



MAZAGON DOCK SHIPBUILDERS LIMITED

Issue highlights

- ❑ Incorporated on February 26, 1934, Mazagon Dock Shipbuilders Limited ("MDL"), conferred with the 'Mini-ratna-I' status, is a defence public sector undertaking shipyard under the Department of Defence Production, Ministry of Defence ("MoD"), engaged in the construction and repair of warships and submarines for the MoD for use by the Indian Navy and other vessels for commercial clients. The shipyard builds warships and conventional submarines at its facilities in Mumbai and Nhava. Major customers for the shipyard include Indian Navy and Coast Guard.
- ❑ Since 1960, MDL has built a total of 795 vessels including 25 warships, from advanced destroyers to missile boats and three submarines. MDL had also delivered cargo ships, passenger ships, supply vessels, multipurpose support vessels, water tankers, tugs, dredgers, fishing trawlers, barges and border outposts for various customers in India as well as abroad.
- ❑ The company has also fabricated and delivered jackets, main decks of wellhead platform, process platforms, jack up rigs etc.
- ❑ A few highlights in its shipbuilding are:
 - It is India's only shipyard to have built destroyers and conventional submarines for the Indian Navy.
 - It is one of the initial shipyards to manufacture Corvettes (Veer and Khukri Class) in India.
 - It is also one of the ship builders for P17-A project for building next generation guided missile stealth frigates through collaboration with Fincantieri, Italy.
 - It is also executing orders for 5 scorpene submarines through collaboration with DCNS, France.
 - It has a capacity to build warships, submarines, merchant ships upto 40,000 DWT.
 - As per Ministry of Shipping, no ship repair work has been undertaken by MDL in 2016. However it has undertaken ship repair activity in the past.
 - For outfitting work, the company has several workshops with sophisticated equipment and machines specific to hull fabrication and ship construction.
- ❑ The shares will be listed on BSE and NSE.

Brief Financial Details*

(₹ In Cr)

Particulars	As at March 31,			
	2020	2019	2018	2017
Share Capital~	201.69	224.10	224.10	249.00
Reserves	2,867.44	2,992.82	2,609.95	2,741.15
Net Worth	3,069.13	3,216.92	2,834.05	2,990.15
Revenue from Operations	4,977.65	4,613.96	4,470.36	3,519.08
Revenue Growth (%)	7.88%	3.21%	27.03%	-
EBITDA as stated	425.63	851.52	711.97	881.52
EBITDA (%)	8.55%	18.46%	15.93%	25.05%
Profit Before Tax	735.37	778.12	650.41	830.55
Profit for the year	477.06	532.47	496.17	598.26
PAT as % to revenue	9.58%	11.54%	11.10%	17.00%
EPS (₹)	21.36	23.75	20.61	24.03
RoNW (%)	15.54	16.55%	17.51%	20.01%
Net Asset Value (₹)	152.17	143.55	126.46	120.09
Dividend (%)	107.45%	44.62%	109.50%	80.00^

Source: RHP, *Restated Consolidated ^ Face Value ₹ 100/-per share, ~Reduction in share capital due to the share buyback.

Issue Details

Offer for sale of up to 30,599,017 Equity Shares

(The offer shall constitute 15.17% of the post-offer paid-up equity share capital)

Issue highlights

Issue size: ₹ 413 Cr – 444 Cr

No. of shares: 30,599,017 Equity Shares

Face value: ₹ 10

Employee Reservation: 345,517 Shares

Issue summary

Price band : ₹ 135 – 145

Bid Lot: 103 Shares and in multiple thereof.

Post Issue Implied Market Cap:

₹ 2,723 Cr – 2,925 Cr

BRLMs: Axis Capital, Yes Securities, Edelweiss Financial, IDFC Securities, JM Financial

Registrar: Alankit Assignments Ltd.

