Traffic Stats	
 Daily Unique Visitors	445
 Daily Page Views	2,225

Advanced technology Center ATC geared to tap up opportunities in Defense Sector

ATC has an NDT NAS410 level III certified Inspector which itself speaks about the technical strength of the company.

A Level III individual is capable of developing, qualifying and approving procedures, establishing and approving techniques, interpreting codes, standards, specifications and procedures, as well as designating the particular NDT methods, techniques and procedures to be used. He is capable of training and examining NDT Level I and II personnel for certification in those methods.

The Advanced Technology Centre is spread over a 25,000 sq meter built up area located at Coimbatore.

The ATC business is divided into four verticals

1. Manufacturing of engine parts from specialized alloys
2. Manufacturing of aerospace structures and assembly
3. Sheet metal parts
4. Composites division

Its ATC Division has created a strong MOAT by building the niche capabilities of development complex parts for aerospace and defence equipment's. These capabilities are extremely difficult to replicate by any other company in near future

Clients

1. ISRO
2. TATA Advanced Material
3. HAL
4. UTC Aerospace
5. DRDO
6. Dassault Aviation
7. Fokker Aerostructure

Product Range

Aero engine components

1. Casings, Housings, Compressor Disc, Rings
2. Nozzle Guide Vane, Turbine Disc, Valve, Sleeve, Bushing
3. Shafts, Stators, Impellers, Turbine Blades
4. Barrel, Gear box, Actuators
5. Sub-Assemblies and Assemblies

Aero engine and Structural sheet metal components

1. Seal Segments, Ribs, Cowlings, Heat Shield Vane Inserts, Cover plates, Brackets, Springs etc
2. Sub-Assemblies and Assemblies.

Aero Structural components

1. Panels, Skin, Wings, Frames
2. Brackets, Stiffeners, Fairings, Formers
3. Ribs, Bulkhead, Frames, Cockpit, Fuselage
4. Sub-Assemblies and Assemblies

It has capabilities for assembly and system integration range from small subassembly to integrated structural assembly. Dedicated assembly of Sukhoi 30 fighter jet, Chetak helicopter, Tejas aircrafts

Composite Division

They have state of art modern facility for mechanical and chemical testing of material composites, for processing of mechanical parts, dimensional inspection and assembly.

A one stop shop from testing to assembly which is unique in India.

ACT has Class 1 clean room which is the highest standard clean room.

Some media links

<https://youtu.be/p0AplyhqQ8s> [Profile]

<https://www.youtube.com/watch?v=-JjOf2rEGB8> [milestones]

Game Changer-1**TEJAS FIGHTER JET PRODUCTION RAMP UP**

Below is the annual production capacity of HAL along with the ongoing contract cost (product-wise) is detailed below:

S. No.	Product	Annual production capacity	Value of ongoing contracts / current status
1.	Su-30 MKI	12	Rs.59420 crores for 182 aircraft and 153 have been produced so far.
2.	Hawk MK 132	16	Existing orders completed in 2016-17.
3.	Do-228	06	Rs.1090 crores for 14 aircraft and 12 have been produced so far.
4.	LCA TEJAS	08	Rs.2702 crores for 20 Initial Operational Clearance (IOC) aircraft and Rs.5989 crores for 20 Final Operational Clearance (FOC) aircraft. 6 aircraft are produced so far.
5.	ALH	24	Rs.13799 crores for 159 helicopter of which 154 have been produced so far.
6.	Cheetal	08	Rs.203 crores for 10 helicopters, which taken up for production.

HAL do not have the incremental production capabilities with the increased thrust from Indian defence ministry. Recently the order of 83 Tejas Aircrafts has been released and they will be manufactured per below schedule:

Opportunities from Tejas Fighter Aircraft production

Number of Tejas Aircrafts manufacturing target	Year
10	Fy18-19
16 (Mark 1 type)	Fy19-20
16 (Mark 1 type)	Fy20-21
16 (Mark 1 type)	Fy21-22
16 (Mark 1 type)	Fy22-23
9 (Mark 1 type)	Fy24-25

Since HAL has capacity to build only 8 Tejas per year, there is a high possibility to outsource major portion of manufacturing to private players.

HAL has been sourcing Tejas parts from LMW ATC already. LMW AC is a Tier-1 partner to HAL and it supplied air intakes for Tejas to HAL.

Previously it used to take 19 months to build a Tejas, from start to finish. This is now down to 11 months, and by October this year one Tejas will be ready in just 9 months. HAL has closed its HAWK trainer assembly line just to ramp up the production going forward but still it cannot meet the production demand.

HAL plans to eventually outsource 69 per cent of the production of Tejas structural modules, with just 31 per cent of the work done in-house – consisting mainly of assembly and equipping work.

All these efforts will lead to more topline for LMW with higher margin as compared to conventional CNC/Textiles machines.

