

Mazagon Dock Shipbuilders Ltd

Price Band ₹ 135-145

SUBSCRIBE

September 28, 2020

Mazagon Dock Shipbuilders (MDL) is a DPSU under Ministry of Defence (MoD) with maximum capacity of ~40000 DWT, engaged in construction, repair of warships and submarines for MoD. It is India's only shipyard to have built destroyers and conventional submarine for Indian Navy and one of the initial shipyards to manufacture corvettes in India. It primarily operates in two divisions viz i) shipbuilding under which it is currently building four P-15 B destroyers, four P-17A stealth frigates and ii) submarine & heavy engineering division under which it is currently building or in the process of delivering four Scorpene class submarine under transfer of technology from Naval group, France and a medium refit & life certification submarine.

Strong order book to provide long term revenue visibility...

MDL's order book as on July 31, 2020 from its shipbuilding and submarine & heavy engineering segment is at ₹ 54074 crore comprising three major shipbuilding projects and two submarine projects. The strong order book provides long term revenue visibility. MDL expects to have a decent order pipeline in the next one to three years with several projects lined up from Indian Navy and Indian Coast Guard worth ~between ₹ 20000 and ₹ 30000 crore. MDL believes it has the competitive advantage for mega projects like six P-75i conventional submarine project (~₹ 45000 crore) and six new generation destroyers (~₹ 50000 crore) to be finalised over the next three to four years. MDL is the only player to have earlier built these types of ships and submarines in India.

Superior infrastructure facilities, to provide significant edge

MDL has undertaken and completed the "Mazdock Modernisation Project", which comprises of new wet basin, goliath cranes, module workshop, cradle assembly shop, store building and associated ancillary structures enabling modular integrated construction that would substantially reduce the built period in future. Post completion of modernisation, the outfitting warship capacity increased from eight warships to 11 warships since 2014 and submarine capacity from six submarines to 11 submarines since 2016. The infrastructure and facilities available with MDL combined with its vast expertise would provide a significant edge over its domestic peers.

Key risk & concerns

- Any decline or delay in defence budget to impact growth, profit
- Customer delays in procurement to have time and cost overrun

Priced at P/E of 6.1x (post issue) FY20 on upper band

MDL being the only shipbuilder to have built destroyers and conventional submarines could have an edge in future orders. Considering the strong order book, superior infrastructure facilities, debt free status, one can expect better growth outlook for the company in the long run. At the higher end of the price band of ₹ 145, the stock is available at a P/E of ~6.1x (on post issue basis). We recommend **SUBSCRIBE** on the issue with a view of listing gains.



Particulars

Issue Details

| | |
|-------------------------|----------------|
| Issue Opens | 29th Sep, 2020 |
| Issue Closes | 1st Oct, 2020 |
| Issue Size (₹crore) | 443.7 |
| Issue Type | Offer for sale |
| Price Band (₹) | 135-145 |
| No of Shares (₹crore) | 3.06 |
| Employee Res (₹crore) | 0.03 |
| Net Offer Size (₹crore) | 3.03 |
| Market Lot size | 103 shares |
| Face Value (₹) | 10 |

Shareholding

| No of shares | Pre offer | Post Offer |
|--------------|-----------|------------|
| Promoter | 201690000 | 171090983 |
| Public | Nil | 30599017 |
| Total | 201690000 | 201690000 |
| % | | |
| Promoter | 100% | 85% |
| Public | - | 15% |
| Total | 100% | 100% |

Objects of issue

- To achieve benefits of listing on stock exchanges
- The company will not receive any proceeds from the offer as it is offer for sale

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Key Financial Summary

| (₹ crore) | FY17 | FY18 | FY19 | FY20 | CAGR (FY17-20) |
|------------------|-------|-------|-------|-------|----------------|
| Revenues | 4,275 | 5,055 | 5,208 | 5,543 | 9% |
| EBITDA | 126 | 155 | 261 | 268 | 29% |
| EBITDA margins | 2.9% | 3.1% | 5.0% | 4.8% | |
| Net Profit | 598 | 496 | 532 | 477 | -7% |
| EPS (₹) | 24.0 | 22.1 | 23.8 | 23.7 | |
| P/E (x) | 6.0 | 6.5 | 6.1 | 6.1 | |
| Price / Book (x) | 1.21 | 1.15 | 1.01 | 0.95 | |
| RoCE (%) | 19% | 16% | 17% | 17% | |
| RoE (%) | 20% | 18% | 17% | 16% | |

