

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-defence 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

Jayakanth Kasthuri
jayakanthk@way2wealth.com
91-22-4019 2914

22nd 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
EBIT								
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
Net Revenue	29,622	34,194	28,189	31,900	23,305	38,312	49,909
EBITDA	5,717	7,088	7,198	6,289	2,651	5,679	7,136
EBITDA Margin (%)	19.3	20.7	25.5	19.7	11.4	14.8	14.3
Net Profit	4,812	6,377	6,102	5,866	3,345	5,517	5,947
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

Disclaimer

Analyst Certification: I, Jayakanth Kasthuri, the research analyst and author of this report, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst(s), principally responsible for the preparation of this research report, receives compensation based on overall revenues of the company (Way2Wealth Brokers Private Limited, hereinafter referred to as Way2Wealth) and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

It is confirmed that Jayakanth Kasthuri, the author of this report has not received any compensation from the companies mentioned in the report in the preceding 12 months. Our research professionals are paid in part based on the profitability of Way2Wealth, which include earnings from other business. Neither Way2Wealth nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information contained in this report.

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. Way2Wealth is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. The contents of this material are general and are neither comprehensive nor appropriate for every individual and are solely for the informational purposes of the readers. This material does not take into account the specific objectives, financial situation or needs of an individual/s or a Corporate/s or any entity/s.

This research has been prepared for the general use of the clients of the Way2Wealth and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient, you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Way2Wealth will not treat recipients as customers by virtue of their receiving this report. The distribution of this document in other jurisdictions may be restricted by the law applicable in the relevant jurisdictions and persons into whose possession this document comes should inform themselves about, and observe any such restrictions.

The report is based upon information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up to date and it should not be relied upon as such. Way2Wealth or any of its affiliates or employees makes no warranties, either express or implied of any kind regarding any matter pertaining to this report, including, but not limited to warranties of suitability, fitness for a particular purpose, accuracy, timeliness, completeness or non-infringement. We accept no obligation to correct or update the information or opinions in it. Way2Wealth or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. The recipients of this report should rely on their own investigations. In no event shall Way2Wealth be liable for any damages of any kind, including, but not limited to, indirect, special, incidental, consequential, punitive, lost profits, or lost opportunity, whether or not Way2Wealth has advised of the possibility of such damages.

This material contains statements that are forward-looking; such statements are based upon the current beliefs and expectations and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements. These uncertainties include but are not limited to: the risk of adverse movements or volatility in the securities markets or in interest or foreign exchange rates or indices; adverse impact from an economic slowdown; downturn in domestic or foreign securities and trading conditions or markets; increased competition; unfavorable political and diplomatic developments; change in the governmental or regulatory policies; failure of a corporate event and such others. This is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or instrument or to participate in any particular trading strategy. No part of this material may be copied or duplicated in any form by any means or redistributed without the written consent of Way2Wealth. In no event shall any reader publish, retransmit, redistribute or otherwise reproduce any information provided by Way2Wealth in any format to anyone. Way2Wealth and its affiliates, officers, directors and employees including persons involved in the preparation or issuance of this report may from time to time have interest in securities / positions, financial or otherwise in the securities related to the information contained in this report.

To enhance transparency, Way2Wealth has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report.

Disclosure of Interest Statement Cochin Shipyard Ltd. as on 22nd November 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
Investment Banking relationship with company covered	NIL

This information is subject to change without any prior notice. Way2Wealth reserves at its absolute discretion the right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, Way2Wealth is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.