

04th June 2024

CMP – ₹1922.0/-

View – **ACCUMULATE**

Q4FY24 Result Highlights

- CSL reported topline of ₹12.3bn, +2x YoY and +20% QoQ, driven by strong growth in shipbuilding and ship-repair segments which grew 112% YoY and 114% YoY respectively. The EBITDA came in at profit of ₹2.9bn v/s loss of ₹662mn YoY and profit of ₹3.1bn QoQ with margins at 23.4% compared to -11.5% YoY and 30.5% QoQ. The ship repair segment reported the second-consecutive quarter of +40% segment in EBIT margins, with FY24 segmental margins coming in at a multi-year high of 36.1%. The Shipbuilding margin for Q4FY24/FY24 came in at 19.7%/22.7% compared to -20.1%/11.8% in Q4FY23/FY23 respectively. The company had at the end-Q2FY24, a large ship repair contract worth ₹4.9bn for the repair and maintenance of the equipment and systems for INS Vikrant to be executed until end-Jun'24. We are likely to witness ship repair revenues and margins as largely driven by this order, and likely to remain elevated through Q1FY25. PAT at ₹2.5bn grew ~6x YoY and ~7% QoQ.
- For FY25, the management has guided 20-25% topline growth driven mainly by the pick-up in the execution of defense contracts. However, the EBITDA margin guidance was at 17-19%. Further, after the commissioning of the new ship repair and dry dock facility, the company expects a significant rise in its depreciation impact which is likely to lead to YoY decline in net profit in FY25.
- Clarity with regards to IAC-2 still uncertain. If and when received, the execution is likely to start in FY27 after awarding and approval is completed. Most likely to be taken up post the new government formation where it is likely to win the order considering its expertise and track record of delivering the previous IAC-1 order. Market experts estimate that the repeat order likely to be 8-10% lower cost than IAC-1 with 7 yrs execution period.
- Order back log as on Mar'24 was at ~₹200bn. Defence shipbuilding order at ₹152.25bn, Commercial-Domestic at ₹12.6bn, Commercial-Export at ₹34.8bn, Subsidiaries Hooghly Cochin Shipyard Limited (HCSL) and Udupi Cochin Shipyard Limited (UCSL) are at ₹9.6bn and Ship repair at ₹12.5bn.
- Within the Commercial segment, 59% (worth ₹27.89bn) of the order book is for Green energy vessels.
- Most of the vessels under construction like 8 Nos. ASW SWC Corvette for Indian Navy, 23 Nos. Hybrid Electric Catamaran Hull Vessels for KMRL, 8 Nos. 7K Multipurpose Vessel for European Clients, Trailer Suction Hopper Dredge, Hydrogen Fuel Cell Vessel and 8 Nos. (two already delivered) Electric Catamaran Ferry for IWAI to be delivered in FY25/26.
- CSL's order pipeline at the end-Q4FY24 at ₹100bn from defense and non-defense customers, with Commercial-Exports at ₹65bn, vessels for domestic clients at ₹20bn and Government projects at ₹15bn. Other projects proposal- RFI/Mid-stage at ₹500bn.

Important Statistics

Nifty	22,627
Sensex	74,520
MCAP (₹ bn)	505.6
52-week H/L (₹)	2100/245
NSE Code	COCHINSHIP
BSE Code	540678
Bloomberg Code	COCHIN:IN

Shareholding pattern Mar'24 (%)	
Promoters	72.9
FII	2.5
DII	5.2
Public & Others	19.5

Financials

Particulars	(₹ mn)		
	FY21	FY22	FY23
Net Revenue	28,189	31,900	23,305
EBITDA	7,198	6,289	2,651
EBITDA Margin (%)	25.5	19.7	11.4
Net Profit	6,102	5,866	3,345
EPS (₹)	23.2	22.3	12.7
DPS (₹)	15.5	16.8	17.0
RoE (%)	15.6	14.1	7.6
RoCE (%)	14.2	11.2	4.4
P/E (x)	82.9	86.2	151.2
EV/EBITDA (x)	68.2	76.5	175.3
P/BV (x)	12.5	11.5	11.4