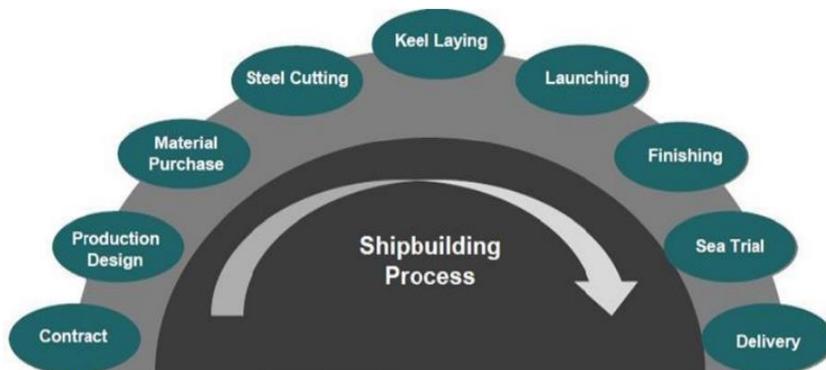
Source: ICICI Direct Research, RHP

Industry Background

The global shipbuilding industry deals primarily with production & modification of larger vessels & rigs that are used for transportation & defence purposes. A characteristic feature of ship-building is that unlike other manufacturing industries, which predominantly follow make-to-stock inventory model, shipbuilding is an order driven industry where each vessel is custom built on receipt of the ship-building order. Thus, building an order book is essential for growth and sustenance of the shipbuilding industry. Order book growth for commercial ships is largely driven by growth in world trade & commerce, which spurs demand for new ships. Some broad categories of ships include passenger carriers, offshore vessels, dry bulk carriers, tankers, container ships and defence vessels such as destroyers, frigates & corvettes. Average time period required to build a ship depends upon the type & complexity of the vessel. For example, on average it takes 15-18 months to build a conventional vessel, i.e. a bulk carrier or a tanker ship, while it requires 28-32 months to construct an offshore rig or an LNG vessel. Building defence vessels takes even longer as it takes five to seven years on an average to build a destroyer, frigate or a submarine.

Exhibit 1: Shipbuilding process

Shipbuilding process



Source: CRISIL Research, Industry

Source: RHP, ICICI Direct Research

Historical background of shipbuilding industry

In the early twentieth century, the shipbuilding industry was largely dominated by Europe. However, later in the century Japan & South Korea overtook the position from Europe by offering lower wages. Thus, the shipbuilding industry in the past few decades has shifted from Europe to Asia due to favourable factors such as cheap labour, competitive manufacturing and steelmaking sectors, as well as state support. Furthermore, the Chinese and South Korean governments provide discounts/subsidies of 5-10% and 15-20%, respectively, thus helping players bid at lower prices against global competition. In 2015, China, South Korea and Japan together accounted for 91% of global deliveries, with China commanding the largest share of 36%, followed by South Korea and Japan at 34% and 21%, respectively.

Warship building industry in India

India's geostrategic & geopolitical concerns underline the need for a strong & capable Navy and coast guard. Hence, there is need for sustained growth and self-sufficiency of its shipbuilding industry. Traditionally, even as naval ancillary components have been acquired from outside India, actual shipbuilding activity has been carried out indigenously. However, over the years, the government has focused on greater indigenisation of even defence equipment. The domestic shipbuilding industry primarily caters to the Indian Navy, coast guard. Currently, its fleet consists of aircraft carriers, transport dock, landing ship tanks, destroyers, frigates, nuclear-powered submarine, conventionally powered attack submarines, corvettes, mine

Broad classification of ships

Types of ships

- Container ships
- Bulk Carrier
- Tanker ships
- Passenger ships
- Naval ships/Defence vessels/warships
- Offshore ships
- Special purpose ships

Broad classification of Defence vessels

Types of defence/naval vessels

- Frigate
- Corvettes
- Destroyers
- Cruisers
- Amphibious assault Ships
- Aircraft carriers
- Littoral combat ships
- Submarines

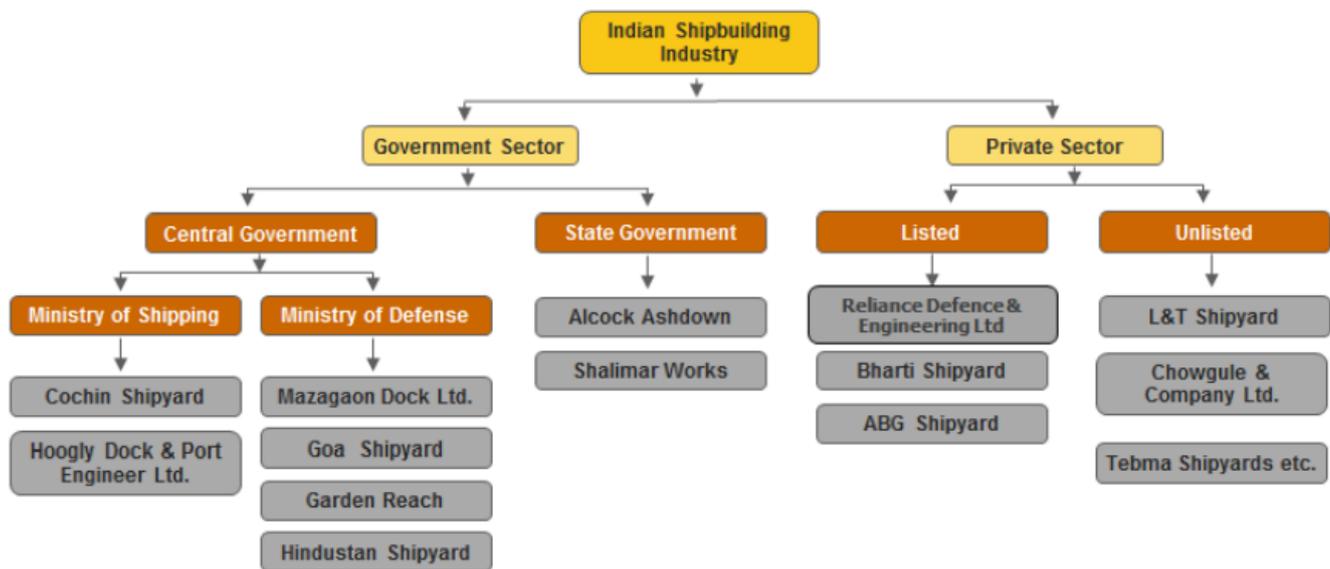
countermeasure vessels (MCMVs), large offshore patrol vessels, fleet tankers and various auxiliary vessels and small patrol boats. The Indian Coast Guard’s fleet comprises patrol vessels, patrol boats, patrol craft and a hovercraft.

