

## COCHIN SHIPYARD LTD

Issue Details	
Issue Opens	01-Aug-17
Issue Closes	03-Aug-17
Issue Size (Rs. Crore)	1468.11
Face value (per equity share)	10
Price Band (Rs.)	424- 432
Lot Size (No of Share)	30
No of Shares on Offer (crore)	3.39
QIB (%)	50%
Non-Institutional (%)	15%
Retail (%)	35%
Commencement of Trading	11-Aug-17
Retail Discount (%)	5%

Issue Date: 01<sup>st</sup> Aug – 03<sup>rd</sup> Aug 2017

Price Band (Rs.) : 424- 432

Lot Size (No. of Share) : 30

### Company Background

Incorporated in 1969, Cochin Shipyard Limited is one of the largest public sector shipyard in India in terms of dock capacity. They operates a shipyard that provides shipbuilding and ships/offshore structures repair services. Cochin Shipyard's shipbuilding activities include the construction of vessels for clients operating in the defense and in the commercial sector shipping industry. They are currently building India's first Indigenous Aircraft Carrier ("IAC") for the Indian Navy.

### Financials

Particulars	For the year/period ended (in Rs. Million)		
	FY-17	FY-16	FY-15
<b>Total Assets</b>	33,164	33,489	28,913
<b>Total Revenue</b>	22,085	20,969	16,605
<b>Profit After Tax</b>	3,122	2,918	699

### Concerns

- Commercial shipbuilding industry - Highly cyclical in nature.
- Loss of business from key clients – Indian Navy & Indian Coast Guard
- Highly competitive business
- Increases in price of raw materials
- Business operations based out of single shipyard

### Strengths

- Largest private sector shipyard catering to both commercial, defence.
- Infrastructure, integrated capabilities, vast expertise give CSL edge over domestic peers.
- Expanding capability through proposed dry dock, international ship repair facility.
- Continuous profits leading to robust financial performance.

### Our View

On the higher price band of Rs.428 and on FY17 EPS of Rs27.5, P/E ratio works out to 15.5x. Even based on last 3 years EPS of Rs23.38, P/E Ratio works out to be 18.3x. Means company is asking the upper band of issue price of Rs.428 in the P/E Ratio of 15.5x to 18.3x. Its listed peers like Reliance Defence and Engg, ABG Shipyard and Bharti Defence are incurring losses, hence we cannot ascertain whether Cochin Shipyard IPO price is under priced or over priced as there is no comparison with its peers.

Company revenues grew at 5% CAGR in last 5 years. It earns good profits in the last 4 out of 5 years. Investors may consider investment for medium to long term in this maiden IPO.

Shareholding pattern	Pre Issue (%)	Post Issue (%)
Promoters and Promoter Group	100.0	75.0
Public (incl institutions and employees)	0.0	25.0
Total	100.0	100.0

### Objects of the Issue

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

1. Setting up of a new dry dock within the existing premises of the Company ("Dry Dock");
2. Setting up of an international ship repair facility at Cochin Port Trust area ("ISRF"); and
3. General corporate purposes.