Game Changer-2

SMALL TURBO FAN ENGINE ... for Mass production

Recently DRDO has transferred technology to build Small turbo fan engine to LMW ATC division
<http://www.bharatdefencekavach.com/news/Defence%20Expo%202012/drdo-celebrates-make-in-india-spirit-in-defexpo-2018/64759.html>

The Small Turbo Fan Engine will be mainly used in “Nirbhay” which is a sub sonic cruise missile just as USA Tomahawk and Pakistan Babur. Another usage of this engine will be in UAV

The Small Turbo Fan is a miniature 4.25 kN engine – designated MANIK – from DRDO’s Gas Turbine Research Establishment which is now transferred to LMW ATC as per latest announcement.

The Nirbhay has a strike range of up to 1,000 km. It can travel at a cruise speed of Mach 0.7 and an altitude as low as 100 m. It is a lethal combat machine which works on terrain hugging profile and that makes its detection delayed by radars. Nirbhay is more of a clever weapon, as it can not only wait in air for the right time to strike, it can also carry about 24 different types of payloads
See below image to understand terrain hugging technology



Game Changer-3

Offset Opportunities from Rafale deal

Offsets involve investments and sourcing that companies manufacturing the Rafale must make in India amounting to half of the deal’s €7.87 billion value which is 58000Cr INR, the offsets are to be executed within seven years from the time the deal was signed — by 2023, that is.

The quantum of offsets in the Inter-Governmental Agreement (IGA) for 36 Rafale fighter jets is 50 per cent, which includes investments in terms of Transfer of Technology (ToT) for manufacture and maintenance of eligible products and services. This amounts to 29000Cr as offset opportunity.

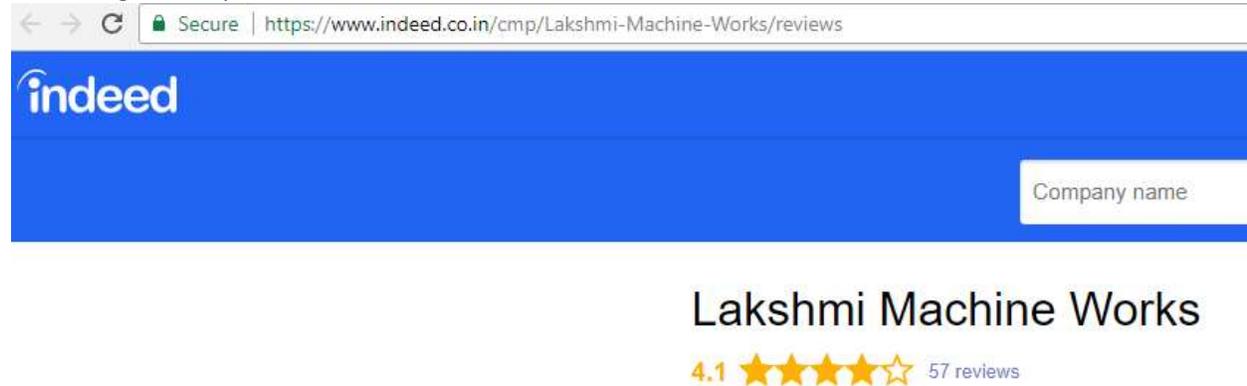
LMW ATC will get below opportunities from this deal:

1. Fuel tanks/pylons
2. Sub-assemblies & other mechanical parts

Rafale has been in discussion with HAL for aero engine components and if that works out then LMW ATC will be indirect beneficiary.

Reviews about LMW on recruitment website

Has 4.1 Rating on indeed.co.in which reflects the good culture in organization, genuine environment or fewer negative experiences



The screenshot shows the Indeed.com interface for Lakshmi Machine Works. The browser address bar indicates the URL: <https://www.indeed.co.in/cmp/Lakshmi-Machine-Works/reviews>. The Indeed logo is visible in the top left. A search bar with the placeholder text "Company name" is on the right. The company name "Lakshmi Machine Works" is prominently displayed in the center, with a 4.1 star rating and "57 reviews" below it.

Why I should buy Lakshmi Machine Works for Long Term?

1. A proven, credible and honest promoter. Consistent dividend paying company.
2. ToT for Turbofan Engine from DRDO, makes it only company in India who will manufacture small turbofan engine on mass scale which has usage in Indian dream sub sonic cruise missile Nirbhay and UAVs. There is no possibility of having the Russian turbojet engine again as Russia has stopped supply fully.
3. Single private player having Tejas combat fighter assembly and provider of its critical parts like front cone.
4. Possible demerger of ATC Division in near future can create massive wealth for shareholders. The ATC division has very high margin business as compared to LMW conventional CNC machines.
5. Net Profit Margin are 8.6% which can improve substantially from here on and after next 5 years they will be at least 12%
6. They have potential to do 10000Cr topline easily with 12% Net Margin which bring EPS to 1100. It can quote above 75000Rs in next 5 to 6 years.

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