

14th February 2023

CMP – ₹470.3/-

View – **ACCUMULATE**

Q3FY23 Result Highlights

- **Lowest EBITDA margins with strong topline growth** – Cochin Shipyard Ltd (CSL) reported ₹6.31bn in revenue, down ~34% YoY & ~8%QoQ reflecting the phase of reducing contribution of the IAC order and potentially more time being taken by recent defence order wins (ASV Corvette, Next Generation Missile Vessels) to become relevant. EBITDA margin improved 948 bps/459 bps YoY/QoQ and other income declined meaningfully potentially reflecting the effect on profitability and cash flows to the current volatile revenue mix. PAT at ₹1.18bn declined ₹12% YoY and grew 5% QoQ. The company declared 2nd interim dividend of ₹7/- per share (F.V ₹10/-) in addition to 1st interim dividend of ₹7/- per share.
- **Recent export orders based on CSL's track record** – CSL has exported around 50 high-end vessels to the US, Germany, Netherlands, Norway, Denmark and the Middle East over the past two decades. Having delivered offshore support vessels to West Europe and with its recent construction & delivery of Zero Emission Autonomous Cargo Ferries to Norwegian client ASKO, positions it as the yard of choice for European clients. CSL recently won a ₹10bn order for constructing 2 numbers of Commissioning Service Operation Vessel from a European Client, with an option to build 4 more of such vessels within one year. CSL had also recently bagged an order for eight Multi-Purpose Vessels for a German client.
- **New ship repair facility likely to be ready by Dec'23** – Through its recent JVs, CSL is focusing on indigenizing its offering and exporting to the world. During FY2021, CSL had signed an MoU with M/s Fincantieri, Italy, one of the world's largest shipbuilding groups and a leader in cruise ship design and construction, and is already doing a naval vessel project along with Fincantieri. It has also teamed up with Robert Allan for tug manufacturing and is in discussions for association with IHC to fulfil the rising demand for dredging services in India. CSL is also working on India's first indigenous Hydrogen-fueled electric vessel with an Apr'23 timeline. On growth, we view the new ship repair facility of CSL – will be commissioned by Dec'23 and will increase capacity 1.6X to 160 ships per year.

View

CSL is a good play on both indigenization and growth front with recent export order wins and its endeavors in indigenization reinforces the capabilities of the company. Q3FY23 results reflects the volatile nature of the current phase of IAC order contribution reducing and recent defence order wins (ASV Corvette, Next Generation Missile Vessels) taking time to become relevant. Hence, we continue to maintain our **ACCUMULATE** stance, with the stock trading at **P/E 10.3x FY25E EPS of ₹45.8**.

Important Statistics

MCAP (₹ bn)	61.86
52week H/L (₹)	687/281
NSE Code	COCHINSHIP
BSE Code	540678

Shareholding pattern	Dec'22 (%)
Promoters	72.9
FII	3.9
DII	6.9
Public & Others	16.4

	(₹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	15.5	16.8
RoE (%)	18.1	15.6	14.1
RoCE (%)	14.4	19.6	16.6
P/E (x)	9.7	10.1	10.5
EV/EBITDA (x)	5.1	4.5	5.9
P/BV (x)	1.7	1.6	1.4

Particulars	FY23E	FY24E	FY25E
Net Revenue	27,489	33,262	45,011
EBITDA	5,592	6,391	7,412
EBITDA Margin (%)	20.3	19.2	16.5
Net Profit	5,097	5,289	6,021
EPS (₹)	38.8	40.2	45.8
DPS (₹)	14.0	15.0	16.0
RoE (%)	11.2	11.1	11.7
RoCE (%)	14.5	15.2	15.8
P/E (x)	12.1	11.7	10.3
EV/EBITDA(x)	6.2	5.2	4.8
P/BV (x)	1.3	1.3	1.2

Source: Company, Way2Wealth

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FINANCIAL PERFORMANCE

(₹ mn)

Particulars	Q3FY23	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	9MFY23	9MFY22	YoY (%)
Revenue	6,309	9,529	(33.8)	6,832	(7.7)	17,535	19,786	(11.4)
EBITDA	1,539	1,421	8.3	1,353	13.7	3,272	3,313	(1.2)
EBITDA Margin (%)	24.4	14.9	948	19.8	459	18.7	16.7	192
Net Profit	1,184	1,344	(11.9)	1,128	5.0	2,873	3,025	(5.0)
EPS (₹)	9.0	10.2	(122)	8.6	43	21.8	23.0	(116)

Source: Company, Way2Wealth

SEGMENTAL PERFORMANCE

(₹ mn)

Revenue	Q3FY23	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	9MFY23	9MFY22	YoY (%)
Ship Building	4,523	7,287	(37.9)	5,273	(14.2)	13,298	15,523	(14.3)
Ship Repair	1,786	2,242	(20.3)	1,556	14.8	4,236	4,263	(0.6)
EBIT (₹mn)								
Ship Building	1,158	1,299	(10.9)	1,021	13.4	2,956	3,444	(14.2)
% Margin	25.6	17.8	778	19.4	624	22.2	22.2	4
Ship Repair	580	271	114.0	484	19.8	746	475	57.1
% Margin	32.5	12.1	2,039	31.1	137	17.6	11.1	647

Source: Company, Way2Wealth

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Disclosure of Interest Statement Cochin Shipyard Ltd. as on 14th February 2023

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
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