Indian shipbuilding industry

India being an emerging economy is still in the evolving phase of shipbuilding. In December 2015, the Cabinet approved the new shipbuilding policy, which aims to provide financial assistance to shipbuilders and grant infrastructure status to the industry. The government has set aside ₹ 40 billion to implement the scheme over 10 years. Further, recent initiatives by the government on the lines of Aatmanirbhar Bharat followed by the defence embargo list is expected to ignite the domestic manufacturing industry. The Indian shipbuilding industry based on the types of ships built can be broadly classified as follows:

- Large ocean-going vessels catering to overseas & coastal trade
- Mid-sized specialised vessels, such as port crafts, those for fishing, trawlers, offshore vessels, etc
- Defence/naval craft and coastguard vessels

Exhibit 2: Major players of Indian shipbuilding industry



Source: RHP, Crisilresearch, ICICI Direct Research

Exhibit 3: Size and average age of Indian fleet

| As on | Number of Vessels | GT | DWT | Increase % in GT | Average age (years) |
|----------------|-------------------|----------|----------|------------------|---------------------|
| March 31, 2012 | 1135 | 11030751 | 16611651 | 6 | 18 |
| March 31, 2013 | 1158 | 10454789 | 15376982 | -5 | 18 |
| March 31, 2014 | 1213 | 10497540 | 15322526 | 0 | 18 |
| March 31, 2015 | 1210 | 10506388 | 15471273 | 0 | 18 |
| March 31, 2016 | 1273 | 10858288 | 16036798 | 3 | 19 |
| March 31, 2017 | 1313 | 11547576 | 17257865 | 6 | 19 |
| March 31, 2018 | 1384 | 12581592 | 19082274 | 9 | 19 |
| March 31, 2019 | 1405 | 12784421 | 19383064 | 2 | 20 |

Source: Ministry of Shipping-Annual Report FY20, RHP, ICICI Direct Research

Exhibit 4: Types of ships/vessels built at Indian yards

| Name of Player | Tanker | Dry Cargo | Bulk Carriers | Passenger & Cargo | Product carriers | Other | Defence Ships |
|--------------------------------|--------|-----------|---------------|-------------------|------------------|-------|---------------|
| Public Sector | | | | | | | |
| Alcock Ashdown | Y | N | Y | N | N | N | N |
| Cochin Shipyard | Y | Y | Y | Y | Y | Y | Y |
| Hindustan Shipyard | Y | Y | Y | Y | Y | Y | Y |
| Goa Shipyard | N | N | N | N | N | N | Y |
| Mazagon Dock Shipbuilders | N | N | N | N | N | N | Y |
| Garden Reach Shipbuilders | N | N | N | N | N | N | Y |
| Private Sector | | | | | | | |
| ABG Shipyard | Y | N | Y | N | N | Y | N |
| Bharati Defence & Infra' | Y | Y | Y | Y | N | Y | N |
| Reliance Defence & Engineering | N | Y | Y | Y | N | Y | Y |

Source: RHP, Crisilresearch, ICICI Direct Research

In the public sector, shipyards such as GRSE, MDL, CSL & Goa Shipyard have been increasing their focus towards defence. However, MDL is the only Indian shipyard that has built destroyers and conventional submarines for the Indian Navy and is one of the initial shipyards in India to manufacture Corvettes. Further, GRSE also has the capability to build frigates & corvettes.

Ship repair industry

The global ship repair industry is pegged at US\$12 billion (bn), while it is expected to reach US\$40 bn by 2028. China, Singapore, Bahrain, Dubai & other parts of Middle East account for a major part of the overall ship repair industry. Strategic location and availability of cheaper workforce have led these nations to a dominant position in the industry. India witnesses 7-9% of the global trade passing within 300 NM of the coastline but the country's share in global ship repair is less than 1%. Again, stiff competition from Asian & Middle Eastern yards on major trade routes and GST being an additional burden, make it difficult for Indian yards to gain traction. More so, out of total 27 shipyards in the country, only five to six carry out significant repair jobs.

Cochin Shipyard is one of the major public sector players in the ship repair industry with a ship repair capacity of 125000 DWT. In the private space, Reliance Naval and Larsen & Toubro have a capacity of 400000 DWT & 300000 DWT, respectively.

