



**Choice**  
Nurturing Financial Excellence

# IPO REPORT

**“Subscribe with Caution” to  
Mazagon Dock Shipbuilders Ltd.**

## Salient features of the IPO:

- State owned warship maker **Mazagon Dock Shipbuilders Ltd. (MDSL)** is planning to raise up to Rs. 4,440mn through an IPO, which will open on 29<sup>th</sup> Sept. and close on 1<sup>st</sup> Oct. 2020. The price band is Rs. 135 - 145 per share. The company is conferred with the “Mini-Ratna-I” status in 2006, by the DPE.
- The issue consists of only OFS portion. As a result, the company will not receive any proceeds from it.

## Key competitive strengths:

- Only public sector defence shipyard constructing conventional submarines
- World class infrastructure capable of serving the requirements of the MoD
- Location of facilities promotes closer association with its vendors and customers
- Increase in indigenization of vessels and implementation of the “Make in India” campaign
- Established track record with strong financial position and strong order book
- Experienced board and senior management team and skillfully trained workforce

## Risk and concerns:

- Subdued economic activities post Covid19 led lockdown
- Unfavorable change in defence procurement policy and lower defence budget
- Project execution delay
- Increased competition
- Difficulty in maintaining the profitability

**Peer comparison and valuation:** At the higher price band of Rs. 145 per share, MDSL’s share is demanding a P/E multiple of 6.1x (to its FY20 EPS of Rs. 23.7), which is at discount to the peer average of 9.3x.

## Below are few key observations of the issue: (continued in next page)

- India is one of the biggest military spenders in the world with a large defence equipment import bill. In Aug. 2020, the Modi government has released a draft Defence Production and Export Promotion Policy 2020 - one of the key strategies for “Atmanirbhar Bharat”, to kick start the economic activities, which is disturbed from the Covid-19 led pandemic.
- Subsequently, the Ministry of Defence (MoD) has brought a list of 101 defence items that will be placed under import embargo. The embargo on imports is planned to be progressively implemented over 2020-24. The ministry estimates that contract worth around Rs. 4tn will be given to domestic manufacturers over the next 5-7 years. Of these, contracts worth around Rs. 1.3tn each is anticipated for the Army and Airforce. Navy is expected to have contracts of around Rs. 1.4tn. This policy decision is a great boost for the indigenous defence manufacturing.

Recommendation	Subscribe with Caution
Price band	Rs. 135 - 145 per share
Face value	Rs. 10
Shares for fresh issue	Nil
Shares for OFS	30.6mn shares
Fresh issue size	N/a
OFS issue size	Rs. 4,130.9 - 4,436.9mn
Total issue size	30.6mn shares (Rs. 4,130.9 - 4,436.9mn)
Reserved for employees	0.3mn shares
Net issue size	30.3mn shares (Rs. 4,084.2 - 4,386.8mn)
Bidding date	29 <sup>th</sup> Sept. - 1 <sup>st</sup> Oct. 2020
MCAP at higher price band	Rs. 29,245mn
Book running lead manager	Yes Securities (India) Ltd., Axis Capital Ltd., Edelweiss Financial Services Ltd., IDFC Securities Ltd. and JM Financial Ltd.
Registrar	Alankit Assignments Ltd.
Sector/Industry	Defence - Shipping
Promoters	Ministry of Defence, Government of India

Issue breakup		
Category	Percent of issue (%)	Number of shares (mn)
QIB portion	50%	15.1mn shares
Non institutional portion	15%	4.5mn shares
Retail portion	35%	10.6mn shares

Indicative IPO process time line	
Finalization of basis of allotment	7 <sup>th</sup> Oct. 2020
Unblocking of ASBA account	8 <sup>th</sup> Oct. 2020
Credit to demat accounts	9 <sup>th</sup> Oct. 2020
Commencement of trading	12 <sup>th</sup> Oct. 2020

Pre and post - issue shareholding pattern		
	Pre - Issue	Post - Issue
Promoter & Promoter Group	100.00%	84.83%
Public	0.00%	15.17%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

Retail application money at higher cut-off price per lot	
Number of Shares per Lot	103
Application Money	Rs. 14,935 per Lot

Analyst	
<b>Rajnath Yadav</b>	
Research Analyst (022 - 6707 9999; Ext: 912)	
Email: <a href="mailto:rajnath.yadav@choiceindia.com">rajnath.yadav@choiceindia.com</a>	