Issue opens on: Tuesday, 29th Sep'2020Issue closes on: Thursday, 1st Oct'2020

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	07-10-2020
Refunds/Unblocking ASBA Fund	08-10-2020
Credit of equity shares to DP A/c	09-10-2020
Trading commences	12-10-2020

Issue break-up

Reservation for	No of Shares	Amount ₹ Cr		% of Issue
		Upper	Lower	
QIB	15,126,750	204.21	219.34	50%
NIB	4,538,025	61.26	65.80	15%
Retail	10,588,725	142.95	153.54	35%
Employees	345,517	4.66	5.01	-
Total	30,599,017	413.09	443.69	-

Shareholding (No. of Shares)

Pre-Offer and Post-Offer Equity Shares

No. of shares	201,690,000
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Shareholding (%)

	Pre-Issue	Post-Issue
Promoters & Pro. Group	100.00%	85.00%
Public	0.00%	15.00%
Total	100.00%	100.00%

BACKGROUND

The company was incorporated as “Mazagon Dock Private Limited” on February 26, 1934 at Mumbai. Since the company was acquired by the Government of India (“GoI”) in the year 1960, the company became a government company on May 13, 1960 and the name of the company was changed to *Mazagon Dock Limited*. The company was conferred with the 'Mini-ratna-I' status in 2006.

Prior to the incorporation in 1934, a small dry dock was constructed in Mazagaon village, Mumbai, to service the ships of the British East India Company in 1774 which was subsequently developed into a ship repair yard and later a ship building yard over the course of 2 centuries. The company was incorporated as a private limited company in 1934 and in the year 1960, the GoI took over the company to expand its warship development programme designating it as a Defence Public sector Undertaking (“DPSU”) under the Ministry of Defence, GoI (“MoD”).

Narayan Prasad is the Chairman and Managing Director of the company. Previously, he has served in the Indian Navy for over 36 years and has held several assignments afloat and onboard such as INS Rana, INS Ranjit and INS Talwar and chief staff officer (technical)/ headquarter eastern naval command, admiral superintendent of Naval Dockyard, Vishakhapatnam, assistant chief of material (nuclear systems maintenance). He has also served the post of director general of naval project at Visakhapatnam. He has also been awarded Ati Vishisht Seva Medal and Nav Sena Medal for his service to the Indian Navy.

Jasbir Singh is the Director (Submarine & Heavy Engineering) of the company. He has been associated with the Company since May 2010. Previously, he has served in the Indian Navy for over 22 years and has held several assignments afloat and onboard such as INS Mumbai and INS Kuthar and various appointments in warship overseeing team, Directorate of Naval Design, Directorate of Ship Production and Naval Dockyard, Vishakhapatnam.

Sanjeev Singhal is the Director (Finance) of the company. He has been associated with the company since January 08, 2020. He has over 32 years of experience in finance and accounting.

T V Thomas is the Director (Corporate Planning and Personnel) of the company. He has been associated with the company since May 2013. Previously, he has served in the Indian Navy for over 28 years and has held several assignments both afloat and ashore including as engineer officer of INS Viraat, executive officer of INS Shivaji and command engineer officer of Southern Naval Command.

Anil K Saxena is the Director (Shipbuilding) of the company. Previously, he has served in the Indian Navy for about 35 years in various capacities such as warship production superintendent of the warship overseeing team, Mumbai and as director general of naval design. He has also held appointments in the directorate of naval architecture and directorate of ship production of Indian Navy. He has also served in both Naval Dockyard at Mumbai and Vishakhapatnam.

V L Kantha Rao is the Nominee Director of the company. He has over 28 years of administrative experience in the field of administration and defence.

Kamaiah Bandi is the Independent Director (Part Time Non-Official) of the company. He has over 35 years of experience in the field of teaching and research at various institutions and universities in India.

Mailareshwar J Jeevannavar is the Independent Director (Part Time Non-Official) of the company. He is a practising medical practitioner.

Vijayalakshmi Kumar is the Company Secretary (Chief Manager) and Compliance Officer of the company. She has been associated with the company since December 19, 2017. She has over 18 years of experience in secretarial compliance.

Key Managerial Personnel

Hemant V Karekar is an executive director (east yard) of the company. He has been associated with the company since September 30, 1982. He is responsible for the design and planning department. He has over 38 years of experience in handling divisions and departments related to production, electronic data processing, commercial and services. He has also acted as the project superintendent of the P-75 Project.

Suresh Dadlani is an executive director (commercial) of the company. He has been associated with the company since October 04, 1982. He has over 37 years of experience at the Nhava Yard, offshore fabrication commercial, officer on special duty to director (corporate planning & personnel), ISLT paris and east yard commercial.

Rohit Shrivastava is an executive director (commercial) of the company. He has been associated with the company since August 02, 1982. He has over 38 years of experience in shipbuilding division.

