



Mazagon Dock Shipbuilders Limited

14th September, 2023



India's Best Performing and Most Customer Centric PMS

Mazagon Dock Shipbuilders Limited (MDL), a storied establishment with roots tracing back to 1774, has emerged as a beacon of maritime prowess in India. Over the centuries, it has transformed from a modest dry dock into a formidable shipbuilding giant, contributing significantly to the nation's maritime strength and security. The key facets of MDL's operations, its financial performance, strategic advantages, and future prospects, aiming to provide investors with a comprehensive understanding of the company's potential are timely relevant and appealing. With a forward-looking approach and a clear vision for growth, MDL is poised to navigate the maritime industry's challenging waters and chart a course towards sustained success.

Shipbuilding Expertise: MDL's core competency lies in shipbuilding, primarily catering to the defense sector. MDL has delivered a diverse array of vessels, including cargo and passenger ships, supply vessels, water tankers, tugs, dredgers, fishing trawlers, barges, and border patrol craft, to clients both domestically and abroad. This robust portfolio underscores MDL's versatility and reliability as a shipbuilder.

Manufacturing Capacity: MDL boasts an impressive infrastructure with the capacity to concurrently build 11 submarines and 10 warships. This capability positions MDL as a reliable and efficient partner in meeting the defense requirements of the nation.

Strategic Location: Situated in Mumbai, within the Western Naval Command of the Indian Navy, MDL enjoys a strategic advantage due to its proximity to key stakeholders, including the Indian Navy and Coast Guard, as well as vendors crucial to its operations. The company's location on the west coast of India enhances connectivity to global markets in Europe, West Asia, and the Pacific Rim, further bolstering its operational efficiency and coordination.

Innovation and Research & Development: MDL is committed to innovation, collaborating with institutions such as IIT Madras, Chennai, to develop cutting-edge AI-enabled products that enhance quality assurance, reduce labor costs, and improve efficiency in welding processes.

Diversification and Expansion: MDL's forward-thinking approach includes diversifying its operations into underwater equipment, marine equipment, heavy engineering equipment, offshore platforms, and cargo container manufacturing. Additionally, MDL is exploring the possibility of a greenfield shipyard at Nhava, Navi Mumbai, with extensive facilities, signaling its commitment to future growth.

Stake in Goa Shipyard: MDL holds a substantial ~47% stake in Goa Shipyard Ltd., an entity under the administrative control of the Ministry of Defence, Government of India. This strategic investment has yielded consistent dividends, showcasing MDL's savvy financial management.

Stock Data	
CMP	2099
52 Week High/Low	2484/411
Face Value	10
Market Cap (In Crs)	42,128
Enterprise Value (In Crs)	28,847
NSE	MAZDOCK
BSE	543237
Bloomberg	MAZDOCK:IN
Sector	Ship Building

Shareholding Pattern (in %)		
	JUN 23	MAR 23
Promoter	84.83	84.83
FII	3.29	3.29
DII	0.56	0.3
Public	11.31	11.57
Others	0.01	0.01

Price Performance (in%)			
(%)	1M	6M	1Yr
Nifty 50	3.31	17.81	11.52
Mazagon Dock	12.29	206.47	397.04

Key Ratios	
P/E	36.9
P/S	5.42
P/B	10.1
Debt To Equity	0
ROE	28.6%
ROCE	38.2%
Dividend Yield	0.44%

Q1 FY 24 Result Update

Q1 FY24 Result Comparison (In Rs Cr)					
	Q1 FY24	Q4 FY23	Q1 FY23	QOQ	YOY
Sales	2173	2079	2230	4.5%	-2.5%
EBITDA	404	422	310	-4.3%	31%
EBIT	384	402	291	-4.4%	32%
Net Profit	314	326	225	-3.6%	40%
EPS	15.59	16.17	11.14	-3.5%	42%

Result Highlights

Mazagon Dock Shipbuilders Limited demonstrated resilience and potential in its Q1 FY24 financial results. Quarter-over-quarter (QOQ) sales increased by 4.5%, reaching Rs 2,173 crores, while year-over-year (YOY) comparisons showed a 2.5% decline from Q1 FY23. Mazagon Dock's Q1 FY24 results indicate the company's ability to navigate short-term fluctuations while maintaining a long-term growth outlook.

