

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. In addition to shipbuilding and ship repair, they also offers marine engineering training programs as well as offer additional courses, including six months practical training for marine engineering students from colleges affiliated to universities, fire prevention and firefighting, and elementary first aid training through its marine engineering training institute; and chemical, mechanical, and non-destructive testing services of metals, welds, and alloys.

They have built and delivered vessels across broad class ifications including bulk carriers, tankers, Platform Supply Vessels ("PSVs"), Anchor Handling Tug Supply vessels ("AHTSs"), barges, bollard pull tugs, passenger vessels and Fast Patrol Vessels ("FPVs "). They are currently building India's first Indigenous Aircraft Carrier ("IAC") for the Indian Navy.

Issue Snapshot

Issue Open	01 August,2017
Issue Close	03 August,2017
Issue Type	Book Building Issue
Price Band	424-432
Issue Size	Rs 1450 cr (approx)
Minimum Application	30 share (Rs 12960)
Listing	NSE & BSE
Face Value	10/- per share

Key Ratio

Particular	FY 16	FY15	FY14
EPS	25.23	6.29	25.03
BVPS	151.98	135.86	131.60
RONW (in %)	16.56%	18.58	4.78%
Current Ratio	1.74	1.90	1.85
PE Ratio^	17	68.70	17.25
BV to Price Ratio	2.84	3.18	3.28

^ PE Ratio & BV to Price Ratio has been calculated on basis of Upper band issue price

Object of the Issue

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

Investment Rationale

- One of India's leading public-sector shipyards catering to both commercial clients as well as clients engaged in the defence sector with a multitude of offerings for a broad range of vessels across life cycles
- Build a strong order book by bidding vigorously for projects to be awarded by the Indian PSUs and defence sector pursuant to 'Make in India' initiative
- Modern facilities and infrastructure and integrated capabilities to deliver quality products and services
- Order book with a strong customer base of reputable ship owners and marquee clients
- Strengthen our market leadership by continuously adding upgraded and new vessel models to our offerings and expanding customer services
- Competitive cost structure and efficient operations
- Led by a dedicated board, long serving and experienced senior management backed by a strong pool of experienced professionals
- Continue to enhance our construction quality and delivery time and enhance our price competitiveness in order to increase our market share
- Expand our capabilities through our proposed Dry Dock and International Ship Repair Facility

Valuation

On the upper price band of Rs 432 & on EPS for FY 2017 of Rs 25.23, PE Ratio work out at 17 times. Return on Net Worth is very impressive compare to it peer companies. On Upper price band Price to Book value is 2.84 compare to peer book value of 4.69. Among the peer companies mentioned in DRHP, only Cochin Shipyard is able to make profits with good return on net worth. Hence in our opinion issue is fairly priced.

Peer Comparison for year ended 2016 (Rs in Cr)		
Particulars	Cochin	Reliance Defence
Total Income	2099.28cr	345.95cr
PAT	285.80cr	-591.38cr
Face Value	10	10
Net Worth	1720.50cr	958.40
CMP per share	432	61
Market Capitalization	1450cr	4502cr
EPS per share	25.23	-8
Book Value per share	151.98	13
P/BV Ratio	2.84	4.69
PE Ratio	17	NA

Summary of financial Information			
Particulars	For the year/period ended (in Rs. Cr)		
	31-Mar-16	31-Mar-15	31-Mar-14
Total Assets	3502.40	3018.32	2991.50
Total Revenue	2099.35	1663.20	1861.10
Profit After Tax	285.80	71.28	283.50