

Issue Details		
Issue Opens	29-Sep-20	
Issue Closes	1 st -Oct-20	
Issue Size (in Crs)	Rs. 413.10- Rs.444.70	
Issue Size (Shares)	30,599,017	
Authorised Shares	323,720,000	
Issued, Subscribed and Paid Up Sh.	201,690,000	
Offer for Sale	30,599,017	
Face Value	Rs. 10.00	
Employee Portion	345,517	
Lot Size (Sh)	103	
Price Band	Rs.135- Rs.145	
Issue Type	Book Building	
Book Value (in Rs.)(FY20)	152.17	
BRLMs	Yes Securities (India) Ltd, Axis Capital Ltd, Edelweiss Financial Services Ltd ,IDFC Securities Ltd, JM Financial Ltd.	
Registrar	Alankit Assignments Ltd.	
Listing Venue	BSE/NSE	
Finalization of Allotment	On or about 07-Oct -20	
Initiation of refund	On or about 08-Oct -20	
Credit to Demat Account	On or about 09-Oct -20	
Listing	On or about 12-Oct-20	
Issue Structure		
Categories	Allocation	
QIBs	50.00%	
Non-Institutional	15.00%	
Retail Portion	35.00%	
Total	100.00%	
Shareholding Pattern		
Categories	Pre issue	Post Issue
Promoter & Promoter Group	100.00%	84.83%
Public & Employee	0.00%	15.17%
Total	100.00%	100.00%
Recommendation		
SUBSCRIBE		

Company Background

Mazagon Dock Shipbuilders Ltd. ("MDSL") founded on February 26, 1934 in Bombay as a private limited company was nationalized in 1960 and is now a Defence PSU under ministry of Defence and conferred with the Mini Ratna I status. It manufactures warships & submarines for the Indian Navy and offshore platforms and associated support vessels for offshore oil drilling. It also builds tankers, cargo bulk carriers, passenger ships and ferries. Since 1960 MDSL has built a total 795 vessels including 25 warships, from advanced destroyers to missile boats and three submarines. It has a capacity to build warships, submarines, merchant ships up to 40000 DWT (Dead weight tonnage). It has also fabricated and delivered jackets, main decks of wellhead platform, process platforms, jack up rigs etc.

Objects of the Issue

- To carry out the disinvestment of 30,599,017 equity shares by selling shareholders constituting 15.17% of MDSL's pre-offer paid up equity capital.
- To achieve the benefits of listing the equity shares on the BSE & NSE stock exchanges.

Key Points

- 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.
- MDSL is one of the ship builders for P17-A project for building next generation guided missile stealth frigates through collaboration with Fincantieri, Italy.
- MDSL is executing orders for five scorpene submarines through collaboration with DCNS, France.
- As per Ministry of Shipping, no ship repair work has been undertaken by MDSL 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 work.
- MDSL has undertaken modernization programme at a cost of Rs.900 crores of which Rs.800 crores was provided by GoI. This will enhance its warship building capacity from 8 to 10 and submarine capacity from 6 to 11.
- MDSL is strategically located on the west coast that connects Europe, West Asia and Pasic Rim, a busy maritime route. It is planning to develop a shipyard at Nhava, Navi Mumbai, spread over an area of 37 acres.
- As on 31st Jul. 2020, it had an order book of Rs. 54074 crs which is to be executed in next 6-7 years. Current order book is around 10.9x of its TTM revenue, thereby providing revenue visibility for the mid to long term. MDSL has been paying dividend since last 15 years. At the higher price band the issue is demanding a P/E of 6.1x which is at discount to the industry P/E of 11.25x. We feel the valuation is justified and investors can SUBSCRIBE to the issue with long term view.

