

## COCHIN SHIPYARD LIMITED

Cochin Shipyard Limited is the largest public sector shipyard in India in terms of dock capacity, as of March 31, 2015, according to the CRISIL Report. The company cater to clients engaged in the defence sector in India and clients engaged in the commercial.

As of January 31, 2017, Cochin Shipyard have two docks – dock number one, primarily used for ship repair (“Ship Repair Dock”) and dock number two, primarily used for shipbuilding (“Shipbuilding Dock”). Companies Ship Repair Dock is one of the largest in India and enables us to accommodate vessels with a maximum capacity of 125,000 DWT (Source: CRISIL Report) & their Shipbuilding Dock can accommodate vessels with a maximum capacity of 110,000 DWT (Source: CRISIL Report).

Their diversified offerings to the Indian clients engaged in the defence sector and to clients engaged in the commercial sector worldwide have allowed us to successfully adapt to the cyclical fluctuations of our industry.

Over the last five Fiscals, the break-down of our average operating revenues is set out below:

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

They commenced their operations in 1975 and have over four decades of experience in shipbuilding. they have in the past delivered two of India’s largest double hull oil tankers, each of 92,000 DWT (Source: CRISIL Report) to the Shipping Corporation of India (“SCI”). Over the years, Cochin Shipyard have successfully responded to fluctuations in the shipbuilding requirements of the markets operate in and have evolved from building bulk carriers to building smaller and more technically sophisticated vessels such as PSVs and AHTSs. They have worked with several leading technology firms in the industry including Rolls Royce Marine (Norway), and GTT (Gaztransport & Technigaz) SA (“GTT”). They believe this has added to the credibility in the international markets. Key shipbuilding clients include the Indian Navy, the Indian Coast Guard and the SCI. They have also exported 45 ships to various commercial clients outside India such as NPCC, the Clipper Group (Bahamas) and Vroon Offshore (Netherlands) and SIGBA AS (Norway).

Company has posted profits continuously in the last five Fiscals. Total revenues and PAT has increased from `14,737.01 million and `1,553.28 million respectively, in Fiscal 2012 to `20,992.84 million and `2,858.29 million, respectively, in Fiscal 2016 at a CAGR of 9.25% and 16.47%, respectively. For the half year ended September 30, 2016, Total revenues and PAT were `10,274.61 million and `1,845.24 million, respectively.

## Cochin Shipyard Limited Collaborations::

Business Partner	Date	Scope of work
LDCL	April 12, 2013	We undertake dry-dock and afloat repairs of their vessels.
CUSAT	May 26, 2014	CUSAT has reserved two seats in their MTech degree course in marine engineering for our executives. We provide lab facilities and internships to CUSAT students under the MoU.
DGLL	October 21, 2015	We undertake dry-dock repairs of their vessels on a nomination basis.
DCI	November 2, 2015	We undertake repair of DCI's dredgers on a nomination basis.
Techcross	November 4, 2015	We receive technical support and engineering and provide shipyard support services to Techcross such as office, warehousing and installation services. We also operate a joint marketing framework with Techcross for marketing of various BWTS products and operate a preferential price tier system to allow our customers access to Techcross' BWTS products at competitive rates.
Wartsila	January 13, 2016	Wartsila has set up a containerised, self-sufficient workshop within our shipyard, primarily catering to propeller metallurgical repairs. We derive rental income from this workshop. Wartsila also provides training to our personnel in relation to repair of Wartsila engines.