Major Indian ship repair yards

Major ship repair companies

Cochin Shipyard

Goa Shipyard

Hindustan Shipyard

RDEL

L&T

ABG Shipyard

Company background

Mazagon Dock Shipbuilders, is a defence public sector enterprise under MoD with a maximum shipbuilding and submarine capacity of 40000 DWT. The company is engaged in construction and repair of warships and submarines for MoD for use by the Indian Navy and other vessels for commercial clients. MDL was conferred 'Miniratna-I' status in 2006, by the DPE. MDL is India's only shipyard to have built destroyers and conventional submarines for the Indian Navy. Further, the company is also one of the initial shipyards to manufacture corvettes (Veer and Khukri Class) in India. Since 1960, MDL has built 795 vessels including 25 warships from advanced destroyers to missile boats and three submarines.

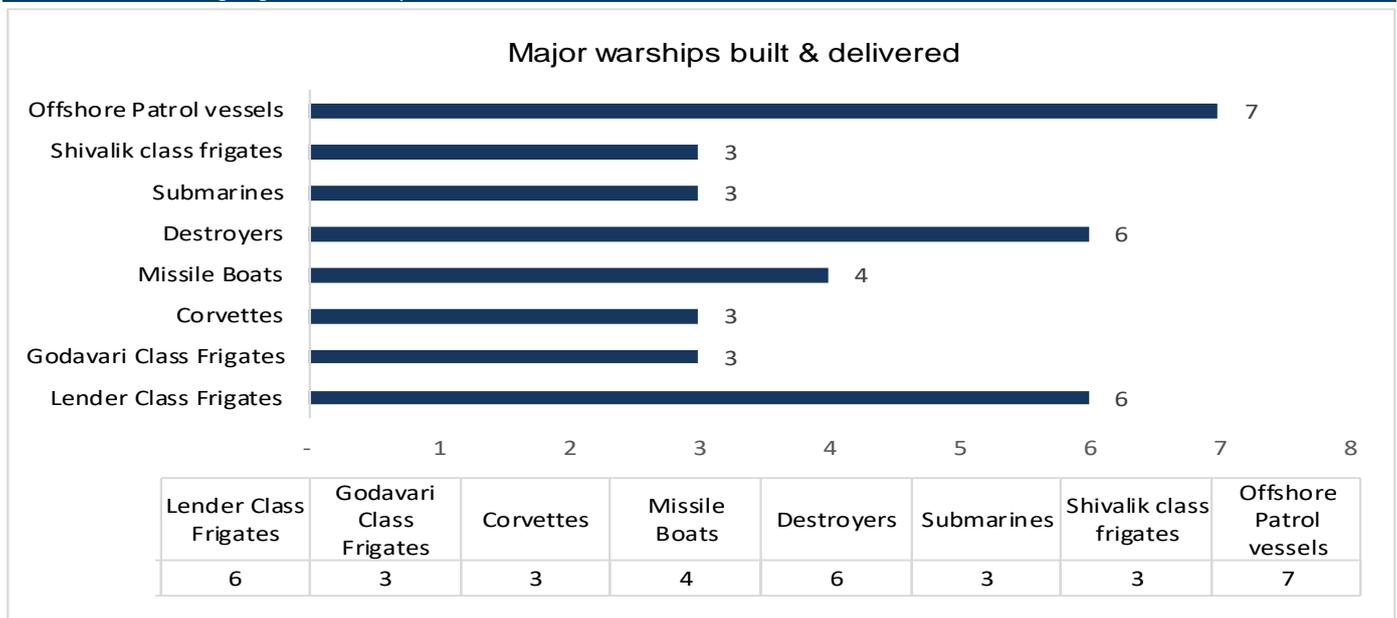
The company's facilities currently comprise three dry docks, two wet basins, three slipways, production shops, assembly shops, module shop with painting chamber for integrated construction, sheet metal shop, pipe shop, machine and fitting shop, ship dry dock and dredging, electrical repair shop and instrumentation shop for our shipbuilding division. The marine division infrastructure includes shops for fabrication of frame, sub-section assembly and section formation, cradle assembly shop for structural and equipment outfitting and final assembly, one dry dock and submarine assembly shop.

MDL has two major business divisions i.e. shipbuilding, submarine & heavy engineering. Currently, the company is building four P-15 B destroyers and four P-17A stealth frigates and undertaking repair and refit of a ship.

Journey

| | |
|------|---|
| 1934 | Incorporated as a Pvt Company |
| 1960 | Acquired by GOI |
| 1972 | Delivered 1st frigate |
| 1984 | Inaugration of submarine construction |
| 1992 | Commissioned first Indian Build submarine |
| 1997 | Commissioned first Destroyer |
| 1998 | Accredited with ISO certification |
| 2000 | Upgraded to Schedule "A" status |
| 2006 | Awarded Mini ratna-I status |
| 2009 | Implementation of ERP & system apps |
| | Signed shipbuilding contract for 4 P15B destroyers |
| 2011 | Inaugration of Mazagon Dock |
| 2014 | Modernisation project |
| | Launched 1st destroyer class ship & signed contract for 4 frigates |
| 2015 | Inaugration of new submarine section & delivery of 1 scorpene class submarine |
| 2016 | |
| 2017 | |
| 2019 | Delivery of 2nd scorpene class submarine |

Exhibit 5: MDL's highlight over the years



Source: RHP, IP, ICICI Direct Research

MDL's shipyard is strategically located on the west coast of India, on the sea route connecting Europe, West Asia and the Pacific Rim, a busy international maritime route. The company is also exploring the possibilities of developing a greenfield shipyard at Nhava, Navi Mumbai with a ship lift, wet basin, workshops and a ship repair facility spread over an area of 37 acres.