## Peer comparison and valuation (Contd...):

Company name	Face value (Rs.)	CMP (Rs.)	MCAP (Rs. mn)	EV (Rs. mn)	Stock return (%)				Operating revenue (Rs. mn)	EBITDA (Rs. mn)	PAT (Rs. mn)	EBITDA margin (%)	PAT margin (%)
					1 W	1 M	3 M	1 Y					
<b>Mazagon Dock Shipbuilders Ltd.</b>	<b>10</b>	<b>145</b>	<b>29,245</b>	<b>(28,738)</b>					<b>49,777</b>	<b>2,680</b>	<b>4,771</b>	<b>5.4%</b>	<b>9.6%</b>
Cochin Shipyard Ltd.	10	312	41,034	20,312	-13.1%	2.2%	39.3%	-10.7%	34,225	7,115	6,320	20.8%	18.5%
Garden Reach Shipbuilders & Engineers Ltd.	10	173	19,783	(6,870)	-19.2%	-17.6%	41.9%	9.7%	14,333	404	1,635	2.8%	11.4%
<b>Average</b>												<b>11.8%</b>	<b>14.9%</b>

Company Name	EPS (Rs.)	BVPS (Rs.)	DPS (Rs.)	Debt Equity Ratio	Total Asset Turnover Ratio	RoIC (%)	RoE (%)	RoCE (%)	P / E (x)	P / B (x)	EV / Sales (x)	EV / EBITDA (x)	MCAP / Sales (x)	Earning Yield (%)
<b>Mazagon Dock Shipbuilders Ltd.</b>	<b>23.7</b>	<b>152.2</b>	<b>10.8</b>	<b>0.0</b>	<b>0.2</b>	<b>4.1%</b>	<b>15.5%</b>	<b>4.4%</b>	<b>6.1</b>	<b>1.0</b>	<b>(0.6)</b>	<b>(10.7)</b>	<b>0.6</b>	<b>16.3%</b>
Cochin Shipyard Ltd.	48.0	283.0	14.6	0.0	0.5	12.7%	17.0%	15.8%	6.5	1.1	0.6	2.9	1.2	15.4%
Garden Reach Shipbuilders & Engineers Ltd.	14.3	90.8	13.1	0.0	0.3	1.1%	15.7%	0.9%	12.1	1.9	(0.5)	(17.0)	1.4	8.3%
<b>Average</b>			<b>13.8</b>	<b>0.0</b>	<b>0.4</b>	<b>6.9%</b>	<b>16.3%</b>	<b>8.3%</b>	<b>9.3</b>	<b>1.5</b>	<b>0.1</b>	<b>(7.1)</b>	<b>1.3</b>	<b>11.8%</b>

Note: All financial data are of FY20; Source: Choice Broking Research

- MDSL is a defence public sector undertaking shipyard with a maximum shipbuilding and submarine capacity of 40,000 DWT (deadweight tonnage). The company is primarily engaged in the construction and repair of warships and submarines for the MoD for use by the Indian Navy and other vessels for commercial clients.
- Since 1960, MDSL has built a total of 795 vessels including 25 warships, from advanced destroyers to missile boats and three submarines. It has also delivered cargo ships, passenger ships, supply vessels, multipurpose support vessels, water tankers, tugs, dredgers, fishing trawlers, barges and border outposts for various customers in India as well as abroad.
- Shipbuilding and submarine contracts have a long gestation period and revenues under these contracts are dependent on achievement of certain milestones. In order to diversify the revenue streams, MDSL intends to increase its ship repair activities in the future as such activities are for a shorter period of time and result in the early booking of revenues and more importantly reduces the dependence on the MoD for future orders. Apart from reviving its ship repair operations, the company is also exploring the possibilities of developing a greenfield shipyard at Nhava, Navi Mumbai with a shiplift, wet basin, workshops, stores & buildings and a ship repair facility spread over 37 acres. This proposed plan would result in higher revenues and profitability for MDSL.
- As on 31<sup>st</sup> Jul. 2020, it had an order book of Rs. 540,740mn which is to be executed in next 6-7 years. Current order book is around 10.9x of its TTM revenue, thereby providing revenue visibility for the mid to long term.
- Operating and financial performance of the company over FY17-20 is satisfactorily, which is characterized by operating margin expansion with business growth. MDSL reported a 12.3% CAGR increase in consolidated operating revenue to Rs. 49,776.5mn in FY20. Total operating expenditure increased by 11.5% CAGR (a rate lower than top-line growth) over FY17-20. As a result, EBITDA increased by 28.7% CAGR to Rs. 2,679.7mn in FY20. EBITDA margin expanded by 181bps over the period to stand at 5.4% in FY20. However, lower other income and higher effective tax expenses led to a 7.3% CAGR fall in reported PAT to Rs. 4,770.6mn in FY20. PAT margin contracted by 742bps over the period to stand at 9.6% in FY20.
- The company had generated a negative operating cash flow in two out of four reported fiscals. Its RoIC is increasing trend, but lower than the incremental cost of capital or cost of equity. RoIC expanded from 1.7% in FY17 to 5.9% in FY20. RoE contracted by 446bps over FY17-20 to stand at 15.5% in FY20 (as compared to 20% in FY17). Since last 15 years, it is consistently paying dividend with an average payout ratio of over 36.8% over FY17-20.
- With Covid-19 led business disturbance and the persistent stress in the fiscal position of the country; it will be tough for MDSL to achieve business normality over FY20-23. Despite having policy tailwind and healthy order book, we are cautiously optimistic on the performance of the company. Based on our quick estimate we are forecasting a 4.2% CAGR fall in top-line over FY20-23 to Rs. 43,800mn in FY23. EBITDA margin is likely to contract by 156bps, while on the back of relatively higher other income - PAT margin is forecasted to expand by 117bps during the period.