The company has won several Certificates of Recognition/ Certificates of Appreciation awards:

Year	Awards and Accreditations
2019	<ul style="list-style-type: none"> Accredited with ISO 14001:2015 and OHSAS 18001:2007 for integrated management system for its shipbuilding, submarine and heavy engineering, its corporate planning and personnel and finance divisions Awarded 6th Annual Green Tech CSR Silver Award 2018 in Engineering Sector for outstanding achievement in corporate social responsibility by the Greentech Foundation Golden Peacock Award for Innovative Product / Service Award, awarded by Institute of Directors Awarded India CSR Project of the Year award 2019 by the India CSR Group Awarded certificate of appreciation by the Skill Development and Entrepreneurship Department, Directorate of Vocational Education and Training, Government of Maharashtra Awarded the first position at the 16th National Awards for Excellence in Cost Management 2018 for Manufacturing -Public-Large Sector issued by the Institute of Cost Accountants of India.
2018	<ul style="list-style-type: none"> Accredited with ISO 9001:2015 Quality Management Systems (QMS) of Shipbuilding Division for the scope of Design, Development, Construction and Servicing of Warships, Merchant Ships and Floating Crafts. Accredited with ISO 9001:2015 Quality Management Systems (QMS) of Submarine Division for the scope of Design, Development, Construction, Refit, Test and Trials of submarines. Accredited with ISO 9001:2015 Quality Management Systems (QMS) of Training Department for the scope of Imparting Training to Trade Apprentices and Employees. BML Munjal award for "Business Excellence through Learning and Development" in the Public sector-Manufacturing category Awarded two Awards at ICQCC-2018, Singapore. National Award for Innovative Training Practices 2017-18 awarded by Indian Society for Training and Development, New Delhi NIPM National Award for HR Best Practices 2018 Awarded Governance Now 5th PSU Award 2018 for Playing Pivotal Role In "Make-In-India" Accredited with ISO 9001:2015 Quality Management Systems (QMS) for the scope of Pre-sea Training in Maritime Engineering in accordance with Standards of Training Certification and Watch Keeping for Seafarers (STCW) 2010

BUSINESS OVERVIEW

Mazagon Dock Shipbuilders Limited ("MDL") is a defence public sector undertaking shipyard under the Department of Defence Production, Ministry of Defence ("MoD") with a maximum shipbuilding and submarine capacity of 40,000 DWT (*Source: CRISIL Report*), engaged in the construction and repair of warships and submarines for the MoD for use by the Indian Navy and other vessels for commercial clients. Mazagon Dock is the wholly-owned Government of India ("GoI") company, conferred with the 'Mini-ratna-I' status in 2006, by the Department of Public Enterprises. They are India's only shipyard to have built destroyers and conventional submarines for the Indian Navy. They are also one of the initial shipyards to manufacture Corvettes (Veer and Khukri Class) in India (*Source: CRISIL Report*).

The business divisions in which MDL operates are:

Divisions	Details
<ul style="list-style-type: none"> Shipbuilding 	The shipbuilding division includes the building and repair of naval ships. The company is currently building 4 P-15 B destroyers and 4 P-17A stealth frigates and undertaking repair and refit of a ship for the MoD for use by the Indian Navy.
<ul style="list-style-type: none"> Submarine and heavy engineering 	The submarine and heavy engineering division includes building, repair and refits of diesel electric submarines. The company currently building/ in the process of delivering 4 Scorpene class submarines under a transfer of technology agreement with Naval Group as well as 1 medium refit and life certification of a submarine for the MoD for use by the Indian Navy.

Since 1960, MDL has built a total of 795 vessels including 25 warships, from advanced destroyers to missile boats and 3 submarines. They have also delivered cargo ships, passenger ships, supply vessels, multipurpose support vessels, water tankers, tugs, dredgers, fishing travellers, barges and border outposts for various customers in India as well as abroad.

Some of the vessels built and delivered by the MDL in the past include, **6 Leander class frigates, 3 Godavari class frigates, 3 corvettes, 4 missile boats, 6 destroyers, 3 submarines and 3 Shivalik class frigates** for the MoD for use by the Indian Navy and constructed and delivered **7 offshore patrol vessels to the Indian Coast Guard**. The company has fabricated and delivered jackets, main decks of wellhead platforms, process platforms and jack up rigs, etc.

