

01st February 2024

CMP – ₹910.4/-

View – **ACCUMULATE**

Q3FY24 Result Highlights

- **Cochin Shipyard Ltd (CSL) Q3FY24 Revenue ~62% YoY to ₹10.2bn** as strong performance in ship repair was more than offset by weak ship building execution. Revenue for 9MFY24 grew 38% YoY to ₹24.2bn, but the company still needs 100% growth in Q4FY24 to meet its FY24 guidance, which looks difficult. EBITDA margin at 30.5% grew 611 bps YoY and 1007 Bps QoQ. The company on 19Dec23, won a ₹4.9bn (work commenced in Q2FY24) ship repair contract, which needs to be executed in a very short period (by Q1FY25); hence, a large part of the margin beat, in our view, is driven by this contract and we expect margins to normalize in the ship repair segment to 18-19% over the coming quarters. Also, on 31Jan24 it bagged an order worth '5bn from an European Client, for the design and construction of one no. of hybrid Service Operation Vessel (SOV). The board declared 2nd interim dividend ₹3.5 per share (F.V of ₹5/-) in addition to the 1st interim dividend of ₹8 per share.
- **IAC order will be a major boost** – During its Q2FY24 earnings call, CSL's management indicated that a repeat INS Vikrant (IAC-1); order is very close to being considered by the Defense Acquisition Council. During the Dec'23 Defense Acquisition Council meet, no such approval was given for the IAC order and the likelihood of this approval seems low before the Indian general election; however, given CSL's past track record it is in the pole position to win the order.
- **Healthy pipeline of defense and non-defense orders to aid order wins** – CSL, at end-Q2FY24, indicated a healthy prospect pipeline of ₹130bn from defense and non-defense customers, which could be a bid out in the short term. It is also looking at the ₹840bn pipeline of mainly defense contracts, which would be bid out in the medium term, providing strong visibility in the coming years. However, we note three recent contracts (Fast Patrol Vessels, Ocean Research Vessel and NG Offshore Patrol Vessels) have been won by other defense shipyards; hence, competition is healthy across orders.

Important Statistics

Nifty	21,726
Sensex	71,752
MCAP (₹ bn)	234.9
52-week H/L (₹)	945/205
NSE Code	COCHINSHIP
BSE Code	540678
Bloomberg Code	COCHIN:IN

Shareholding pattern	Dec'23 (%)
Promoters	72.9
FII	2.2
DII	4.1
Public & Others	20.8

	(₹ mn)		
Particulars	FY21	FY22	FY23
Net Revenue	28,189	31,900	23,305
EBITDA	7,198	6,305	2,651
EBITDA Margin (%)	25.5	19.8	11.4
Net Profit	6,102	5,866	3,345
EPS (₹)	46.4	44.6	25.4
DPS (₹)	15.5	16.8	17.0
RoE (%)	15.6	14.1	7.6
RoCE (%)	14.2	11.2	4.4
P/E (x)	39.2	40.8	71.6
EV/EBITDA (x)	30.6	33.4	73.7
P/BV (x)	5.9	5.5	5.4

Particulars	FY24E	FY25E	FY26E
Net Revenue	35,612	45,349	67,551
EBITDA	7,939	7,062	10,216
EBITDA Margin (%)	22.3	15.6	15.1
Net Profit	7,199	6,031	8,487
EPS (₹)	27.4	22.9	32.3
DPS (₹)	18.0	20.0	22.0
RoE (%)	15.6	12.1	15.2
RoCE (%)	12.4	11.9	12.6
P/E (x)	33.3	39.7	28.2
EV/EBITDA(x)	24.1	25.8	17.7
P/BV (x)	4.8	4.5	4.1

Source: Company, Way2Wealth

View

With an order backlog of ₹225bn CSL ideally should have an execution schedule of over +₹40bn in revenue till FY25. The key surprise for FY25 execution, however, lies in the ASW Corvette orders, sustainable ship repairs, and gradual ramp-up in the NGMV order. With major upside from additional big ticket order wins like IAC-2, or stronger inroads into dredging and allied verticals. **Hence, we continue to maintain our ACCUMULATE stance with the stock trading at P/E 28.2x FY26E EPS of ₹32.3.**

Relative Performance

Return(%)	1Yr	3Yr	5Yr
Cochin Shipyard	295.2	534.3	661.0
Nifty-50	23.5	52.3	99.7
Sensex	20.2	47.6	96.7

Source: Company, Way2Wealth

Jayakanth Kasthuri

jayakanthk@way2wealth.com
91-22-4019 2914

01st February 2024

CMP – ₹910.4/-

 View – **ACCUMULATE**
FINANCIAL PERFORMANCE

(₹ mn)

Particulars	Q3FY24	Q3FY23	YoY(%)	Q2FY24	QoQ (%)	9MFY24	9MFY23	YoY (%)
Revenue	10,214	6,309	61.9	9,542	7.0	24,198	17,535	38.0
EBITDA	3,115	1,539	102.4	1,949	59.8	5,885	3,272	79.9
EBITDA Margin (%)	30.5	24.4	610	20.4	1,007	24.3	18.7	566
Net Profit	2,480	1,184	109.5	1,910	29.9	5,484	2,873	90.9
EPS (₹)	9.4	4.5	109.5	7.3	30	20.8	10.9	90.9

