

**Issue Details**

Listing	BSE & NSE
Open Date	29 Sep 2020
Close Date	01 Oct 2020
Price Band	Rs.135-145
Market Lot	103 shares
Minimum Lot	1 Lot

**Issue Structure**

Offer for sale	100%
Fresh Issue	0%
Issue Size	Rs.444 cr
OFS no of shares	3,05,99,017
QIB share (%)	≤ 50%
Non Inst share (%)	≥ 15%
Retail share (%)	≥ 35%

**Shareholding Pattern**

Shareholder	%	%
Promoters	100.0	84.8
Institutional	0.0	7.5
Public	0.0	7.7

Mazagon Dock Shipbuilders Ltd (MDL), incorporated in 1934, is a defence public sector undertaking shipyard under the Department of Defence Production, Ministry of Defence (MoD). MDL was conferred with the 'Mini-Ratna-I' status in 2006 and is 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, MDL has built a total of 795 vessels including 25 warships and 3 submarines.

During FY17-20, MDL's overall revenue grew at a CAGR of 12.3% to Rs.4,978 cr in FY20. Revenue from the shipbuilding business reported a CAGR growth of 44.4% during FY17-20. On the other hand, submarine and heavy engineering revenue de-grew at a CAGR of 14.1% during the same period. During FY17-20, the EBITDA grew at a CAGR of 28.7% to Rs.268 cr in FY20 whereas net profit de-grew at a CAGR of 7.3% to Rs.477 cr in FY20.

**Key Investment Highlights:**

- Increased capacity owing to the “Mazagon Modernization Project”. MDL recently completed the modernization project which will enable integrated modular construction going ahead, thereby substantially reducing the build period. Due to this project, the capacity of outfitting warships increased from 8 warships to 10 warships since 2014, and submarine capacity has increased from 6 submarines to 11 submarines since 2016.
- Diversification of revenue streams through focus on ship repair. MDL plans to increase its ship repair activities in the future, which will help generate more revenues, increase its client base, and reduce its dependency on the MoD. Repair activities, which are for a shorter period and result in the early booking of revenues, will help to improve the profitability of the company.

**Key Financials (in ₹ crores)**

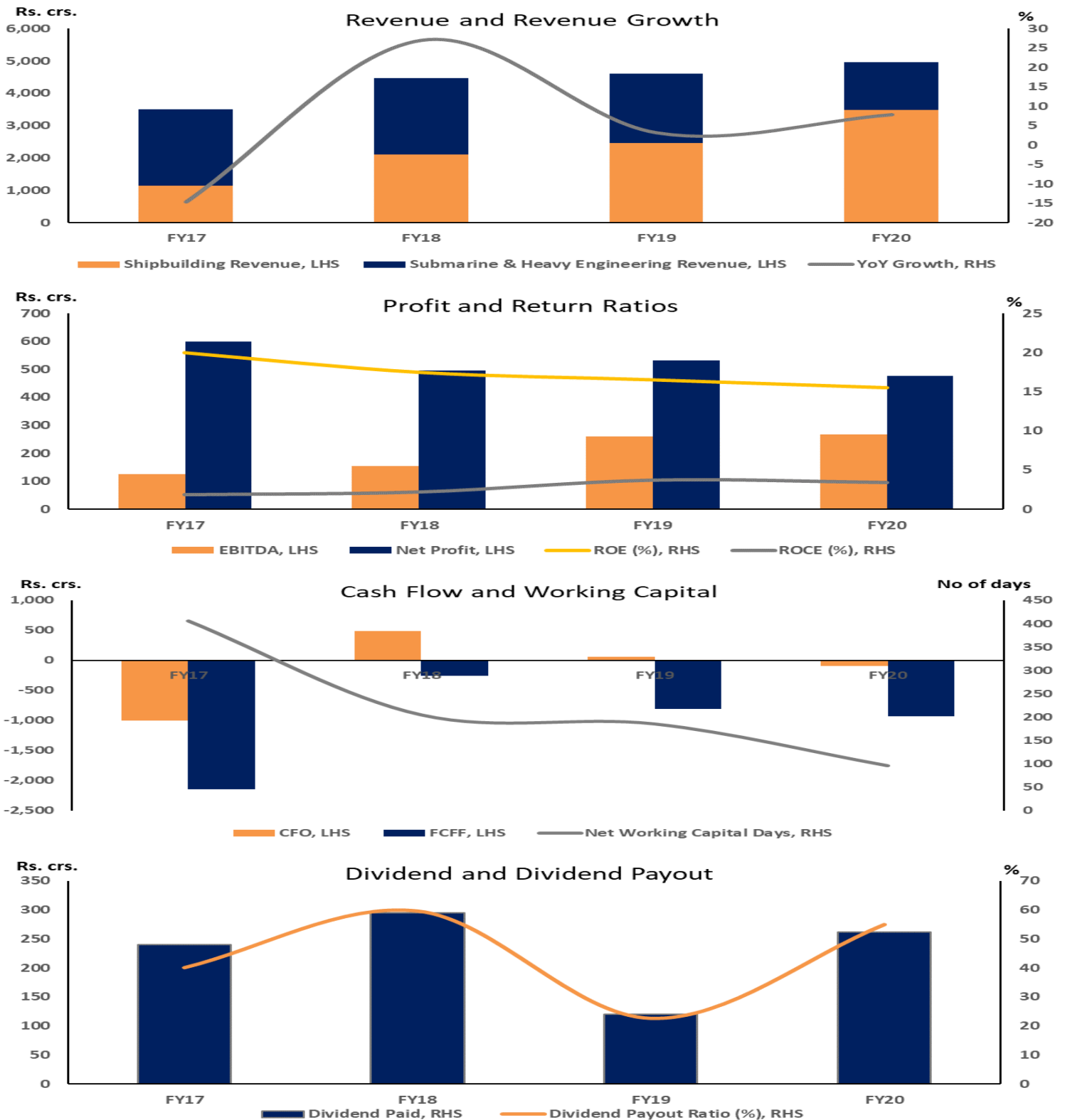
	Sales	EBITDA	Net Profit	EBITDA Margin (%)	Net Margin (%)	EPS ₹	BV ₹	RoE (%)	RoCE (%)	P/E (x)	P/BV (x)
<b>FY17</b>	3,519	126	598	3.6	17.0	26.7	133.4	20.0	1.8	4.9	1.1
<b>FY18</b>	4,470	155	496	3.5	11.1	24.6	140.5	17.5	2.2	5.9	1.0
<b>FY19</b>	4,614	261	532	5.7	11.5	26.4	159.5	16.6	3.7	5.5	0.9
<b>FY20</b>	4,978	268	477	5.4	9.6	23.7	152.2	15.5	3.4	6.1	1.0