Company's shipyard is strategically located on the west coast of India, on the sea route connecting Europe, West Asia and the Pacific Rim, a busy international maritime route. The company has headquartered in Mumbai which is also the headquarters of the Western Naval Command of the Indian Navy.

MDL is exploring the possibility of **developing a greenfield shipyard at Nhava, Navi Mumbai** with shiplift, wet basin, workshops, stores and buildings and a ship repair facility spread over an area of 37 acres.

Their manufacturing facilities at east yard, north yard, south yard and Alcock yard are all located at Mazagaon, Mumbai. Its storage facilities are operational at Anik located at Chembur. They are currently using the property owned by the Indian Navy at Sewri for the purpose of storing the property of Indian Navy. Further, with the intention of setting up a drydock, MDL had pursued the acquisition of 11.47 acres of land belonging to the Mumbai Post Trust ("MbPT") which was adjacent to the company on a long term lease of 29 years (extendable twice by a further period of 29 years each) from the MbPT.

The shipbuilding & submarine and heavy engineering divisions are both ISO 9001:2015 certified.

Over the last 18 Fiscals, the total number of orders for vessels received and delivered by the company is set out below:

Division	Orders Received	Orders Delivered
Shipbuilding	15*	27
Submarine and heavy engineering	10^	5^

* includes refit and repairs of the ships; ^includes refit and repairs of the submarines.

As of July 31, 2020, MDL had employed 3,939 permanent employees, comprising of 1,033 executives, 305 staff (including 48 sub staff) and 2,601 operative.

The company has posted profits continuously in the last 4 Fiscals.

- The Total Income was ₹4,274.86 crore, ₹5,027.63 crore, ₹5,204.67 crore and ₹5,535.31 crore for Fiscals 2017, 2018, 2019 and 2020 respectively.
- The Profit for the year was ₹598.26 crore, ₹496.17 crore, ₹532.47 crore and ₹477.06 crore for Fiscals 2017, 2018, 2019 and 2020 respectively.

REVENUE FROM OPERATIONS – DIVISION-WISE

(₹ In Cr)				
Particulars	Fiscal 2020	Fiscal 2019	Fiscal 2018	Fiscal 2017
Revenue from Shipbuilding division	3,476.70	2,469.35	2,110.38	1,154.61
Revenue from Submarine and heavy engineering division	1,493.54	2,138.34	2,357.00	2,360.30
Other operating revenue*	7.42	6.26	2.99	4.18
Total Revenue from operations	4,977.65	4,613.96	4,470.36	3,519.08

*Other operating revenue includes sale of scrap and stores, ship repair, change in inventory of scrap, export incentive and duty drawback.

CURRENT ORDER BOOK (As on July 31, 2020)

(₹ In Cr)			
Particulars	Nos.	Client	Value
Shipbuilding			
P15B Destroyers	4	MoD	26,385.00
P17A Stealth Frigates	4	MoD	23,649.00
Repair, refit and services of a ship	1	MoD	11.00
Submarine and heavy engineering			
P75 Scorpene Submarines	4	MoD	3,202.00
Medium Refit and Life Certification (MRLC) of a submarine	1	MoD	827.00
Total Order Book			54,074.00

PRODUCT OFFERINGS

Product Offerings - Shipbuilding

Some of the vessels the company has built in the past or is currently in the process of constructing:

Vessels Type	Description
P17 Frigates:	The company has recently constructed and delivered 3 Shivalik class frigates for the MoD for use by the Indian Navy. The P17 frigates are multi role frigates and first-of-its kind warships built in India incorporating stealth features.
P17A Frigates:	The P17A frigate is a design derivative of the Shivalik class stealth frigates with much more advanced stealth features and indigenous weapons and sensors. The company is currently building 4 P17A frigates by using integrated construction methodology.
P15A Destroyers:	The company has recently constructed and delivered 3 P15A destroyers to the MoD for use by the Indian Navy. The role of the P15A destroyers is to co-ordinate a task force in exerting sea control in a multi-threat environment. The P15A destroyers are capable of striking shore based targets and providing defence against hostile aircraft, submarines and surface ships.
P15B Destroyers:	These are follow-on class of the P15A destroyers with improved stealth features, latest weapons and sensors and platform management systems. Currently, 4 P15B destroyers ships are under various stages of construction. The role of P15B destroyers is similar to those of the P15A destroyers.
Multipurpose Support Vessels:	2 multipurpose support vessels designed for diesel fuel, fresh water and deck cargo carriage, ROV operations and for azimuth thruster operation were constructed and delivered by the company for foreign clients.

