

Garden Reach Shipbuilders and Engineers Ltd : Good Issue IPO Note : A Mini Ratna Company : Offer seems fully Priced : Ranking***



Issue details

Price band (Rs)	Rs.115-118
IPO Opening Date	24/09/18
IPO Closing Date	26/09/18
Issue Size	Rs. 345 Cr.

Recommendation

The company has posted negative growth in topline in last four fiscal from FY 2015 to 2018 and Net Profit grew at a CAGR of **18.84%** in the same period from Rs.51.72 to Rs.86.81 crore. For the FY18, it posted an EPS of Rs.7.57. Based on it, asking price is at a P/E of 15.58. Issue is priced at a P/BV of 1.33 on the basis of its NAV of Rs.88.69 as on 31 March 2018. It is a dividend paying company. It paid dividend of 44.36%, 43.68% and 42.98% for FY18, FY17 and FY16 respectively. It has no listed peer to compare. It has Rs.20313 crore orders in hand. **The Company has posted negative revenue growth from FY15 to FY17. It is a zero debt company. The issue seems fully priced but looking to its financial performance and order book position one can invest ONLY for long term.**

Highlights

- Garden Reach Shipbuilders and Engineers Ltd. one of India's leading public sector shipyards catering to the defence sector with a multitude of offerings for a broad range of vessels across life cycles.
- Modern facilities and infrastructure and integrated capabilities to deliver quality products.
- Ability to rely on diversification of products and services for revenue generation.
- Strong order book with government agencies.
- A discount of Rs.5 per equity shares is offered to retail and eligible employees
- Debt free, profit making and dividend paying company

Company Introduction

Incorporated in 1934, Garden Reach Shipbuilder and Engineers Ltd is a shipbuilding company in India under the administrative control of the MoD and primarily adhere to the shipbuilding requirements of the Indian Navy and the Indian Coast Guard. In addition to ship and warship building capabilities, it is engaged in engineering and engine production activities. As a part of its engineering division, It manufacture deck machinery items, pre-fabricated portable steel bridges and marine pumps.

Its shipbuilding division contributes a significant majority of its revenue from operations. It derived 94.14%, 90.13%, 92.19% and 94.76% of gross revenue from operations in Fiscals 2018, 2017, 2016 and 2015 respectively from shipbuilding division. Presently, it has three (3) separate facilities for shipbuilding, all of which are located in close vicinity of each other at Kolkata, India. It build ships at the Main Works Unit and the Rajabagan Dockyard. Its third facility, the FOJ Unit is primarily used for fitting out and repair of ships. It acquired the Rajabagan Dockyard from Central Inland Water Transport Corporation Limited in the year 2006. Its DEP Unit is engaged in the testing and overhauling of marine propulsion engines and assembly of



www.grse.in

Financial Summary (Rs. In Crore)

Particulars	FY2018	FY2017	FY2016	FY2015
Total Income	1525.75	1146.31	1856.05	1629.44
Net Profit	86.81	11.46	164.44	51.72
EPS (Rs)	7.57	1.00	14.35	4.51

Source: RHP and ACE Equity

RANKING METHODOLOGY

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

semi-knocked down units of diesel engines. Its Engineering segment is engaged in the manufacturing and fabrication of portable steel bridges, deck machineries of ships and marine pumps.

Company Promoters:

The Promoters of the company is the president of India, acting through the ministry of defence. The promoters, along with its nominees, currently hold 100% of the pre offer paid-up Equity capital of the company.

The object of the issue

- The objects of this Offer are: (i) to carry out the disinvestment of 29,210,760 Equity Shares by the Selling Shareholder; and
- (ii) to achieve the benefits of listing the Equity Shares on the Stock Exchanges.

The Company will not receive any proceeds from this Offer and all proceeds shall go to the Selling Shareholder

IPO Issue Proceed

For disinvestment and listing gain, The company is coming out with a maiden IPO of 29,210,760 Equity Shares of Re.10 each as offer for sale from the existing stakeholders. The issue is being made via book building route with a price band of Rs. 115-118 to mobilize Rs.330.53 to Rs. 339.30 crore (based on lower and upper price band). Company is offering a discount of Rs.5 per share to retail and eligible employees. Issue opens for subscription on 24.09.18 and will close on 26.09.18. Minimum application is to be made for 120 shares and in multiples thereon, thereafter. This being secondary offer, its equity post issue will remain same at Rs.114.55 crore. Post allotment, shares will be listed on BSE and NSE. This offer is done to provide exit route to some of its existing shareholders and listing benefits.

DISCLAIMER

The information provided by or in this newsletter is generally from the press reports, electronic media, research websites and other media. The information also includes information from interviews conducted, analysis, views expressed by our research team. Investors should not rely solely on the information contained in this publication and must make their own investment decisions based on their specific investment objectives and financial position and using such independent advisors as they believe necessary. The material and the information provided by this newsletter are not, and should not be construed as an advice to buy or sell any of the securities named in this newsletter. SIHL may or may not hold positions in any of the securities named in this newsletter as a part of its business. Past performance is not necessarily an indication of future performance. SIHL does not assure for accuracy or correctness of information of reports in the newsletter.