Source: Company, Way2Wealth

SEGMENTAL PERFORMANCE

(₹ mn)

Revenue	Q3FY24	Q3FY23	YoY (%)	Q2FY24	QoQ(%)	9MFY24	9MFY23	YoY (%)
Ship Building	7,182	4,523	58.8	7,023	2.3	17,143	13,298	28.9
Ship Repair	3,033	1,786	69.8	2,519	20.4	7,055	4,236	66.5
EBIT								
Ship Building	2,068	1,158	78.6	1,474	40.4	4,168	2,956	41.0
% Margin	28.8	25.6	320	21.0	782	24.3	22.2	208
Ship Repair	1,258	580	116.9	687	83.0	2,310	746	209.6
% Margin	41.5	32.5	900	27.3	1,418	32.7	17.6	1,513

Source: Company, Way2Wealth

FINANCIALS & VALUATIONS

(₹ mn)

Particulars	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Revenue	29,622	34,194	28,189	31,900	23,305	35,612	45,349	67,551
EBITDA	5,717	7,088	7,198	6,289	2,651	7,939	7,062	10,216
EBITDA Margin (%)	19.3	20.7	25.5	19.7	11.4	22.3	15.6	15.1
Net Profit	4,812	6,377	6,102	5,866	3,345	7,199	6,031	8,487
EPS (₹)	36.6	48.5	46.4	44.6	25.4	27.4	22.9	32.3
DPS (₹)	13	15	15.5	16.8	17.0	18.0	20.0	22.0
RoE (%)	14.6	18.1	15.6	14.1	7.6	15.6	12.1	15.2
RoCE (%)	15.4	15.5	14.2	11.2	8.5	12.4	11.9	12.6
Cash Balances	25,772	21,952	22,089	32,127	46,718	47,761	55,738	54,781
FCF	(7,322)	(2,100)	3,122	11,908	17,226	3,409	11,532	10,462
P/E (x)	49.8	37.6	39.2	40.8	71.6	33.3	39.7	28.2
EV/EBITDA(x)	37.0	31.0	30.6	33.4	73.7	24.1	25.8	17.7
P/BV (x)	7.2	6.4	5.9	5.5	5.4	4.8	4.5	4.1

Source: Company, Way2Wealth

01st February 2024

CMP – ₹910.4/-

View – **ACCUMULATE**

Disclaimer

Analyst Certification: I, Jayakanth Kasthuri, the research analyst and author of this report, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst(s), principally responsible for the preparation of this research report, receives compensation based on overall revenues of the company (Way2Wealth Brokers Private Limited, hereinafter referred to as Way2Wealth) and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

It is confirmed that Jayakanth Kasthuri, the author of this report has not received any compensation from the companies mentioned in the report in the preceding 12 months. Our research professionals are paid in part based on the profitability of Way2Wealth, which include earnings from other business. Neither Way2Wealth nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information contained in this report.

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. Way2Wealth is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. The contents of this material are general and are neither comprehensive nor appropriate for every individual and are solely for the informational purposes of the readers. This material does not take into account the specific objectives, financial situation or needs of an individual/s or a Corporate/s or any entity/s.

This research has been prepared for the general use of the clients of the Way2Wealth and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient, you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Way2Wealth will not treat recipients as customers by virtue of their receiving this report. The distribution of this document in other jurisdictions may be restricted by the law applicable in the relevant jurisdictions and persons into whose possession this document comes should inform themselves about, and observe any such restrictions.

The report is based upon information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up to date and it should not be relied upon as such. Way2Wealth or any of its affiliates or employees makes no warranties, either express or implied of any kind regarding any matter pertaining to this report, including, but not limited to warranties of suitability, fitness for a particular purpose, accuracy, timeliness, completeness or non-infringement. We accept no obligation to correct or update the information or opinions in it. Way2Wealth or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. The recipients of this report should rely on their own investigations. In no event shall Way2Wealth be liable for any damages of any kind, including, but not limited to, indirect, special, incidental, consequential, punitive, lost profits, or lost opportunity, whether or not Way2Wealth has advised of the possibility of such damages.

This material contains statements that are forward-looking; such statements are based upon the current beliefs and expectations and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements. These uncertainties include but are not limited to: the risk of adverse movements or volatility in the securities markets or in interest or foreign exchange rates or indices; adverse impact from an economic slowdown; downturn in domestic or foreign securities and trading conditions or markets; increased competition; unfavorable political and diplomatic developments; change in the governmental or regulatory policies; failure of a corporate event and such others. This is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or instrument or to participate in any particular trading strategy. No part of this material may be copied or duplicated in any form by any means or redistributed without the written consent of Way2Wealth. In no event shall any reader publish, retransmit, redistribute or otherwise reproduce any information provided by Way2Wealth in any format to anyone. Way2Wealth and its affiliates, officers, directors and employees including persons involved in the preparation or issuance of this report may from time to time have interest in securities / positions, financial or otherwise in the securities related to the information contained in this report.

To enhance transparency, Way2Wealth has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report.

Disclosure of Interest Statement Cochin Shipyard Ltd. as on 01st February 2024

Name of the Security	Cochin Shipyard Ltd.
Name of the analyst	Jayakanth Kasthuri
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
Way2Wealth ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
Investment Banking relationship with company covered	NIL

This information is subject to change without any prior notice. Way2Wealth reserves at its absolute discretion the right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, Way2Wealth is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.