



**Mazagon Dock Shipbuilders Limited**  
(Formerly known as: Mazagon Dock Limited)  
CIN : U35100MH1934GOI002079  
(Ministry of Defence, A Govt. of India Undertaking)  
**SHIP BUILDER TO THE NATION**

**SMC Ranking**  
★ ★ ★ ☆ ☆ (3/5)

**Issue Highlights**

Industry	Shipping Industry
Total Issue (Shares) - Offer for sale	30,599,017
<b>Net Offer to the Public</b>	<b>30,599,017</b>
Issue Size (Rs. Cr.)	413-444
Price Band (Rs.)	135-145
Offer Date	29-Sep-20
Close Date	1-Oct-20
Face Value	10
Lot Size	103

**Issue Composition** In shares

Offer for sale	30,599,017
QIB	15,126,750
NIB	4,538,025
Retail	10,588,725
Employee Reservation Portion	345,517

**Shareholding Pattern (%)**

Particulars	Pre-issue	Post-issue
Promoters & promoters group	100.00%	84.83%
QIB	0.00%	7.50%
NIB	0.00%	2.25%
Retail	0.00%	5.25%
Employee Reservation Portion	0	0.17%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

\*calculated on the upper price band

**Objects of the Issue**

The net proceed from the IPO will be used towards following objectives

- To carry out the disinvestment plan of 30,599,017 equity shares by selling shareholders constitutes 15.17% of pre-offer equity share capital
- To achieve the benefits of share listing on the stock exchanges.

**Book Running Lead Manager**

- Axis Capital Limited
- DAM Capital Advisors Ltd (Formerly IDFC Securities Ltd)
- Edelweiss Financial Services Ltd
- JM Financial Consultants Private Limited
- Yes Securities (India) Limited

**Name of the registrar**

- Alankit Assignments Ltd

**About the Company**

Incorporated in 1934, Mazagon Dock Shipbuilders Ltd is the India's leading defence public sector undertaking shipyard under the Ministry of Defence. Mazagon Dock is primarily engaged in constructing and repairing warships and submarines for the MoD and other types of vessels i.e. cargo ships, multipurpose support vessels, barges and border outposts, tugs, dredgers, water tankers, etc. for commercial clients. It is the only shipyard to build destroyers and conventional submarines to be used by the Indian Navy. The business has 2 key operating divisions - Shipbuilding division that undertakes building and repairing of naval ships, whereas Submarine and heavy engineering division includes building, repairing, and refitting of diesel electric submarines. Till 2020, the company has built 795 vessels, including 25 warships, 4 missile boats, 3 submarines, 6 Leander class frigates, 3 Godavari class frigates, 3 Shivalik class frigates, 3 corvettes, and 6 destroyers. Mazagon Dock shipyard is strategically located on the west coast of India, the sea route that connects Europe, Pacific Rim, and West Asia.

**Strength**

**Only public sector defence shipyard constructing conventional submarines:** The company is India's only shipyard to have built destroyers and conventional submarines for the Indian Navy. In the past it has constructed two SSK submarines, modernized and refitted four SSK submarines and this has enhanced its capability of handling construction of conventional submarines. Besides, it has delivered two of the Scorpene submarines, INS Kalvari and INS Khanderi to the MoD.

**World class infrastructure capable of serving the requirements of the Ministry of Defence:** The company believes that the infrastructure and facilities available at its shipyard combined with its vast expertise give the company a significant edge over its domestic peers.

**Location of its facilities promotes closer association with its vendors and customers:** Its 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. Its customers, being the MoD and Indian Coast Guard and its vendors are based in Mumbai which have closer co-ordination and greater efficiencies and provides a strategic competitive advantage over its peers.

**Increase in indigenisation of its vessels and implementation of the "Make in India" campaign:** The company intends to increase the quantum of indigenised components for its warships and submarines in order to give an impetus to the GoI's "Make in India" campaign. The entire indigenisation process and the list of systems, equipment and items along with the necessary technical details which are to be indigenized have been identified. The company has recently created the indigenisation fund for Rs.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. It had 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 . Increase in indigenisation has enabled the company to reduce its reliance on third party component manufacturers and the cost of construction for its vessels.

**Established track record with strong financial position and strong Order Book:** The company has seen profits continuously in the last three Fiscals. Its total income was Rs.4274.86 Crore , Rs.5027.63 Crore, Rs.5204.67 Crore and Rs.5535.30 Crore for Fiscals 2017, 2018, 2019 and 2020 respectively. Its profit for the year was Rs.598.26 Crore Rs.496.17 Crore , Rs.532.47 Crore and Rs.477.05 Crore for Fiscals 2017, 2018, 2019 and 2020 respectively. The company has a healthy order book worth Rs. 54000 cr. which is to be executed in the next six to seven years.