Mazagon Dock's Q1 FY24 financial results reflect a company well-prepared to seize opportunities in the shipbuilding industry. Despite minor QOQ declines in profitability, robust YOY growth underscores the company's resilience and adaptability. These results bode well for Mazagon Dock's prospects and its ability to create lasting value for stakeholders in the shipbuilding sector.

Steady Performance and Profitability: MDL has consistently delivered stable revenue and profit figures, reflecting its resilience and strong position in the shipbuilding industry. Despite market fluctuations, the company's financial performance remains robust. MDL's ability to maintain steady financial performance underscores its reliability as a key player in the shipbuilding sector. This stability can be attributed to its diverse portfolio of projects and effective cost management.

Early Delivery Excellence: The company has achieved a remarkable track record of delivering vessels ahead of contractual delivery dates. This exemplary performance demonstrates MDL's operational efficiency and commitment to meeting client expectations.

MDL's consistent early delivery of vessels showcases its operational excellence, earning the trust and satisfaction of clients. This achievement not only enhances the company's reputation but also positions it as a preferred choice for future projects.

Strategic Bidding and Naval Expansion: MDL submitted a competitive price bid for six AIP fitted submarines under Project P75I in collaboration with TKMS, Germany. This strategic move emphasizes the company's determination to broaden its naval capabilities. The company's collaboration with TKMS for Project P75I underscores its commitment to technological advancement and readiness to undertake complex naval projects. This initiative positions MDL as a credible partner for modern submarine construction.

Growth Prospects and Order Flow: MDL anticipates a growth rate of 10-12% in the shipbuilding industry, backed by a smooth order flow. The execution of current orders is expected to complete by 2029, with possibilities for additional orders extending to 2034-2035. The company's optimistic growth outlook is underpinned by its ability to secure a continuous stream of orders. MDL's long-term vision includes achieving sustainable growth, capitalizing on the expanding defense sector.

Concall Highlights

- **Performance Overview:** In the performance overview, Mazagon Dock's directors highlighted the company's impressive stability in terms of revenue and profits. Despite economic fluctuations, the company has managed to maintain its financial position, reflecting its robust operational strategies. The stability in profits was attributed, in part, to other income sources, underlining the company's diversified revenue streams. This approach demonstrates prudent financial management.
- **Project 15 Bravo - Missile Destroyer:** Project 15 Bravo, involving the construction of missile destroyers, is a key focus for Mazagon Dock. The company has a track record of early delivery, with two vessels previously handed over ahead of contractual deadlines. The commitment to delivering the third ship by the end of Q2 or early Q3 underscores Mazagon Dock's dedication to meeting its contractual obligations and further solidifying its reputation for punctual delivery.
- **Medium Refit and Life Certification Order:** Securing an order valued at approximately Rs. 2,700 crores for the medium refit and life certification of a 36-year-old German-made submarine is a significant achievement for the company. This order exemplifies Mazagon Dock's expertise in submarine maintenance and modernization. The successful acquisition of this order contributes to the company's robust order book, positioning it favorably in the competitive defense sector.
- **Project P75I - AIP Fitted Submarines:** Mazagon Dock has submitted a price bid for six AIP fitted submarines under Project P75I, in collaboration with TKMS, Germany. While awaiting further developments and discussions, the company's proactive approach to exploring opportunities in naval construction is evident. The bid signifies Mazagon Dock's ambition to expand its naval capabilities and contribute to India's defense preparedness.
- **Order Book and Growth Guidance:** The company's order book, currently valued at Rs. 39,000 crores, consists of various naval projects, promising a steady revenue stream. The potential for additional orders underscores the company's optimism about its future prospects. Directors anticipate a 10-12% growth rate in the shipbuilding industry, indicating the company's confidence in its ability to secure new orders and execute them efficiently.
- **Indigenization Efforts and Collaborations:** Mazagon Dock's involvement in discussions concerning additional submarine orders and collaborations with the Warship Design Bureau emphasizes its commitment to advancing indigenous defense capabilities. While clarifying the limited influence over disinvestment decisions, the company remains steadfast in its dedication to building a strong defense infrastructure within India.
- **Future Prospects and Initiatives:** The company's research and development project focused on a midget submarine demonstrates its commitment to innovation. Successful pressure hull testing and the plan for water trials by the end of 2024 showcase concrete progress.