Some of the vessels delivered by the company in the past 18 years:

Name of the ship	Year of delivery	Name of the ship	Year of delivery
P15 A Destroyers		Pontoon	
INS Kolkata	2014	SLB	2002
INS Kochi	2015	Vahak	2007
INS Chennai	2016	Vivan	2014
P17 Frigates		Varenya	2016
INS Shivalik	2010	Floating Border outpost	-
INS Sahyadri	2012	Seema Prahari Dwarka	2003
INS Satpura	2011	Seema Prahari Sagar	2003
Multisupport vessel		Seema Prahari Kamakhya	2003
Hercules -I	2012	Seema Prahari Somnath	2004
Go-Surf	2014	Seema Prahari Shakti	2004
Dredger	-	Seema Prahari Bajarang	2004
BBMB Dredger	2004	Seema Prahari Durga	2004
Jalangi	2004	Seema Prahari Pratap	2004
Mahananda	2004	Seema Prahari Trishul	2004
Tizu	2004	Missile Boat	-
DCI dredger XVIII	2009	Prabal	2002

Submarine and Heavy Engineering:

Some of the submarines built by MDL in the past or are currently in the process of building include the following:

Vessels Type	Description
SSK Submarines:	The company has constructed 2 Shishumar class submarines. The Shishumar class submarines are the SSK Type 1500 submarines. The company has also undertaken medium refit of 4 submarines of Shishumar class. MDL has recently undertaken the medium refit and life certification of 1 submarine.
Scorpene Submarines:	The company is building/in the process of delivering 5 Scorpene submarines as part of Project 75 pursuant to a transfer of technology partnership with Naval Group. The transfer of technology involves appropriate technical support by Naval Group to MDL in the field of construction, integration and tests of the submarines in India which is achieved through transfer of technical data package to the company through information system as well as on job training to the company's personnel on critical technologies.

The submarines built by the company in the past and delivered to the MoD for use by the Indian Navy includes:

Name of the Submarine	Year of delivery
INS Shalki	1992
INS Shankul	1994
INS Kalvari	2017
INS Khanderi	2019

Further, they have carried out the medium refit of the following Shishumar class submarines:

Name of the Submarine	Year of delivery
INS Shishumar	2000
INS Shankhush	2005
INS Shalki	2009
INS Shankul	2011

Collaborations

The company has been successful in forging business partnerships with leading technology players and premier government institutions for research and development and providing technical know-how. They have entered into an agreement with **National Institute of Design** situated at Ahmedabad on June 13, 2014 which provides for studies related to ergonomics and human factors engineering in the context of warship design including design of furniture and interior systems for selected compartments as per marine usage. MDL has also entered into memorandum of undertakings with certain companies for design of ships, supply of equipment, construction and repair of ships.

COMPETITION

Division	Competitors
Shipbuilding	Cochin Shipyard Ltd., Garden Reach Shipbuilders & Engineering Ltd., Bharati Defence & Infrastructure Ltd., Goa Shipyard Ltd., Hindustan Shipyard Ltd., L&T Shipyard, ABG Shipyard Ltd. and Reliance Defence & Engineering Ltd.
Submarine and Heavy Engineering	Hindustan Shipyard Ltd.

(Source: CRISIL Report)

The Indian shipbuilding industry comprises of both public and private sector yards. The DPP 2016 has encouraged the domestic private sector to invest and participate in defence production and acquisition of defence assets, which will result in the introduction of competitive bidding for warships as against the traditional system of securing orders through nomination as well as losing skilled manpower to the private sector. This may have an impact on company's ability to secure future orders from the MoD.

MDL predominantly depend on the MoD for defence orders and have till date been awarded such orders on a nomination basis by the MoD for use by the Indian Navy. There is no assurance that future defence orders will be awarded to MDL by the MoD. Further, recent changes in the policy framework governing defence procurement and manufacturing in India may result in the company no longer being given such orders which may have an adverse effect on company's business growth, financial condition and results of operations.

