

30th May 2022

CMP – ₹324.5/-

View – **ACCUMULATE**

Q4FY22 Result Highlights

- **Improvement in Revenue & EBITDA due to Ship repair revenues** – Cochin Shipyard Ltd (CSL) reported ₹12.1bn in revenue, +12.1% YoY led by Ship repair segment which clocked ₹2.5bn in revenue, +31.2% YoY and ~+13% QoQ. Ship building segment reported revenues of ₹9.6bn +8% YoY and +31.6% QoQ. EBITDA was at ~₹3bn with growth of ~16% YoY and ~111% QoQ with EBITDA margin at 24.7% due to ship repair margin at 28.9%. Other income was higher on account of a one-time gain (₹860mn for the full year) from bank guarantee encashment for projects where work was delayed by contractors and arbitration award in favor of CSL. Cash flow from operations improved YoY on lower debtors and improved customer advances. Order backlog including L1 of Next Generation Missile Vessels for ₹100bn stands at ₹213bn. IAC backlog is limited to ₹27bn and ASW corvette backlog stands at ₹60bn.
- **Strong order prospectus from the European region** – CSL has already received a large order of dredger worth ₹7.9bn and expect prospects of ₹20bn converting for CSL in FY23. The company is also in discussions for multiple projects in European region, particularly on the mid-sized vessels where demand for fleet replacement is growing continuously. However, opportunity pipeline is limited from Indian navy in the near term and no firm decision has been taken on IAC-2 project.
- **Present status on Infra Projects – International Ship Repair Facility (ISRF)** – Overall physical completion of CME works at 78%. Due to financial difficulties faced by the contractor appointed for ISRF project. The contract for construction works was eventually terminated on 04 February 2022. CSL is presently in the process of appointing alternate contractors for completing the remnant works of ISRF project. No cost overrun is envisaged on account of this. **New Dry Dock**—Overall physical completion at 60%. Covid-19 pandemic and its after-effects such as disrupted material supply chain, exodus of migrant labourers, increased site safety protocols, Force Majeure claims by International suppliers etc. affected the progress of works. Purchase order for 600T Gantry Crane was issued to M/s. Hyundai Samho Heavy Industries Co. Ltd., South Korea on 14 March 2019. Fabrication works of crane commenced in Aug'21 and is in progress. Tender enquiry for two jib cranes of capacity 75T and 40T published on 07 December 2021 and evaluation of bids is in progress. Revised targeted commissioning date- Jul'23.
- CSL holds 100% stake in Hooghly Cochin Shipyard Ltd (HCSL). HCSL setting up a shipbuilding/ ship repair unit at Nazirgunge and Salkia in Howrah. The Yard at its Nazirgunge unit is now ready for operations. Facility targets construction and repairs of the Inland Water and Coastal Vessels will cater to emerging demands of the NW-1, NW-2 and NW-5 sector.
- Temba Shipyards was acquired through CIRP in Sep'20. The name of Company was subsequently changed from Tebma Shipyards Limited to Udupi Cochin Shipyard Limited. Facilities at Malpe, Hangarkatta and Chengalpet. Total investment - ₹800mn. Hangarkatta facility operationalised in Jul'21. The activities for operationalising the Malpe facility are progressing well. Facility targets construction and repairs of small vessels like tugs, fishing vessels etc.

Important Statistics

| | |
|-----------------|------------|
| MCAP (₹bn) | 42.7 |
| 52-week H/L (₹) | 434/281 |
| NSE Code | COCHINSHIP |
| BSE Code | 540678 |

| Shareholding Pattern | Mar'22 (%) |
|----------------------|------------|
| Promoters | 72.9 |
| FII | 2.7 |
| DII | 4.3 |
| Public & Others | 20.1 |