<b>Price Band</b>	<b>Rs. 424-432 per Equity Share</b>
<b>Issues Open</b>	<b>Tuesday, Aug 01, 2017</b>
<b>Issue Close</b>	<b>Thursday, Aug 03, 2017</b>
<b>Issue Type</b>	<b>100% Book Built Issue IPO</b>
<b>Bid Lot</b>	<b>30 Equity share and multiple thereafter</b>
<b>Maximum Bid amount for Retail</b>	<b>Rs, 2 Lacs</b>
<b>Total Issue size</b>	<b>33,984,000 Equity Shares of Rs. 10 aggregating upto Rs. 1468.11 Cr. Fresh issue of 22,656,000 Equity Share &amp; Offer for sale of 11,328,000 Equity Share</b>
<b>QIB*</b>	<b>50% of the Net offer (16,580,000 Shares</b>
<b>NIB*</b>	<b>15% of the Net offer (4,974,000 shares)</b>
<b>Retail Individual Bidders</b>	<b>35% of the Net offer (11,606,000 shares)</b>
<b>Retail &amp; Employee Discount</b>	<b>Rs. 21/- Per share</b>
<b>Mode of Payment</b>	<b>ASBA Mandatory (No cheque will be accepted)</b>
<b>Book Running Lead Managers</b>	<b>Edelweiss Financial Services Limited, SBI Capital Market Limited &amp; JM Financials</b>
<b>Face Value</b>	<b>Rs. 10 per Equity Share</b>
<b>Listing At</b>	<b>NSE, BSE</b>
<b>Registrar</b>	<b>Link Intime India Pvt Ltd.</b>

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**Competitive Strengths:**

- 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
- 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
- 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
- Continuous profits leading to robust financial performance

**Company Strategies :**

- Expand our capabilities through our proposed Dry Dock and International Ship Repair Facility
- 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
- Continue to enhance our construction quality and delivery time and enhance our price competitiveness in order to increase our market share
- Strengthen our market leadership by continuously adding upgraded and new vessel models to our offerings and expanding customer services
- Continue to leverage our market position and our relationships with customers, suppliers and other business partners to support our growth and improve our competitiveness

**Company Promoters:**

Company Promoter is the President of India acting through the Ministry of Shipping. Promoter, along with its nominees, currently holds 100% of the pre-Issue paid-up equity share capital of Company.

**Objects of the Issue:**

The main objects and objects incidental and ancillary to the main objects set out in the Memorandum of Association enable our Company to undertake its existing business activities and the activities for which funds are being raised by our Company through the Fresh Issue.

**1. The Offer for Sale**

The proceeds of the Offer for Sale shall be received by the Selling Shareholder. Company will not receive any proceeds from the Offer for Sale.

**2. The Fresh Issue**

The proceeds from the fresh issue will be utilized towards the following objects:

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

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**Risks Relating to Business:**

**Internal Risk Factor**

- 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 our business, financial condition and growth prospects.
- Loss of any of our major customers or a reduction in their orders, or failure to succeed in tendering for shipbuilding or ship repair projects for the Indian Navy in the future, despite the previous track record will have a material adverse impact on business, financial condition, results of operations and growth prospects as they are dependent on a few of major customers.
- The cost estimates by the Dry Dock Project Consultant and the ISRF Project Consultant have been derived from and benchmarked against similar maritime and dry dock/shipyard projects carried out by the Dry Dock Project Consultant and the ISRF Project Consultant respectively in recent years and may not be accurate.
- Cochin Shipyard could incur losses under the fixed price contracts as a result of cost overruns, delays in delivery or failures to meet contract specifications which may have an adverse effect on the business, financial condition and results of operations.
- The environmental clearance for new Dry Dock is subject to the final order in the matter of Goa Foundation v. Union of India and amongst others, the prior clearance of the Standing Committee of the National Board for Wildlife.
- Entire business operations are based out of a single shipyard at Kochi. The loss of, or shutdown of, the operations at shipyard in Kochi will have a material adverse effect on our business, financial condition and results of operations.
- There are outstanding legal and tax proceedings involving our Company. Further, in one of the outstanding legal proceedings, the Chairman and Managing Director of our Company has also been made a perfunctory party. Any adverse decision in such proceedings may expose us to liabilities or penalties and may adversely affect our business, financial condition, results of operations and cash flows.
- Growth rate, the number of orders they have received in the past and the current order book may not be indicative of future growth rate or the number of orders will receive in the future.
- Subject to risks arising from currency exchange rate fluctuations, which could adversely affect the business, financial condition and results of operations.

**External Risk Factor**

- Any future issuance of the Equity Shares may dilute the shareholdings and sales of the Equity Shares may adversely affect the trading price of Equity Shares.
- GoI will continue to control the company post listing of the Equity Shares
- Investors may not be able to enforce a judgment of a foreign court against Company.
- Rights of shareholders under Indian laws may be more limited than under the laws of other jurisdictions.
- Ability to raise foreign capital may be constrained by Indian law.
- Significant differences exist between Indian GAAP and other accounting principles, such as US GAAP, Ind AS and IFRS, which may be material to investors' assessments of our financial condition.
- The exit by the UK from the European Union has and could further impact global financial markets which could in turn adversely affect the trading prices of our Equity Shares.

