



— 27th November, 2023 —

Q2 FY 24



India's Best Performing and Most Customer Centric PMS

Mazagon Dock Shipbuilders Limited, headquartered in Mumbai, is a formidable name in India's shipbuilding industry. Tracing its origins to 1774, the company began with a humble dry dock in Mazagon and has since evolved into a leading ISO 9001: 2015 certified shipyard. After becoming a private limited company in 1934, its acquisition by the Indian government in 1960 marked a significant turning point. Mazagon Dock swiftly grew to be the nation's premier warship-building yard, specializing in an extensive range of naval and commercial vessels.

Comprehensive Vessel Portfolio: With a portfolio that includes 802 vessels built since 1960, Mazagon Dock has an impressive track record. This tally includes 28 advanced warships, ranging from destroyers to missile boats, and 7 submarines. The company stands out as India's only shipyard that has built both destroyers and conventional submarines for the Indian Navy. It also pioneered the manufacture of Corvettes in the country. Beyond military craft, Mazagon Dock has constructed a variety of merchant ships, such as cargo vessels, passenger ships, supply vessels, water tankers, tugs, dredgers, fishing trawlers, and barges.

Strategic Location and Infrastructure: Mazagon Dock's strategic location in Mumbai, serving the Western Naval Command, offers a significant advantage. The proximity to sea routes connecting Europe, West Asia, and the Pacific Rim enhances its operational capabilities. This location also facilitates effective coordination with key customers like the Indian Navy and the Indian Coast Guard, as well as with various vendors. The shipyard's infrastructure, featuring a 300-tonne Goliath Crane and a module workshop with a retractable roof, is tailored for modular construction of vessels up to 40,000 Dead Weight Tonnage (DWT).

Current and Future Projects: The shipyard is actively engaged in significant projects like the construction of the Nilgiri Class Stealth Frigates, in collaboration with Italy's Fincantieri, and the production of diesel-electric attack submarines with Naval Group France. These projects highlight Mazagon Dock's capability to handle complex military projects.

Financial Stability and Market Position: Mazagon Dock's financial stability is evident in its consistent profitability and dividend payouts for over 15 years. The shipyard's zero-debt status and Mini-Ratna-I recognition in 2006 underscore its operational efficiency and importance in the defense sector. With a diverse product portfolio that spans naval platforms, merchant ships, and oil sector equipment, Mazagon Dock is well-positioned for ongoing success and innovation in shipbuilding.

Stock Data	
CMP	2039.85
52 Week High/Low	2484.70/612.00
Face Value	10
Market Cap (In Crs)	41,142
NSE	MAZDOCK
BSE	543237
Bloomberg	MAZDOCK:IN
Sector	Ship Building

Shareholding Pattern (in %)		
	June-23	Sep-23
Promoter	84.83%	84.83%
FII	3.29%	3.69%
DII	0.56%	0.39%
Public	11.31%	11.10%

Price Performance (in%)			
(%)	1M	6M	1Yr
Nifty 50	2.66%	8.25%	7.09%
MAZDOCK	5.39%	169.29%	131.39%

Key Ratios	
P/E	32.8
PEG Ratio	1.68
Debt To Equity	0.00
ROE	28.60%
ROCE	38.20%
Dividend Yield	0.78

Q2 FY 24 Result Update

Q2 FY24 Result Comparison (In Rs Cr)					
	Q2 FY24	Q1 FY24	Q2 FY23	QOQ	YOY
Revenue	1828	2173	1702	-16%	7%
Operating Profits	177	172	118	3%	50%
Profit Before Tax	416	383	267	9%	56%
Net Profit	313	287	200	9%	57%
EPS	15.52	14.21	9.94	9%	56%

Result Highlights

Half Yearly Performance Highlights H1 FY24:

- **Total Income Growth:** Mazagon Dock's total income increased by 5.98% to Rs. 4,485 crores in H1 FY24, up from Rs. 4,232 crores in the same period last year.
- **Operation Revenue Increment:** Revenue from operations saw a modest growth of 1.70%, reaching Rs. 4,000 crores in H1 FY24 compared to Rs. 3,933 crores in H1 FY22-23.
- **EBITDA Surge:** A significant jump of 40.95% in EBITDA was recorded, from Rs. 591 crores in H1 FY22-23 to Rs. 833 crores in H1 FY24.
- **Operating Margin Improvement:** Operating margin improved markedly by 19.34%, up to 7.65% in H1 FY24 from 6.41% in the previous fiscal year's first half.
- **PBT Growth:** Profit Before Tax exhibited a strong increase of 43.38% to Rs. 790 crores in H1 FY24.
- **Consolidated PAT Increase:** The Consolidated Profit After Tax escalated by 47.38%, indicating a rise to Rs. 647 crores in H1 FY24 from Rs. 439 crores in H1 FY22-23.