The investment in a Floating Dry Dock underlines Mazagon Dock's readiness to accommodate Next Generation Destroyers, affirming its adaptability and foresight in meeting evolving defense needs. As a strong contender for upcoming projects, including Next Generation Destroyers and follow-on ships of the 17 Alpha Frigates, Mazagon Dock positions itself as a pivotal player in India's naval modernization efforts.

- **Submarine Manufacturing Capacity:** Mazagon Dock's assertion that it can concurrently construct 11 submarines and 10 warships highlights its impressive manufacturing capacity. This capacity is supported by a skilled workforce comprising both permanent and contract employees, ensuring uninterrupted progress on multiple naval projects.

• **Long-term Growth and Challenges:** Mazagon Dock maintains a resolute long-term perspective on growth within the shipbuilding industry, prioritizing sustainability and continued excellence. In the face of potential challenges, such as the complexities surrounding technology transfer and navigating Request for Proposals (RFPs), the company remains undeterred.

Technological Challenges and Mitigation Strategies: The directors acknowledged that the defense industry, including shipbuilding, faces technological challenges, such as acquiring advanced technologies and ensuring technology transfer from foreign partners. To address these challenges, Mazagon Dock is actively seeking collaborations and partnerships with global defense technology leaders. These collaborations aim to facilitate the transfer of cutting-edge technologies and knowledge, allowing the company to stay competitive and meet the evolving demands of the Indian Navy. The emphasis on technological advancements and partnerships highlights the company's forward-looking approach to surmounting industry challenges and maintaining its leadership in India's defense sector.

Product Portfolio

Naval Platforms

- » Destroyers
- » Conventional Submarines
- » Frigates
- » Corvettes
- » Missile Boat
- » Offshore Patrol vessels
- » Floating Border Outposts

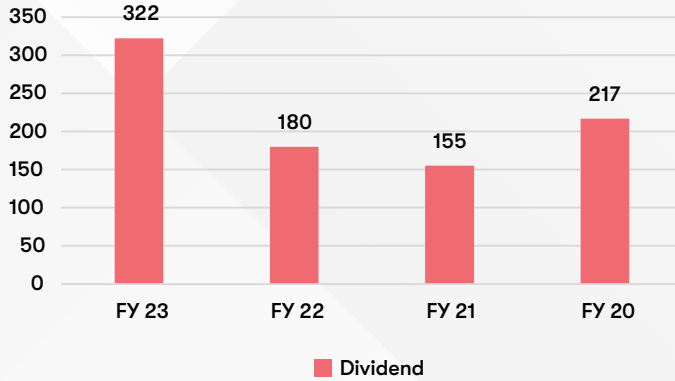
Merchant Ships

- » General Cargo Vessel
- » Multipurpose Support Vessel
- » Offshore Supply vessel
- » Tugs
- » Dredgers
- » Passenger cum Cargo Vessel
- » Water tankers

