



Cochin Shipyard Limited

4th September, 2023



India's Best Performing and Most Customer Centric PMS

Cochin Shipyard Limited (CSL) is a name synonymous with India's maritime prowess and global recognition in shipbuilding and repair. Established in 1972, CSL has transformed from its humble beginnings into a trailblazing leader in the maritime industry. Cochin Shipyard Limited stands as a shining example of India's maritime excellence. Its remarkable journey from inception to its current position as India's foremost Greenfield shipyard is marked by innovation, collaboration, and an unwavering commitment to quality. CSL boasts unmatched capabilities, capable of constructing vessels up to 110,000 DWT and repairing ships up to 125,000 DWT, including air defense vessels. This is a company that not only constructs ships but navigates the waves of excellence with unwavering determination, making it an irresistible prospect for investors and a symbol of maritime distinction in India and beyond.

India's First Greenfield Shipyard:

CSL proudly holds the distinction of being India's maiden Greenfield Shipbuilding Yard. With an unrivaled shipbuilding capacity of up to 110,000 DWT and ship repair capabilities extending to vessels of 125,000 DWT, CSL has set the gold standard for shipyards in India. This unique capacity includes the capability to repair air defense ships, solidifying its position as an indispensable partner in the maritime industry.

Technical Excellence with Mitsubishi Heavy Industries:

CSL's ascendancy to industry leadership is no accident. It was meticulously designed and constructed through technical collaboration with Mitsubishi Heavy Industries - Japan, ensuring that it adheres to world-class standards in shipbuilding and repair. This partnership underscores CSL's commitment to excellence.

Global Facilities:

CSL strategically operates ship repair facilities in key Indian cities such as Kolkata, Andaman Nicobar, and Mumbai, further bolstering its domestic presence. Its international ship repair facility in Kochi extends its global reach. The recent acquisition of Tebma Shipyard at Malpe marks a significant expansion of CSL's capabilities and reach in shipbuilding and repairs.

Diverse Clientele:

CSL has fostered enduring relationships with esteemed clientele both domestically and internationally. Within India, it has earned the trust of prestigious organizations such as the Indian Navy, Indian Coast Guard, and Shipping Corporation of India Limited. Internationally, CSL boasts an impressive client list that includes the National Petroleum Construction Company (Abu Dhabi), The Clipper Group (Bahamas), Vroon Offshore (Netherlands), and SIGBA AS (Norway), signifying its global repute.

Future Prospects

CSL's strategic focus going forward revolves around key segments such as defense, coastal operations, and small vessels. It aims to embrace emerging technologies, including autonomous vessels, hybrid/battery-operated vessels, alternate fuels, and advanced marine solutions. The company is also committed to infrastructure upgrades through automation and expansion, setting the stage for long-term growth.

Stock Data	
CMP	913
52 Week High/Low	943/371.20
Face Value	10
Market Cap (In Crs)	12011
Enterprise Value (In Crs)	7,846
NSE	COCHINSHIP
BSE	540678
Bloomberg	COCHIN:IN
Sector	Ship Building & Allied Services

Shareholding Pattern (in %)		
	JUN 23	MAR 23
Promoter	72.86	72.86
FII	5.72	6.28
DII	3.22	3.79
Public	18.18	17.06
Others	0.01	0.01

Price Performance (in%)			
(%)	1M	6M	1Yr
Nifty 50	-1.18%	11.75%	11.16%
Elecon Engineering	36.25%	96.48%	140.49%

Key Ratios	
P/E	33.25
P/S	5.15
P/B	2.72
Debt To Equity	0.13
ROE	6.57%
ROCE	8.5%
Dividend Yield	1.54%

Q1 FY 23 Result Update

Q1 FY24 Result Comparison (In Rs Cr)=					
	Q1 FY24	Q4 FY23	Q1 FY23	QOQ	YOY
Sales	476	600	440	-20.7%	8%
EBITDA	79	-67	32	146%	86%
Net Profit	99	39	42	150%	135%
EPS	7.5	3	3.2	180%	160%

Result Highlights

Cochin Shipyard displayed its resilience as it navigated through a challenging economic environment. Despite a 20.7% decline in sales compared to the previous quarter, the company managed to significantly improve its EBITDA, from a negative figure in Q4 FY23 to INR 79 crore, reflecting rigorous cost controls and operational efficiency. Moreover, its net profit surged from INR 39 crore to INR 99 crore, showcasing a robust recovery phase.

