

#### 1HFY24 Result Highlights

- **Cochin Shipyard Ltd (CSL) hosted 1HFY24 earnings call, in which the company indicated that repeat IAC order is very close to being considered by the Defense Acquisition Council.** The Indian Navy is eyeing a repeat order of INS Vikrant (IAC-1); CSL's past track record places it to win the order. The potential repeat order is likely to marginally lower than the IAC-1 with seven-year execution period. The outcome of the repeat IAC order holds the key for the stock going forward.
- CSL's 1HFY24 EBITDA margins came in at 19.8%, significantly ahead of the guided range of 14-15%, driven by a strong performance in both segments (shipbuilding EBIT margins of 21.1% and ship repair EBIT margins of 27% were significantly ahead of full-year guidance). CSL has attributed this to a better mix (higher ship repair revenue and IAC post-commissioning work) and has raised its PAT margin guidance to 16-17%. However, given the quarterly variation in margins based on execution and mix, the margins are to remain lower than the historical average of ~20%, given the price pass through in IAC order, which is not the case for the current order book.
- **Defense and Non-defence 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 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 (landing platform docks and corvettes), providing strong visibility in the coming years. Further, according to CSL, the European short-sea market is expected to see a large replacement demand for 2,000-2,500 short-sea vessels in the next decade.
- We are likely to witness major execution pick up in the Anti-Submarine Warfare Shallow Water Crafts (8 vessels worth ₹55.42bn of the total order book of ₹220bn), where the installation of main the engine got rescheduled in the 2nd week of Jun'23 with bulk of the revenue to accrue in FY25. Additionally, the NGMV order (6 vessels worth ₹98bn) which got finalised in Q1FY24 to see acceleration in execution in 2HFY24.

#### Important Statistics

Nifty	19,801
Sensex	65,979
MCAP (₹ bn)	143.1
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)	22.4	23.4	24.4
EV/EBITDA (x)	18.0	17.9	18.8
P/BV (x)	3.8	3.6	3.3

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)	42.8	25.9	24.1
EV/EBITDA(x)	39.1	16.9	12.3
P/BV (x)	3.2	3.0	2.8

Source: Company, Way2Wealth

#### View

With an order backlog of ₹220bn as on 30 September 2023, 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 24.1x FY25E EPS of ₹45.2.**

#### Relative Performance

Return(%)	1Yr	3Yr	5Yr
Cochin Shipyard	67.7	247.4	255.8
Nifty-50	8.5	53.2	88.1
Sensex	7.4	48.2	88.6

Source: Company, Way2Wealth

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22<sup>nd</sup> November 2023

CMP – ₹1088.0/-

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)	29.7	22.4	23.4	24.4	42.8	25.9	24.1
EV/EBITDA(x)	21.0	18.0	17.9	18.8	39.1	16.9	12.3
P/BV (x)	4.3	3.8	3.6	3.3	3.2	3.0	2.8

Source: Company, Way2Wealth

22<sup>nd</sup> November 2023

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View – **ACCUMULATE**

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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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