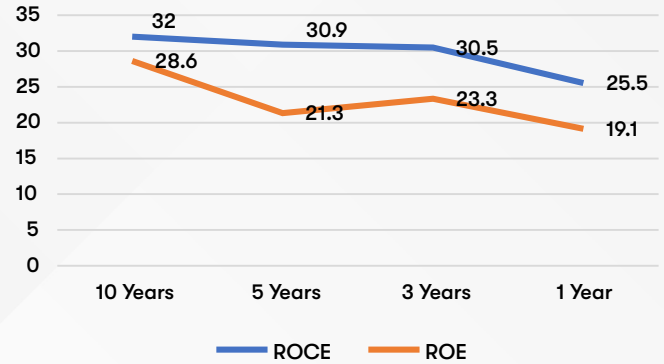
Oil Sector

- » Offshore Platforms
- » Jack-up rigs

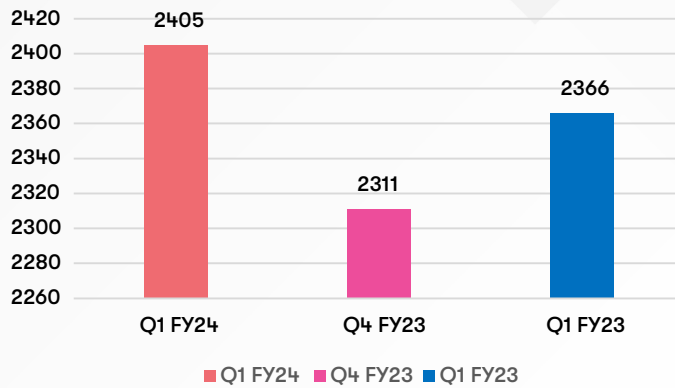
Yearly Dividend (in Cr)



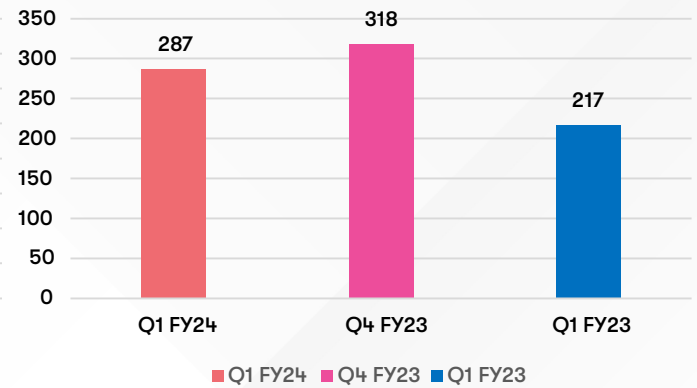
Return Margins



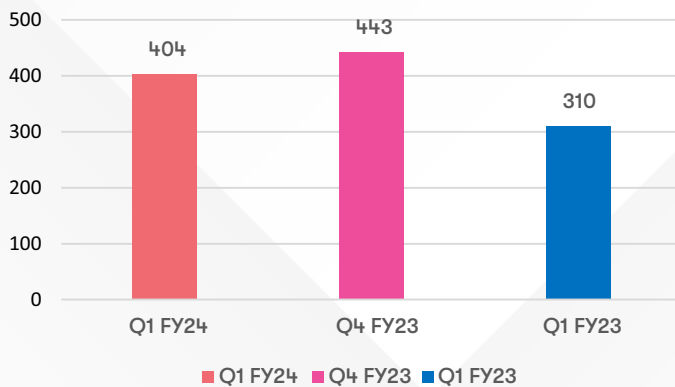
Revenue (In Cr)



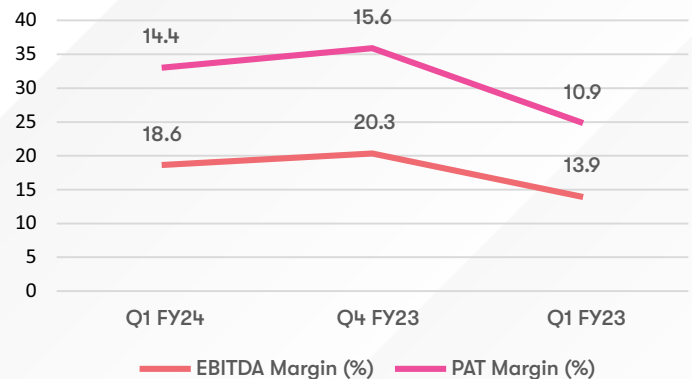
PAT (In Cr)