| | (₹ mn) | | | |
|-------------------|--------|--------|--------|--------|
| Particulars | FY19 | FY20 | FY21 | FY22 |
| Net Revenue | 29,656 | 34,225 | 28,189 | 31,900 |
| EBITDA | 5,726 | 7,093 | 7,203 | 6,305 |
| EBITDA Margin (%) | 19.3 | 20.7 | 25.6 | 19.8 |
| Net Profit | 4,812 | 6,377 | 6,101 | 5,866 |
| EPS (₹) | 36.6 | 48.5 | 46.4 | 44.6 |
| DPS (₹) | 13 | 15 | 15.5 | 16.8 |
| RoE (%) | 14.6 | 18.1 | 15.6 | 14.1 |
| RoCE (%) | 18.6 | 14.4 | 19.6 | 16.6 |
| P/E (x) | 8.9 | 6.7 | 7.0 | 7.3 |
| EV/EBITDA(x) | 3.7 | 3.5 | 3.1 | 2.9 |
| P/BV (x) | 1.3 | 1.1 | 1.1 | 1.0 |

Source: Company, Way2Wealth

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View – **ACCUMULATE**

View

CSL has strong background on execution of its order wins in addition to its capabilities through MoUs with interest for collaboration from foreign government delegations. With limited order backlog from IAC, execution from IAC will taper down and this should impact execution growth in FY23. Revenues from ASW corvette will start ramping up sharply from FY24 with FY23 revenue growth to be limited as per the management. Growth in FY24 will be driven by ASW corvettes, dredger contract and multipurpose vessel contract from Germany. The company also expects Next Generation Missile Vessels (NGMV) contract details for Indian Navy to be finalised by Sep'22. With tapering off of IAC contract, margins will normalise around 18-19% for the company. The key for the company in FY23 & FY24 will be ASW Corvette orders, sustainable ship repairs and gradual ramp up in NGMV order. Hence, we continue to maintain our **ACCUMULATE** stance, with the stock trading at **P/E 7.3x** FY22.

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 View – **ACCUMULATE**
Financial Performance

| (₹ mn) | | | | | | | | |
|-------------------|--------|--------|---------|--------|---------|--------|--------|---------|
| Particulars | Q4FY22 | Q4FY21 | YoY (%) | Q3FY22 | QoQ (%) | FY22 | FY21 | YoY (%) |
| Revenue | 12,114 | 10,803 | 12.1 | 9,529 | 27.1 | 31,900 | 28,189 | 13.2 |
| EBITDA | 2,992 | 2,590 | 15.5 | 1,421 | 110.6 | 6,305 | 7,198 | (12.4) |
| EBITDA Margin (%) | 24.7 | 24.0 | 72 | 14.9 | 979 | 19.8 | 25.5 | (577) |
| Net Profit | 2,841 | 2,296 | 23.7 | 1,344 | 111.4 | 5,866 | 6,101 | (3.9) |
| EPS (₹) | 21.6 | 17.5 | 414 | 10.2 | 1,138 | 44.6 | 46.4 | (179) |

| Particulars | Q3FY22 | Q3FY21 | YoY (%) | Q2FY22 | QoQ (%) | 9MFY22 | 9MFY21 | YoY (%) |
|-------------------|--------|--------|---------|--------|---------|--------|--------|---------|
| Revenue | 9,529 | 7,487 | 27.3 | 6,963 | 36.9 | 19,786 | 17,386 | 13.8 |
| EBITDA | 1,421 | 3,180 | (55.3) | 1,663 | (14.6) | 3,313 | 4,608 | (28.1) |
| EBITDA Margin (%) | 14.9 | 42.5 | (2,756) | 23.9 | (897) | 16.7 | 26.5 | (976) |
| Net Profit | 1,344 | 2,295 | (41.4) | 1,358 | (1.0) | 3,025 | 3,805 | (20.5) |
| EPS (₹) | 10.2 | 17.5 | (723) | 10.3 | (11) | 23.0 | 28.9 | (593) |

| Particulars | Q2FY22 | Q2FY21 | YoY (%) | Q1FY22 | QoQ (%) | 1HFY22 | 1HFY21 | YoY (%) |
|-------------------|--------|--------|---------|--------|---------|--------|--------|---------|
| Revenue | 6,963 | 6,574 | 5.9 | 3,294 | 111.4 | 10,257 | 9,899 | 3.6 |
| EBITDA | 1,663 | 1,258 | 32.2 | 229 | 626.2 | 1,892 | 1,428 | 32.5 |
| EBITDA Margin (%) | 23.9 | 19.1 | 475 | 5.1 | 1,878 | 18.4 | 14.4 | 402 |
| Net Profit | 1,358 | 1,084 | 25.3 | 323 | 320.4 | 2,681 | 1,369 | 95.8 |
| EPS (₹) | 10.3 | 8.2 | 208 | 2.5 | 787 | 20.4 | 10.4 | 998 |