MODERNISATION PROGRAMME

The government has introduced a modernisation programme for DPSUs. Mazagon Dock Shipbuilders Ltd has undertaken a modernisation programme at a cost of ₹ 900 crore (of which ₹ 800 crore was provided by GoI and the rest from internal accrual). The modernisation included the following facilities:

- Module workshop with two 50T EOT crane and retractable roof designed for fabrication of large hull blocks, substantially pre-outfitted within a covered environment.
- Goliath crane with a capacity of 300 tonne with a span of 138 meter straddling over two slipways and the module shop.
- New wet basin equipped with about 27,000 sq. meters of area to accommodate 2 large frigates and 2 submarines for outfitting.
- Cradle assembly shop, used for fabrication and pre-outfitting of cradle structure in unit block assemblies.

With the programme, MDL is aiming at a paradigm shift in warship construction, i.e., construction from unit assembly to block assembly, enabling integrated modular construction. This would substantially reduce the construction/ building period. Post-modernisation, MDL's capacity for ship building has increased from 8 warships to 10 warships since 2014 and submarine capacity has increased from 6 submarines to 11 submarines since 2016. The submarine-building capacity has been further enhanced by construction of additional submarine section assembly workshop of 9,900 sq. meters. The workshop comprises of 2 bays, equipped with 2 levels of EOT Cranes as well as semi goliath cranes, which will facilitate fabrication as well as assembly of submarine units simultaneously.

COMPETITIVE STRENGTH

- ***Only public sector defence shipyard constructing conventional submarines***

MDL is primarily engaged in the defence shipbuilding segment catering to the needs of the MoD. They are India's only shipyard to have built destroyers and conventional submarines for the Indian Navy (*Source: CRISIL Report*). They have in the past constructed 2 SSK submarines, modernized and refitted 4 SSK submarines. This has enhanced their capability of handling construction of conventional submarines. They have also entered into a technology transfer agreement with Naval Group, France for Scorpene submarines which are currently manufactured by MDL. They have recently delivered 2 of the Scorpene submarines, INS Kalvari and INS Khanderi to the MoD. The company alongwith the Naval Group have trained their workforce in relation to the construction of such submarines. Their personnel associated with submarine construction process are now adept with the nuances of submarine technology.

- ***World class infrastructure capable of serving the requirements of the Ministry of Defence***

The infrastructure and facilities available at company's shipyard combined with their vast expertise gives them a significant edge over their domestic peers. Their facilities currently comprise of 3 dry docks, 2 wet basins, 3 slipways, production shops, assembly shops, module shop with painting chamber for integrated construction, sheet metal shop, pipe shop, machine and fitting shop, ship dry dock and dredging, electrical repair shop and instrumentation shop for their shipbuilding division. The submarine division infrastructure includes shops for fabrication of frame, sub-section assembly and section formation, cradle assembly shop for structural and equipment outfitting and final assembly, 1 dry dock and submarine section assembly shop. The shipbuilding and submarine and heavy engineering divisions are both ISO 9001:2015 certified.

MDL undertook and completed the "*Mazdock Modernization Project*" which comprised of a new wet basin, goliath cranes, module workshop, cradle assembly shop, store building and associated ancillary structures enabling integrated modular construction which would substantially reduce the build period. Post completion of the modernization project, the capacity of outfitting warships increased from 8 warships to 10 warships since 2014 and submarine capacity has increased from 6 submarines to 11 submarines since 2016. (*Source: CRISIL Report*).

They also have a shore integration facility which enables them to complete combat system integration off-site prior to onboard installation. They have also constructed a submarine assembly workshop which comprises of 2 bays and is equipped with 2 levels of EOT cranes as well as semi goliath cranes.

- ***Location of the facilities promote closer association with the vendors and customers***

Company's shipyard is strategically located in Mumbai on the west coast of India, on the sea route connecting Europe, West Asia and the Pacific Rim, a busy international maritime route. Their customers, being the MoD and Indian Coast Guard and their vendors are based in Mumbai which results in closer co-ordination and greater efficiencies. Further, a majority of their subcontractors are based in and around Mumbai which provides them with an ease of access to labour. The location of their facilities provide them a strategic competitive advantage over their peers.