- Aim to export products to the international markets. MDL has entered into agency agreements with sales agents in order to procure customers for its products, which it proposes to sell in the identified markets of Europe, Far East, South East Asia, Middle East, Indian Ocean Rim countries, Latin America and Africa regions.
- Possibility of developing a greenfield shipyard at Nhava, Navi Mumbai. MDL is in the process of reviving its ship repair operations and is considering developing a ship repair facility in Navi Mumbai, spread over an area of 37 acres, which will be suitable for the construction and repair of warships and commercial ships with larger dimensions.
- MDL has a strong order book in both of its businesses. The order book position as of July 31, 2020 is as below:

Particulars	Nos.	Client	Value (Rs. cr)
<b>Shipbuilding</b>			
P15B Destroyers	4	MoD	26,385
P17A Stealth Frigates	4	MoD	23,649
Repair, refit and services of a ship	1	MoD	11
<b>Submarine and heavy engineering</b>			
P75 Scorpene Submarines	4	MoD	3,202
Medium Refit and Life Certification (MRLC) of a submarine	1	MoD	827
<b>Total Order Book</b>			<b>54,074</b>

- Increase in indigenization enabling MDL to reduce reliance on third-party component manufacturers and help to reduce the cost of construction for their vessels. To give an impetus to GoI's "Make in India" campaign, MDL intends to increase the quantum of indigenized components for its warships and submarines. The company has recently created an indigenization fund for ₹10.39 crore for the indigenization of components and spares used in defence platforms for DPSUs which was promulgated by the MoD.
- MDL's shipyard is strategically located in Mumbai which connects the busy international maritime route from Europe to the Pacific, thus providing a significant advantage to the company.
- MDL has a diversified board with directors having several years of experience in the shipbuilding as well as submarine division. The company also has a large pool of experienced naval architects, engineers, and draftsmen.

## Mazagon Dock story in charts



Source: Company Reports & Ventura Research

### Issue Structure and Offer Details

The proposed issue size of Mazagon Dock Shipbuilders IPO is Rs. 444 cr. The President of India, acting through the Ministry of Defence, Government of India is off-loading 30,599,017 shares out of total holding of 201,690,000 shares to carry out the divestment of the company. The price band for the issue is in the range of Rs.135-145 per share, and the bid lot is 103 shares and multiple thereof.