On a year-over-year basis, Cochin Shipyard demonstrated steady growth, with an 8% increase in sales and an impressive 135% growth in net profit in Q1 FY24. The EBITDA also saw a substantial 86% YoY growth, highlighting the company's ability to capitalize on economic improvements. These results underline Cochin Shipyard's strategic resilience and its capacity to seize growth opportunities, reinforcing its position as a formidable player in the steel industry.

- **Legacy of Quality and Innovation:** Cochin Shipyard's journey is a testament to its unwavering commitment to quality craftsmanship and innovation. Over the years, it has delivered a diverse array of vessels, ranging from sophisticated warships and cutting-edge offshore support vessels to elegant passenger ships. This track record of excellence has not only earned the trust of national and international clients but has also solidified its position as a preferred choice for complex maritime projects.

- **Expanding Horizons:** Cochin Shipyard has charted a course beyond shipbuilding, venturing into ship repair and maintenance. The shipyard boasts an expansive dry dock capable of accommodating large vessels, enhancing its service offerings and revenue stream. This diversification has positioned Cochin Shipyard as a one-stop solution provider for the maritime industry.

- **A Hub for Indigenous Capability:** At the heart of Cochin Shipyard's operations lies a dedication to indigenization. It plays a pivotal role in India's 'Make in India' initiative by developing and nurturing indigenous capabilities in shipbuilding. The shipyard's capacity to construct a wide range of vessels in-house not only fosters self-reliance but also strengthens the nation's maritime prowess.

- **An Impressive Portfolio:** Cochin Shipyard's portfolio is a mosaic of maritime achievements. From the construction of the Indigenous Aircraft Carrier (IAC) for the Indian Navy, a symbol of technological prowess, to the development of cutting-edge oil rigs, the shipyard showcases its technical acumen and project management expertise. Its versatility enables it to undertake intricate and high-value projects, further solidifying its reputation.

- **Focused on the Future:** Cochin Shipyard is poised for a transformative future. With a comprehensive modernization plan and substantial investments, the shipyard is gearing up to meet the evolving demands of the maritime industry. This ensures that it remains at the forefront of innovation and technology in the sector.
- **International Reach:** Cochin Shipyard's reputation transcends borders. It has made successful forays into the international market, securing prestigious orders for shipbuilding and repair projects. Its global footprint is a testament to its unwavering commitment to quality and excellence, positioning it as a competitive player on the global maritime stage.

Concall Highlights

Shipbuilding Margin Profile:

Margin profiles can vary based on the project stage. For instance, outfitting and steel cutting phases have different cost structures and profit potential. Understanding these distinctions helps manage profitability expectations.

Sustainable margins may vary based on project specifics.

Cochin Shipyard suggests a 12% to 14% range for competitive bids, but potential variations exist depending on factors like contract size and competition. Certain projects, like green vessels or large orders, may yield higher margins.

Revenue Expectations from ISRF Facility:

Cochin Shipyard foresees incremental revenue of approximately Rs. 250 crores from the Integrated Ship Repair Facility (ISRF) in its first 24 months of operation. When fully operational, ISRF's contribution is expected to reach Rs. 500 crores to Rs. 600 crores.

ISRF represents a significant revenue stream diversification. The facility's success is crucial for the company's growth strategy and reducing reliance on traditional shipbuilding.