- ***Increase in indigenisation of the vessels and implementation of the "Make in India" campaign***

The company intends to increase the quantum of indigenised components for their warships and submarines in order to give an impetus to the GoI's "Make in India" campaign. In the past, for their warships and submarines, the company used to import equipment related to design support, model testing evaluation and simulation, major engineering and weapon equipment and systems, equipment related to planning and project management, installations and system integration, due to non-availability of domestic manufacturers. Importing such items and equipments resulted in increased costs, quality compromises and unsatisfactory after sales support. In order to address these issues, a dedicated department of indigenisation was set up in November 2015 alongwith a "Make in India" webpage to boost the Make in India campaign. The entire indigenisation process and the list of systems, equipment and items alongwith the necessary technical details which are to be indigenised have been identified.

MDL has successfully indigenised certain equipment such as sonar dome, ship installed chemical agent detection system, bridge window glass, main batteries for Scorpene submarines, multiple cable transit glands and remote controlled valves with various companies **on a no cost no commitment basis**. They have recently created the indigenisation fund for ₹10.39 crore in compliance with the policy dated March 08, 2019 for indigenisation of components and spares used in defence platforms for DPSUs which was promulgated by the MoD.

MDL has also been assigned 40.52 acres of land by the Government of Kerala for setting up the National Institute of Warship/ Submarine design and Indeginisation Centre which is currently being used as a head office of National Institute for Research and Development in Defence Shipbuilding. Increase in indigenisation has enabled them to reduce their reliance on third party component manufacturers and the cost of construction for their vessels.

- ***Established track record with strong financial position and strong Order Book***

MDL is a profitable shipyard with profits continuously in the last 3 Fiscals. The Total Income was ₹4,274.86 crore, ₹5,027.63 crore, ₹5,204.67 crore and ₹5,535.31 crore for Fiscals 2017, 2018, 2019 and 2020 respectively. The profit for the year was ₹598.26 crore, ₹496.17 crore, ₹532.47 crore and ₹477.06 crore for Fiscals 2017, 2018, 2019 and 2020 respectively.

Further, as of July 31, 2020, the Order Book for shipbuilding and submarines and heavy engineering was ₹ 54,074 crore comprising of 3 major shipbuilding projects and 2 submarine projects.

- ***Experienced board and senior management team and skillfully trained workforce***

MDL has a diversified Board with directors having several years of experience in the shipbuilding as well as submarine division and each of their senior management team is experienced in the industry and has been with the company for an average of more than 2 decades. The company also has a large pool of experienced naval architects, engineers and draftsmen.

STRATEGIES

- ***Export of the products to the international markets***

The company primarily caters to the defence sector in India at present. However, they are in the process of reviving the exports of their defence and commercial products to Latin America, Africa, South East Asia, Middle East and Scandinavian regions and have identified certain defence and civil sectors in such regions. The company has, in the past, exported its products to Mexico, France, Bahamas and Yemen.

- **Focus on ship repair**

Company's shipbuilding and submarine contracts has a long gestation period. Their revenues under these contracts are dependent on achievement of certain milestones. In order to diversify their revenue streams, the company intend to increase the ship repair activities in the future as such activities are for a shorter period of time and result in the early booking of revenues. The company has in the past undertaken ship repairs for their clients in the defence and commercial sectors.

