

Pick-up in execution to drive growth...

About the stock: Cochin Shipyard (CSL), incorporated in 1972 as a Government of India company, is one of the leading ship-building & ship-repair yard in India

- Company has built and delivered 180 vessels as of Mar-23 including large, medium & small vessels, offshore support vessels and defence vessels
- During FY23, ship-building segment contributed ~74% to total revenues of ₹ 2364.6 crore while ship-repair segment contributed balance ~26%
- Order backlog stood at ~₹ 22300 crore as of Dec-2023, including ₹ 21500 crore in ship-building and ₹ 800 crore worth of contracts in ship-repair

Investment Rationale:

- **Strong capabilities in ship-building & ship repair; execution pick-up of strong order-backlog to drive growth:** With advanced state-of-the-art infrastructure (capacity of up-to 110000 DWT in ship-building and up-to 125000 DWT in ship-repair), CSL is adept at executing diversified projects in both these segments. With commissioning of new dry dock facility and International Ship Repair Facility (ISRF), company's capabilities have increased significantly. Order backlog of ~₹ 22300 crore as of Dec-23 (7x TTM revenues) with pick-up in execution, gives strong revenue growth visibility. Large-scale contracts for Indian Navy (like anti-submarine corvettes, next-gen missile vessels, post commission works of Indigenous Aircraft Carrier) are expected to witness meaningful execution over FY25-26E. Moreover, execution of commercial vessel contracts (20% of order-book) is also expected to pick-up considerably over FY24-26E
- **Order inflows opportunity remains robust:** Order pipeline remains healthy in defence and commercial ship-building and ship-repair segments including exports. About ₹ 9000 crore worth of ship-building contracts are in pipeline where tenders expected to be floated in medium term. Apart from these, ₹ 84000 crore worth of contracts are in RFP stage as per the management. In defence segment, we believe that India Navy's future plan of warships procurement presents a strong prospects for CSL. Discussions on another aircraft carrier are also in advanced stages and offers additional order opportunity of ₹ 40000 crore. In commercial segment, electric vessels opportunity emerges from Europe as 2500 vessels are scheduled to be replaced with green vessels. In ship-repair segment too, company sees sizable opportunity in both defence & commercial industries

Rating and Target Price

- We expect CSL to witness significant YoY growth in revenues & profitability over FY24-26E, led by execution pick-up in both the segments and increasing share of margin accretive ship-repair segment. We estimate revenue and PAT to grow at ~23% & ~36% CAGR respectively over FY23-26E as against the de-growth seen over FY20-23
- Valuations look attractive considering the multiple growth drivers. We value CSL at ₹ 1055 i.e. 36x FY26E P/E

Key Financial Summary

(Year End March)	FY20	FY21	FY22	FY23	3 Year CAGR (FY20-FY23)	FY24E	FY25E	FY26E	3 Year CAGR (FY23-26E)
Revenues	3,422	2,819	3,191	2,366	(11.6)	3,479	3,899	4,367	22.7
EBITDA	709	716	623	248	(29.5)	794	782	887	52.8
EBITDA margins	20.7	25.4	19.5	10.5		22.8	20.0	20.3	
Net Profit	638	611	564	305	(21.8)	688	671	770	36.2
EPS (Rs)	24.2	23.2	21.4	11.6		26.1	25.5	29.3	
P/E (x)	36.2	37.8	40.9	75.7		33.5	34.4	30.0	
Price / Book (x)	6.2	5.7	5.3	5.2		4.7	4.4	4.0	
EV/EBITDA (x)	29.6	29.3	32.1	74.3		23.5	23.4	19.9	
RoCE (%)	17.6	14.1	11.4	4.3		9.6	8.6	8.8	
RoE (%)	17.1	14.9	12.7	7.9		14.0	12.7	13.3	