- Changing laws, rules and regulations and legal uncertainties, including adverse application of tax laws and regulations, may adversely affect our business, results of operations and cash flows.

**Industry**

**Indian Shipbuilding Industry**

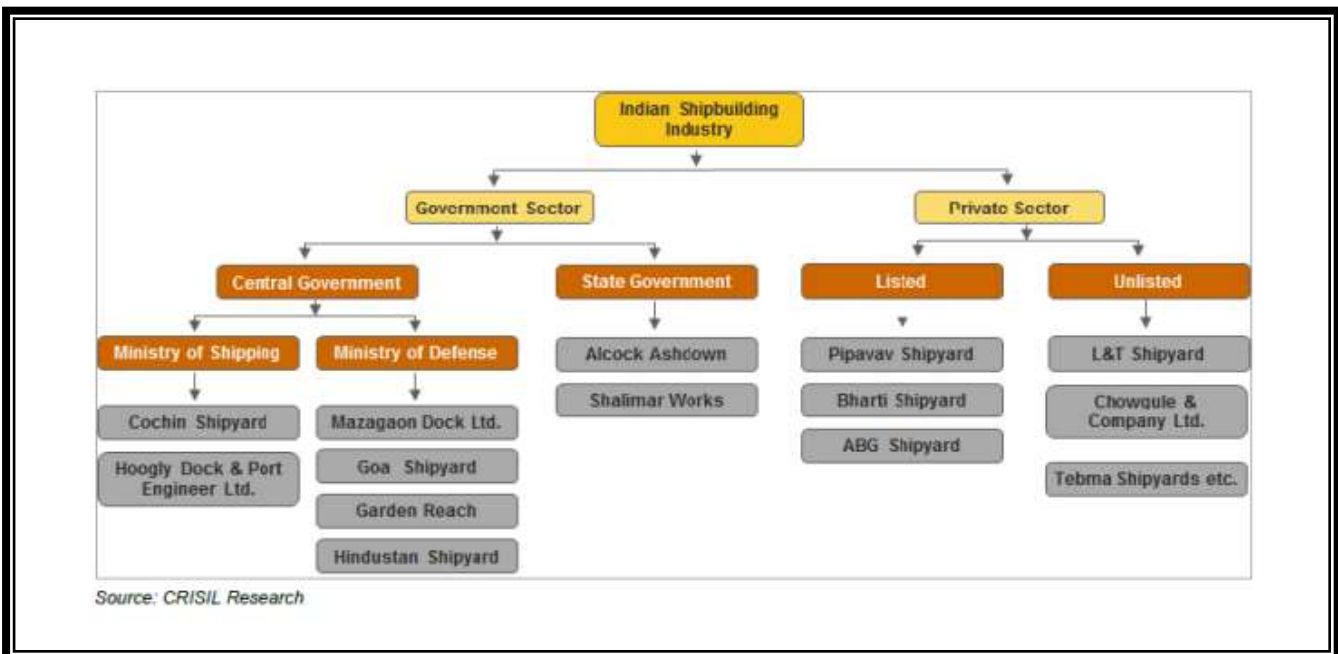
Based on the types of ships built, the Indian shipbuilding industry can be broadly categorized as follows:

- (i) Large ocean-going vessels catering to overseas as well as coastal trade;
- (ii) Medium size specialized vessels such as port crafts, fishing trawlers, offshore vessels, inland and other smaller crafts and;
- (iii) Defence/ naval crafts and vessels for the coast guard.