At the higher price band of Rs. 145 per share, MDSL's share is demanding a P/E multiple of 6.1x, which is at discount to the peer average of 9.3x. Based on the margin profile and return ratios, we feel that the asked valuation is justified. Defence manufacturing has huge potential in the long run and with sector liberalization, the company may have some concerns in the long run but not in the medium term. Considering the performance of defence companies post listing, we assign an **"Subscribe with Caution"** rating for the issue.



## About the issue:

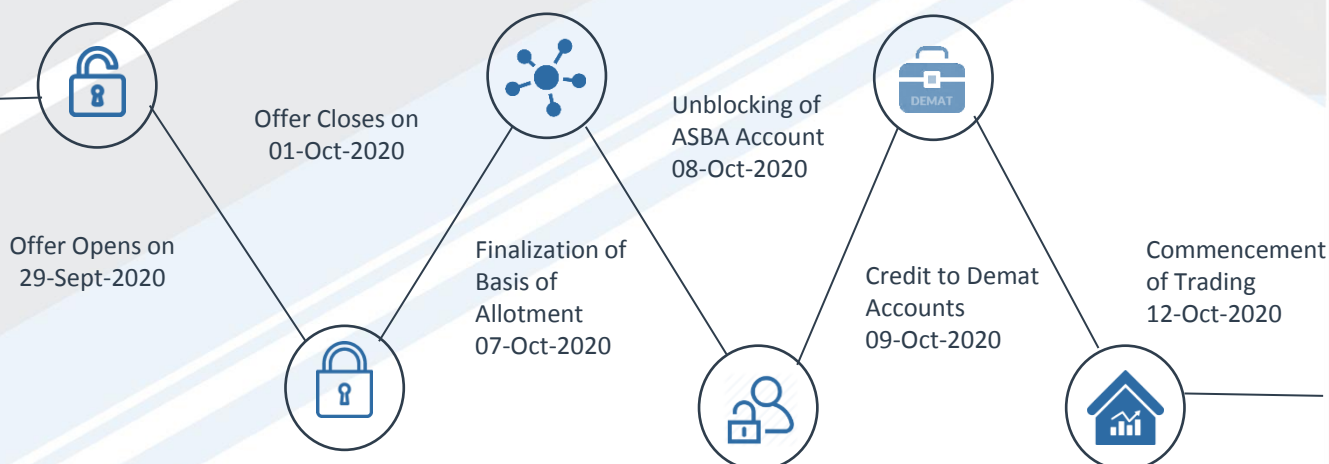
- MDSL is coming up with an IPO with 30.6mn shares (fresh issue: nil; OFS shares: 30.6mn shares) in offering. The offer represents around 15.17% of its post issue paid-up equity shares of the company. Total IPO size is Rs. 4,130.9 - 4,436.9mn.
- The issue will open on 29<sup>th</sup> Sept. 2020 and close on 1<sup>st</sup> Oct. 2020.
- The issue is through book building process with a price band of Rs. 135 - 145 per share.
- 0.3mn shares are reserved for eligible employees. Thus the net issue size is Rs. 4,084.2 - 4,386.8mn, comprising of 30.3mn shares.
- The issue consists of only OFS portion. As a result, the company will not receive any proceeds from it.
- 50% of the net issue shall be allocated on a proportionate basis to qualified institutional buyers, while rest 15% and 35% is reserved for non-institutional bidders and retail investors, respectively.
- Promoter holds 100% stake in the company and post-IPO this will come down to 84.83%. Public holding will increase from current nil to 15.17%.