Source: Company, ICICI Direct Research



Particulars

Particular	Amount
Market Capitalization - Rs	23,072
Total Debt (FY23) - Rs crore	132.9
Cash & Inv (FY23) - Rs crore	4,758.0
EV (FY23) - Rs crore	18,447.0
52 week H/L	945 / 205
Equity capital	131.5
Face value	5.0

Shareholding pattern

	Mar-23	Jun-23	Sep-23	Dec-23
Promoter	72.9	72.9	72.9	72.9
FII	6.3	5.7	5.8	4.1
DII	3.8	3.2	2.2	2.2
Others	17.1	18.2	19.1	20.8

Price Chart



Key risks

- Dependent on govt contracts
- High working capital requirement
- Availability of key raw materials

Research Analyst

Chirag Shah
shah.chirag@icicisecurities.com

Vijay Goel
vijay.goel@icicisecurities.com

Exhibit 1: Order Book position at ~₹ 22300 crore as of Dec-2023 (7x TTM Revenue)

Shipbuilding Order Book Position – Rs. 21,500 Crs. (Approx.)

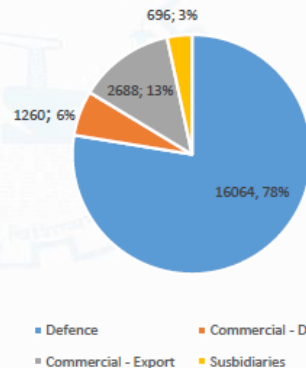
{ Healthy – Clear Visibility on Revenue }

(Rs. Crore)

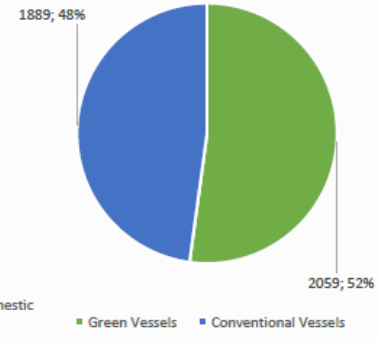
	Sl. No.	Project	No. of Vessels	Order Value*
Defence	1.	Post Commission works of Indigenous Aircraft Carrier - Phase III for Indian Navy	1	1047
	2.	ASW SCW Corvette for Indian Navy	8	5215
	3.	NGMV for Indian Navy	6	9802
	Total			16064
Commercial – Domestic	1.	1200 Pax cum 1000 Ton Cargo Vessel for A&N Admn.	2	286
	2.	Hybrid Electric Aluminium Catamaran Hull Vessels for KMRL	11	32
	3.	Hybrid Electric Catamaran Passenger Vessels for IWA	6	73
	4.	Trailer Suction Hopper Dredger for DCI	1	869
Total			1260	
Commercial – Export	1.	7K Multipurpose Vessel for European Clients	8	734
	2.	Commissioning Service Operation Vessels for European Clients	2	955
	3.	Zero Emission Feeder Container Vessels for European Clients	2	547
	4.	Service Operation Vessel for European Client	1	452
Total			2688	

Sl. No.	Name of the Subsidiary	Order Value*
1.	Hooghly Cochin Shipyard Limited (HCSSL)	21
2.	Udupi Cochin Shipyard Limited (UCSL)	675
Total		696

Total Order Book Position



Green compliant Commercial Segment



Ship Repair Orders – Rs. 700 Crs. (Approx)

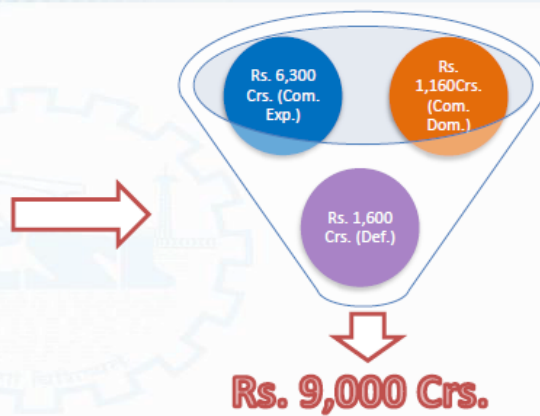
Source: Company, ICICI Direct Research

Exhibit 2: Shipbuilding Order Pipeline remains strong at ~₹ 93000 crore

Commercial – Export			
Sl. No.	Project	Approx. Order Value (Rs. Crs.)	
1.	Vessels to foreign clients	6,300	

