Sector: Industrial Products | **RESULT REVIEW Q4&FY25** | **Declared On: 07 May 2025**

Lloyds Engineering Works Limited

RECOMMENDATION SNAPSHOT				
*CMP	MCap (Rsbn)	Recommendation	Target	Potential Upside
Rs54	79.5	Accumulate	Rs65	20%

**as on 12th May, 2025*

About the Company:

Incorporated in 1994, Lloyds Engineering Works Ltd (LEWL), (earlier known as Lloyds Steels Industries Ltd) is a completely customised process plant equipment provider. The company provides engineering and infrastructure solutions package by carrying out design, engineering, manufacturing, fabrication, and installation. Its products cover various categories in heavy equipment, machinery and systems for the carbon sector, oil & gas, steel plant equipments, power plants, nuclear plant boilers and turnkey projects. Its facilities have been approved by Industrial Boiler Regulatory Authority, SGS UK, Petroleum and Explosives Safety Organisation etc. The company has state-of-the-art manufacturing facilities at Murbad, Thane, Mumbai. The single location of the plant with centralized raw material procurement system, with all workshops adjacent to each other helps in better absorption of overhead costs; as shared infrastructure brings agility in the execution of projects. Mr. Mukesh Gupta is the Chairman & Whole Time Director.

Results: Quick Glance (Standalone):

- The net sales for the quarter reported a drop of 5% to Rs1,785mn as compared to Rs1,879mn in the same quarter last year
- The Ebitda margins for the quarter under review stood at 15.0% as compared to 14.2% in Q4FY24
- The company reported profit of Rs169mn as compared to Rs211mn in the same quarter last year
- The EPS for the quarter stood at Rs0.14 as compared to Rs0.19 in the corresponding period of last year
- For the full year, the revenues and PAT grew by 21.1% and 24.9% respectively while the Ebitda margins stood at 16.3%
- The Board has declared dividend of Rs0.25 per equity share of FV of Rs1 each for FY25 subject to shareholders' approval

Other Highlights:

- The order book position on 1st April, 2025 is Rs13153.8mn in comparison to last year's order position of Rs9043.2mn; growth of 45% y-o-y. The company aspires and plans to execute a major portion of orders in hand within the next 4-5 quarters barring unforeseen circumstances
- **Rights issue:** The Board has approved the raising of capital through a rights issue of equity shares; total size of the rights issue is ~Rs9872.6mn, comprising of 308,517,476 equity shares on a partly paid basis. This will increase the paid-up share capital of the company by 20.93% on post rights issue paid-up share capital basis. The rights equity shares are priced at Rs32 each, with Rs16 payable on application and the balance to be paid in one or more calls on or before 31st March, 2026. The **entitlement ratio is 9:34**, 9 rights share for every 34 fully-paid equity shares held on the record date. The rights issue is to open on 15th May, 2025 and will close on 30th May, 2025. These funds are anticipated to help ease some pressure on the working capital as well as help organic/inorganic growth of the company
- The company was holding 12.25% stake in **Lloyds Infrastructure & Construction Ltd (LICL).** In Jan'25, the company has further acquired 12.25%; aggregating stake to 24.5% in LICL thereby making it an associate of the company. Post-acquisition, LICL further issued equity shares on preferential basis which diluted stake by 0.3%. Therefore, as on March'25 the company has stake of 24.2% in LICL

Financials:

Performance (Q4&FY25)									
Q4&FY25 Result (Rs mn)	Mar-25	Mar-24	y-o-y	Dec-24	q-o-q	FY25	FY24	y-o-y	FY26E
Total Revenue	1785	1879	(5.0%)	2297	(22.3%)	7558	6242	21.1%	9179
EBITDA	268	268	-	393	(31.8%)	1230	1010	21.8%	1524
Other Income	50	30	69.4%	96	(47.7%)	222	74	-	224
Interest	17	13	32.9%	20	(15.6%)	67	42	61.1%	47
Depreciation	22	15	42.9%	22	(0.5%)	85	40	-	97
Tax	110	58	90.4%	110	0.5%	303	204	48.6%	385
Net Profit	**169**	**211**	**(20.1%)**	**337**	**(49.9%)**	**997**	**798**	**24.9%**	**1219**

Outlook and Recommendations:

Q4FY25 results were slightly below expectations as there was a spill over of orders worth ~Rs700mn due to execution delay from the client side as well as some issues related to the labour. The company has not lost any clients, orders or margins despite not achieving the guidance for FY25. The Ebitda margins for the quarter stood at ~15.0% with higher other expenses attributed to the labour related projects being higher during the quarter under review. The year FY25 was wrapped pretty much on the expected lines; with revenue growth of ~21% on a y-o-y basis led by efficient execution coupled with healthy conversion of orders. The Ebitda margins came in flat at 16.2%. The PAT stood at Rs997mn; the best reported till date for the company. LEWL continues to build a robust order book propelled by traditional excellence and niche tech-driven engineering solutions while delivering record on time execution. The company has a diversified order book from multiple clients and has been successful in creating a niche in the underpenetrated sector through technological tie-ups.

In FY25, the new orders stood at Rs11,660mn, closing March'25 at Rs13,150mn order backlog. The company is positive with regards to jobs related to metal and defence in times to come. The fresh orders have further bolstered the order pipeline. Poised to thrive in the infrastructure and capex sector; LEWL strategically aligns with the anticipated surge in government spending, demonstrating a foresight in capitalizing on opportunities within this burgeoning industry. Furthermore, through strategic technological collaborations with industry leaders like **TMWL** and **TBG**; LEWL is poised to innovate and diversify its product portfolio, ensuring a competitive edge in the evolving market landscape. TMWL has secured orders exceeding Rs500mn and has a huge opportunity ahead with the Steel Ministry vision of building 300mnt steel capacity in India. The exclusive technical tie-up for EPS Gen 4 technology grants a competitive edge, allowing LEWL to capture a larger market share in India and Bangladesh by offering advanced, **eco-friendly pickling** solutions, driving the revenue growth. Through the agreement with TBG; LEWL will provide marine loading arms and swivel joints; engineering products that are the **first of their kind in the Indian market**. It has secured orders exceeding Rs93mn while the upcoming port capacities provide headroom for its equipment. LEWL and TBG are capable of serving high quality products for any fluid type and gas. The collaboration with **Fincantieri S.p.A** aims to jointly manufacture high-quality products for the Indian Navy and Coast Guard. It has secured orders exceeding Rs810mn in the defence segment. Further opportunities would come in as GOI has been tendering contracts for more than 100 ships across naval defence. By acquiring assets of **Bhilai Engineering**, the company has added offerings to provide engineering solutions across industries. Furthermore, acquiring ~77% of **TI** marks its strategic entry into the fast growing electrical engineering sector. The order book of this segment as of Mar'25 stands at Rs684mn. The company has acquired 24.2% in **LICL**, which could bring better business opportunities for the company going forward.

The company has acquired 63 acres of **land in Nagpur** for Rs320mn for adding more capacities and capabilities in the current line of business. The new manufacturing capacities aims at supporting/increasing the order book and future growth. The capacity expansion of ~2x is underway which is anticipated to provide headroom to grow. The company also continues to follow an asset light approach while also modernising and overhauling the asset base to deliver superior growth.

Since the company is **net debt free,** it does not need to compromise on the margins by taking up smaller orders; hence the orders are filtered based on the margins (~17-19%) and the WC requirements. With regard to future strategies, with focus on the motors & pumps segment, the company is expanding capacities, adding new channel dealers, and leveraging pre-qualification with entities like NTPC, BHEL etc. to build a more robust clientele. In the elevators and escalators, LEWL is ramping up on export of elevators to UAE, USA and Africa and also expanding in industrial elevators space. The company is also working on expanding its existing parking lifts & parking systems aggressively. Efforts are towards catering to the growing demand for escalators due to upcoming metro and rail projects nationwide. LEWL is also expanding the **AMC business** which is a source of recurring revenue in nature. Overall, we feel that the triggers for growth are intact for LEWL and as and when there will be pick-up across the different business initiatives; better growth should trickle in. While the RoCE of the company has been stable in the range of 20-22%, the RoE has been declining. This is anticipated to further reduce which will be due to the dilution of shares via the rights issues and constant offering of ESOPs; this will also put some pressure on the EPS as well and considering all these factors we have maintained an Accumulate on the stock for a revised target of Rs65.

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