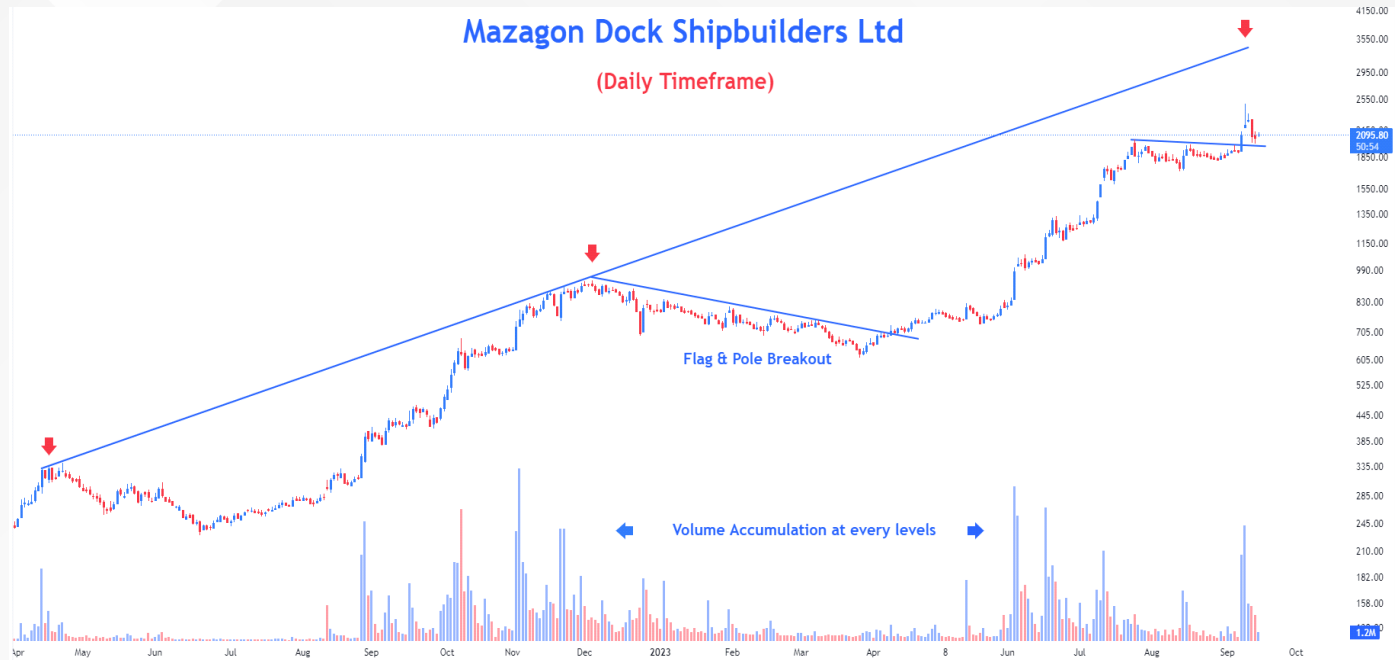
EBITDA (In Cr)



EBITDA & PAT Margin (In %)



Technical Outlook



Mazagon Dock has given a strong run with a constant change in fundamental and sectoral rerating. It is forming a flag and pole structure and has given a breakout and it now retesting, reversal from current levels will open 300 plus levels in this counter. Massive volume accumulation in this counter adds strength to the structure.

Weekly RSI are trading above 70 indicating massive strength in the buying.

10 Days Moving Average > 20 Days Moving Average > 50 Days Moving Average > 100 Days Moving Average > 200 Days Moving Average indicates a strong sustainable buying in this counter.

Moving Averages Days	Simple Moving Average	Exponential Moving Average
5	2143	2092
10	2042	2050
20	1948	1979
50	1841	1788
100	1392	1514
200	1075	1194

Pivot Levels : FIBONACCI		
R1 2502	Pivot 2194	S1 1904
R2 2792		S2 1595
R3 3101		S3 1305

Relative Strength Index(RSI)	Daily	Weekly
	61.51	75.45

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