The modernisation programme at MDL was inaugurated in 2014 while the entire e-indigenisation process and list of systems, equipment and items along with the necessary technical details that are to be indigenised had been identified. The modernisation programme was taken at a cost of ₹ 900 crore. The company successfully indigenised certain equipment such as sonar dome, ship installed chemical agent detection system, bridge window glass, main batteries for Scorpene submarines, multiple cable transit glands and remote controlled valves with various companies on a no cost no commitment basis.

Post implementation, MDL's capacity of warship building increase from eight to 10 whereas submarine building capacity increased from six to 11 since 2016.

Investment Rationale

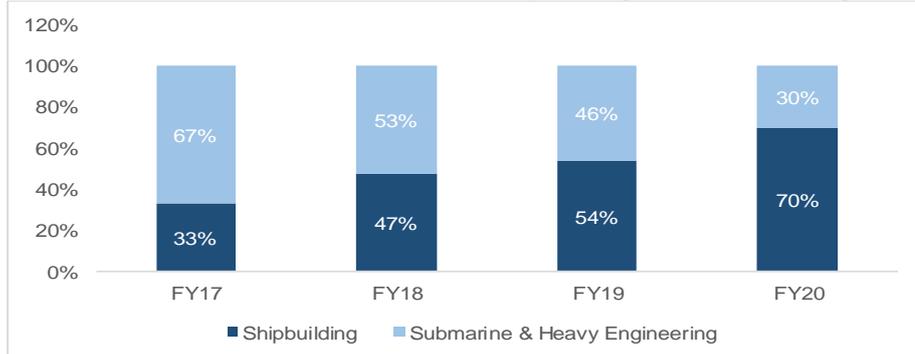
Only shipyard to have built destroyers, conventional submarine

MDL is India's only shipbuilder to have built destroyers and conventional submarines for Indian Navy. In the past, it has constructed two SSK submarines and modernised and refitted four SSK submarines. Since its inception, MDL has built and delivered 795 vessels including 25 warships, from advance destroyers to missile boats and three submarines. It has also delivered cargo ships, passenger ships, supply vessels, multi-purpose support vessels, water tankers, and tugs, dredgers, fishing trawlers, barges and border outposts for various customers in India.

MDL is a defence public sector undertaking (DPSU) mainly operating in two business divisions i) shipbuilding and ii) submarine and heavy engineering with maximum shipbuilding and marine capacity 40000 DWT.

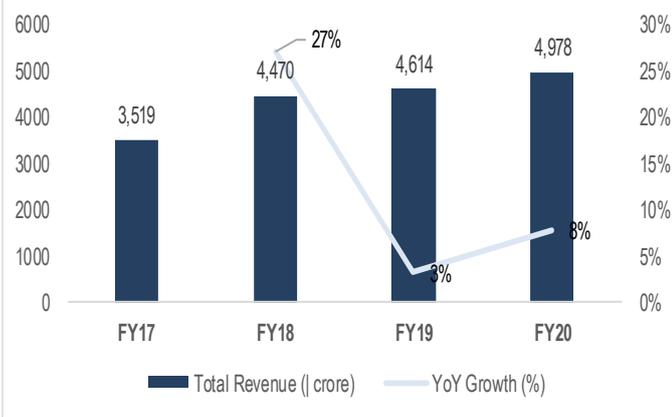
The shipbuilding division includes the building and repair of naval ships engaged in construction and repair of naval ships. It is currently building four P-15 B destroyers and four P-17A stealth frigates and repair & refit of a ship for ministry of Defence (MoD). Submarine & heavy engineering division includes building, repair and refits of diesel electric submarines. MDL currently building/ in process of delivering four Scorpene class submarines under transfer of technology agreement with Naval group, France and one medium refit submarine for MoD. It has successfully delivered two scorpene submarines, INS Kalvari and INS Khanderi for which MDL workforce was trained by Naval group of France to construct such submarine. This provides a competitive advantage to MDL as its workforce associated with the construction process are now adept with the nuances of submarine technologies. Construction and delivery of submarines can generally range from 72 to 96 months. The product offerings delivered/under construction includes frigates (P17, P17A), destroyers (P15A, P15B), multi-purpose vessels in shipbuilding division and SSK submarines, scorpene submarines.