Source: Company, Way2Wealth

Segmental Performance

| (₹ mn) | | | | | | | | |
|---------------|--------|--------|---------|--------|---------|--------|--------|---------|
| Revenue | Q4FY22 | Q4FY21 | YoY (%) | Q3FY22 | QoQ (%) | FY22 | FY21 | YoY (%) |
| Ship Building | 9,591 | 8,880 | 8.0 | 7,287 | 31.6 | 25,114 | 24,056 | 4.4 |
| Ship Repair | 2,523 | 1,923 | 31.2 | 2,242 | 12.5 | 6,786 | 4,133 | 64.2 |
| EBIT | | | | | | | | |
| Ship Building | 2,331 | 2,568 | (9.2) | 1,299 | 79.4 | 5,775 | 7,622 | (24.2) |
| % Margin | 24.3 | 28.9 | (461) | 17.8 | 648 | 23.0 | 31.7 | (869) |
| Ship Repair | 730 | 593 | 23.1 | 271 | 169.4 | 1204 | 942 | 27.8 |
| % Margin | 28.9 | 30.8 | (190) | 12.1 | 1,685 | 17.7 | 22.8 | (505) |

| Revenue | Q3FY21 | Q3FY21 | YoY (%) | Q2FY21 | QoQ (%) | 9MFY22 | 9MFY21 | YoY (%) |
|---------------|--------|--------|---------|--------|---------|--------|--------|---------|
| Ship Building | 7,287 | 6,379 | 14.2 | 5,552 | 31.3 | 15,523 | 15,176 | 2.3 |
| Ship Repair | 2,242 | 1,108 | 102.3 | 1,411 | 58.9 | 4,263 | 2,210 | 92.9 |
| EBIT | | | | | | | | |
| Ship Building | 1,299 | 3,204 | (59.5) | 1,572 | (17.4) | 3,444 | 5,054 | (31.9) |
| % Margin | 17.8 | 50.2 | (3,240) | 28.3 | (1,049) | 22.2 | 33.3 | (1,112) |
| Ship Repair | 271 | 181 | 49.7 | 182 | 48.9 | 474 | 349 | 35.8 |
| % Margin | 12.1 | 16.3 | (425) | 12.9 | (81) | 11.1 | 15.8 | (467) |

| Revenue | Q2FY21 | Q2FY21 | YoY (%) | Q1FY21 | QoQ (%) | 1HFY22 | 1HFY21 | YoY (%) |
|---------------|--------|--------|---------|--------|---------|--------|--------|---------|
| Ship Building | 5,552 | 5,635 | (1.5) | 2,684 | 106.9 | 8,236 | 8,797 | (6.4) |
| Ship Repair | 1411 | 939 | 50.3 | 610 | 131.3 | 2,021 | 1,102 | 83.4 |
| EBIT | | | | | | | | |
| Ship Building | 1,572 | 1,225 | 28.3 | 573 | 174.3 | 2,145 | 1,850 | 15.9 |
| % Margin | 28.3 | 21.7 | 657 | 21.3 | 697 | 26.0 | 21.0 | 501 |
| Ship Repair | 182 | 257 | (29.2) | 21 | 766.7 | 203 | 168 | 20.8 |
| % Margin | 12.9 | 27.4 | (1,447) | 3.4 | 946 | 10.0 | 15.2 | (520) |

Source: Company, Way2Wealth

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Disclosure of Interest Statement Cochin Shipyard Ltd. as on 30th May 2022

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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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