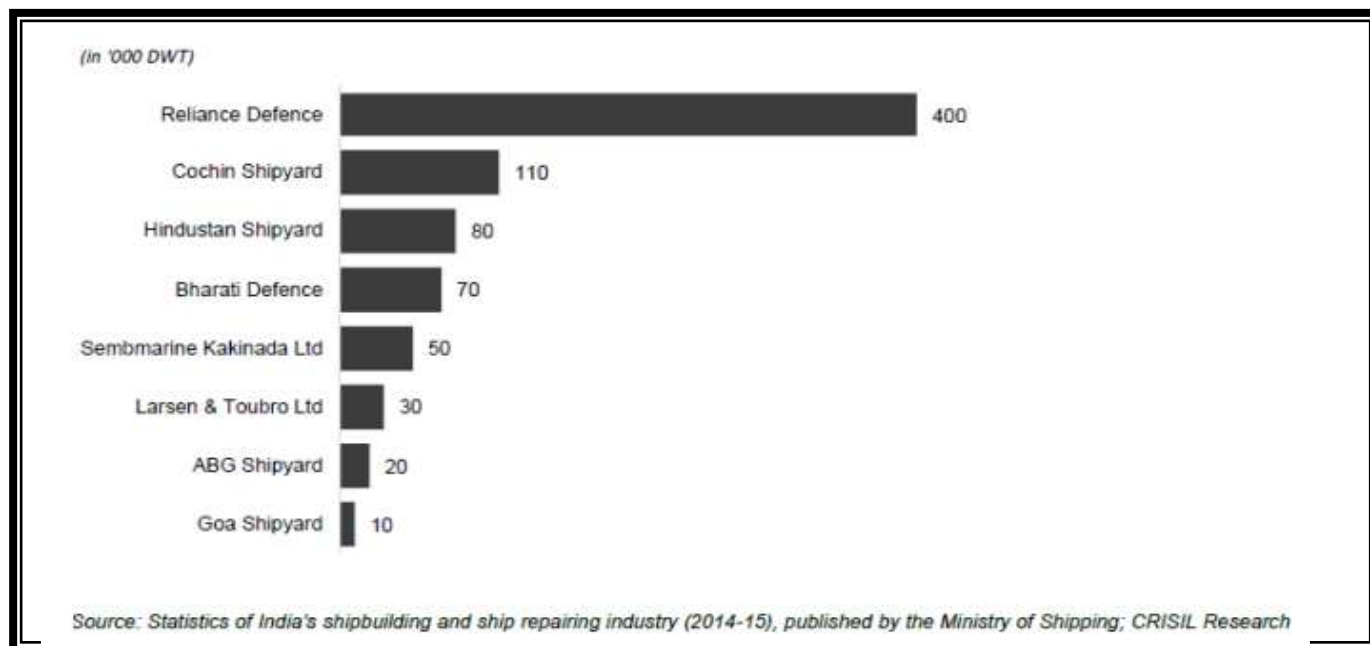
**Sector-wise classification**

The Indian shipbuilding industry can be divided into three segments:

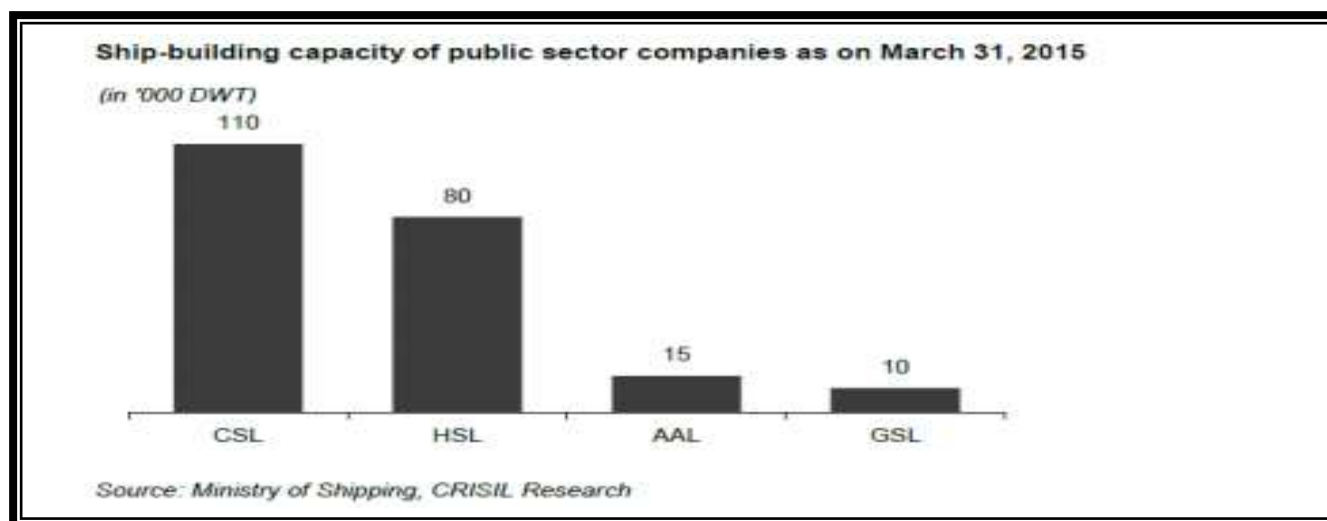
- (i) Public-sector shipyards [in the commercial segment]: Historically India’s major shipyards have been public-sector shipyards, which primarily build merchant-class ships and naval vessels. Public-sector shipyards include Cochin Shipyard, Hooghly Dock & Port Engineers.
- (ii) Defence shipyards: Four naval shipyards come under the purview of the Indian Ministry of Defence, namely Hindustan Shipyard, Mazagon Dock, Goa Shipyard and Garden Reach Shipbuilders & Engineers.
- (iii) Private-sector shipyards: The three publicly listed private-sector shipyards are Bharati Defence and Infrastructure Ltd., ABG Shipyard and Reliance Defence and Engineering (“RDEL”) Shipyard (formerly Pipavav). Larsen & Toubro Ltd is another major private sector shipyard. In addition, there are a number of smaller private shipyards building smaller ships and vessels, including coastal vessels, barges, tugs, patrol ships and fishing ships.