Commercial – Domestic			
Sl. No.	Project	Approx. Order Value (Rs. Crs.)	
1.	Vessels for Domestic clients	1,160	

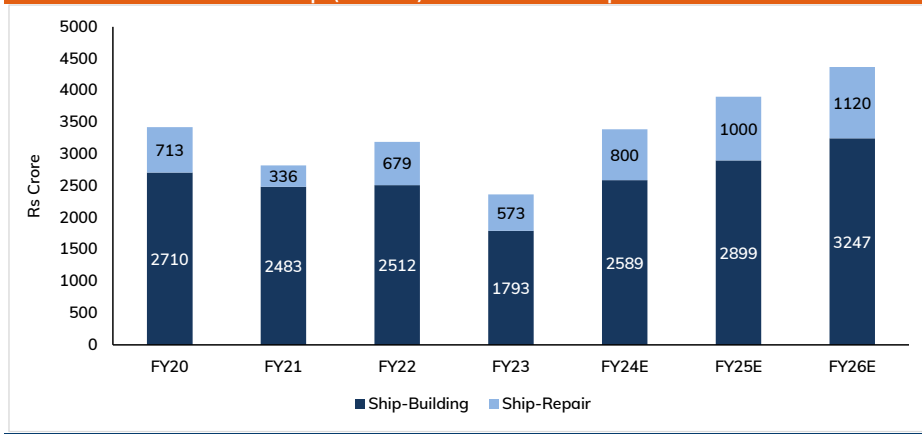
Defence/ RFP Stage			
Sl. No.	Project	No. of Vessels	Approx. Order Value (Rs. Crs.)
1.	Defence Project	2	1,600



Other project proposals - RFI/Mid Stage Rs. 84,000 Crs.

Source: Company, ICICI Direct Research

Exhibit 3: Revenue break-up (₹ crore) – 23% CAGR expected over FY23-26E



Source: Company, ICICI Direct Research

Financial summary

Exhibit 4: Profit and loss statement ₹ crore

(Year-end March)	FY23	FY24E	FY25E	FY26E
Revenue	2,366	3,479	3,899	4,367
% Growth	(25.9)	47.1	12.1	12.0
Other income	212	290	334	384
Total	2,578	3,769	4,233	4,751
% Growth	(25.4)	46.2	12.3	12.2
Raw Mtl costs	1,557	2,046	2,378	2,655
Employee Expenses	334	372	413	456
other expenses	217	241	296	336
Total Operating Exp.	2,117	2,685	3,118	3,480
EBITDA	248	794	782	887
% Growth	(60.1)	219.7	(1.6)	13.5
Interest	35	36	40	40
PBDT	425	1,049	1,076	1,231
Depreciation	69	94	144	162
PBT & Except. items	357	955	931	1,070
Total Tax	114	267	261	299
PAT before MI	305	688	671	770
PAT	305	688	671	770
% Growth	(46.0)	125.7	(2.5)	14.8
EPS	13.3	26.1	25.5	29.3