## Strategies

**Export of its products to the international markets:** The company intends to increase its presence globally by establishing an international marketing team to identify potential markets for its business growth. The company is in the process of reviving the exports of its defence and commercial products to Latin America, Africa, South East Asia, Middle East and Scandinavian regions and has identified certain defence and civil sectors in such regions. In the past, the company has exported its products to Mexico, France, Bahamas and Yemen.

**Focus on ship repair:** In order to diversify its revenue streams, it intends to increase its ship repair activities in the future. In the past, the company has undertaken ship repairs for its clients in the defence and commercial Sectors and this will help generate more revenues, increase its client base and reduce its dependency on the MoD for future orders. The company is also exploring the possibilities of developing a greenfield shipyard at Nhava, Navi Mumbai with a shiplift, wet basin, workshops, stores and buildings and a ship repair facility spread over an area of 37 acres which it believes will be suitable for construction and repair of warships and commercial ships with larger dimensions.

**Augmentation of infrastructure and enhancing its manufacturing capacity:** The company 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. The submarine launch facility which is currently being constructed will enable it to execute future submarine orders. The company is exploring options to develop a greenfield shipyard at Nhava, Navi Mumbai to cater to its existing and future customers in the domestic and international markets.

## Risk Factor

- The company is predominantly depend on the MoD for defence orders and has mostly 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 the company by the MoD.
- Imposition of liquidated damages and invocation of performance bank guarantees / indemnity bonds by its customers could impact its results of operations.
- Any decline, delay or reprioritisation of funding under the Indian defence budget or that of customers including the MoD for use by the Indian Navy could adversely affect its ability to grow or maintain its sales, earnings, and cash flow.
- The revenues from the MoD contracts including the submarine refit contracts are subject to the satisfaction of certain milestones and are subject to termination. The company's inability to fund such contracts at the time of inception or any termination of any of its contracts with the MoD could have a material adverse effect on its financial condition and results of operations.
- The future growth and expansion of the company is limited by the location at which it operates.

## Peer comparison

Co_Name	Net Sales	PAT	EPS	P/E	P/BV	BV	FV	CMP	MCAP
Cochin Shipyard	3018.13	555.22	42.21	7.36	1.10	283.02	10	310.65	4086.30
Garden Reach Sh.	1375.30	138.36	12.74	13.39	1.88	90.81	10	170.65	1954.83
Mazagon Dock Shipbuilders Ltd	4977.65	383.69	19.02	7.62	0.95	152.17	10	145.00	2924.51

\* FY20 Annualised financials are taken for valuation

## Valuation

Considering the valuation at upper price band of Rs.145, EPS and P/E of FY2020 are Rs. 19.02 and 7.62 multiple respectively and at a lower price band of Rs. 135, P/E multiple is 7.10; at upper price band of Rs.145, book value and P/B of FY2020 are Rs.152.17 and 0.95 multiple respectively and at a lower price band of Rs. 135, P/B multiple is 0.89. No change in pre and post issue EPS and Book Value as the company is not making fresh issue of capital.

## Industry overview

Indian shipbuilding industry's order book is expected to receive a boost on account of Indian Navy and Coast Guard's ambitious ship acquisition plans- the forces plan to have fleets of 200 ships each till 2020-21. However, constrained capacities of the defence public sector undertakings and weak financial position of private players having defence shipbuilding licenses can prove to be an impediment to the execution of this plan. Ship orders from the navy are expected to have a larger share of this order book in terms of DWT, compared with the Indian Coast Guard. In case of the Indian Navy, the orders expected are: warship vessels like corvettes, submarines, etc. as well as patrol vessels and crafts. The category-wise vessel composition of both the Indian Navy and the Indian Coast Guard fleet is expected to remain constant over the next five years. Over the next five years, the domestic shipbuilding industry is expected to partially or fully execute some orders for both the Indian Navy and Indian Coast Guard. CRISIL Research expects delivery of ships for some of the most important orders of projects P-15-B, P17-A, etc in the timeframe considered. Currently, most of these vessels are at various stage of execution.

## Outlook

Mazagon Dock Shipbuilders is a defence public sector undertaking shipyard under the Department of Defence Production (MoD) with a maximum shipbuilding and submarine capacity of 40,000 DWT. It constructs and repairs warships and submarines for use by the Indian Navy and other vessels for commercial clients. It is India's only shipyard to have built destroyers and conventional submarines for the Indian Navy, besides being one of the initial shipyards to manufacture corvettes (or small warships). The company has a healthy order book worth Rs. 54000 cr. which is to be executed in the next six to seven years.