### Pre and post issue shareholding pattern (%)

	Pre Issue	Post Issue (at higher price band)
Promoter & Promoter Group	100.00%	84.83%
Public	0.00%	15.17%

Source: Choice Equity Broking

## Indicative IPO process time line:



## Company introduction:

**MDSL** is a defence public sector undertaking shipyard under the Department of Defence Production, MoD with a maximum shipbuilding and submarine capacity of 40,000 DWT, engaged in the construction and repair of warships and submarines for the MoD for use by the Indian Navy and other vessels for commercial clients. It is a wholly owned Gol company, conferred with the “Mini-Ratna-I” status in 2006, by the DPE.

The company is India’s only shipyard to have built destroyers and conventional submarines for the Indian Navy. MDSL is also one of the initial shipyards to manufacture Corvettes (Veer and Khukri Class) in India.

The business divisions in which the company operates are (i) shipbuilding and (ii) submarine & heavy engineering. Its shipbuilding division includes the building and repair of naval ships. It is currently building four P-15 B destroyers and four P-17A stealth frigates and undertaking repair and refit of a ship for the MoD for use by the Indian Navy. The submarine & heavy engineering division includes building, repair and refits of diesel electric submarines. The company is currently building/ in the process of delivering four Scorpene class submarines under a transfer of technology agreement with Naval Group as well as one medium refit and life certification of a submarine for the MoD for use by the Indian Navy.

Since 1960, MDSL has built a total of 795 vessels including 25 warships, from advanced destroyers to missile boats and three submarines. The company has also delivered cargo ships, passenger ships, supply vessels, multipurpose support vessels, water tankers, tugs, dredgers, fishing trawlers, barges and border outposts for various customers in India as well as abroad. Some of the vessels built and delivered by it in the past include, six Leander class frigates, three Godavari class frigates, three corvettes, four missile boats, six destroyers, four submarines and three Shivalik class frigates for the MoD for use by the Indian Navy and constructed and delivered seven offshore patrol vessels to the Indian Coast Guard. The company has fabricated and delivered jackets, main decks of wellhead platforms, process platforms and jack up rigs, etc.

MDSL’s shipyard is strategically located on the west coast of India on the sea route connecting Europe, West Asia and the Pacific Rim, a busy international maritime route. The company is headquartered in Mumbai, which is also the headquarters of the Western Naval Command of the Indian Navy. It is exploring the possibilities of developing a greenfield shipyard at Nhava, Navi Mumbai with a shiplift, wet basin, workshops, stores and buildings and a ship repair facility spread over an area of 37 acres.

Over the last 18 Fiscals, the total number of orders for vessels received and delivered by us is set out below:

Division	Orders Received	Orders Delivered
Shipbuilding	15*	27
Submarine and heavy engineering	10**	5**

\* includes refit and repairs of the ships  
\*\*includes refit and repairs of the submarines.

Source: Company RHP

Prior to its incorporation in 1934, a small dry dock was constructed in Mazagaon village, Mumbai, to service the ships of the British East India Company in 1774 which was subsequently developed into a ship repair yard and later a ship building yard over the course of two centuries. The company was incorporated as a private limited company in 1934 and in the year 1960, the Gol took over the company to expand its warship development program designating it as a DPSU under the MoD.

**Competition:** MDSL competes on the basis of its ability to fulfill contractual obligations including the timely delivery of vessels constructed or repaired by it, shipyard’s capacity & capabilities and the price & quality of the vessels it constructs. The company’s competitors in the shipbuilding division are Cochin Shipyard Ltd., Garden Reach Shipbuilders and Engineering Ltd., Bharati Defence and Infrastructure Ltd., Goa Shipyard Ltd., Hindustan Shipyard Ltd., L&T Shipyard, ABG Shipyard Ltd. and Reliance Defence and Engineering Ltd. Its competitors in the submarine & heavy engineering is Hindustan Shipyard Ltd.

The Indian shipbuilding industry comprises of both public and private sector yards. The DPP 2016 has encouraged the domestic private sector to invest and participate in defence production and acquisition of defence assets, which will result in the introduction of competitive bidding for warships as against the traditional system of securing orders through nomination as well as losing skilled manpower to the private sector. This may have an impact on MDSL’s ability to secure future orders from the MoD. The company has recently been awarded an order for refit & repair of a ship on competitive basis by the MoD, there is no guarantee that it will be able to effectively compete for defence orders in the future.

## Company introduction (Contd...):

**Financial performance:** Operating and financial performance of the company over FY17-20 is satisfactorily, which is characterized by operating margin expansion with business growth.

