

### Q2FY24 Result Highlights

- **Overall strong execution in Q2FY24** – Cochin Shipyard Ltd (CSL) reported ₹9.54bn in revenues, +39.4% YoY & +114.8% QoQ with ship-building contribution to the topline at ₹7bn,+16% YoY. The ship repair segment grew ~62% YoY to ₹2.52bn. The ship repair EBIT margin was at 27.3% while that of ship building was at 21.0%. Robust execution aided margins. EBITDA was at ₹1.95bn as compared to ₹1.35mn YoY with margin at 20.4% v/s 19.8% YoY and 18.5% QoQ. Net Profit was at ₹1.91bn, +69.3% YoY and +74.6% QoQ. Interim dividend of ₹8/- per share (F.V. ₹10/-) was approved by the management.
- **CSL prospective order pipeline of ₹840bn over medium term** – At end-Q1FY24, the management estimated healthy prospect pipeline of ₹160bn from defense and non-defense customers, which could be bid out over the short term. The company is also looking at ₹840bn pipeline of mainly defense contracts, which would be bid out over the medium term (landing platform docks and corvettes), providing strong visibility in the coming years. According to CSL, the European short-sea market is expected to see a large replacement demand for 2,000-2,500 of short-sea vessels over the next decade.
- **CSL and Navy expecting for repeat IAC order** – The Indian navy is eyeing a repeat order of INS Vikrant (IAC-1); CSL's past track record places it in the pole position to win the order. Currently, in our estimates, we factor in the potential repeat order at a 10% lower cost than IAC-1 and seven-year execution period. The outcome of the repeat IAC order holds the key for the CSL stock, in our view. The industry chatter is: if not the ₹400bn order, Indian Navy may propose the ₹200bn order. Given that progress remains weak since 2015, the Indian Navy is reportedly contemplating an austere version of the IAC-1. Moreover, Indian Navy wants a three-carrier force—one for each seaboard and one in reserve—to augment its burgeoning operational ambitions. Note, INS Vikramaditya commissioned in late 2013, would be nearing retirement by the time IAC-2 is inducted (before 2035).
- The Vikrant, industry experts believe, is an older design that is almost out of date. China's own first domestically-made aircraft carrier, the Shandong, was commissioned in 2019. However, both are modified Soviet-era designs. That said, INS Vikrant is a generation behind the design of China's latest aircraft carrier the high-tech Fujian, launched in Jun'22.

### Important Statistics

Nifty	19,446
Sensex	64,998
MCAP (₹ bn)	136.0
52week H/L (₹)	1258/411
NSE Code	COCHINSHIP
BSE Code	540678
Bloomberg Code	COCHIN:IN

Shareholding pattern	Sep'23 (%)
Promoters	72.9
FII	2.3
DII	5.8
Public & Others	19.1

(₹ mn)			
Particulars	FY20	FY21	FY22
Net Revenue	34,194	28,189	31,900
EBITDA	7,088	7,198	6,305
EBITDA Margin (%)	20.7	25.5	19.8
Net Profit	6,377	6,102	5,866
EPS (₹)	48.5	46.4	44.6
DPS (₹)	15.0	15.5	16.8
RoE (%)	18.1	15.6	14.1
RoCE (%)	15.5	14.2	11.2
P/E (x)	21.3	22.3	23.2
EV/EBITDA (x)	17.0	16.9	17.7
P/BV (x)	3.6	3.4	3.1

Particulars	FY23	FY24E	FY25E
Net Revenue	23,305	38,312	49,909
EBITDA	2,651	5,679	7,136
EBITDA Margin (%)	11.4	14.8	14.3
Net Profit	3,345	5,517	5,947
EPS (₹)	25.4	42.0	45.2
DPS (₹)	17.0	18.0	20.0
RoE (%)	7.6	11.8	12.0
RoCE (%)	4.4	11.2	11.9
P/E (x)	40.6	24.6	22.9
EV/EBITDA(x)	36.4	16.1	11.7
P/BV (x)	3.1	2.9	2.7