Shipbuilding capacities of major shipbuilders (as of fiscal 2015) are shown below:



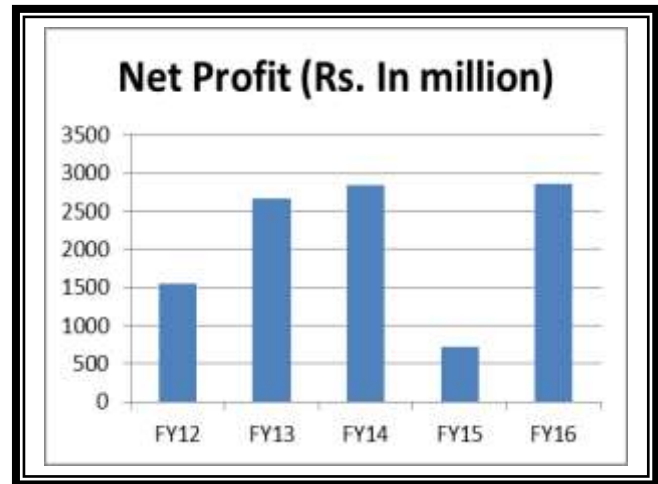
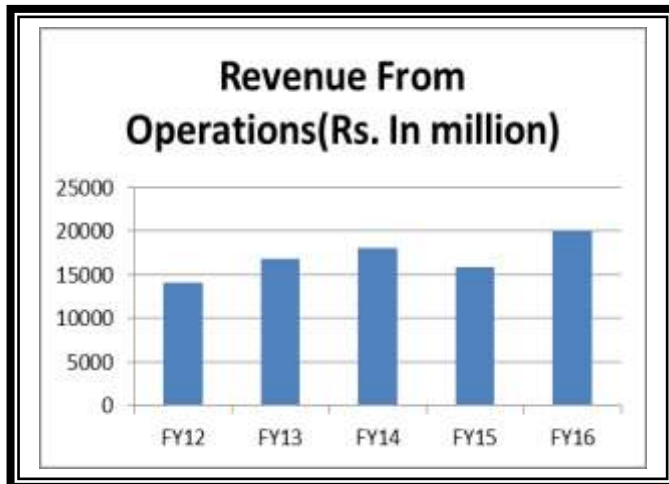
As per a report released by the Ministry of Shipping, within the public sector, Cochin Shipyard possessed a maximum ship-building capacity of approximately 110,000 DWT, followed by Hindustan Shipyard (80,000 DWT) and Alcock Ashdown Ltd (15,000 DWT), as of fiscal 2015, as shown below.



