

September 15, 2009

NOT RATED

IPO NOTE

ISSUE DETAILS*

Price Band: Rs. 55 to 60

Issue Opens on Sept 16, 2009

Issue Closes on Sept 18, 2009

*Price to be discovered through book-building route.

POST ISSUE SHAREHOLDING

Share Holder	%
Promoters & Promoters Group	39.56
Others	47.61
Eligible Employees	0.09
Public	12.74
TOTAL	100.0

BASIC OF ALLOTMENT

Allotment	%
Qualified Institutional Buyers	60
Non-Institutional Buyer	10
Retail Bidders	30

LISTING

The Stock Exchange, Mumbai
The National Stock Exchange

LEAD MANAGER

JM Financial Consultants Pvt. Ltd
Citigroup Global India Pvt. Ltd.
Enam Securities Pvt. Ltd.
SBI Capital Markets Ltd.
Kotak Mahindra Capital Co. Ltd
Motilal Oswal Investment Advisors
Karvy Computershare Pvt. Ltd.

ANALYST

Dhananjay Mishra

dhananjay.mishra@sushilfinance.com

+91 22 4093 5084

SALES

Hemendra Shah

hemendra.shah@sushilfinance.com

+91 22 4093 6210 / +91 93238 10343

Public issue of 85,450,225 equity shares of Rs. 10 each for cash at a price of Rs. [●] per equity share aggregating to Rs. [●] mn. The Issue comprises of reservation of 6,00,000 equity shares of Rs. 10 each for eligible employees and Net Issue to the public of 84,850,225 equity shares. The Net Issue will constitute 12.74% of post issue paid-up capital of the Company.

COMPANY OVERVIEW

Pipavav Shipyard Ltd (PSL), which is promoted by SKIL Infrastructure Ltd & Punj Lloyd Ltd, commenced its commercial operation on April 1, 2009. PSL is currently completing the construction of the Shipyard, located on the west coast of India adjacent to major sea lanes between the Persian Gulf and Asia. With the completion of construction, PSL will be capable of ship construction and repairs for a range of vessels of different sizes and types, including naval vessels and coast guard vessels, as well as the fabrication and construction of products such as offshore platforms, rigs, jackets and vessels for oil & gas companies.

HIGHLIGHTS

- The Company has already commenced construction of four vessels, the first of which is expected to be delivered in April 2010, and subsequent deliveries are expected at intervals ranging from 1-3 months thereafter. PSL is simultaneously completing construction of the offshore yard and installation of two Goliath cranes at the Pipavav Shipyard. The construction of the Pipavav Shipyard (excluding the offshore yard) is expected to be completed in October 2009.
- The Company has teamed up with one of India's leading engineering companies involved in the offshore sector, Punj Lloyd Ltd. (PLL). This will help the Company fast track into this growing sector since PLL is pre-qualified with the major exploration and development companies operating in Indian waters. PLL has also taken a substantial shareholding in PSL.
- PSL is spread over an aggregate area of 198.92 hectares (approx. 491.53 acres), comprising an SEZ unit spread over 95 hectares (approx. 234.75 acres) and an EOU spread over 103.92 hectares (approx. 256.79 acres). The two sites are connected by a dedicated corridor road of approximately 4.5 km length built by the Company.
- The construction of the Pipavav Shipyard includes: (i) conversion of one of the two existing wet docks into a dry dock measuring an area of (662x65) square meter, which is capable of accommodating ships of up to 400,000 DWT and/or multiple combinations of smaller vessels including vessels catering to offshore activities such as offshore supply vessels (OSVs), anchor handling tug supply vessels (AHTSVs) and multi-purpose support vessels (MSVs), (ii) the construction of a fabrication and block assembly facility for shipyard operations, (iii) the establishment of dedicated facilities comprising an offshore yard with load out facilities for Offshore Business Products, and (iv) the installation of two Goliath cranes, each having a lifting capacity of up to 600 tonnes, for building and repairing vessels, including naval vessels and coast guard vessels.
- PSL's current order book stands at US\$ 931.6 mn, which includes US\$ 819.8 mn (Rs.39,242 mn) orders from Golden Ocean, AVGL, and Setaf for the construction of 22 Panamax bulk-carriers of 74,500 DWT each, and US\$ 111.8 (Rs. 5,354 mn) orders from ONGC for construction of 12 OSVs. Orders worth US\$ 446.3 mn (48% of the current order book) are under negotiation and could result in reduction in order value. The Company has also submitted bids for five naval offshore patrol vessels and two cadet training ships worth Rs. 70,000 mn.
- The total estimated cost of the project is Rs. 29,951 mn of which Rs. 20,860.4 mn has already been spent and Rs. 4,233 mn will be financed from net proceeds. As on June 30, 2009, PSL has tied up equity worth Rs. 12,598.8 mn and debt worth Rs. 9,510 mn.
- As PSL commenced operation in April 2009 and the first Panamax bulk-carrier is expected to be delivered in April 2010. Hence, no significant revenues booking is expected in FY10. A large part of current order book is expected to reflect in revenues during FY11 & FY12. At the upper end of the IPO price band (Rs.60), the stock will be valued at 2.3x P/BV (post issue, on fully diluted Equity).

