

Cochin Shipyard Ltd : Very Good Issue

IPO Note : Largest Public Sector Shipyard ; Reasonable Issue Price and discount to retail investors make it attractive

: Ranking****



Cochin Shipyard Ltd.

Issue details

Price band (Rs)	Rs.424-432
IPO Opening Date	01/08/17
IPO Closing Date	03/08/17
Issue Size	Rs. 1468 Cr.

Recommendation

Total revenue grew at a **CAGR of 15.33%** from Rs.1660.45 Cr for the FY 2015 to Rs.2208.50 Cr for FY 2017. Net profit grew at a **CAGR of 112.27%** from Rs.69.28 to RS.312.18 in the same period. Its current equity is Rs.113.28 crore, post IPO it will enhanced to Rs.135.94 crore. If we attribute latest earnings on fully diluted equity post issue then asking price is at a P/E of 18.81. Retail Investors will get discount of Rs.21 per share. Its peers like Reliance Defence and Engineering Ltd, ABG Shipyards Ltd, Bharti Defence and Infrastructure Ltd are making huge losses so there is not so much fancy for these stocks in the market. Issue is reasonable pricing. However, investors may consider investment for long term.

Highlights

- **Cochin Shipyard Limited is one of the largest public sector shipyard in India in terms of dock capacity and a wholly-owned GoI company, and were conferred the 'Miniratna' status in 2008, by the Department of Public Enterprises, GoI**
- **Ship Repair Dock is one of the largest in India and enables to accommodate vessels with a maximum capacity of 125,000 DWT. Shipbuilding Dock can accommodate vessels with a maximum capacity of 110,000 DWT.**
- **Current shipbuilding order book includes Phase-II of the IAC for the Indian Navy, two 500 passenger cum 150 ton cargo vessels and two 1,200 passenger cum 1,000 ton cargo vessels for the Andaman and Nicobar Administration**
- **Its top customers include the Indian Navy and the Indian Coast Guard.**
- **It has total debt of Rs.123 crore as on FY16**
- **Retail Investors will get discount of Rs.21 per share.**

Company Introduction

Incorporated in 1969, Cochin Shipyard Limited is one of the largest public sector shipyard in India in terms of dock capacity. They operate a shipyard that provides shipbuilding and ships/offshore structures repair services. Cochin Shipyard's shipbuilding activities include the construction of vessels for clients operating in the defense and in the commercial sector shipping industry. In addition to shipbuilding and ship repair, they also offers marine engineering training programs as well as offer additional courses, including six months practical training for marine engineering students from colleges affiliated to universities, fire prevention and firefighting, and elementary first aid training through its marine engineering training institute; and chemical, mechanical, and non-destructive testing



Cochin Shipyard Ltd.

www.cochinshipyard.com

Financial Summary (Rs. In Crore)

Particulars	FY2017	FY2016	FY2015
Total Income	2208.5	2096.88	1660.45
Net Profit	312.18	291.75	69.28
EPS (Rs)*	22.96	21.46	5.09

*EPS on enhanced equity post IPO

Source: RHP and ACE Equity

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

services of metals, welds, and alloys.

Its top customers include the Indian Navy and the Indian Coast Guard. These top two customers together accounted for 87.69%, 82.46%, 89.94% and 73.16% of total revenue from operations in Fiscals 2014, 2015, 2016 and the half year ended September 30, 2016, respectively. The Indian Navy has praised for high production standards, quality construction and timely delivery

Company Promoters:

The President of India is the promoter of the company. The Promoter along with its nominees, currently holds 100% of the pre-Issue paid-up equity share capital of the Company.

The object of the issue

- Setting up of a new dry dock within the existing premises of our Company (“Dry Dock”);
- Setting up of an international ship repair facility at Cochin Port Trust area (“ISRF”); and
- General corporate purposes.

IPO Issue Proceed

To part finance its setting up of a new dry dock and setting up of an international ship repair facility and general corpus fund needs, the company is coming out with a maiden IPO with a fresh issue of 22656000 shares and offer for sale of 11328000 equity share of Rs. 10 each via book building route with a price band of Rs. 424-428. Through this IPO company hopes to mobilize Rs. 1454.52 crore (based on upper price bands). Minimum application is to be made for 30 shares and in multiples thereon, thereafter. Issue opens for subscription on 01.08.17 and will close on 03.08.17. Post issue shares will be listed on BSE and NSE. Post IPO equity capital will be enhanced to Rs. 135.94 crore.

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