

# IPO REVIEW

## GARDEN REACH SHIPBUILDERS & ENGINEERS LTD

Issue Details	
Issue Opens	24-Sept-18
Issue Closes	26-Sept-18
Issue Size (Rs. Crore)	344.69
Face value (per-equity share)	10
Price Band (Rs.)	115-118
Lot Size (No of Share)	120
Discount (RII&EMP)(Per-Eq)	5
No of Shares on Offer (crore)	2.92
QIB (%)	50%
Non-Institutional (%)	15%
Retail (%)	35%
Commencement of Trading	08-Oct-18

Issue Date: 24<sup>th</sup> Sept – 26<sup>th</sup> Sept 2018

Price Band (Rs.): 115-118

Lot Size (No. of Share): 120

### Company Background

Incorporated in 1913, Garden Reach Shipbuilders & Engineers Ltd is a mini Ratna-Category I engaged in shipbuilding company under the administrative control of the MoD. It is engaged in the engineering and engine production activities and manufactures deck machinery items, pre-fabricated portable steel bridges and marine pumps. It is the first and the only Indian shipyard to build and deliver fleet tanker to the Indian Navy and to build and deliver hovercraft to the Indian coast guard among others.

### Financials

Particulars	For the year/period ended (in Rs. Million)			
	Mar'18	Mar'17	Mar'16	Mar'15
<b>Total Assets</b>	42,602	45,650	44,515	40,010
<b>Total Revenue</b>	15,257	11,463	18,560	16,294
<b>Profit After Tax</b>	868	114	1,644	517

### Concerns

- The GoI has significant influence over its actions, which may restrict its ability to manage its business.
- Dependence on single supplier for its engines division.
- Company's inability to keep pace with technological changes or devote resources for new product development could affect company's business operations

### Strengths

- Significant advantage over global shipyards in securing contracts due to make in India initiative.
- Modern infrastructure with integrated shipbuilding capabilities.
- Offers diversified products and services in addition to shipbuilding.

### Our View

On upper price band of Rs 118 and EPS of Rs7.14, P/E works out to be 16.5x. On last 3 years average consolidated EPS of Rs 6, P/E works out to be 19.6x. There are no listed peers doing similar business, hence we cannot ascertain whether the issue price is under priced or overpriced.

GRSE had strong order book position. However, its order booking and revenue heavily depends on Indian Navy and ICG. Hence, any reduction in order flow from these entities would significantly impact the company. Although, GRSE is one of India's leading public sector shipyards catering to the defense sector but due to weak financial performance, highly labor intensive industry and lumpy business cycle. It is not looking attractive to deploy the funds in at present level. We believe this IPO is not suitable and hence recommend 'Avoid' rating to this issue.

Shareholding pattern	Pre Issue (%)	Post Issue (%)
Promoters and Promoter Group	100.0	74.50
Public (incl institutions and employees)	0.00	25.50
Total	100.0	100.0

### Objects of the Issue

The object of the issue are to:

1. Carry out the disinvestment of equity shares by the selling shareholder.
2. 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.