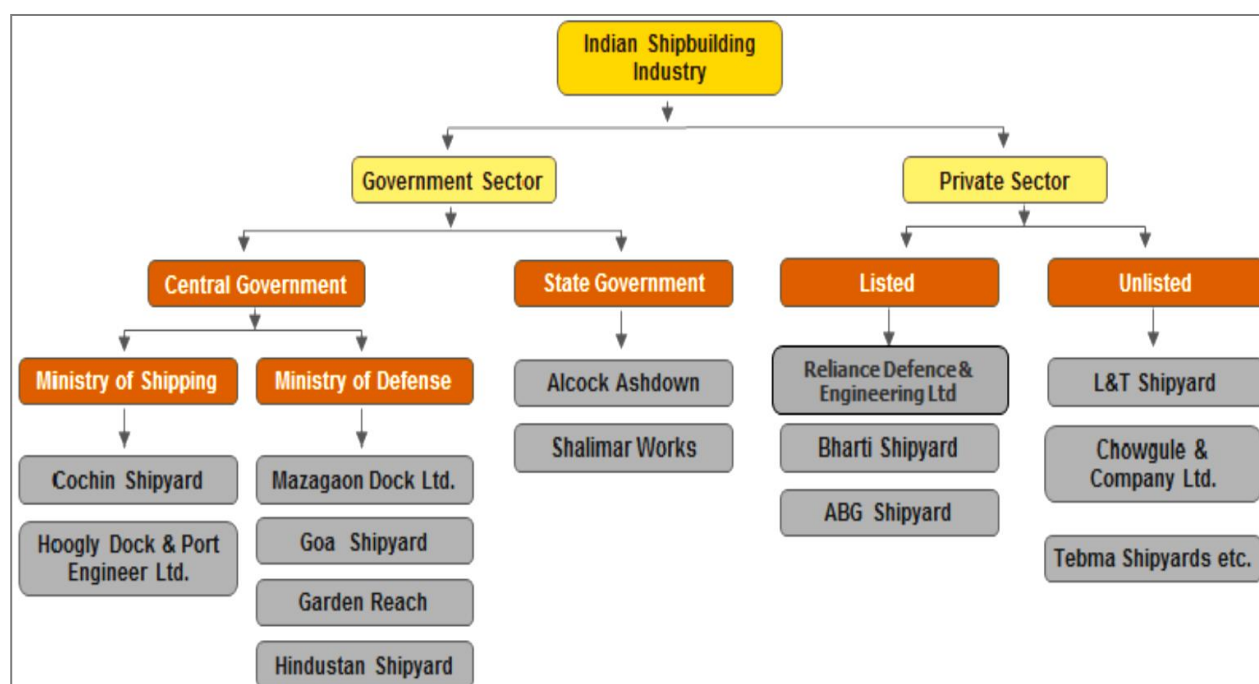
- **Augmentation of infrastructure and enhancing the manufacturing capacity**

MDL is currently undertaking capital expenditure for its submarine and heavy engineering division by way of construction of the submarine launch facility and blasting painting chamber. They are also leveraging the latest construction methods in order to speed up the construction of their warships. The company is exploring options to develop a greenfield shipyard at Nhava, Navi Mumbai to cater to their existing and future customers in the domestic and international markets.

They are planning to dredge the water front to a depth of 3.5 meters below chart datum and create a navigation channel from Angre wet basin to the offshore container terminal of Mumbai Port Trust.

INDUSTRY OVERVIEW

Indian shipbuilding industry - Sector-wise classification



Shipbuilding capacity of public and private shipyards by type of vessels

Name of player	Tanker	Dry cargo	Bulk carriers	Passenger/Passenger cum - cargo ships	Product carriers	Other	Defence ships
Public sector							
Alcock Ashdown (Gujarat) Ltd.(AAL)	✓		✓			✓	
Cochin Shipyard Ltd (CSL)	✓	✓	✓	✓	✓	✓	✓
Hindustan Shipyard Ltd.(HSL)	✓	✓	✓	✓	✓	✓	✓
Hooghly Dock & Port Engineers Ltd. (HDPE)	✓			✓		✓	
Shalimar Works Ltd. (SWL)						✓	
Goa Shipyard Ltd. (GSL)							✓
Mazagon Dock Shipbuilders Ltd							✓
Garden Reach Shipbuilders & Engineers Ltd*(GRSE)							✓
Private sector							
ABG Shipyard Ltd.(ABGS)	✓		✓			✓	
Bharati Defence & Infrastructure.(BDIL)	✓	✓	✓	✓		✓	
Reliance Defence & Engineering Ltd (RDEL))		✓	✓	✓		✓	✓

*Rajabagan Dockyard Limited, under Central Inland Water Transport Corporation, Kolkata merged with Garden Reach Shipbuilders & Engineers Ltd, Kolkata w.e.f 1st July 2006

COMPARISON WITH LISTED INDUSTRY PEERS (AS ON 31ST MARCH 2020)

Name of the company	Consolidated/ Unconsolidated	Face Value	EPS (Basic)	NAV	P/E~	RoNW (%)
Mazagon Dock Shipbuilders Ltd*	Consolidated	10	21.36	152.17	[•]	15.54%
Cochin Shipyard Ltd^	Consolidated	10	48.05	283.02	7.60	16.98%
Reliance Naval and Engineering Ltd^	Consolidated	10	(23.87)	(165.10)	NA	NA
Garden Reach Shipbuilders & Engineers Ltd	Unconsolidated	10	14.27	90.81	14.91	7.01%

Source:RHP;

~ P/E figures for the peer is computed based on closing market price as on August 27, 2020 as available at BSE website

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