

IPO NOTE

ISSUE DETAILS

Price Band: ₹ 135 to ₹ 145
Issue Opens on: September 29, 2020
Issue Closes on: October 01, 2020
Lot Size: 103 Shares & in Multiples thereafter

ISSUE HIGHLIGHTS

Issue Size : ₹ 443.69 Cr.
No of Shares : 9,352,940
Face Value : ₹ 10

Offer Structure

Issuance	₹ in Cr.	No. of Shares
Fresh Issue	-	-
Offer for Sale	443.69	30,599,017
Employee Reservation	5.01	345,517
Total	443.69	30,253,500

Issue Breakup

Reservation for	% of Issue	₹ in Cr. (at upper band)
QIB	50	221.85
HNI	15	66.55
Retail	35	155.29
Total	100	443.69

* 60% Shares of the QIB Portion to Anchor Investors

Listing

BSE & NSE

Lead Managers

- Intensive Fiscal Services Private Limited
 - Ambit Capital Private Limited

Registrar

Alankit Assignments Limited

ANALYST

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COMPANY OVERVIEW

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 (Dead Weight Tonnage), 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 company was conferred with the 'Mini-ratna-I' status in 2006 and is India's only shipyard to have built destroyers and conventional submarines for the Indian Navy.

The company's business divisions include (i) shipbuilding and (ii) submarine and heavy engineering. The shipbuilding division includes the building and repair of naval ships. It is currently building four P-15 B destroyers and four P-17A stealth frigates and undertaking repair and refit of a ship for the MoD for use by the Indian Navy. It is currently in the process of delivering 5 Scorpene class submarines under a technology transfer 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, the company has built a total of 795 vessels including 25 warships, from advanced destroyers to missile boats and three submarines.

The company 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. It is headquartered in Mumbai which is also the headquarters of the Western Naval Command of the Indian Navy.

HIGHLIGHTS

1. Only public sector defence shipyard constructing conventional submarines
2. World class infrastructure capable of serving the requirements of the Ministry of Defence
3. Location of facilities promotes closer association with vendors and customers
4. Increase in indigenisation of our vessels and implementation of the "Make in India" campaign

Objects of the issue

1. To carry out the disinvestment of 30,599,017 Equity Shares by the Selling Shareholder constituting 15.17% of Company's pre-Offer paid up Equity Share capital ; and
2. To achieve the benefits of listing the Equity Shares on the Stock Exchanges.

Company will not receive any proceeds from the Offer and all such proceeds will go to the Selling Shareholder.

OUR VIEW

Company is primarily engaged in the defence shipbuilding segment catering to the needs of the MoD and is India's only shipyard to have built destroyers and conventional submarines for the Indian Navy. 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.

The Defence procurement procedure adopted by the GoI, which focuses on "Make in India, Buy Indian", has encouraged the domestic private sector to invest and participate in defence production. Also excessive dependence on the Ministry of Defence and the Indian Navy to procure its order are threat to the company.

Financially, the top line has been consistent with slight movement in recent years due to certain provisions because of which margins are on declining. PAT margin contracted by 742bps over the period to stand at 9.6% in FY20. It has posted steady revenue growth in the last 4 years reported an increase of 12.3% CAGR to Rs. 49,776.5mn in FY20.

At higher price band of ₹ 145, company is demanding P/E of around 6 against Industry P/E of 14x and peers P/E of 7.60x and 14.91x of Cochin Shipyard Ltd. & Garden Shipbuilders Ltd. respectively. Issue is priced at P/BV of 0.95 based on FY 20 NAV.

Since last 15 years, it is consistently paying dividend and is cash surplus and zero debt company. It has orders worth Rs. 54000+ crore on hand which are to be completed in 6 to 7 years. Investors may consider investment for medium to long term perspective as it is reasonably priced

Brief Financials

PARTICULARS	₹ in Million			
	FY '20	FY '19	FY'18	FY'17
Total Income	55,353.07	52,046.74	50,276.29	42,748.63
Total Expenditure	47,876.21	44,265.59	43,772.22	34,443.09
Profit before Tax	7,353.69	7,781.15	6,504.07	8,305.54
Profit after Tax	4,770.59	5,324.74	4,961.73	5,982.58
E.P.S. [diluted (Rs.)]	21.36	23.75	20.61	
P/E (x)	6.13			
RONW (%)	15.54	16.55	17.51	

PRICE CHART (@ ₹ 145)

LOT SIZE	Amount
103	14,935
206	29,870
309	44,805
412	59,740
515	74,675
618	89,610
721	104,545
824	119,480
927	134,415
1,030	149,350
1,133	164,285
1,236	179,220
1,339	194,155

Please go through the RHP for salient features.

(https://www.sebi.gov.in/filings/public-issues/sep-2020/mazagon-dock-shipbuilders-limited_47646.html)

Indicative Time Table

Tentative Events	Indicative Dates
Finalisation of Basis of Allotment with the Designated Stock Exchange	07/10/2020
Initiation of refunds/unblocking ASBA Fund	08/10/2020
Credit of Equity Shares to demat accounts of Allottees	09/10/2020
Commencement of trading of the Equity Shares on the Stock Exchanges	12/10/2020

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