Issue Structure		
Issue Structure	No. of shares	Offer Details
Authorized shares	323,720,000	
Outstanding shares (@ Face Value of Rs. 10)	201,690,000	
<b>Total OFS shares</b>	<b>30,599,017</b>	
- Employee Reservation Portion	345,517	
- Net OFS for Secondary Market	30,253,500	
- Qualified Institutional Buyers	Not more than 15,126,750	Not more than 50% of Net OFS
- Non Institutional Investors	Not less than 4,538,025	Not less than 15% of Net OFS
- Retail Investors	Not less than 10,588,725	Not less than 35% of Net OFS

Source: Company Reports & SEBI

### Valuation

At a higher price band of Rs. 145, MDL is trading at FY20 P/E of 6.1x.

### Key Management Personnel

Key Person	Designation	Description
Narayan Prasad	Chairman and Managing Director	He has served in the Indian Navy for over 36 years and has held several assignments afloat and onboard such as INS Rana, INS Ranjit and INS Talwar. He has held post of chief staff officer (Technical), Assistant chief of material (nuclear systems maintenance) and Director General of naval project at Vishakapatnam. He has also been awarded Ati Vishisht Seva Medal and Nav Sena Medal for his service to the Indian Navy.
Jasbir Singh	Director (Submarine & Heavy Engineering)	He has served in the Indian Navy for over 22 years and has held several assignments such as INS Mumbai and INS Kuthar and various appointments in warship overseeing team, Directorate of Naval Design, Directorate of Ship Production and Naval Dockyard, Vishakhapatnam.
Anil K. Saxena	Director (Shipbuilding)	He has served in the Indian Navy for about 35 years. He has done his masters degree in management studies from Osmania University. He had been appointed as Director General of naval design.
Sanjeev Singhal	Director (Finance) and Chief Financial Officer	He has over 32 years of experience in finance and accounting. Previously he was associated with Mishra Dhatu Nigam Limited as a director (finance) and with SAIL in the finance and accounts department.
T.V. Thomas	Director (Corporate Planning and Personnel)	He has served in the Indian Navy for over 28 years and has held several assignments including engineer officer of INS Viraat, executive officer of INS Shivaji and command engineer officer of Southern Naval Command.