Missed Opportunities in Ship Repair:

Cochin Shipyard faced challenges in securing ship repair projects due to aggressive competitor bidding. This resulted in contracts at prices below their expectations, underscoring the intensely competitive nature of the ship repair market. The company's ability to secure profitable ship repair contracts will depend on its competitiveness and efficiency in the bidding process. Addressing these challenges is vital to maintaining growth in this segment.

Exploring New Markets and Green Shipping:

Cochin Shipyard is proactively exploring emerging markets, including constructing vessels for the green shipping sector, such as Commissioning Support and Operations Vessels (CSOVs). This aligns with global efforts to reduce emissions. Green shipping initiatives present a growth opportunity.

By diversifying into environmentally friendly vessel construction, the company positions itself to benefit from increasing demand for sustainable maritime solutions.

Second Aircraft Carrier Project and Expertise Leveraging:

Discussions regarding a potential second aircraft carrier project are ongoing, indicating positive prospects in this area. While no official announcement has been made, such projects could significantly contribute to the company's future success.

Cochin Shipyard is leveraging its expertise gained from building naval vessels to explore opportunities in the green shipping sector and other markets. This knowledge transfer enhances the company's capabilities and positions it for diverse projects.

Challenges in Defense Exports:

The company is cautious about securing defense orders for export due to the complexities involved. While the government supports Indian shipyards in exploring export opportunities, these endeavors require careful navigation of international regulations, security concerns, and geopolitical factors.

Despite challenges, defense exports represent a potential avenue for growth. Cochin Shipyard's ability to overcome these complexities will be crucial in capitalizing on this opportunity.

Pioneering Hydrogen Fuel Cell Technology: Cochin Shipyard is pioneering the development of India's first hydrogen fuel cell vessel, marking a significant technological endeavor. The company has set a milestone with pilot trials scheduled to commence in September 2023. This innovative project demonstrates Cochin Shipyard's commitment to spearheading environmentally friendly solutions within the maritime sector.

The pursuit of hydrogen fuel cell technology diversifies Cochin Shipyard's sustainability efforts. A successful hydrogen fuel cell vessel could catalyze entry into emerging markets, capitalizing on the demand for clean energy solutions. This diversification aligns with the company's long-term vision, enhancing its competitiveness and contributing to a sustainable future.

Staying at the Technological Forefront: Leveraging the collective wisdom of global partners enables Cochin Shipyard to stay at the forefront of industry advancements. This emphasis on technology transfer bolsters the company's capacity to deliver state-of-the-art solutions and services.

Moreover, these collaborations are in harmony with the Indian government's 'Make in India' initiative, promoting the acquisition of advanced skills and technology, which further fortifies Cochin Shipyard's position in the market.

Alignment with 'Make in India': The collaborations not only enhance Cochin Shipyard's capabilities but also align with the 'Make in India' initiative. This government-driven program encourages the assimilation of advanced technology and expertise, which, in turn, contributes to bolstering the nation's maritime sector and the company's role in it.

Project Update

Shipbuilding Delivery

- » Final lot of 3 FBOPs MHA, GOI
- » 7 Electric Hybrid 100 Pax Water Metro Boat to KMRL
- » Hon'ble PM, Shri Narendra Modi, Commissioned first IAC "INS Vikrant"

Others Updates

- » Launched one 1200 Pax Cum 1000 MT Cargo Vessel for A&N Administration
- » Steel Cutting of Heavy Vessels and Warfare Materials
- » Keel Laying of 3 ASWSWC for IN

Ship Repair Deals

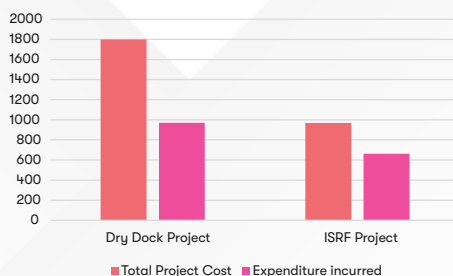
- » Re-entry into bulk carrier repair segment.
- » Implementation of CANSRU Agreement getting streamlined
- » MoU with UTL vessels renewed in March 2023