Exhibit 6: MDL's revenue contribution from shipbuilding and submarine segment



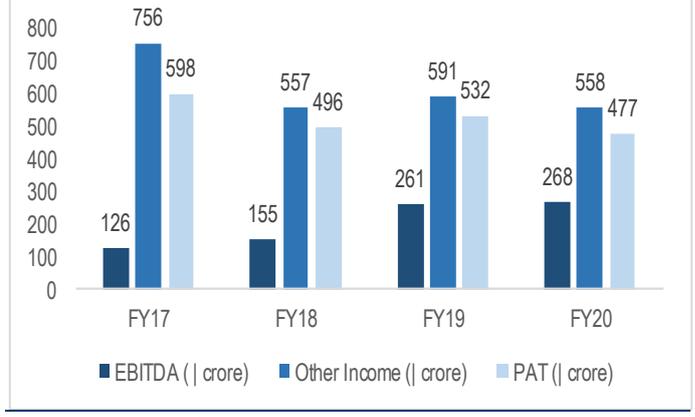
Source: RHP, Company, ICICI Direct Research

Exhibit 7: MDL's revenue trend



Source: RHP, Company, ICICI Direct Research

Exhibit 8: Consumable segment volume trend



Source: Company, RHP, Company, ICICI Direct Research

Superior infrastructure facilities, to provide significant edge

MDL has undertaken and completed the “Mazdock Modernisation Project”, which comprises new wet basin, goliath cranes, module workshop, cradle assembly shop, store building, and associated ancillary structures enabling modular integrated construction which would substantially reduce the built period in future. Post completion of modernisation, the outfitting warship capacity increased from eight warships to 11 warships since 2014 and submarine capacity from six submarines to 11 submarines since 2016.

The infrastructure and facilities available with MDL combined with its vast expertise would provide a significant edge over its domestic peers. MDL’s current facilities for shipbuilding comprise three dry docks, two wet basins, three slipways, productions shops, assembly shops, module shops, for integrated construction, ship dry dock & dredging, etc. For submarine, infrastructure includes one dry dock, shops for fabrication of frames, sub-section assembly, cradle assembly shop for structural and equipment outfitting and final assembly.

Strategic location to promote proximity with vendors, customers

MDL is strategically located on the west coast of India, on the sea route connecting Europe, West Asia and the Specific Rim, a busy international maritime route. Its customers, MoD, Indian Coast Guard and vendors are based in Mumbai, which results in closer coordination and greater efficiency as majority of sub-contractors are based near Mumbai providing easy access to labour. The location of MDL’s facilities provides a strategic competitive advantage compared to its peers.

Strong order book to provide long term revenue visibility...

MDL’s order book as on July 31, 2020 from its shipbuilding and submarine & heavy engineering segment is at ₹ 54074 crore comprising of three major shipbuilding projects and two submarine projects. The strong order book provides long term revenue visibility.

MDL expects to have a decent order pipeline in the next one to three years with several projects lined up from Indian Navy and Indian Coast Guard worth ~between ₹ 20000 and ₹ 30000 crore. MDL believes it has the competitive advantage for mega projects like six P-75i conventional submarine project (~45000 crore) and six new generation destroyers (50000 crore) to be finalised over the next three to four years. MDL is the only player to have earlier built these types of ships and submarines in India. Any mega order win over the next few years would further propel long term growth.

Exhibit 9: MDL's order book break-up

| Current order book | Nos. | Client | (₹Crore) |
|--|------|--------|---------------|
| Shipbuilding: | | | |
| P15B Destroyers | 4 | MoD | 26,385 |
| P17A Stealth Frigates | 4 | MoD | 23,649 |
| Repair, refit and services | 1 | MoD | 110 |
| Submarine and Heavy Engineering: | | | |
| P75 Scorpene Submarines | 4 | MoD | 3,202 |
| Medium refit and Life Certification (MRLC) | 1 | MoD | 827 |
| Total order book | | | 54,173 |

Source: RHP, Company, ICICI Direct Research

Focus on increasing share of ship repair and export markets...

MDL intends to increase its share of revenue from ship repair activities, which are short duration projects mainly in the defence and commercial sector, which will result in early booking of revenues, which will generate more revenues and increase client base and reduce dependency on the MoD for future orders. MDL currently has shipbuilding and submarine projects which are usually long gestation projects with revenues under contracts depending on certain millstone.

MDL is in the process of reviving its ship repairing operations and exploring possibility of developing a greenfield shipyard at Nhava, Navi Mumbai with ship lift, wet basin, workshops, stores and buildings and a ship repair facility spread over 37 acres that will be suitable for construction and repair of warships and commercial ships with larger dimensions. In all, revival of ship repair operations will result in augmentation of its revenue and profitability. The likely capex could be ~₹ 2000 crore over the course of completion of the project.

The company is also in the process of reviving the exports of defence and commercial products to Latin America, Arica, South East Asia, Middle East and Scandinavian regions and has identified certain defence and civil sectors in such regions. MDL has entered into an agreement with sales agents in order to procure customers for its products to sell in the identified markets. The company aims to increase export contribution to 15-20% of revenue over the next five to six years.

The company, in the past, exported its products to Mexico, France, Bahamas, and Yemen and intends to further increase its presence globally by establishing an international marketing team to identify potential markets.

Focus on higher indigenisation of vessel under “Make in India”

MDL intends to increase the quantum of indigenised components for its warships and submarines to give impetus to “Make in India” and “Atmanirbhar Bharat” initiatives of the government. MDL has set up the dedicated “Make in India” department to focus on bringing more indigenisation process and list out systems, equipment and items that are to be indigenised in future. MDL has introduced indigenisation clause in all its tenders where bidders have to indicate their progressive indigenisation plan.

In the past, MDL used to import equipment related to design support, model testing, evaluation, and simulation and major engineering weapon equipment and systems for its warships and submarines.