On the back of 44.4% CAGR rise in the business from the construction of ship construction over FY17-20, MDSL reported a 12.3% CAGR increase in consolidated operating revenue to Rs. 49,776.5mn in FY20. Business from the Submarine & heavy engineering division declined by 14.1% CAGR, while other operating revenue increased by 21.1% CAGR during the period. Revenue contribution from shipbuilding to total revenue expanded from 32.8% in FY17 to 69.8% in FY20, whereas contribution from Submarine & heavy engineering contracted from 67.1% in FY17 to 30% in FY20.

Net cost of material consumed increased by 9.6% CAGR over FY17-20, while as a percent of top-line it declined to 57.6% in FY20 as compared to 61.8% in FY17. Employee expenses (which stood at 15.9% in FY20 as compared to 20.7% in FY17) rose by 2.8% CAGR. However, sub-contract expenses increased by 89% CAGR to stand at 14.9% of the top-line in FY20. Consequently, total operating expenditure increased by 11.5% CAGR (a rate lower than top-line growth) over FY17-20. Consolidated EBITDA increased by 28.7% CAGR to Rs. 2,679.7mn in FY20. EBITDA margin expanded by 181bps over the period to stand at 5.4% in FY20.

Depreciation charge increased by 18.1% CAGR, while other income (as percent of top-line, it declined from 21.5% in FY17 to 11.2% in FY20) declined by 9.6% CAGR, thereby leading to a 4% CAGR decline in pre-tax profit. Tax expenses increased by 6.9% CAGR, whereas share of profit from its associate increased by 19% CAGR. Reported PAT declined by 7.3% CAGR over FY17-20 to Rs. 4,770.6mn in FY20. PAT margin contracted by 742bps over the period to stand at 9.6% in FY20.

The company had generated a negative operating cash flow in two out of four reported fiscals. Its RoIC is increasing trend, but lower than the incremental cost of capital or cost of equity. RoIC expanded from 1.7% in FY17 to 5.9% in FY20. RoE contracted by 446bps over FY17-20 to stand at 15.5% in FY20 (as compared to 20% in FY17). It is a consistent dividend paying company with an average payout ratio of over 36.8% over FY17-20.

Consolidated financial snapshot (Rs. mn)	FY17	FY18	FY19	FY20	CAGR (%)	Y-o-Y (%)
Shipbuilding	11,546.1	21,103.8	24,693.5	34,767.0	44.4%	40.8%
Submarine & heavy engineering	23,603.0	23,570.0	21,383.4	14,935.4	-14.1%	-30.2%
Other operating revenue	41.8	29.9	62.6	74.2	21.1%	18.4%
Revenue from operations	35,190.8	44,703.6	46,139.6	49,776.5	12.3%	7.9%
EBITDA	1,257.4	1,547.0	2,608.0	2,679.7	28.7%	2.7%
Reported PAT	5,982.6	4,961.7	5,324.7	4,770.6	-7.3%	-10.4%
Restated adjusted EPS	29.7	24.6	26.4	23.7	-7.3%	-10.4%
Cash flow from operating activities	(10,027.1)	4,907.7	652.4	(955.7)	-54.3%	-246.5%
NOPLAT	544.2	564.0	1,126.2	1,503.9	40.3%	33.5%
FCF		5,317.2	570.6	2,270.3		297.8%
RoIC (%)	1.7%	2.1%	4.1%	5.9%	418 bps	179 bps
Revenue growth rate (%)		27.0%	3.2%	7.9%		
EBITDA growth rate (%)		23.0%	68.6%	2.7%		
EBITDA margin (%)	3.6%	3.5%	5.7%	5.4%	181 bps	(27) bps
EBIT growth rate (%)		21.6%	92.2%	1.4%		
EBIT margin (%)	2.4%	2.3%	4.3%	4.0%	161 bps	(25) bps
Restated adjusted PAT growth rate (%)		-17.1%	7.3%	-10.4%		
Restated adjusted PAT margin (%)	17.0%	11.1%	11.5%	9.6%	(742) bps	(196) bps
Fixed asset turnover ratio (x)	5.3	5.7	5.1	5.4	0.4%	4.5%
Total asset turnover ratio (x)	0.2	0.2	0.2	0.2	9.4%	7.3%
Current ratio (x)	1.2	1.1	1.1	1.1	-2.0%	-1.4%
Debt to equity (x)	0.0	0.0	0.0	0.0		
Net debt to EBITDA (x)	(66.5)	(46.5)	(28.6)	(21.6)	-31.2%	-24.5%
RoE (%)	20.0%	17.5%	16.6%	15.5%	(446)bps	(101) bps
RoA (%)	3.1%	2.6%	2.6%	2.3%	(81) bps	(28) bps
RoCE (%)	1.9%	2.4%	4.2%	4.4%	252 bps	17 bps





