

09th February 2024

CMP – ₹872.4/-

View – **ACCUMULATE**

9MFY24 Result Highlights

Cochin Shipyard Ltd (CSL) hosted its 9MFY24 Earnings call following are the key pointers:

- Guided revenue growth of 12-15% for FY25 with higher margins of 18-19% compared to historical 15-16% driven by shift of job mix more towards ship repairs.
- The upward revision in guidance was primarily driven by the increasing mix of short-cycle ship repair revenue over the medium term (likely CAGR of 22% in ship repair revenue estimated in the next 4-5 years). Recently, CSL won two ship repair contracts worth ₹8bn and expects such contracts to continue over the medium term. With the new ship repair facility inaugurated in Jan'24, the company has additional capacity to undertake ship repair contracts. It has retained its previous FY24 revenue guidance.
- Refrained from commenting on IAC-2 compared to optimism in Q2FY24 earnings call where the management stated that they were close to consideration by the Defence Acquisition council in its meeting (no approval was given).
- Most likely to be taken up post general elections in Apr-May'24 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 Dec'23 was at ~₹229bn. Defence shipbuilding order is at ₹160.64bn, Commercial-Domestic is at ₹12.6bn, Commercial-Export at ₹26.88bn, Subsidiaries Hooghly Cochin Shipyard Limited (HCSL) & Udupi Cochin Shipyard Limited (UCSL) are at ₹6.96bn and Ship repair at ₹7bn.
- Within the Commercial segment, 52% (worth ₹20.59bn) 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 2 Nos. Electric Catamaran Feery for IWAI are to be delivered in FY25.
- **Near-term order pipeline looks challenging** – CSL's order pipeline at end-Q3FY24 is now down to ₹90bn from defense and non-defense customers. This is significantly below ₹160/130bn at end- Q1FY24/Q2FY24. The company has lost three recent contracts (Fast Patrol Vessels, Ocean Research Vessel and NG Offshore Patrol Vessels) to other shipyards. All indicating muted near-term ordering over the next 12 months. The medium-term pipeline remains steady at ₹840bn.
- **In the commercial-Domestic and Export Shipbuilding**, order pipeline is estimated at ₹74.6bn as per the management.

Important Statistics

Nifty	21,655
Sensex	71,360
MCAP (₹ bn)	229.5
52-week H/L (₹)	945/206
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)	37.6	39.1	68.6
EV/EBITDA (x)	29.9	32.6	71.6
P/BV (x)	5.7	5.2	5.2

Particulars	FY24E	FY25E	FY26E
Net Revenue	35,608	41,108	53,552
EBITDA	7,928	7,339	9,642
EBITDA Margin (%)	22.3	17.9	18.0
Net Profit	7,172	6,210	7,896
EPS (₹)	27.3	23.6	30.0
DPS (₹)	18.0	20.0	22.0
RoE (%)	15.2	11.9	13.8
RoCE (%)	11.9	9.8	11.4
P/E (x)	32.0	37.0	29.1
EV/EBITDA(x)	23.3	23.9	18.3
P/BV (x)	4.7	4.4	4.0

Source: Company, Way2Wealth

Relative Performance

Return(%)	1Yr	3Yr	5Yr
Cochin Shipyard	288.1	511.6	666.1
Nifty-50	21.9	42.8	99.9
Sensex	18.1	38.4	97.4

Source: Company, Way2Wealth

View

With an order backlog of ₹229bn 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 29.1x FY26E EPS of ₹30.0.**

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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	35,608	41,108	53,552
EBITDA	5,717	7,088	7,198	6,289	2,651	7,928	7,339	9,642
EBITDA Margin (%)	19.3	20.7	25.5	19.7	11.4	22.3	17.9	18.0
Net Profit	4,812	6,377	6,102	5,866	3,345	7,172	6,210	7,896
EPS (₹)	36.6	48.5	46.4	44.6	25.4	27.3	23.6	30.0
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	15.2	11.9	13.8
RoCE (%)	15.4	15.5	14.2	11.2	8.5	11.9	9.8	11.4
Cash Balances	25,772	21,952	22,089	32,127	46,718	47,684	56,943	58,429
FCF	(7,322)	(2,100)	3,122	11,908	17,226	3,394	12,578	9,634
P/E (x)	47.7	36.0	37.6	39.1	68.6	32.0	37.0	29.1
EV/EBITDA(x)	36.1	30.2	29.9	32.6	71.6	23.3	23.9	18.3
P/BV (x)	6.9	6.2	5.7	5.2	5.2	4.7	4.4	4.0

Source: Company, Way2Wealth

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Disclosure of Interest Statement Cochin Shipyard Ltd. as on 09th 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
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