Currently, the indigenised level is ~52% for current order book. MDL has achieved ~70% indigenisation in Bravo and P-17 alpha projects. The company buys materials from local sources, while 60% of the machinery is sourced indigenously. In terms of segments, the build of platform is largely of Indian origin. In the move segment, which consists of propeller, shafts, propulsion, gas turbines, the indigenous content is 65-70%. Fight segment consists of weapons & sensors of which 50% is sourced from other nations.

Overall indigenisation component is expected to go up driven by “Make in India” campaign and Indian Navy’s intent to achieve indigenisation of Navy products by 2030.

Key risk & concerns

Predominantly dependent on MoD for defence orders...

MDL's current order book of ₹ 54074 crore constitutes 100% orders received from Ministry of Defence (MoD) and significant portion of order book is awarded on a nomination basis, which means order awarded by MoD only to MDL. Going forward, orders are likely to be awarded on competitive basis. Hence there is no assurance that future defence orders will come to MDL only. Further, recent changes in the policy framework governing defence procurement & manufacturing in India may no longer provide preference to MDL and may have an adverse impact on business growth and financial conditions.

Invocation of bank guarantees by customers may impact results

All contracts of MDL with customers provide for liquidated damages for delay of delivery. In the past, the company had to pay liquidated damages due to a delay in delivering the vessel owing to a combination of factors beyond its control. The company is also required to provide performance bank guarantees against which payments and mobilisation advances are released by its customers upon contract execution. Hence, MDL may face potential liabilities from lawsuits and claims by customers in future.

Any decline/delay in defence budget to impact growth, profits

Most of the MDL's revenues and cash flows are driven from MoD contracts and substantial contracts are on a nomination basis. The company has derived all its sales from MoD for the past four years. These contracts are dependent on continuing availability of funds being extended to MoD, which allocates funds to its customers like Indian Navy. Any disruption to the availability of such appropriations or release could adversely affect MDL's revenues and financial conditions. The amount owed to Indian Navy/MoD was ₹ 1625 crore. Further, continued economic challenges may place pressure on the Indian Budget and allocation of spending for defence procurement and manufacturing.

Customer delays in procurement to have time, cost overrun

Any delay in procurement, nomination or any other decision by its customer and collaborators may result in time and cost overrun in completion of its shipbuilding and submarine projects, which may have an adverse impact on MDL's business financial conditions and operations. For construction of 'Scorpene' submarines, Naval group, France provides technical specifications to the company. Delays in completion of procurement or non-availability of specified components, delay in finalisation of technical specifications to have adverse impact and cost overrun. Submarines generally have long gestation periods due to technological and process complexities and may face delays due to stringent defence procurement procedures.

Future growth limited by current infrastructure and location.

MDL currently operates from Mumbai, which limits its future expansion programme. The company has planned a greenfield shipyard in Nhava, Navi Mumbai on 37 acres. In the event of MDL not receiving all necessary approval, it may have to shelve the greenfield shipyard project. MDL is currently unable to optimally utilise its submarine section assembly workshop due to non-availability of submarine launch facilities, which is expected to come up in March 2021. Any further delay in availability of this facility may limit its production capacity of submarines resulting in adverse impact on business and financial situation.

Financial summary

| Exhibit 10: Profit and loss statement | | | | |
|---------------------------------------|--------------|--------------|--------------|--------------|
| | ₹ crore | | | |
| (₹Crore) | FY17 | FY18 | FY19 | FY20 |
| Net Sales | 3,519 | 4,470 | 4,614 | 4,978 |
| Other Operating Inc | - | - | - | - |
| Operating Revenue | 3,519 | 4,470 | 4,614 | 4,978 |
| % Growth | | 27.0 | 3.2 | 7.9 |
| Other income | 755.8 | 557.3 | 590.7 | 557.7 |
| Total Revenue | 4,275 | 5,055 | 5,208 | 5,543 |
| % Growth | | 18.2 | 3.0 | 6.4 |
| Raw Mtl costs | 2,175 | 2,785 | 3,165 | 2,865 |
| Employee Expenses | 729 | 886 | 689 | 793 |
| Sub-Contract | 110 | 323 | 176 | 744 |
| Power & Fuel | 26 | 23 | 19 | 17 |
| Other Expenses | 353 | 300 | 303 | 291 |
| Total Operating Exp. | 3,393 | 4,316 | 4,353 | 4,710 |
| EBITDA | 126 | 155 | 261 | 268 |
| % Growth | | 23.0 | 68.6 | 2.7 |
| Interest | 9 | 9 | 9 | 9 |
| PBDT | 872 | 703 | 842 | 816 |
| Depreciation | 42 | 52 | 64 | 69 |
| PBT & Except. items | 831 | 650 | 778 | 748 |
| Total Tax | 288 | 257 | 308 | 352 |
| PAT before MI | 543 | 394 | 470 | 396 |
| Profit/Loss of Assoc | 55.4 | 102.6 | 62.1 | 93.4 |
| Exceptional Items | - | - | - | (12.3) |
| PAT | 598 | 496 | 532 | 477 |
| % Growth | | (17.1) | 7.3 | (10.4) |

