

Issue Details

Issue Size	413 – 444 Crores	Price Band:	₹ 135 - ₹ 145
IPO Date:	29 th September 2020 – 1 st October 2020	Offer Ratio:	QIB:50%, HNI:15%, Retail: 35%
Bid Lot:	103 Equity Shares and in multiples thereafter		

Company Profile

Promoted by the President of India acting through the MoD, Mazagon Dock Shipbuilders Limited 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. They are a wholly owned Govt company, conferred with the 'Mini-ratna-I' status in 2006, by the DPE. They are India's only shipyard to have built destroyers and conventional submarines for the Indian Navy. They are also one of the initial shipyards to manufacture Corvettes (Veer and Khukri Class) in India

The business divisions in which they operate are (i) shipbuilding and (ii) submarine and heavy engineering. Their shipbuilding division includes the building and repair of naval ships. They are 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. They have 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.

They are headquartered in Mumbai which is also the headquarters of the Western Naval Command of the Indian Navy. They are also 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. Their shipbuilding and submarine and heavy engineering divisions are both ISO 9001:2015 certified.

Competitive Strengths

- Only public sector defence shipyard constructing conventional submarines
- World class infrastructure capable of serving the requirements of the Ministry of Defence
- Location of their facilities promotes closer association with the vendors and customers
- Increase in indigenisation of their 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 skilfully trained workforce

Financials (Restated Consolidated)

(₹ In Millions)

Particulars	March 31, 2020	March 31, 2019	March 31, 2018
Equity Share Capital	2,016.90	2,241.00	2,241.00
Other Equity	28,674.41	29,928.19	26,099.51
Net Worth	30,691.31	32,169.19	28,340.51
Long term borrowings	-	-	-
Short term borrowings	-	-	-
Revenue from Operations	49,776.50	46,139.56	44,703.61
Profit Before Tax	7,353.69	7,781.15	6,504.07
Net Profit for the year	4,770.59	5,324.74	4,961.73

Key Risk Factors

- The Company is in non-compliance with the provisions of Section 149 of the Companies Act in relation to the appointment of a woman director. They cannot assure whether the RoC or any other government authority will impose penalties on them on account of such non-compliance
- The continuing effect of the COVID-19 pandemic on business and operations is highly uncertain and cannot be predicted
- The Company is currently not in compliance with certain provisions of the SEBI Listing Regulations and / or Companies Act, as may be applicable in relation to the composition of the Board and its committees, terms of reference of the Audit Committee and the Nomination and Remuneration Committee. Further, ongoing disclosure of information in relation to the Company after the listing of the Equity Shares on the Stock Exchanges may be limited to the extent of information which are classified as confidential/sensitive by the MoD and may not be in compliance with the SEBI Listing Regulations and other applicable laws
- Imposition of liquidated damages and invocation of performance bank guarantees / indemnity bonds by their customers could impact the results of operations and they may face potential liabilities from lawsuits and claims by customers in the future
- Their entire business operations are based out of a single yard at Mumbai. The loss of, destruction, or shutdown of, the operations at their shipyard in Mumbai will have a material adverse effect on the business, financial condition and results of operations
- There are outstanding legal and tax proceedings involving the Company and Directors. Any adverse decision in such proceedings may expose the Company to liabilities or penalties and may adversely affect their business, financial condition, results of operations and cash flows.
- Company does not have access to records and data pertaining to certain historical legal and secretarial information in relation to certain disclosures and there are certain discrepancies in the records available with the company. Further, the master data on the MCA wrongly reflects the paid up share capital of the Company and the Company has advised the public, not to place any reliance on such data.
- The Company has had negative net cash flows from operating activities in the past and may continue to have negative cash flows from operating activities in the future.
- There may be significant independent press coverage about the Company and this Offer, and the Company strongly cautions the prospective investors not to place reliance on any information contained in press articles, including, in particular, any financial projections, valuations or other forward-looking information, and any statements that are inconsistent with the information contained in this Red Herring Prospectus.

(Please refer the entire list of risk factors given in section II (page 20 onwards) given in RHP)

Comparison with peers

Company	FV/Share (₹)	EPS (Basic)	RONW (%)	NAV (₹ per share)	P/E (times)
Mazagon Dock Shipbuilders Ltd*	10	21.36	15.54	152.17	-
Cochin Shipyard Ltd**	10	48.05 ⁽¹⁾	16.98 ⁽³⁾	283.02 ⁽²⁾	7.60
Reliance Naval and Engg Ltd**	10	(23.87) ⁽¹⁾	NA ⁽⁴⁾	(165.10) ⁽²⁾	NA ⁽⁴⁾
Garden Reach Shipbuilders & Engineers Ltd**	10	14.27 ⁽¹⁾	7.01 ⁽³⁾	90.81 ⁽²⁾	14.91

*Based on Restated Financial Statements as on and for the year ended March 31, 2020.