**Market share**

Cochin Shipyard, accounting for approximately 39% of the total revenues earned in fiscal 2015 through shiprepair, 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 Sembmarine Kakinada, Larsen & Toubro and ABG Shipyard.

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**Graphical Representation of Performance****Management:**

<b><u>Name of board members</u></b>	<b><u>Designation</u></b>
Mr. Madhu S. Nair	Chairman and Managing Director
Mr. D.Paul Ranjan	Director (Finance) & Chief Financial Officer
Mr. Sunny Thomas	Director (Technical)
Mr. Suresh Babu N.V	Director (Operation)
Mr. Barun Mitra	Part Time Official (Nominee) Director
Mr. Elias George	Part Time Official (Nominee) Director
Mr. Krishna Das E	Non Official Part Time (Independent) Director
Mr. Radhakrishna Menon	Non Official Part Time (Independent) Director
Ms. Roopa Shekhar Rai	Non Official Part Time (Independent) Director

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**Restated Summary statement of Balance Sheet****RESTATED SUMMARY STATEMENT OF ASSETS AND LIABILITIES**

								₹ in millions
	Particulars	Note No.	As at 30th Sep 2016	As at 31st Mar 2016	As at 31st Mar 2015	As at 31st Mar 2014	As at 31st Mar 2013	As at 31st Mar 2012
<b>I.</b>	<b>EQUITY AND LIABILITIES</b>							
<b>1</b>	<b>Shareholders' funds</b>							
	Share capital	1	1,132.80	1,132.80	1,132.80	1,132.80	1,132.80	1,524.22
	Reserves and surplus	2	17,913.99	16,072.30	14,253.50	13,768.01	11,106.46	8,649.98
<b>2</b>	<b>Non-current liabilities</b>							
	Long term borrowings	3	1,230.00	1,230.00	1,230.00	1,230.00	0.00	0.00
	Other long term liabilities	4	26.12	26.12	26.12	56.12	51.30	75.84
	Long term provisions	5	192.90	189.65	193.22	179.36	197.43	191.37
<b>3</b>	<b>Current liabilities</b>							
	Short term borrowings	6	0.00	0.00	0.00	2,109.18	0.00	0.00
	Trade payables	7	3,557.15	2,098.77	1,709.84	1,716.11	1,400.30	3,066.47
	Other current liabilities	8	7,614.99	9,367.43	8,156.16	6,064.88	6,840.10	10,227.68
	Short-term provisions	9	5,270.51	4,907.20	3,481.59	3,658.59	3,296.10	2,359.15
	<b>Total</b>		<b>36,938.46</b>	<b>35,024.27</b>	<b>30,183.23</b>	<b>29,915.05</b>	<b>24,024.49</b>	<b>26,094.71</b>
<b>II.</b>	<b>ASSETS</b>							
<b>1</b>	<b>Non-current assets</b>							
	Fixed assets	10						
	(i) Tangible assets		2,971.44	2,964.39	2,894.37	2,972.58	2,403.56	1,854.85
	(ii) Intangible assets		710.77	737.80	806.60	728.38	1.26	1.30
	(iii) Capital work in progress		269.83	234.42	127.79	75.65	1,380.09	636.18
	Non-current investments	11	0.92	0.92	1.92	1.92	1.92	1.92
	Deferred tax asset (Net)	12	307.20	315.66	226.15	163.06	162.60	207.34
	Long-term loans and advances	13	143.37	382.26	360.90	139.34	69.42	107.88
	Other non-current assets	14	390.83	1,945.35	312.94	676.52	618.84	529.24
<b>2</b>	<b>Current assets</b>							
	Inventories	15	2,709.48	2,316.36	3,033.84	3,959.19	3,552.60	3,620.66
	Trade receivables	16	6,103.19	4,637.66	5,897.63	12,071.44	6,858.05	7,833.37
	Cash and bank balances	17	17,190.92	18,204.13	14,194.47	5,564.31	7,039.65	9,088.97
	Short-term loans and advances	18	3,337.22	1,958.19	1,787.39	1,919.64	633.90	1,416.42
	Other current assets	19	2,803.29	1,327.13	539.23	1,643.02	1,302.60	796.58
	<b>Total</b>		<b>36,938.46</b>	<b>35,024.27</b>	<b>30,183.23</b>	<b>29,915.05</b>	<b>24,024.49</b>	<b>26,094.71</b>



