

IPO REVIEW

BHARAT DYNAMICS LTD

Issue Details	
Issue Opens	13-Mar-18
Issue Closes	15-Mar-18
Issue Size (Rs. Crore)	960.94
Face value (per equity share)	10
Price Band (Rs.)	413-428
Lot Size (No of Share)	35
No of Shares on Offer (crore)	2.24
QIB (%)	50%
Non-Institutional (%)	15%
Retail (%)	35%
Commencement of Trading	23-Mar-18

Issue Date: 13th Mar – 15th Mar 2018

Price Band (Rs.): 413 - 428

Lot Size (No. of Share): 35

Company Background

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 and supplier in India.

Financials

Particulars	For the year/period ended (in Rs. Million)		
	Mar'17	Mar'16	Mar'15
Total Assets	86,008	96,406	84,120
Total Revenue	51,981	46,014	32,532
Profit After Tax	4,903	5,621	4,435

Shareholding pattern	Pre Issue (%)	Post Issue (%)
Promoters and Promoter Group	100.0	87.8
Public (incl institutions and employees)	0.0	12.2
Total	100.0	100.0

Concerns

- Dependence on single customer – Indian armed forces.
- Competition from other players, especially private sector.
- Increase in price of raw materials and its dependence on suppliers.
- Delays in award of long-term contracts or cancellation/modification of existing contracts.

Strengths

- Increase in indigenisation of our products and implementation of the 'Make in India' policy.
- Strong order book and established financial track record of delivering growth.
- Strong expertise in missiles, integrated infrastructure provide BDL significant edge over any upcoming competition.

Our View

The price band of INR 413-428 per share and FY17 EPS of Rs.21.57, P/E ratio works out to 19.8x to 22x. There are no listed peers. If we consider 22x P/E in general, the IPO price can be considered as fully priced.

Bharat Dynamics has a dominant position as a government-owned defense enterprise. The company has robust order book, Strong return ratios, best-in-class execution capabilities, strong growth track and a leverage-free balance sheet. We believe BDL will take full benefits of Make in India' initiative which inline will boost investor confidence to invest. Hence, considering the brand of Mini Rathna and all other positive factors, investors can invest in this IPO for long term.

Objects of the Issue

The objects of the Offer are:

- To carry out the disinvestment of 22,451,953 Equity Shares by the Selling Shareholder constituting 12.25% of our Company's pre-Offer Equity Share capital of our Company;
- To achieve the benefits of listing the Equity Shares on the Stock Exchanges. Our Company will not receive any proceeds from the Offer and all the proceeds will go to the Selling Shareholder.