**Source: Based on audited financial statements as on and for the year ended March 31, 2020 available at www.bseindia.com
\$P/E figures for the peers is computed based on closing market price as on August 27, 2020 as available at BSE website (available at www.bseindia.com) divided by Basic EPS for Fiscal 2020 in the filings made with stock exchanges

(1) Basic and diluted EPS refer to basic and diluted EPS sourced from the audited financial statements for Fiscal 2020

(2) Computed as equity share capital + other equity divided by closing outstanding number of fully paid up equity shares as sourced from the

audited financial statements for Fiscal 2020

(3) Computed as net profit after tax for the year divided by equity share capital + other equity as sourced from the audited financial statements for Fiscal 2020

(4) P/E ratio and RoNW for the aforesaid peer is not applicable since the aforesaid peer reported loss for Fiscal 2020

Object of the Offer

(₹ In Millions)

Particulars	Amount
To carry out the disinvestment of 30,599,017 Equity Shares by the Selling Shareholder constituting 15.17% of The Company's pre-Offer paid up Equity Share capital	[●]
To achieve the benefits of listing the Equity Shares on the Stock Exchanges	[●]
General corporate purposes	[●]
Total	[●]

Disclaimer:

The information contained herein are strictly confidential and are meant solely for the information of the recipient and shall not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written permission of JM Financial Services Ltd. ("JMFS"). The contents of this document are for information purpose only. This document is not an investment advice and must not alone be taken as the basis for an investment decision. Before taking any decision to invest, the recipient of this document must read carefully the Red Herring Prospectus issued by the company dated September 19, 2020 to know the details of IPO and various risks and uncertainties associated with the investment in the IPO of Mazagon Dock Shipbuilders Limited. All recipients of this document must before acting on the given information/details, make their own investigation and apply independent judgment based on their specific investment objectives and financial position. They can also seek appropriate professional advice from their own legal and tax consultants, advisors, etc. to understand the risks and investment considerations arising from such investment. The investor should possess appropriate resources to analyze such investment and the suitability of such investment to such investor's particular circumstances before making any decisions on the investment. The Investor shall be solely responsible for any action taken based on this document. JMFS shall not be liable for any direct or indirect losses arising from the use of the information contained in the document and accept no responsibility for statements made otherwise issued or any other source of information received by the investor and the investor would be doing so at his/her/its own risk. The information contained in this document should not be construed as forecast or promise or guarantee or assurance of any kind. The investors are not being offered any assurance or guaranteed or fixed returns. The users of this document must bear in mind that past performances are not indicative of future results. The actual returns on investment may be materially different than the past. Securities market instruments including the IPO of Mazagon Dock Shipbuilders Limited are highly risky instrument products and they are generally not an appropriate avenue for someone with limited resources/ limited investment and low risk tolerance. Also, investments in securities markets are subject to market risks including, without limitation, price, volatility and liquidity and capital risks. Therefore, the users of this document must carefully consider all the information given in the Red Herring Prospectus including the risks factors given in page no.20 onwards before making an investment in the Equity Shares of Mazagon Dock Shipbuilders Limited.

In rendering this information, JMFS assumed and relied upon, without independent verification, the accuracy and completeness of all the data provided by the issuer Mazagon Dock Shipbuilders Limited. JMFS does not warrant the accuracy, reasonableness and/or completeness of any information mentioned in this document. Also, JMFS takes no responsibility of updating any data/information in this document from time to time. JMFS, its affiliates/associates and any of its directors, officers, employees and any other persons associated with it shall not be liable for any loss, damage of any nature, including but not limited to direct, indirect, punitive, special, exemplary, consequential, as also any loss of profit in any way arising from the use of this document in any manner whatsoever.

This document is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject JMFS and/or its affiliated company(ies) to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this report may come, are required to take note of such restrictions and comply with the same.

Registration details:

JM Financial Services Ltd.

Corporate Identity Number: U67120MH1998PLC115415

Stock Broker - INZ000195834

(NSE - Member Code- 10548 | BSE - Clearing No. 325 | MSEI - Membership No.-58300); NCDEX-1282; MCX- 56555

Depository Participant- NSDL - IN-DP-NSDL-241-2004 | CDSL - IN-DP-CDSL-236-2004.

Investment Adviser- INA000012351. Portfolio Manager- INP000000621

Mutual Fund Distributor- ARN0002; Research Analyst-INH000001196

Registered office Address: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai, Maharashtra Pin- 400025

Tel: (91 22) 6630 3030 |Fax: (91 22) 6630 3223

Corporate office Address: 5th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai, Maharashtra Pin- 400025

Tel: (91 22) 6704 3000/3024 3000 |Fax: (91 22) 6704 3139