**Restated statement of Profit & Loss****RESTATED STATEMENT OF PROFIT AND LOSS**

		₹ in millions						
	Particulars	Note No.	For Half year ended 30th Sep 2016	For the year ended 31st Mar 2016	For the year ended 31st Mar 2015	For the year ended 31st Mar 2014	For the year ended 31st Mar 2013	For the year ended 31st Mar 2012
<b>I.</b>	Revenue from operations	20	9,537.12	19,924.50	15,861.57	18,002.82	16,815.38	14,064.62
<b>II.</b>	Other income	21	737.49	1,068.34	770.73	610.61	869.22	672.39
<b>III.</b>	<b>Total revenue (I + II)</b>		<b>10,274.61</b>	<b>20,992.84</b>	<b>16,632.30</b>	<b>18,613.43</b>	<b>17,684.60</b>	<b>14,737.01</b>
<b>IV.</b>	<b>Expenses:</b>							
	Cost of materials consumed	22	4,360.14	10,543.22	10,008.08	7,757.49	8,793.18	6,696.19
	Changes in inventories of work-in-progress	23	(560.44)	(164.41)	(192.25)	402.15	(530.46)	170.00
	Sub contract and other direct expenses	24	1,591.25	1,929.21	1,600.92	1,746.66	2,034.56	2,133.33
	Employee benefits expense	25	1,047.25	2,108.43	2,157.51	2,091.92	1,888.08	1,749.91
	Finance costs	26	52.72	119.40	183.22	192.56	226.37	124.29
	Depreciation and amortisation expense	27	188.40	371.93	376.98	253.22	188.00	224.30
	Other expenses	28	694.43	1,432.55	1,127.57	1,419.66	1,015.38	1,240.60
	Provision for anticipated losses and expenditure	29	60.71	224.14	251.06	404.68	87.86	92.36
	<b>Total expenses</b>		<b>7,434.46</b>	<b>16,564.47</b>	<b>15,513.09</b>	<b>14,268.34</b>	<b>13,702.97</b>	<b>12,430.98</b>
<b>V</b>	<b>Profit before tax (III-IV)</b>		<b>2,840.15</b>	<b>4,428.37</b>	<b>1,119.21</b>	<b>4,345.09</b>	<b>3,981.63</b>	<b>2,306.03</b>
<b>VI</b>	<b>Tax expense:</b>							
	Current tax		986.45	1,659.60	470.01	1,509.86	1,267.85	775.74
	Deferred tax	12	8.46	(89.52)	(63.09)	(0.46)	44.74	(22.99)
	<b>Net Profit(+)/Loss(-) from Ordinary Activities after tax(8-9)</b>		<b>1,845.24</b>	<b>2,858.29</b>	<b>712.29</b>	<b>2,835.69</b>	<b>2,669.04</b>	<b>1,553.28</b>
	Extraordinary item(net of tax expense )		-	-	-	-	-	-
<b>VII</b>	<b>Profit for the year</b>		<b>1,845.24</b>	<b>2,858.29</b>	<b>712.29</b>	<b>2,835.69</b>	<b>2,669.04</b>	<b>1,553.28</b>
<b>VIII</b>	<b>Earnings per equity share (Face value of ₹ 10 each):</b>							
	Basic and Diluted (in ₹)		16.29	25.23	6.29	25.03	23.56	13.43

**Published on: - 31<sup>st</sup> July 2017.** © Just Trade Securities Limited Just Trade Securities Limited (Formerly “Bajaj Capital Investor Services Limited), CIN No.: U67120DL2004PLC130803, Regd Office: Bajaj House 97, Nehru Place, New Delhi – 110019 Tel: (91-11) 41693000. Fax: (91-11) 66608888 E-mail: [info@justtrade.in](mailto:info@justtrade.in) Website: [www.justtrade.in](http://www.justtrade.in); National Stock Exchange of India Ltd. SEBI Regn. No. : INB 231269334/ INB 231269334, Bombay Stock Exchange Ltd. SEBI Regn. No.:INB011269330/ INF011269330; SEBI RA Regn.:- INH000002862.

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