Source: Company, Way2Wealth

### View

CSL reported strong Q2FY24 performance on the back of surge in execution both in ship building and repair. It remains on track to achieve its guidance of 64% top-line growth in FY24. Lastly, while margins have a high variation across quarters, 1HFY24 EBITDA margins came in at 19.8%, significantly ahead of the guided range of 14-15%. It has achieved only 36% for its FY24 guidance hence, continued momentum in 2HFY24 remains key going forward. The spotlight, as usual, is on IAC-2 or INS Vishal. With a strong order backlog, the company can make good on execution promises based on 1HFY24 performance. Additional stronger inroads into dredging and allied verticals will provide further upside. **Hence, we continue to maintain our ACCUMULATE stance with the stock trading at P/E 22.9x FY25E EPS of ₹45.2.**

### Relative Performance

Return (%)	1Yr	3Yr	5Yr
Cochin Shipyard	77.1	247.2	167.1
Nifty50	6.4	52.4	84.6
Sensex	7.0	55.9	83.5

Source: Company, Way2Wealth

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CMP – ₹1033.6/-

 View – **ACCUMULATE**
**FINANCIAL PERFORMANCE**

(₹ mn)

Particulars	Q2FY24	Q2FY23	YoY(%)	Q1FY24	QoQ (%)	1HFY24	1HFY23	YoY (%)
Revenue	9,542	6,832	39.7	4,441	114.8	13,983	11,229	24.5
EBITDA	1,949	1,353	44.1	821	137.4	2,770	1,689	64.0
EBITDA Margin (%)	20.4	19.8	63	18.5	194	19.8	15.0	477
Net Profit	1,910	1,128	69.3	1,094	74.6	3,004	1,617	85.8
EPS (₹)	14.5	8.6	69	8.3	75	22.8	12.3	86

Source: Company, Way2Wealth

**SEGMENTAL PERFORMANCE**

(₹ mn)

Revenue	Q2FY24	Q2FY23	YoY (%)	Q1FY24	QoQ(%)	1HFY24	1HFY23	YoY (%)
Ship Building	7,023	5,273	33.2	2,939	139.0	9,962	8,787	13.4
Ship Repair	2,519	1,556	61.9	1,503	67.6	4,022	2,451	64.1
<b>EBIT</b>								
Ship Building	1,474	1,021	44.3	626	135.3	2,100	1,799	16.7
% Margin	21.0	19.4	162	21.3	(33)	21.1	20.5	60
Ship Repair	687	484	42.0	365	88.4	1,052	166	533.8
% Margin	27.3	31.1	(382)	24.3	301	26.2	6.8	1,939

Source: Company, Way2Wealth

**FINANCIALS & VALUATIONS**

(₹ mn)

Particulars	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Net Revenue</b>	<b>29,622</b>	<b>34,194</b>	<b>28,189</b>	<b>31,900</b>	<b>23,305</b>	<b>38,312</b>	<b>49,909</b>
<b>EBITDA</b>	<b>5,717</b>	<b>7,088</b>	<b>7,198</b>	<b>6,289</b>	<b>2,651</b>	<b>5,679</b>	<b>7,136</b>
EBITDA Margin (%)	19.3	20.7	25.5	19.7	11.4	14.8	14.3
<b>Net Profit</b>	<b>4,812</b>	<b>6,377</b>	<b>6,102</b>	<b>5,866</b>	<b>3,345</b>	<b>5,517</b>	<b>5,947</b>
EPS (₹)	36.6	48.5	46.4	44.6	25.4	42.0	45.2
DPS (₹)	13	15	15.5	16.8	17.0	18.0	20.0
RoE (%)	14.6	18.1	15.6	14.1	7.6	11.8	12.0
RoCE (%)	15.4	15.5	14.2	11.2	8.5	11.2	11.9
Cash Balances	25,772	21,952	22,089	32,127	46,718	47,804	52,068
FCF	(7,322)	(2,100)	3,122	11,908	17,226	2,361	9,972
P/E (x)	28.2	21.3	22.3	23.2	40.6	24.6	22.9
EV/EBITDA(x)	19.7	17.0	16.9	17.7	36.4	16.1	11.7
P/BV (x)	4.1	3.6	3.4	3.1	3.1	2.9	2.7

Source: Company, Way2Wealth

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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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