Upcoming Deals

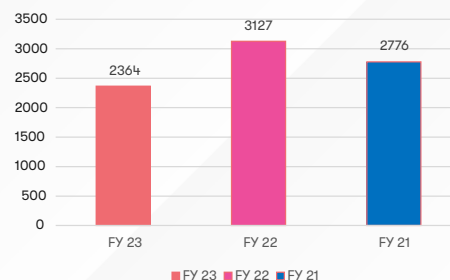
- » Major defence and conversion orders in pipeline.
- » MoU between CSL & LDCL/UTL in place
- » Expecting revenue generation to commence from Naval weapons repairs and AMCs for defence vessels.

Story Through Charts

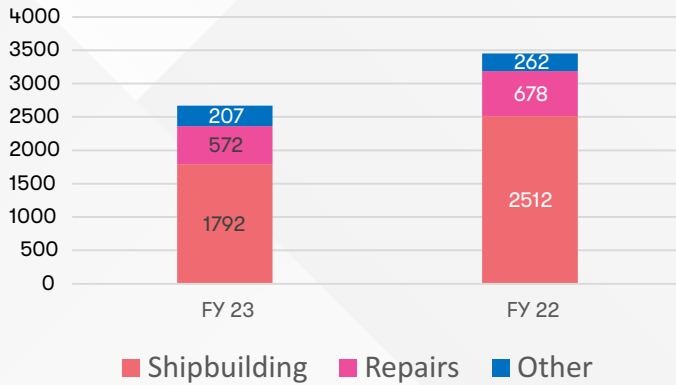
Ongoing Projects (In Crs)



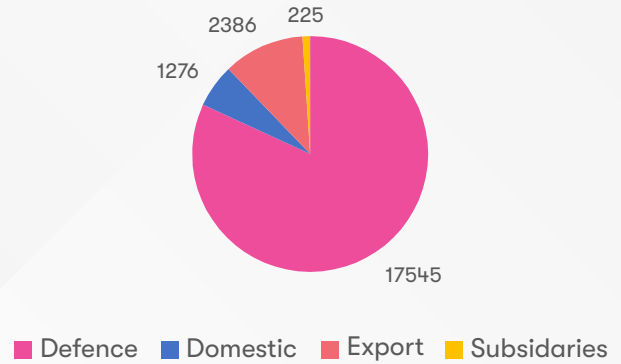
Revenue (In Cr)



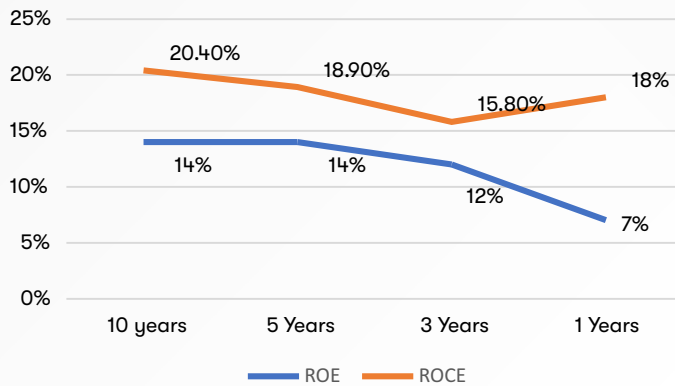
EBITDA per MT



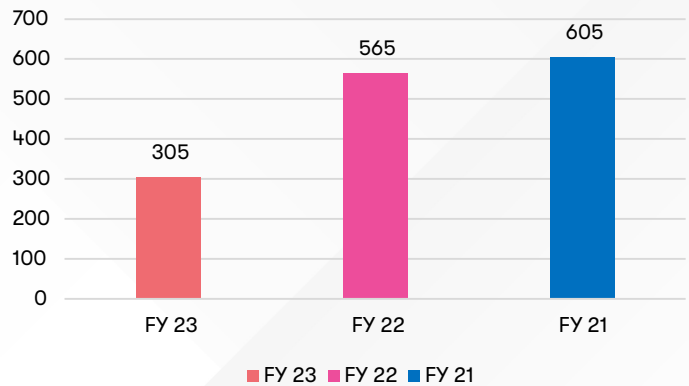
Order Value(In Cr)