## An Indicative timetable in respect of the Issue is set out below:

<b>EVENT</b>	<b>INDICATIVE DATE (On or about)</b>
Bid/Offer Opens Date	September 29, 2020
Bid/Offer Closing Date	October 1, 2020
Finalisation of Basis of Allotment with the Designated Stock Exchange	October 07, 2020
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	October 08, 2020
Credit of Equity Shares to depository accounts of Allottees	October 09, 2020
Commencement of trading of the Equity Shares on the Stock Exchanges	October 12, 2020

## Annexure

### Consolidated Financials

#### Profit & Loss

Rs. in Cr.

Particulars	Period ended 30-Jun-20 (6 Months)	Period ended 31-Mar-20 (12 Months)	Period ended 31-Mar-19 (12 Months)
Total Operating Income	4,977.65	4,613.96	4,470.36
Total expenditure	4,709.68	4,353.16	4,315.66
<b>Operating Profit</b>	<b>267.97</b>	<b>260.80</b>	<b>154.70</b>
OPM%	5.38	5.65	3.46
Other Income	557.66	590.72	557.27
<b>PBDIT</b>	<b>825.63</b>	<b>851.52</b>	<b>711.97</b>
Depreciation	68.68	64.33	52.48
<b>PBIT</b>	<b>756.95</b>	<b>787.19</b>	<b>659.49</b>
Interest	9.26	9.08	9.08
<b>PBT</b>	<b>747.69</b>	<b>778.12</b>	<b>650.41</b>
Exceptional items	12.32	0.00	0.00
<b>Profit before tax but after exceptional items</b>	<b>735.37</b>	<b>778.12</b>	<b>650.41</b>
Tax	351.68	307.73	256.83
<b>PAT</b>	<b>383.69</b>	<b>470.38</b>	<b>393.57</b>

**Balance sheet is on next page**

## Balance Sheet

Rs. in Cr.

Particulars	As on 30-Jun-20	As on 31-Mar-20	As on 31-Mar-19
<b>Non-current assets</b>			
Property, Plant and Equipment	831.25	787.32	676.91
Capital work-in-progress	79.96	88.77	85.38
Other intangible assets	17.15	22.99	28.41
	<b>928.36</b>	<b>899.08</b>	<b>790.71</b>
<b>Financial Assets</b>			
(i) Investments	484.18	430.67	429.15
(ii) Trade receivables	15.61	15.78	15.93
(iii) Loans	6.89	6.66	8.95
(iv) Other Financial assets	153.45	143.52	3.40
Deferred tax assets (net)	411.66	581.98	552.17
Non-current tax assets (net)	225.93	193.38	206.73
(g) Other non-current assets	651.75	499.01	319.52
<b>Total Non- Current Assets</b>	<b>2,877.83</b>	<b>2,770.08</b>	<b>2,326.55</b>
<b>Current assets</b>			
(a) Inventories	4,622.69	3,790.30	3,785.97
<b>(b) Financial Assets</b>			
(i) Trade receivables	1,458.77	1,472.89	1,113.38
(ii) Cash and cash equivalents	483.28	729.68	373.59
(iii) Bank balances other than (ii) above	5,315.00	6,740.00	6,816.00
(iv) Loans	2.11	4.29	0.91
Others	178.10	221.30	110.54
Contract assets	55.47	901.31	737.94
Assets held for sale	0.22	0.27	0.01
Other current assets	5,972.56	4,216.02	4,105.50
<b>Total current assets</b>	<b>18,088.20</b>	<b>18,076.06</b>	<b>17,043.82</b>
<b>Total Assets</b>	<b>20,966.03</b>	<b>20,846.13</b>	<b>19,370.37</b>
<b>Non-current liabilities</b>			
<b>(a) Financial Liabilities</b>			
Trade payables	15.61	15.78	15.93
Others	36.01	35.53	37.27
Other long-term liabilities	169.46	157.84	159.74
Long-term provisions	1,215.07	1,197.76	1,206.37
<b>Total</b>	<b>1,436.15</b>	<b>1,406.90</b>	<b>1,419.30</b>
<b>Current liabilities</b>			
<b>(a) Financial Liabilities</b>			
(i) Trade payables	4,770.78	2,917.25	2,391.07
Others	136.46	236.70	257.87
Contract liability	11,383.12	12,949.94	12,338.08
Other current liabilities	43.63	22.06	9.88
Short-term provisions	126.76	98.17	120.12
<b>Total current liabilities</b>	<b>16,460.75</b>	<b>16,224.11</b>	<b>15,117.02</b>
<b>Total</b>	<b>17,896.90</b>	<b>17,631.02</b>	<b>16,536.32</b>
<b>NET Worth</b>	<b>3,069.13</b>	<b>3,215.12</b>	<b>2,834.05</b>
Net worth represented by:			
Equity Share capita	201.69	224.10	224.10
Other Equity	2,867.44	2,992.82	2,609.95
<b>Net Worth</b>	<b>3,069.13</b>	<b>3,216.92</b>	<b>2,834.05</b>

## RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

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