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement ₹ crore

(Year-end March)	FY23	FY24E	FY25E	FY26E
Profit after Tax	305	688	671	770
Depreciation	69	94	144	162
Interest	35	36	40	40
CF before WC changes	409	817	855	972
Changes in inventory	(67)	(170)	(66)	(73)
Changes in debtors	52	(186)	(63)	(71)
Changes in loans & Adv	(72)	(50)	(19)	(21)
Changes in other CA	316	(701)	(273)	(304)
Net Increase in CA	229	(1,107)	(421)	(469)
Changes in creditors	(160)	146	44	49
Changes in provisions	(82)	122	68	76
Net Inc in CL	1,550	1,091	742	826
CF from Operatons	2,187	801	1,176	1,329
Changes in deferred tax assets	11	-	-	-
(Purchase)/Sale of FA	(381)	(750)	(500)	(400)
CF from Investing	(342)	(750)	(500)	(400)
Dividend & Dividend Tax	(224)	(243)	(276)	(289)
CF from Financing	(293)	(240)	(319)	(329)
Net Cash flow	1,552	(189)	357	599
Opening Cash/Cash Eq	3,206	4,758	4,570	4,926
Closing Cash/ Cash Eq	4,758	4,570	4,926	5,526

Source: Company, ICICI Direct Research

Exhibit 6: Balance sheet ₹ crore

(Year-end March)	FY23	FY24E	FY25E	FY26E
Equity Capital	132	132	132	132
Reserve and Surplus	4,292	4,776	5,167	5,648
Total Shareholders funds	4,423	4,907	5,299	5,779
Minority Interest	-	-	-	-
Total Debt	133	133	133	133
Total Liabilities	4,966	5,450	5,841	6,322
Gross Block	1,304	3,457	4,057	4,457
Acc: Depreciation	361	455	599	761
Net Block	943	3,002	3,458	3,696
Capital WIP	1,602	200	100	100
Total Fixed Assets	2,546	3,202	3,558	3,796
Non Current Assets	334	334	334	334
Inventory	373	543	609	682
Debtors	338	524	588	658
Loans and Advances	107	157	176	197
Other Current Assets	1,561	2,261	2,534	2,839
Cash	4,758	4,570	4,926	5,526
Total Current Assets	7,137	8,055	8,833	9,901
Current Liabilities	216	362	406	455
Provisions	440	561	629	705
Net Current Assets	2,086	1,913	1,949	2,191
Total Assets	4,966	5,450	5,841	6,322

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios

(Year-end March)	FY23	FY24E	FY25E	FY26E
Per Share Data				
EPS	11.6	26.1	25.5	29.3
Cash per Share	180.9	173.7	187.3	210.0
BV	168.1	186.5	201.4	219.7
Dividend per share	8.5	9.3	10.5	11.0
Dividend payout ratio	73%	35%	41%	38%
Operating Ratios				
EBITDA Margin	10.5	22.8	20.0	20.3
PAT Margin	11.8	18.2	15.8	16.2
Return Ratios				
RoE	7.9	14.0	12.7	13.3
RoCE	4.3	9.6	8.6	8.8
RoC	6.7	12.6	10.1	10.5
Valuation Ratios				
EV / EBITDA	74.3	23.5	23.4	19.9
P/E	75.7	33.5	34.4	30.0
EV / Net Sales	7.8	5.4	4.7	4.0
Sales / Equity	0.5	0.7	0.7	0.8
Market Cap / Sales	9.8	6.6	5.9	5.3
P/BV	5.2	4.7	4.4	4.0
Turnover Ratios				
Asset Turnover Ratio	1.8	1.0	1.0	1.0
Debtors Turnover Ratio	6.5	8.1	7.0	7.0
Creditors Turnover Ratio	8.0	12.0	10.2	10.1
Solvency Ratios				
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	3.6	3.8	3.8	3.8
Quick Ratio	3.1	3.2	3.2	3.2

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavours to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

ANALYST CERTIFICATION

I/We, Chirag Shah, PGDBM, Vijay Goel, PGDBM, Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

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

Registration granted by Sebi and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk-free return to the investors.

Name of the Compliance officer (Research Analyst): Mr. Atul Agarwal
Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Prabodh Avadhoot Email address: headservicequality@icicidirect.com Contact Number: 18601231122

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.