Source: Company Reports

## Financial Statements

Figures are in Rs Cr	FY17	FY18	FY19	FY20	Figures are in Rs Cr	FY17	FY18	FY19	FY20
<b>Income Statement</b>					<b>Per Share Data (Rs)</b>				
Net Revenue	3,519.1	4,470.4	4,614.0	4,977.7	Adjusted EPS	29.7	24.6	26.4	23.7
<i>YoY Growth (%)</i>		27.0	3.2	7.9	Adjusted Book Value per Share	133.4	140.5	159.5	152.2
Total Expenditure	3,393.3	4,315.7	4,353.2	4,709.7	<b>Debt Burden</b>				
<i>YoY Growth (%)</i>		27.2	0.9	8.2	Total Debt to Equity	0.0	0.0	0.0	0.0
EBITDA	125.7	154.7	260.8	268.0	Net Debt to Equity	-2.8	-2.5	-2.3	-1.9
<i>Margin (%)</i>	3.6	3.5	5.7	5.4	Net Debt to EBITDA	-66.5	-46.5	-28.6	-21.6
Depreciation	41.7	52.5	64.3	68.7	<b>Return Ratios</b>				
EBIT	84.1	102.2	196.5	199.3	Return on Equity (%)	20.0	17.5	16.6	15.5
<i>Margin (%)</i>	2.4	2.3	4.3	4.0	Return on Capital Employed (%)	1.8	2.2	3.7	3.4
Other Income	755.8	557.3	590.7	557.7	Return on Invested Capital (%)	-1.0	-1.4	-2.8	-3.8
Exceptional Income/Expense	0.0	0.0	0.0	-12.3	<b>Working Capital</b>				
Finance Cost	9.3	9.1	9.1	9.3	Receivable Days	84	91	117	107
<i>Interest Coverage</i>	9.0	11.3	21.6	21.5	Inventory Days	418	309	300	339
PBT	830.6	650.4	778.1	735.4	Payable Days	96	195	231	350
<i>Margin (%)</i>	23.6	14.5	16.9	14.8	Net Working Capital Days	406	205	186	96
Tax	287.7	256.8	307.7	351.7	<b>Valuation Ratios</b>				
<i>Tax Rate (%)</i>	34.6	39.5	39.5	47.8	P/E	4.9	5.9	5.5	6.1
PAT	542.8	393.6	470.4	383.7	P/BV	1.1	1.0	0.9	1.0
<i>Margin (%)</i>	15.4	8.8	10.2	7.7	<b>Cash Flow Statement</b>				
Share of Associates	55.4	102.6	62.1	93.4	Profit Before Tax	830.6	650.4	778.1	735.4
Net Profit	598.3	496.2	532.5	477.1	Adjustments	588.7	432.2	478.9	456.7
<i>Margin (%)</i>	17.0	11.1	11.5	9.6	Change in Working Capital	-2,075.8	-284.8	-875.9	-1,079.5
<b>Balance Sheet</b>					Less: Tax Paid	-346.1	-307.0	-315.9	-208.2
Share Capital	249.0	224.1	224.1	201.7	<b>Cash Flow from Operations</b>	<b>-1,002.7</b>	<b>490.8</b>	<b>65.2</b>	<b>-95.6</b>
Total Reserves	2,741.2	2,610.0	2,992.8	2,867.4	Net Capital Expenditure	-217.6	-192.6	-171.6	-109.3
Shareholders' Fund	2,990.2	2,834.1	3,216.9	3,069.1	Change in Investment Activities	710.6	540.5	588.2	563.1
Long Term Trade Payables	16.1	15.9	15.8	15.6	<b>Cash Flow from Investing</b>	<b>493.0</b>	<b>347.9</b>	<b>416.6</b>	<b>453.7</b>
Other Non Current Liabilities	205.5	197.0	193.4	205.5	Change in Borrowings	0.0	0.0	0.0	0.0
Long Term Provisions	1,212.1	1,206.4	1,197.8	1,215.1	Buy Back of Equity Share Capital	0.0	-307.4	0.0	-337.4
<b>Total Liabilities</b>	<b>4,423.8</b>	<b>4,253.4</b>	<b>4,623.8</b>	<b>4,505.3</b>	Dividend & DDT	-239.8	-295.4	-120.6	-261.8
Net Block	565.4	705.3	810.3	848.4	Less: Finance Cost	-5.4	-5.2	-5.2	-5.4
Capital Work in Progress	98.4	85.4	88.8	80.0	<b>Cash Flow from Financing</b>	<b>-245.2</b>	<b>-608.0</b>	<b>-125.8</b>	<b>-604.6</b>
Deferred tax assets	506.8	552.2	582.0	411.7	<b>Net Cash Flow</b>	<b>-754.9</b>	<b>230.7</b>	<b>356.1</b>	<b>-246.4</b>
Non-current tax assets	181.1	206.7	193.4	225.9	Opening Cash Balance	897.8	142.9	373.6	729.7
Non Current Investments	383.6	429.2	430.7	484.2	<b>Closing Cash Balance</b>	<b>142.9</b>	<b>373.6</b>	<b>729.7</b>	<b>483.3</b>
Long Term Loans & Advances	24.8	24.9	22.4	22.5					
Other Non Current Assets	142.2	322.9	642.5	805.2					
Net Current Assets	2,521.5	1,926.8	1,853.8	1,627.5					
<b>Total Assets</b>	<b>4,423.8</b>	<b>4,253.4</b>	<b>4,623.8</b>	<b>4,505.3</b>					