### Competitive strengths:

- Only public sector defence shipyard constructing conventional submarines
- World class infrastructure capable of serving the requirements of the MoD
- Location of facilities promotes closer association with its vendors and customers
- Increase in indigenization of vessels and implementation of the “Make in India” campaign
- Established track record with strong financial position and strong order book
- Experienced board and senior management team and skillfully trained workforce

### Business strategy:

- Export of products to the international markets
- Focus on ship repair
- Augmentation of infrastructure and enhancing manufacturing capacity



### Risk and concerns:

- Subdued economic activities post Covid19 led lockdown
- Unfavorable change in defence procurement policy and lower defence budget
- Project execution delay
- Increased competition
- Difficulty in maintaining the profitability

## Financial statements:

### Consolidated profit and loss statement (Rs. mn)

	FY17	FY18	FY19	FY20	CAGR over FY17 - 20 (%)	Annual Growth over FY19 (%)
<b>Revenue from operations</b>	<b>35,190.8</b>	<b>44,703.6</b>	<b>46,139.6</b>	<b>49,776.5</b>	<b>12.3%</b>	<b>7.9%</b>
Cost of materials consumed	(21,400.8)	(26,928.9)	(25,571.2)	(25,031.7)	5.4%	-2.1%
Procurement of base and depot spares	(348.7)	(917.2)	(6,080.5)	(3,622.3)	118.2%	-40.4%
Employee benefits expense	(7,288.4)	(8,857.0)	(6,894.7)	(7,929.3)	2.8%	15.0%
Sub-contract	(1,101.9)	(3,227.0)	(1,759.1)	(7,440.9)	89.0%	323.0%
Power and fuel	(260.4)	(226.2)	(192.6)	(165.2)	-14.1%	-14.2%
Other expenses - Project related	(1,417.1)	(1,512.1)	(810.2)	(1,137.0)	-7.1%	40.3%
Other expenses - Others	(1,523.9)	(1,296.0)	(1,834.4)	(1,383.8)	-3.2%	-24.6%
Provisions	(592.2)	(192.2)	(388.9)	(386.5)	-13.3%	-0.6%
<b>EBITDA</b>	<b>1,257.4</b>	<b>1,547.0</b>	<b>2,608.0</b>	<b>2,679.7</b>	<b>28.7%</b>	<b>2.7%</b>
Depreciation and amortization expenses	(416.6)	(524.8)	(643.3)	(686.8)	18.1%	6.8%
<b>EBIT</b>	<b>840.9</b>	<b>1,022.2</b>	<b>1,964.7</b>	<b>1,992.9</b>	<b>33.3%</b>	<b>1.4%</b>
Finance costs	(93.1)	(90.8)	(90.8)	(92.6)	-0.2%	2.1%
Other income	7,557.8	5,572.7	5,907.2	5,576.6	-9.6%	-5.6%
Exceptional items				(123.2)		
<b>PBT</b>	<b>8,305.5</b>	<b>6,504.1</b>	<b>7,781.2</b>	<b>7,353.7</b>	<b>-4.0%</b>	<b>-5.5%</b>
Tax expenses	(2,877.2)	(2,568.3)	(3,077.3)	(3,516.8)	6.9%	14.3%
<b>PAT before share of profit/(loss) from associates</b>	<b>5,428.3</b>	<b>3,935.7</b>	<b>4,703.8</b>	<b>3,836.9</b>	<b>-10.9%</b>	<b>-18.4%</b>
Share of profit/(loss) of associates	554.3	1,026.0	620.9	933.7	19.0%	50.4%
<b>Reported PAT</b>	<b>5,982.6</b>	<b>4,961.7</b>	<b>5,324.7</b>	<b>4,770.6</b>	<b>-7.3%</b>	<b>-10.4%</b>

