



Incorporated in March 1972 and conferred with “Miniratna” status in 2008, Cochin Shipyard Limited is the largest public sector shipyard in India in terms of dock capacity, as of March 31, 2015, according to the CRISIL Report. It caters to clients engaged in the defence sector in India and clients engaged in the commercial sector worldwide. In addition to shipbuilding and ship repair, it also offers marine engineering training. As of January 31, 2017, it has two docks – dock number one, primarily used for ship repair (“Ship Repair Dock”) and dock number two, primarily used for shipbuilding (“Shipbuilding Dock”).

Its Ship Repair Dock is one of the largest in India and enables it to accommodate vessels with a maximum capacity of 125,000 DWT (Source: CRISIL Report). Its Shipbuilding Dock can accommodate vessels with a maximum capacity of 110,000 DWT (Source: CRISIL Report). The Company’s key clients include the Indian Navy, the Indian Coast Guard and the SCL. It has also exported 45 ships to various commercial clients outside India such as NPCC, the Clipper Group (Bahamas) and Vroon Offshore (Netherlands) and SIGBA AS (Norway). The Company is in the process of constructing a new dock, a ‘stepped’ dry dock (“Dry Dock”). This stepped dock will enable longer vessels to fill the length of the dock and wider, shorter vessels and rigs to be built or repaired at the wider part. The Company is also in the process of setting up an International Ship Repair Facility (“ISRF”), which includes setting up a shiplift and transfer system. In the last two decades, it has built and delivered vessels across broad classifications including bulk carriers, tankers, Platform Supply Vessels (“PSVs”), Anchor Handling Tug Supply vessels (“AHTSs”), barges, bollard pull tugs, passenger vessels and Fast Patrol Vessels (“FPVs”). It is currently building India’s first Indigenous Aircraft Carrier (“IAC”) for the Indian Navy. It has also grown ship repair operations and is the only commercial shipyard to have undertaken repair work of Indian Navy’s aircraft carriers, the INS Viraat and INS Vikramaditya. Its current shipbuilding order book includes Phase-II of the prestigious Indian Aircraft Carrier (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 and a vessel for one of the Government of India’s projects.

Unlike its peers like ABG Shipyard, Bharti Shipyard, the Company has been profit since the last five years making despite recessionary trend witnessed in shipbuilding industry since the global meltdown in 2008. Total income witnessed a CAGR of 15.33 percent to Rs. 2208 crores over the period FY15-17. PAT, on the other saw a whopping increase of 112 percent to Rs. 312 crores in FY17.

Investment Rationale and Recommendation

At the upper end of the price band of Rs. 432, the IPO is valued at 19x at FY17 EPS on post issue basis. With due consideration to factors like a) one of India’s leading public – sector shipyards catering to both commercial clients as well as clients engaged in the defence sector with a multitude of offerings for a broad range of vessels across life cycles, b) modern facilities, infrastructure and integrated capabilities to deliver quality products and services, c) orderbook with a strong customer base of reputable ship owners and marquee clients, d) competitive cost structure and efficient operations, e) continous profits leading to decent financial performance as compared to peers suffering heavy losses, f) executing GOI orders in defence, g) building a strong order book by bidding vigorously for projects to be awarded by Indian PSUs and defence sector pursuant to “Make in

Issue date	Aug. 01 – 03 Aug. 2017		
Listing date	11 th Aug. 2017		
Type of issue	Fresh Issue: Rs. 9,787mn Offer for sale: Rs. 4,894mn Employee Reservation: Rs.356 mn		
Face Value	Rs. 10		
Price Band	Rs. 424 – Rs. 432 per share		
Discount	Retail Discount of Rs. 21 per Equity Share to Retail Individual Bidders and Employee		
Lot size	30 equity Shares & multiple of 30 equity shares thereafter		
Equity shares post issue	135.9 mn equity shares at upper end of price band		
Issue structure	QIB: 50% Retail: 35% Non – Institutional: 15%		
Post issue market cap	Rs. 58.7 bn at upper price band		
Book Running Lead Managers	SBI Cap, Edelweiss, JM Financial		
Registrar to the issue	Link Intime India Pvt. Ltd.		
Promoters	President of India acting through Ministry of Shipping Pre Issue holding: 100% Post Issue holding: 75%		
Y/e 31 Mar (Rs. mn)	FY17	FY16	FY15
Revenue	20,595	19,900	15,833
EBITDA	5,291	4,989	1,664
OPM (%)	25.7	25.1	10.5
PAT	3,111	2,907	688
PAT (%)	15.1	14.6	4.35
Equity Capital	1,132.80	1,132.80	1,132.80
Post issue EPS (Rs.)*	22.89	21.39	5.06
Networth (Rs. mn)	20,310	18,242	15,539
Total debt	1230	1230	1230
Debt/equity (x)	0.06	0.07	0.08
P/E (x) at Rs. 432	19	20	85
RoE (%)	15.3	16.0	4.5

Source: RHP, Ajcon Research

India” initiative, h) healthy cash and bank balance of Rs. 2,003 crores translating around 34 percent of post issue Market Capitalisation (Rs. 147 cash per share), we recommend investors to “SUBSCRIBE” the issue.



Objects of the issue

The Issue comprises of a Fresh Issue by the Company and an Offer for Sale by the Selling Shareholder.

The Offer for Sale

The proceeds of the Offer for Sale shall be received by the Selling Shareholder. The Company will not receive any proceeds from the Offer for Sale.

The Fresh Issue

The Company proposes to utilise the Net Proceeds towards funding of the following objects:

1. Setting up of a new dry dock within the existing premises of our Company ("Dry Dock") – Total capex - Rs. 17,989.91 mn;
2. Setting up of an international ship repair facility at Cochin Port Trust area ("ISRF") – Total Capex - Rs. 9,694.1 mn; and
3. General corporate purposes.

Promoters' background

The Promoter is the President of India acting through the Ministry of Shipping. The Promoters along with its nominees, currently holds 100% of the pre-issue paid-up equity share capital of the Company. After this issue, Promoter shall hold 75 percent of the post Issue paid-up equity share capital of the Company.

Business Strategy

- 1) Expand its capabilities through the proposed Dry Dock and International Ship Repair Facility
- 2) Build a strong order book by bidding vigorously for projects to be awarded by the Indian PSUs and defence sector pursuant to 'Make in India' initiative
- 3) Continue to enhance its construction quality and delivery time and enhance its price competitiveness in order to increase its market share
- 4) Strengthen its market leadership by continuously adding upgraded and new vessel models to its offerings and expanding customer services
- 5) Continue to leverage its market position and its relationships with customers, suppliers and other business partners to support its growth and improve its competitiveness



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