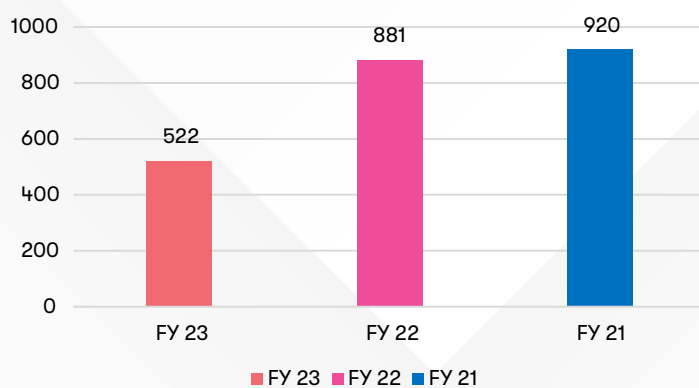
Return Margins



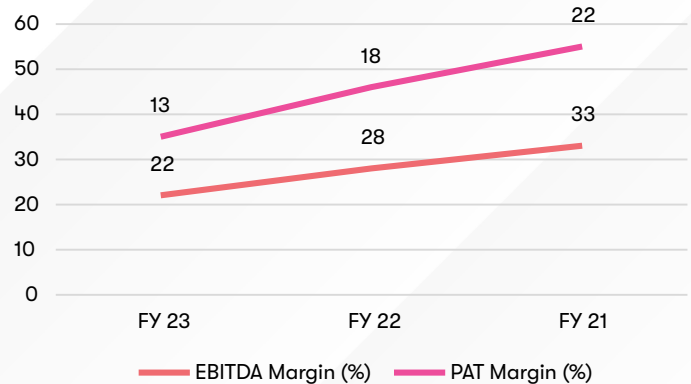
PAT (In Cr)



EBITDA (In Cr)



EBITDA & PAT Margin (In %)



Technical Outlook



Cochin Shipyard Ltd Breaks Consolidation, Gears Up for New Highs: With a strong momentum fueled by improved fundamentals and a hefty order book, Cochin Shipyard Ltd has emerged from a multi-year channel consolidation and is poised for potential new highs.

Daily RSI is trading above 75 and Weekly RSI is trading above 80 indicating strength in the buying.

The MACD histogram has displayed a robust increase in momentum alongside the stock's upward price movement, reinforcing the strength of the bullish trend.

Moving Averages Days	Simple Moving Average	Exponential Moving Average
5	875.40	882.50
10	858.70	855.20
20	788.20	806.80
50	691.70	717.10
100	608.30	644.10
200	567.10	575.40

Pivot Levels : FIBONACCI			Relative Strength Index (RSI)	Daily	Weekly
R1 918.91	Pivot 907.87	S1 896.83			
R2 925.73		S2 890.01			
R3 936.77		S3 878.97			

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**This research has been done by the
Core Fundamental Research Team of InvAsset PMS Desk.**

Anirudh Garg

anirudhgarg@invasset.com

Harshal Dasani

harshaldasani@invasset.com

Kalp Jain

kalpjain@invasset.com



India's Best Performing and Most Customer Centric PMS



MUMBAI

911 One Lodha Place,
Lower Parel, Mumbai 400013

GURUGRAM

4th Floor Two Horizon Centre,
DLF Phase 5, Gurugram,
Haryana 122002

LUDHIANA

1401, Aspen 2, Centara Greens,
Pakhawal Road, Opp. Riviera Resort,
Ludhiana 141001



1800-309-2172
98158-10172



info@invasset.com



www.invasset.com