### Consolidated balance sheet statement (Rs. mn)

	FY17	FY18	FY19	FY20	CAGR over FY17 - 20 (%)	Annual Growth over FY19 (%)
Equity share capital	2,490.0	2,241.0	2,241.0	2,016.9	-6.8%	-10.0%
Other equity	27,411.5	26,099.5	29,928.2	28,674.4	1.5%	-4.2%
Long term trade payables	160.5	159.3	157.8	156.1	-0.9%	-1.1%
Other long term financial liabilities	385.5	372.7	355.3	360.1	-2.2%	1.4%
Long term provisions	12,121.1	12,063.7	11,977.6	12,150.7	0.1%	1.4%
Other long term liabilities	1,669.5	1,597.4	1,578.4	1,694.6	0.5%	7.4%
Trade payables	9,263.5	23,910.7	29,172.5	47,707.8	72.7%	63.5%
Current contract liabilities	137,595.6	123,380.8	129,499.4	113,831.2	-6.1%	-12.1%
Other current financial liabilities	1,747.1	2,578.7	2,367.0	1,364.6	-7.9%	-42.3%
Short term provisions	816.3	1,201.2	981.7	1,267.6	15.8%	29.1%
Other current liabilities	251.1	98.8	220.6	436.3	20.2%	97.8%
<b>Total liabilities</b>	<b>193,911.7</b>	<b>193,703.7</b>	<b>208,479.3</b>	<b>209,660.3</b>	<b>2.6%</b>	<b>0.6%</b>
Other intangible assets	5,440.5	6,769.1	7,873.2	8,312.5	15.2%	5.6%
Capital work-in-progress	213.5	284.1	229.9	171.5	-7.1%	-25.4%
Long term investments	984.3	853.8	887.7	799.6	-6.7%	-9.9%
Long term trade receivables	3,835.9	4,291.5	4,306.7	4,841.8	8.1%	12.4%
Long term loans	160.5	159.3	157.8	156.1	-0.9%	-1.1%
Other long term financial liabilities	87.0	89.5	66.6	68.9	-7.5%	3.5%
Non current net deferred tax assets	34.0	34.0	1,435.2	1,534.5	256.1%	6.9%
Non current net tax assets	5,068.3	5,521.7	5,819.8	4,116.6	-6.7%	-29.3%
Other non current assets	1,811.3	2,067.3	1,933.8	2,259.3	7.6%	16.8%
Inventories	1,388.1	3,195.2	4,990.1	6,517.5	67.4%	30.6%
Trade receivables	40,286.6	37,859.7	37,903.0	46,226.9	4.7%	22.0%
Cash and cash equivalents	8,117.0	11,133.8	14,728.9	14,587.7	21.6%	-1.0%
Current loans	83,628.8	71,895.9	74,696.8	57,982.8	-11.5%	-22.4%
Other current financial assets	10.2	9.1	42.9	21.1	27.3%	-50.9%
Current contract assets	1,476.7	1,105.4	2,213.0	1,781.0	6.4%	-19.5%
Assets held for sale	11,632.4	7,379.4	9,013.1	554.7	-63.7%	-93.8%
Other current assets	0.2	0.1	20.7	2.2	117.8%	-89.5%
<b>Total assets</b>	<b>193,911.7</b>	<b>193,703.7</b>	<b>208,479.3</b>	<b>209,660.3</b>	<b>2.6%</b>	<b>0.6%</b>

Source: Choice Equity Broking



## Financial statements:

### Consolidated cash flow statement (Rs. mn)

Particulars (Rs. mn)	FY17	FY18	FY19	FY20	CAGR over FY17 - 20 (%)	Annual Growth over FY19 (%)
Cash Flow Before Working Capital Changes	2,418.9	2,182.6	2,992.4	2,786.6	4.8%	-6.9%
Change in Working Capital	(8,984.9)	5,795.3	818.7	(1,660.7)	-43.0%	-302.8%
<b>Cash Flow from Operating Activities</b>	<b>(10,027.1)</b>	<b>4,907.7</b>	<b>652.4</b>	<b>(955.7)</b>	<b>-54.3%</b>	<b>-246.5%</b>
Purchase of Property, Plant & Equipment	(1,095.0)	(1,718.3)	(1,929.4)	(2,183.3)	25.9%	13.2%
<b>Cash Flow from Investing Activities</b>	<b>4,929.8</b>	<b>3,479.2</b>	<b>4,166.0</b>	<b>4,537.4</b>	<b>-2.7%</b>	<b>8.9%</b>
<b>Cash Flow from Financing Activities</b>	<b>(2,451.7)</b>	<b>(6,079.8)</b>	<b>(1,257.4)</b>	<b>(6,045.8)</b>	<b>35.1%</b>	<b>380.8%</b>
<b>Net Cash Flow</b>	<b>(7,548.9)</b>	<b>2,307.1</b>	<b>3,561.0</b>	<b>(2,464.0)</b>	<b>-31.1%</b>	<b>-169.2%</b>
Opening Balance of Cash and Bank Balances	8,977.7	1,428.8	3,735.9	7,296.8	-6.7%	95.3%
<b>Closing Balance of Cash and Bank Balances</b>	<b>1,428.8</b>	<b>3,735.9</b>	<b>7,296.8</b>	<b>4,832.8</b>	<b>50.1%</b>	<b>-33.8%</b>

