

COCHIN SHIPYARD LIMITED

26th July, 2017

Recommendation:

Subscribe

Rating:



Issue Summary:

Price Band (Rs)	424-432
Face Value (Rs)	10
Bid Lot	30 shares
Opens on	1 st Aug, 2017
Closes on	3 rd Aug, 2017
Offer For Sale	11,328,000
Fresh Issue (Rs)	22,656,000 Equity Shares
Listing	NSE & BSE

Note: Discount of Rs 21 per share to Retail Investor and Employee. Discounted price band is Rs 403 - Rs 411.

Issue Break Up:

QIB Portion	50%
NIB Portion	15%
Retail Portion	35%

Book Running Lead Managers:

➤ SBI Capital Markets Ltd
➤ JM Financial Consultants Pvt. Ltd
➤ Edelweiss Capital Ltd

Registrar

➤ Link Intime India Private Ltd

Company & Business Profile

Cochin Shipyard is the largest public sector shipyard in India, in terms of dock capacity and caters to clients engaged in the defence sector in India and clients engaged in the commercial sector worldwide. In addition to shipbuilding and ship repair, it also offers marine engineering training.

As of January 31, 2017, Company have two docks – dock number one, primarily used for ship repair and dock number two, primarily used for shipbuilding.

Company is in the process of constructing a new dock, a 'stepped' dry dock. This stepped dock will enable longer vessels to fill the length of the dock. And company is also in the process of setting up an International Ship Repair Facility ("ISRF"), which includes setting up a shiplift and transfer system.

Diversified offerings to the Indian clients engaged in the defense sector and to clients engaged in the commercial sector worldwide have allowed company to successfully adapt to the cyclical fluctuations of the industry. Over the last five fiscals, the break-down of average operating revenues is set out below:

Activity	Clients engaged in the defense sector	Commercial clients
Shipbuilding	64.74%	20.60%
Ship repair	7.46%	6.70%
Other operating revenue	0.47%	0.03%

Order book with a strong customer base of reputable ship owners and marquee clients

Shipbuilding

Company has built a variety of vessels ranging from bulk carriers, tankers and passengers ships to offshore support vessels and port crafts. In the last five years, company built and delivered over 35 vessels to clients worldwide. And provided other offshore project services to some of the biggest corporate, both in India and globally. Indian clients include the Indian Navy, the Indian Coast Guard, SCI, ONGC, DGLL and DCI. Key foreign clients include NPCC, the Clipper Group, Vroon and SIGBA AS.

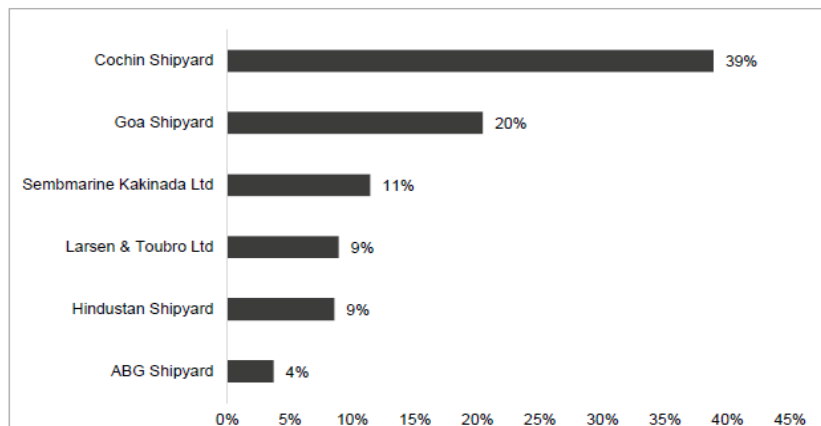
Currently constructing two 500 passenger cum 150 ton cargo vessels and two 1200 passenger cum 1000 ton cargo vessels for the A&N.

Ship Repair

Cochin shipyard commenced ship repair operations in 1978 and has, over the years, developed adequate capabilities to handle complex and sophisticated repair jobs. The company also entered into special MoU arrangements to enhance ship repair business.

Market Share

Market share of major players in the Indian ship repairing industry (as of 2014-15)



Source: Statistics of India's shipbuilding and ship repairing industry (2014-15), published by the Ministry of Shipping; CRISIL Research

Cochin Shipyard, accounting for approximately 39% of the total revenues earned in fiscal 2015 through ship-repair, is the leading shipyard in the ship-repair industry. It is followed by Goa Shipyard with a share of approximately 20% in the revenues earned in fiscal 2015 through ship-repair. The private-sector shipyards in this segment are Submarine Kakinada, Larsen & Toubro and ABG Shipyard.

Object of the Issue:

The Issue comprises of a fresh issue by the company and an offer for sale by the selling shareholder.

The Offer for Sale

The proceeds of the offer for sale shall be received by the selling shareholder. The company will not receive any proceeds from the offer for sale.

The Fresh Issue

The company proposes to utilise the net proceeds towards funding of the following objects:

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

In addition, the company expect to receive the benefits of listing of the equity shares on the stock exchanges and enhancement of the company's brand name and creation of a public market for its equity shares in India.

Concern

Worldwide demand and pricing in the commercial shipbuilding industry are highly dependent upon global economic conditions. If the global economy fails to grow at an adequate pace, it may adversely impact the commercial shipbuilding industry which may negatively affect the business, financial condition and growth prospects.



Valuation

The issue has been offered in a price band of Rs 424 to 432 per equity share.

At present total equity share is 11.33 cr and EPS is Rs 27 per share and with fresh issue of 2.26 cr total number of equity share will be 13.60 cr and adjusted EPS is Rs 23 per share at the upper price band of Rs 432 the stock is available at Adjusted P/E of 19 (x) based on FY17 annualized EPS. We have “4 star” rating for the issue. We recommend subscribing to the issue.

Financials (Rs. in Cr)

Particulars For the year ended	March 31, 2017	March 31, 2016	March 31, 2015 (Pro-forma)*
Total Income	2,208.50	2,096.88	1,660.45
Total Expense	1,728.33	1,647.22	1,550.00
Profit Before Tax	480.17	449.65	110.44
Profit after Tax	312.18	291.75	69.28
E.P.S.(Rs.) Basic & Diluted	27.56	25.75	6.12

* Pro-forma earnings are not derived by standard GAAP methods.



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