

## Bharat Dynamics Ltd : Good Issue

**IPO Note : Profit making, dividend paying, strong order book position  
: Ranking\*\*\***



### Issue details

Price band (Rs)	Rs.413-428
IPO Opening Date	13/03/18
IPO Closing Date	15/03/18
Issue Size	Rs.960 Cr.

### Recommendation

Total revenue grew at a **CAGR of 33.52%** from Rs.1635.65 Cr for the FY 2013 to Rs.5198.07 Cr for FY 2017 and Net Profit grew at a **CAGR of 15.16%** in the same period. Net profit grew from Rs.278.79 crore to Rs.490.31 crore in this period. For the six months ended on 30.09.17, it has earned net profit of Rs.172.59 cr. on a turnover of Rs.2190.25 cr. For last three fiscals it has posted an average EPS of Rs. 27.20. If we take FY17 earnings and attribute it on fully diluted equity capital of Rs.183.28 crore, the EPS works out to Rs.26.75 then **asking price Rs.428 is at a P/E of 16**. The company has zero debt it has no listed peers to compare with, thus it is a first mover in this segment. Defence sector is set for a booming period under "Make in India" plans and this company set to reap the benefits. **Overall, Valuation is attractive for retail investors, hence investment may be considered and can keep it for a long-term as well.**

### Highlights

- Modern facilities and infrastructure to deliver quality products in a timely manner
- Increase in indigenisation of products and implementation of the 'Make in India' policy
- Strong order book and established financial track record of delivering growth. Current order book as of January 31, 2018 is Rs.10543.00 crore.
- A discount of Rs 10 per equity share on offer price is offered to retail and employees.
- It is almost zero debt company
- The Company has posted profits continuously and paying dividends since last ten years

### Company Introduction

Incorporated in 1970, Bharat Dynamics Ltd is Hyderabad based wholly-owned GoI company engaged in the manufacture of Surface to Air missiles (SAMs), Anti-Tank Guided Missiles (ATGMs), underwater weapons, launchers, countermeasures and test equipment. Bharat Dynamic have three manufacturing facilities located in Hyderabad, Bhanur and Vishakhapatnam.

Company is the sole manufacturer in India for SAMs, torpedoes and ATGMs. Company is also the sole supplier of SAMs and ATGMs to the Indian armed forces. Additionally, company is engaged in the business of refurbishment and life extension of missiles manufactured. Company is intend to offer products such as Akash SAM, light weight torpedoes and countermeasure dispensing system to the international markets in near future. Bharat Dynamics have over 3165 full-time employees, which includes 863 engineers.

### The Indian Defence Market – Macro Outlook

The Indian defence market is in a state of transition, as a result of new policies promulgated by the government. F&S expects the underspend in defence to decrease during the forecast period, as the government modifies policies to simplify



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### Financial Summary (Rs. In Crore)

Particulars	Six month ended Sept 2017	FY2017	FY2016	FY2015
Total Income	2190.25	5198.07	4601.37	3253.23
Net Profit	172.59	490.32	562.07	443.55
EPS (Rs)	9.41*	26.75	30.66	24.2

\*EPS not annualized

Source: RHP and ACE Equity

### RANKING METHODOLOGY

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

procurement. Reduced underspending will drive defence budgets and the market will expand to \$68.7 billion, recording a compound annual growth rate (CAGR) of 6.52 %, or \$79.17 billion at a CAGR of 8.04 %—depending on the government's ability to simplify procurement through policy initiatives.

### Company Promoters:

The Promoter of the company is the President of India acting through the Ministry of Defence. Promoter along with its nominees, currently holds 100% of the pre-Offer Equity Share capital of the Company.

### The object of the issue

- To carry out the disinvestment of Equity Shares by the Selling Shareholder
- To achieve the benefits of listing the Equity Shares on the Stock Exchanges.

### IPO Issue Proceed

To carry out the disinvestment of Equity Shares by the Selling Shareholder, and to achieve the benefits of listing the Equity Shares on the Stock Exchanges. BDL is coming out with a maiden IPO as offer for sale of 2.25 crore equity shares of Rs. 10 each via book building route with a price band of Rs. 413 to 428 per share to mobilize Rs. 927.26 – Rs. 960.94 crore (based on lower and upper price bands). No fund is going to company being OFS. Issue opens for subscription on 13.03.18 and will close on 15.03.18. Minimum application is to be made for 35 shares and in multiples thereon, thereafter. Post allotment shares will be listed on BSE/NSE. Being OFS, it's paid up equity capital remains same at Rs. 183.28 crore.

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