### Consolidated financial ratios

Particulars (Rs. mn)	FY17	FY18	FY19	FY20
Revenue Growth Rate (%)			27.0%	3.2%
EBITDA Growth Rate (%)			23.0%	68.6%
EBITDA Margin (%)	3.6%	3.5%	5.7%	5.4%
EBIT Growth Rate (%)			21.6%	92.2%
EBIT Margin (%)	2.4%	2.3%	4.3%	4.0%
PAT Growth Rate (%)			-17.1%	7.3%
PAT Margin (%)	17.0%	11.1%	11.5%	9.6%
<b>Liquidity ratios</b>				
Current Ratio	1.2	1.1	1.1	1.1
Debt Equity Ratio	0.9	0.9	0.9	0.8
Net Debt to EBITDA	(66.5)	(46.5)	(28.6)	(21.6)
<b>Turnover ratios</b>				
Inventories Days	417.9	319.0	299.7	308.5
Debtor Days	84.2	78.6	102.3	107.5
Payable Days	(96.1)	(135.4)	(210.0)	(281.9)
Cash Conversion Cycle	406.0	262.2	192.0	134.1
Fixed Asset Turnover Ratio (x)	5.3	5.7	5.1	5.4
Total Asset Turnover Ratio (x)	0.2	0.2	0.2	0.2
<b>Return ratios</b>				
RoE (%)	20.0%	17.5%	16.6%	15.5%
RoA (%)	3.1%	2.6%	2.6%	2.3%
RoCE (%)	1.9%	2.4%	4.2%	4.4%
<b>Per share data</b>				
Restated Reported EPS (Rs.)	29.7	24.6	26.4	23.7
Restated DPS (Rs.)	9.9	12.2	5.0	10.8
Restated BVPS (Rs.)	148.3	140.5	159.5	152.2
Restated Operating Cash Flow Per Share (Rs.)	(49.7)	24.3	3.2	(4.7)
Restated Free Cash Flow Per Share (Rs.)		26.4	2.8	11.3
Dividend Payout Ratio	33.3%	49.5%	18.8%	45.5%

Note: Ratios calculated on pre-issue data; Source: Company RHP

### Disclaimer

This is solely for information of clients of Choice Broking and does not construe to be an investment advice. It is also not intended as an offer or solicitation for the purchase and sale of any financial instruments. Any action taken by you on the basis of the information contained herein is your responsibility alone and Choice Broking its subsidiaries or its employees or associates will not be liable in any manner for the consequences of such action taken by you. We have exercised due diligence in checking the correctness and authenticity of the information contained in this recommendation, but Choice Broking or any of its subsidiaries or associates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this recommendation or any action taken on basis of this information. This report is based on the fundamental analysis with a view to forecast future price. The Research analysts for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report. Choice Broking has based this document on information obtained from sources it believes to be reliable but which it has not independently verified; Choice Broking makes no guarantee, representation or warranty and accepts no responsibility or liability as to its accuracy or completeness. The opinions contained within the report are based upon publicly available information at the time of publication and are subject to change without notice. The information and any disclosures provided herein are in summary form and have been prepared for informational purposes. The recommendations and suggested price levels are intended purely for stock market investment purposes. The recommendations are valid for the day of the report and will remain valid till the target period. The information and any disclosures provided herein may be considered confidential. Any use, distribution, modification, copying, forwarding or disclosure by any person is strictly prohibited. The information and any disclosures provided herein do not constitute a solicitation or offer to purchase or sell any security or other financial product or instrument. The current performance may be unaudited. Past performance does not guarantee future returns. There can be no assurance that investments will achieve any targeted rates of return, and there is no guarantee against the loss of your entire investment.

POTENTIAL CONFLICT OF INTEREST DISCLOSURE (as on date of report) Disclosure of interest statement – • Analyst interest of the stock /Instrument(s): - No. • Firm interest of the stock / Instrument (s): - No.

### CONNECT US

**Any kind of queries on RESEARCH,**  
You can contact us on: 022 - 6707 9999



### Choice Equity Broking Pvt. Ltd.

Choice House, Shree Shakambhari Corporate Park, Plt No: -156-158,  
J.B. Nagar, Andheri (East), Mumbai - 400 099.

+91-022-6707 9999

+91-022-6707 9959

www.choiceindia.com

**Consolidated Scrip Overview**

trade with  
**JIFFY**

GET IT ON  
Google play

Download on the  
App Store