Source: Company Reports & Ventura Research

## Disclosures and Disclaimer

Ventura Securities Limited (VSL) is a SEBI registered intermediary offering broking, depository and portfolio management services to clients. VSL is member of BSE, NSE and MCX-SX. VSL is a depository participant of NSDL. VSL states that no disciplinary action whatsoever has been taken by SEBI against it in last five years except administrative warning issued in connection with technical and venial lapses observed while inspection of books of accounts and records. Ventura Commodities Limited, Ventura Guaranty Limited, Ventura Insurance Brokers Limited and Ventura Allied Services Private Limited are associates of VSL. Research Analyst (RA) involved in the preparation of this research report and VSL disclose that neither RA nor VSL nor its associates (i) have any financial interest in the company which is the subject matter of this research report (ii) holds ownership of one percent or more in the securities of subject company (iii) have any material conflict of interest at the time of publication of this research report (iv) have received any compensation from the subject company in the past twelve months (v) have managed or co-managed public offering of securities for the subject company in past twelve months (vi) have received any compensation for investment banking merchant banking or brokerage services from the subject company in the past twelve months (vii) have received any compensation for product or services from the subject company in the past twelve months (viii) have received any compensation or other benefits from the subject company or third party in connection with the research report. RA involved in the preparation of this research report discloses that he / she has not served as an officer, director or employee of the subject company. RA involved in the preparation of this research report and VSL discloses that they have not been engaged in the market making activity for the subject company. Our sales people, dealers, traders and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein. We may have earlier issued or may issue in future reports on the companies covered herein with recommendations/ information inconsistent or different those made in this report. In reviewing this document, you should be aware that any or all of the foregoing, among other things, may give rise to or potential conflicts of interest. We may rely on information barriers, such as "Chinese Walls" to control the flow of information contained in one or more areas within us, or other areas, units, groups or affiliates of VSL. This report is for information purposes only and this document/material should not be construed as an offer to sell or the solicitation of an offer to buy, purchase or subscribe to any securities, and neither this document nor anything contained herein shall form the basis of or be relied upon in connection with any contract or commitment whatsoever. This document does not solicit any action based on the material contained herein. It is for the general information of the clients / prospective clients of VSL. VSL will not treat recipients as clients by virtue of their receiving this report. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of clients / prospective clients. Similarly, this document does not have regard to the specific investment objectives, financial situation/circumstances and the particular needs of any specific person who may receive this document. The securities discussed in this report may not be suitable for all investors. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives. Persons who may receive this document should consider and independently evaluate whether it is suitable for his/ her/their particular circumstances and, if necessary, seek professional/financial advice. And such person shall be responsible for conducting his/her/their own investigation and analysis of the information contained or referred to in this document and of evaluating the merits and risks involved in the securities forming the subject matter of this document. The projections and forecasts described in this report were based upon a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies. Projections and forecasts are necessarily speculative in nature, and it can be expected that one or more of the estimates on which the projections and forecasts were based will not materialize or will vary significantly from actual results, and such variances will likely increase over time. All projections and forecasts described in this report have been prepared solely by the authors of this report independently of the Company. These projections and forecasts were not prepared with a view toward compliance with published guidelines or generally accepted accounting principles. No independent accountants have expressed an opinion or any other form of assurance on these projections or forecasts. You should not regard the inclusion of the projections and forecasts described herein as a representation or warranty by VSL, its associates, the authors of this report or any other person that these projections or forecasts or their underlying assumptions will be achieved. For these reasons, you should only consider the projections and forecasts described in this report after carefully evaluating all of the information in this report, including the assumptions underlying such projections and forecasts. The price and value of the investments referred to in this document/material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance. Future returns are not guaranteed and a loss of original capital may occur. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. We do not provide tax advice to our clients, and all investors are strongly advised to consult regarding any potential investment. VSL, the RA involved in the preparation of this research report and its associates accept no liabilities for any loss or damage of any kind arising out of the use of this report. This report/document has been prepared by VSL, based upon information available to the public and sources, believed to be reliable. No representation or warranty, express or implied is made that it is accurate or complete. VSL has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed. The opinions expressed in this document/material are subject to change without notice and have no obligation to tell you when opinions or information in this report change. This report or recommendations or information contained herein do/does not constitute or purport to constitute investment advice in publicly accessible media and should not be reproduced, transmitted or published by the recipient. The report is for the use and consumption of the recipient only. This publication may not be distributed to the public used by the public media without the express written consent of VSL. This report or any portion hereof may not be printed, sold or distributed without the written consent of VSL. This document does not constitute an offer or invitation to subscribe for or purchase or deal in any securities and neither this document nor anything contained herein shall form the basis of any contract or commitment whatsoever. This document is strictly confidential and is being furnished to you solely for your information, may not be distributed to the press or other media and may not be reproduced or redistributed to any other person. The opinions and projections expressed herein are entirely those of the author and are given as part of the normal research activity of VSL and are given as of this date and are subject to change without notice. Any opinion estimate or projection herein constitutes a view as of the date of this report and there can be no assurance that future results or events will be consistent with any such opinions, estimate or projection. This document has not been prepared by or in conjunction with or on behalf of or at the instigation of, or by arrangement with the company or any of its directors or any other person. Information in this document must not be relied upon as having been authorized or approved by the company or its directors or any other person. Any opinions and projections contained herein are entirely those of the authors. None of the company or its directors or any other person accepts any liability whatsoever for any loss arising from any use of this document or its contents or otherwise arising in connection therewith. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Securities Market.

**Ventura Securities Limited - SEBI Registration No.: INH000001634**

*Corporate Office: I-Think Techno Campus, 8<sup>th</sup> Floor, 'B' Wing, Off Pokhran Road No 2, Eastern Express Highway, Thane (W) – 400608*