Particulars (₹ Crs.) (Consol)	FY20	FY19	Var%	FY18	Var%	FY17	Var%
Revenue From Operations	4977.65	4613.96	7.88	4470.36	3.21	3519.08	27.03
Other Income	557.66	590.72	-5.60	557.27	6.00	755.78	-26.27
Total Income	5535.31	5204.67	6.35	5027.63	3.52	4274.86	17.61
Total Expenses	4709.68	4353.16	8.19	4315.66	0.87	3393.34	27.18
PBT	735.37	778.12	-5.49	650.41	19.64	830.55	-21.69
Tax	351.68	307.73	14.28	256.83	19.82	287.72	-10.74
PAT	477.06	532.47	-10.41	496.17	7.32	598.26	-17.06
EPS (in Rs.)	23.65	23.76	-0.45	22.14	7.32	24.03	-7.85
Book Value (in Rs.)	152.17	143.55	6.01	126.46	13.51	120.09	5.31
Equity	201.69	224.10	-10.00	224.10	0.00	249.00	-10.00

Source: Company's RHP, Ace Equity, AUM Research

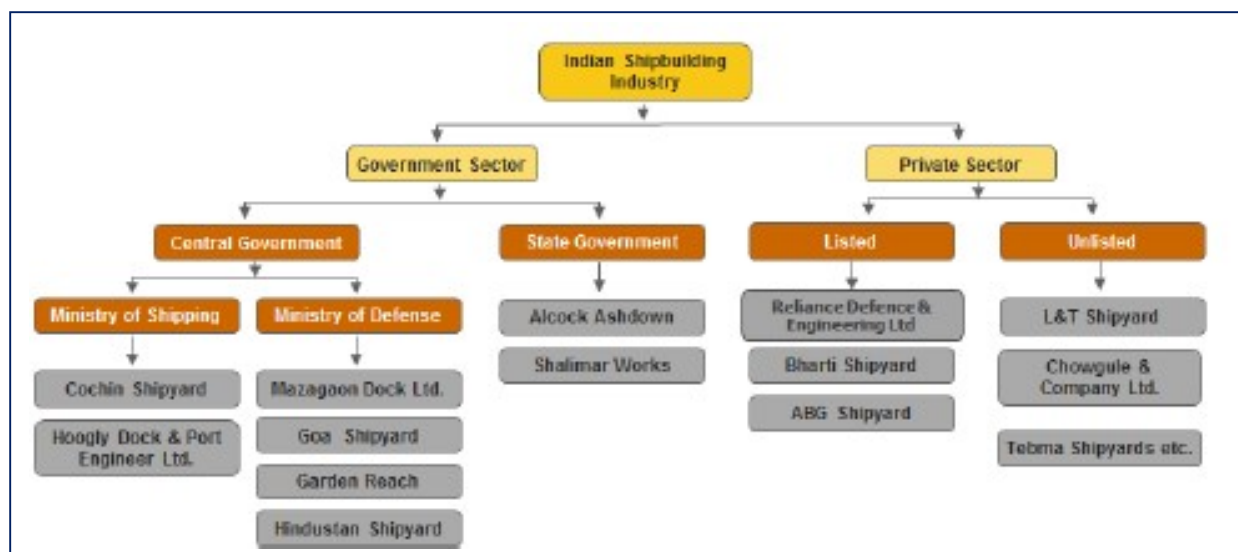
Competitive Strengths

- Only public sector defence shipyard constructing conventional submarines
- World class infrastructure capable of serving the requirements of the Ministry of Defence
- Location of their facilities promotes closer association with vendors and customers
- Increase in indigenization of their vessels and implementation of the “Make in India” campaign
- Established track record with strong financial position and strong Order Book
- Experienced board and senior management team and skillfully trained workforce

Risk Factors

- MDSL predominantly depends on the MoD for defence orders and have mostly been awarded such orders on a nomination basis by the MoD. There is no assurance that future defence orders will be awarded to MDSL by the MoD.
- MDSL’s entire business operations are based out of a single yard at Mumbai. The loss of, destruction, or shutdown of, our operations at the shipyard in Mumbai will have a material adverse effect on the business, financial condition and results of operations.

Indian Shipbuilding industry



Source: Company's RHP, Ace Equity, AUM Research

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