Source: RHP, Company, ICICI Direct Research

| Exhibit 11: Cash flow statement | | | | |
|---------------------------------|----------------|--------------|--------------|--------------|
| | ₹ crore | | | |
| (₹Crore) | FY17 | FY18 | FY19 | FY20 |
| Profit before tax | 831 | 650 | 778 | 735 |
| Depreciation | 42 | 52 | 64 | 71 |
| Interest | 9 | 9 | 9 | 9 |
| Others & Interest Income | (640) | (493.7) | (552.3) | (537.0) |
| CF before WC changes | 242 | 218 | 299 | 279 |
| Changes in WC | (898) | 580 | 82 | (166) |
| CF from Operatons (A) | (657) | 798 | 381 | 113 |
| Tax | (346) | (307) | (315.9) | (208.2) |
| Net Cash from Ops | (1,003) | 491 | 65 | (96) |
| (Purchase)/Sale of FA | (218) | (193) | (172) | (109) |
| CWIP | 71.2 | 13 | (3) | 9 |
| Interest received & Other: | 639 | 527.5 | 591.5 | 554.3 |
| CF from Investing (B) | 493 | 348 | 417 | 454 |
| Dividend paid | (240) | (295) | (121) | (262) |
| Buyback | | (307) | - | (337) |
| Others | (5.4) | (5.2) | (5.2) | (5.4) |
| CF from Financing © | (245) | (608) | (126) | (605) |
| Net Cash flow (A +B +C) | (755) | 231 | 356 | (246) |
| Opening Cash/Cash Eq | 898 | 143 | 374 | 730 |
| Closing Cash/ Cash Eq | 143 | 374 | 730 | 483 |

Source: RHP, Company, ICICI Direct Research

| Exhibit 12: Balance sheet | | | | |
|---------------------------|---------------|---------------|---------------|---------------|
| | ₹ crore | | | |
| (₹Crore) | FY17 | FY18 | FY19 | FY20 |
| Equity Capital | 249.0 | 224.1 | 224.1 | 201.7 |
| Reserve and Surplus | 2,741 | 2,610 | 2,993 | 2,867 |
| Total Shareholders funds | 2,990 | 2,834 | 3,217 | 3,069 |
| Non Current Liabilities | 1,433.7 | 1,419.3 | 1,406.9 | 1,436.2 |
| Current Liabilities | 14,967 | 15,117 | 16,224 | 16,461 |
| Total Debt | - | - | - | - |
| Total Liabilities | 19,391 | 19,370 | 20,848 | 20,966 |
| Net Block | 544 | 677 | 787 | 831 |
| Capital WIP | 98 | 85 | 89 | 80 |
| Other Intangible Assets | 21.4 | 28.4 | 23.0 | 17.1 |
| Total Fixed Assets | 664 | 791 | 899 | 928 |
| Financial Assets | 1,100 | 1,216 | 1,372 | 1,298 |
| Other Non-current Assets | 138.8 | 319.5 | 499.0 | 651.8 |
| Inventory | 4,029 | 3,786 | 3,790 | 4,623 |
| Debtors | 812 | 1,113 | 1,473 | 1,459 |
| Other Current Assets | 4,286 | 4,955 | 5,345 | 6,208 |
| Cash & Cash Eq | 8,363 | 7,190 | 7,470 | 5,798 |
| Total Assets | 19,391 | 19,370 | 20,848 | 20,966 |

Source: RHP, Company, ICICI Direct Research

| Exhibit 13: Key ratios | | | | |
|------------------------|-------|-------|-------|-------|
| (Year-end March) | FY17 | FY18 | FY19 | FY20 |
| EPS | 24.0 | 22.1 | 23.8 | 23.7 |
| Cash per Share | 335.9 | 320.8 | 333.3 | 287.5 |
| BV | 120.1 | 126.5 | 143.5 | 152.2 |
| Dividend per share | 80.0 | 11.0 | 4.5 | 10.8 |
| Dividend payout ratio | 333% | 49% | 19% | 46% |
| EBITDA Margin | 3.6% | 3.5% | 5.7% | 5.4% |
| PAT Margin | 17% | 11% | 12% | 10% |
| RoE | 20% | 18% | 17% | 16% |
| RoCE | 19% | 16% | 17% | 17% |
| P/E (Upper Band) | 6.0 | 6.5 | 6.1 | 6.1 |
| P/E (Lower Band) | 5.6 | 6.1 | 5.7 | 5.7 |
| Sales / Equity | 1.2 | 1.6 | 1.4 | 1.6 |
| Market Cap / Sales | 1.0 | 0.8 | 0.8 | 0.7 |
| P/BV (Upper Band) | 1.2 | 1.1 | 1.0 | 1.0 |
| P/BV (Lower Band) | 1.1 | 1.1 | 0.9 | 0.9 |
| Asset Turnover Ratio | 0.2 | 0.2 | 0.2 | 0.2 |
| Debtors Turnover Ratio | 4.3 | 4.6 | 3.6 | 3.4 |
| Debt / Equity | NA | NA | NA | NA |
| Current Ratio | 1.2 | 1.1 | 1.1 | 1.1 |
| Quick Ratio | 0.9 | 0.9 | 0.9 | 0.8 |
| No of Shaare | 24.90 | 22.41 | 22.41 | 20.17 |

Source: RHP, Company, ICICI Direct Research

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