Particulars	(₹ mn)		
	FY24P	FY25E	FY26E
Net Revenue	36,453	46,917	53,552
EBITDA	8,747	8,295	9,187
EBITDA Margin (%)	24.0	17.7	17.2
Net Profit	8,131	7,144	7,791
EPS (₹)	30.9	27.2	29.6
DPS (₹)	5.8	8.0	10.0
RoE (%)	16.2	13.8	13.6
RoCE (%)	14.8	10.3	11.1
P/E (x)	62.2	70.8	64.9
EV/EBITDA(x)	54.0	54.3	46.9
P/BV (x)	10.1	9.3	8.5

Source: Company, Way2Wealth

View

CSL reported strong Q4FY24 and FY24 performance on the back of one-off ship repair order and commercial green vessels orders received from European clients. We are likely to witness margin around 17-19% going forward. With an order backlog of ₹200bn, the topline should likely be over ₹45bn in revenue till FY26. The key drivers 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 64.9x FY26E EPS of ₹29.6.**

Relative Performance

Return(%)	1Yr	3Yr	5Yr
Cochin Shipyard	597.6	1006.4	1091.9
Nifty-50	21.7	44.4	88.2
Sensex	18.7	43.0	85.9

Source: Company, Way2Wealth

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 View – **ACCUMULATE**
FINANCIAL PERFORMANCE

(₹ mn)

Particulars	Q4FY24	Q4FY23	YoY(%)	Q3FY24	QoQ (%)	FY24	FY23	YoY (%)
Revenue	12,255	5,770	112.4	10,214	20.0	36,453	23,305	56.4
EBITDA	2,862	(662)	532.4	3,115	(8.1)	8,747	2,651	230.0
EBITDA Margin (%)	23.4	(11.5)	3,482	30.5	(714)	24.0	11.4	1,262
Net Profit	2,647	473	459.1	2,480	6.7	8,131	3,345	143.1
EPS (₹)	10.1	1.8	459.1	9.4	6.7	30.9	12.7	143.1

Source: Company, Way2Wealth

SEGMENTAL PERFORMANCE

(₹ mn)

Revenue	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ(%)	FY24	FY23	YoY (%)
Ship Building	9,246	4,366	111.8	7,182	28.7	26,389	17,665	49.4
Ship Repair	3,009	1,404	114.4	3,033	(0.8)	10,064	5,640	78.4
EBIT								
Ship Building	1,824	(878)	(307.7)	2,068	(11.8)	5,992	2,078	188.4
% Margin	19.7	(20.1)	3,985	28.8	(907)	22.7	11.8	1,094
Ship Repair	1,322	209	533.0	1,258	5.1	3,632	955	280.4
% Margin	43.9	14.9	2,906	41.5	247	36.1	16.9	1,916

Source: Company, Way2Wealth

FINANCIALS & VALUATIONS

(₹ mn)

Particulars	FY19	FY20	FY21	FY22	FY23	FY24P	FY25E	FY26E
Net Revenue	29,622	34,194	28,189	31,900	23,305	36,453	46,917	53,552
EBITDA	5,717	7,088	7,198	6,289	2,651	8,747	8,295	9,187
EBITDA Margin (%)	19.3	20.7	25.5	19.7	11.4	24.0	17.7	17.2
Net Profit	4,812	6,377	6,102	5,866	3,345	8,131	7,144	7,791
EPS (₹)	18.3	24.2	23.2	22.3	12.7	30.9	27.2	29.6
DPS (₹)	13	15	15.5	16.8	17.0	5.8	8.0	10.0
RoE (%)	14.6	18.1	15.6	14.1	7.6	16.2	13.8	13.6
RoCE (%)	15.4	15.5	14.2	11.2	4.4	14.8	10.3	11.1
Cash Balances	25,772	21,952	22,089	32,127	46,718	37,840	53,461	71,034
FCF	(7,322)	(2,100)	3,122	11,908	20,190	(1,766)	16,473	20,303
P/E (x)	105.1	79.3	82.9	86.2	151.2	62.2	70.8	64.9
EV/EBITDA(x)	84.4	69.2	68.2	76.5	175.3	54.0	54.3	46.9
P/BV (x)	15.2	13.6	12.5	11.5	11.4	10.1	9.3	8.5

Source: Company, Way2Wealth

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Disclosure of Interest Statement Cochin Shipyard Ltd. as on 04th June 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
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