PROFIT & LOSS STATEMENT (Cons.) (Rs. mn)

Year Ending March	FY07 12m	FY08 12m	FY09 12m
Net sales	0.0	0.0	0.0
% Ch. YoY	-	-	-
Total Expenditure	-	159.6	392.6
% STO	-	-	-
PBIDT	-	(159.6)	(392.6)
% Margin	-	-	-
Interest	-	0.8	129.6
% of STO	-	-	-
PBDT	-	(160.4)	(522.2)
% Margin	-	-	-
Depreciation	-	1.9	1.6
% of STO	-	-	-
PBT excl. OI	-	(162.2)	(523.8)
% Margin	-	-	-
Other Income	-	277.5	617.8
% YoY	-	-	-
PBT incl OI	-	115.3	94.0
% Margin	-	-	-
Tax	0.9	67.7	46.7
% of PBT	-	-	-
CON APAT	(0.9)	47.6	47.3
% Margin	-	-	-
Extraordinary Exp./ (Income)	-	(0.6)	(1.3)
CON RPAT	(0.9)	48.2	48.6
% Margin	-	-	-

Source : Company

BALANCE SHEET STATEMENT (Cons.) (Rs.mn)

As on 31 st March	FY07 12m	FY08 12m	FY09 12m
Equity Share Capital	2942.4	5796.9	5803.5
Reserves and Surplus	993.9	6662.1	6743.7
Networth	3936.3	12459.0	12547.2
Secured Loans	3365.9	2943.1	7745.9
Unsecured Loans	1297.4	982.1	3790.2
Total Loan funds	4663.3	3925.2	11536.1
Capital Employed	8599.6	16384.1	24083.2
Gross Block	304.8	386.2	716.5
Less: Depreciation	42.7	51.4	80.7
Net Block	262.1	334.8	635.9
Cap. WIP	7468.7	12480.3	22738.9
Fixed Assets	7730.8	12815.1	23374.8
Investments	333.1	1759.0	484.5
Sundry Debtors	0.0	0.0	0.0
Cash & Bank Bal	1104.3	8449.3	6618.3
Loans & Advances	40.7	1143.8	1604.8
Inventories	0.0	571.4	3182.9
Curr Assets, Loans & Adv	1145.0	10164.5	11406.1
Curr Liabilities	605.8	8281.8	11060.6
Provisions	3.6	72.7	121.6
Curr Liab & Prov	609.3	8354.5	11182.1
Net Current Assets	535.7	1810.0	224.0
Net Deferred Tax	0.0	0.0	0.0
Misc. Expenditure	0.0	0.0	0.0
Total Assets	8599.6	16384.1	24083.2

Source : Company

Additional information with respect to any securities referred to herein will be available upon request.

This report has been prepared for information purposes only and is not a solicitation, or an offer, to buy or sell any security. It does not purport to be a complete description of the securities, markets or developments referred to in the material. The information on which the report is based has been obtained from various sources (including the draft prospectus, subject to change in the final prospectus). Which we believe to be reliable, but we have not independently verified such information and we do not guarantee that it is accurate or complete. All expressions of opinion are subject to change without notice.

Sushil Finance Consultants Ltd., and its connected companies, and their respective directors, officers and employees (to be collectively known as SFCL), may, from time to time, have a long or short position in the securities mentioned and may sell or buy such securities. SFCL may act upon or make use of information contained herein prior to the publication thereof.

Rating Scale:	A+ Excellent	B+ Good	C+ Below Average
	A Very Good	B Average	C Avoid

Rating Interpretation: **B+ and above**....Investment Grade
B and below....Non-Investment Grade

This document is for information purpose only. The information and recommendation made herein are from reliable sources and to the best of our knowledge. The publication is not responsible for any error therein, or for any loss or damages, arising to anyone from the use of information provided.

Please go through the Red Herring Prospectus containing the salient features of the issue before applying.