

## Mazagone Dock Shipbuilders Ltd : Good Issue

### IPO Note : Leading Defence PSU Shipyard, Flat Growth: Priced Fairly Ranking\*\*\*



#### Issue details

Price band (Rs)	Rs.135-145
IPO Opening Date	29/09/2020
IPO Closing Date	01/10/20
Issue Size	Rs.443.69 Cr.

#### Recommendations

On financial performance front, for the last four fiscals, on a consolidated basis MDSL has posted revenue /comprehensive net profits of Rs. 4274.86 cr. / Rs. 598.26 cr. (FY17), Rs. 5027.63 cr. / Rs. 496.17 cr. (FY18), Rs. 5204.67 cr./ Rs. 532.47 cr. (FY19) and Rs. 5535.31 cr. / Rs. 477.06 cr. (FY20). For the last three fiscals, on a consolidated basis, MDSL has posted an average EPS of Rs. 24.88. The issue is priced at a P/BV of 0.95 based on its NAV of Rs. 152.17 as on June 30, 2020. If we attribute FY20 earnings on fully diluted equity post issue, then asking price is at a P/E of around 6.13 against peer group average P/E of 7.5. As per offer documents, MDSL has shown Cochin Shipyard, Reliance Naval and Garden Reach Shipbuilders as its listed peers. They are currently trading at a P/Es of 7.36, 00 and 13.33. Its financial track record so far has been indicating sustained top line with ups and down in PAT. **Good order book, Reasonably priced, Investors may consider investment in this issue.**

#### Highlights

- MDSL is one of the defence public sectors undertaking with "Mini Ratna-1" status.
- A regular dividend-paying company since last 15 years.
- MDSL is India's only shipyard to have built destroyers and conventional submarines for the India Navy.
- MDSL has orders on hand worth Rs. 54000 cr. plus to be executed in the next 6/7 years.

#### Company Introduction

Incorporated in 1934, Mazagon Dock Shipbuilders Ltd is the India's leading defence public sector undertaking shipyard under the Ministry of Defence. Mazagon Dock is primarily engaged in constructing and repairing warships and submarines for the MoD and other types of vessels i.e. cargo ships, multipurpose support vessels, barges and border outposts, tugs, dredgers, water tankers, etc. for commercial clients. It is the only shipyard to build destroyers and conventional submarines to be used by the Indian Navy.

The business has 2 key operating divisions - Shipbuilding division that undertakes building and repairing of naval ships, whereas Submarine and heavy engineering division includes building, repairing, and refitting of diesel electric submarines. Till 2020, the company has built 795 vessels, including 25 warships, 4 missile boats, 3 submarines, 6 Leander class frigates, 3 Godavari class frigates, 3 Shivalik class frigates, 3 corvettes, and 6 destroyers.

Mazagon Dock shipyard is strategically located on the west coast of India, the sea route that connects Europe, Pacific Rim, and West Asia.

#### Competitive Strength

- India's leading public sector defence shipyard company.
- World class infrastructure facilities.
- Strategic location at Mumbai on the west coast of India.



<https://mazagondock.in>

### Financial Summary (Rs. In Crore)

Particulars	FY2020	FY2019	FY2018	FY2017
Total Income	5535.3	5204.67	5027.62	4274.86
Net Profit	477.05	532.47	496.17	598.25
EPS (Rs)	23.65	26.4	24.6	29.66

Source: RHP and ACE Equity

### RANKING METHODOLOGY

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

- Strong order book and financial position.

### Company Promoters:

The President of India acting through the Ministry of Defence, GoI is the promoter of the company.

### The object of the issue

The net proceed from the IPO will be used towards following objectives;

- To carry out the disinvestment plan of 30,599,017 equity shares by selling shareholders constitutes 15.17% of pre-offer equity share capital
- To achieve the benefits of share listing on the stock exchanges.

### IPO Issue Proceed

For listing gains and to disinvest Government of India's stake, MDSL is coming out with a maiden IPO of an offer for sale of 30599017 shares of Rs. 10 each. The issue opens for subscription on September 29, 2020, and will close on October 01, 2020. The company has fixed the price band of Rs. 135 - Rs. 145 per share. Minimum application is to be made for 103 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE and NSE. MDSL mulls mobilizing around Rs. 413.09 cr. - Rs. 443.69 cr. (based on lower and upper price band) through this IPO. Issue constitutes 15.17% of the post issue paid-up capital of the company. The company has reserved 345517 shares for eligible employees. From the residual portion, it has reserved 50% for QIBs, 15% for HNIs and 35% for retail category. Post issue, MDSL's current paid-up equity capital of Rs. 201.69 cr. will remain the same as this is a secondary offer. With this issue, the company is looking for a market cap of Rs. 2924.51 cr. (based on upper price band). Current paid-up equity capital stands supported by free reserves of Rs.2867.44 cr. as on March 31, 2020.

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