Quarterly Sequential Analysis (QOQ) for Q2 FY24

- **Revenue Fluctuations:** There was a 16% decrease in revenue in Q2 FY24 to Rs. 1828 crores from Rs. 2173 crores in Q1 FY24, despite the overall half-yearly revenue growth.
- **Operating Profits Minor Dip:** Operating profits slightly decreased by 3% in Q2 FY24 to Rs. 177 crores from Rs. 172 crores in the preceding quarter.
- **Positive PBT Dynamics:** An increase in Profit Before Tax by 9% from Q1 FY24 to Rs. 416 crores was noted in Q2 FY24.
- **Net Profit and EPS Uplift:** Net profit rose by 9% to Rs. 313 crores, and Earnings Per Share grew by 9% to Rs. 15.52 in Q2 FY24 from Q1 FY24.

The combined analysis of quarterly and half-yearly financials paints a detailed picture of Mazagon Dock's financial performance. Despite a sequential quarterly dip in Q2 FY24, the half-yearly figures demonstrate substantial growth across key financial metrics. The year-over-year (YOY) increase in revenue and the significant jumps in EBITDA, operating margin, PBT, and PAT during the first half of FY24 suggest a strong underlying business performance. Moreover, the improvement in Q2 FY24's PBT and net profit, along with a steady EPS, aligns with the overall positive trend observed in the half-yearly data. This indicates that Mazagon Dock has effectively managed its operations and costs, translating into improved profitability and shareholder value despite the challenges faced in Q2 FY24.

Concall Highlights

Mazagon Dock Shipbuilders Limited, an esteemed entity in India's defense shipbuilding sector, held its Q2 FY'24 Earnings Conference Call on November 9, 2023. The comprehensive transcript of this call provides a deep dive into the company's operational, financial, and strategic aspects. This analysis aims to encapsulate these elements, offering insights into Mazagon Dock's current performance, future prospects, and the broader industry context.

Historical and Current Performance

- **Historical Background:** Established in 1774, Mazagon Dock carries a significant legacy. Nationalized in 1960, it has built 802 vessels, including 28 warships and 7 submarines, marking it as a central player in India's maritime and defense capabilities.
- **Recent Operational Achievements:** Despite global challenges like the COVID-19 pandemic, oxygen shortages, and chip shortages, Mazagon Dock has shown remarkable resilience. From 2017 to 2022, it delivered five submarines to the Indian Navy. Additionally, the company completed six advanced destroyers over nine years, with the last three of Project 15 Bravo being delivered ahead of schedule. This highlights Mazagon Dock's efficiency and ability to meet complex military requirements.

Financial Health and Performance

- **Strong Order Book:** As of September 30, 2023, the order book was robust at INR 37,500 crores. The company projected a revenue increase of 12% to 15% over the previous year, indicating a strong financial trajectory.
- **Margin Performance:** Mazagon Dock achieved higher margins, a result of strategic management including refunds from liquidated damages and operational efficiencies. This is indicative of the company's focus on maintaining financial health while delivering on its projects.

Future Prospects and Contracts

- **Recent Contract Wins:** The acquisition of contracts for a Cadet training ship and six next-generation offshore patrol vessels from the Indian Coast Guard signifies Mazagon Dock's expanding portfolio. The INR 310 crores and INR 1400 crores contracts, respectively, demonstrate the company's capability in diverse naval requirements.
- **Export Market Penetration:** A significant order from a European client is in the final stages of negotiation, marking a milestone in Mazagon Dock's global outreach. This move not only diversifies its client base but also enhances its reputation in the international defense shipbuilding market.

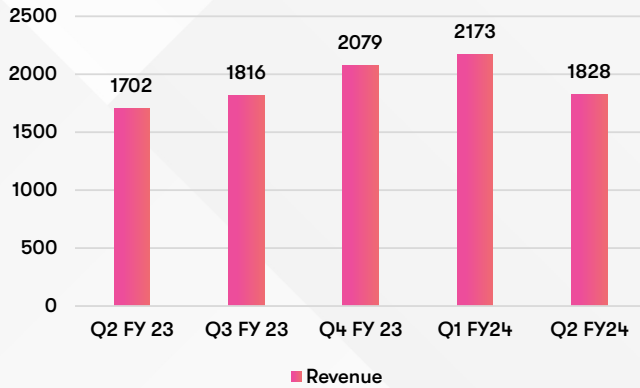
Challenges and Strategic Responses

- **Global and Local Challenges:** The company faced hurdles due to the global chip shortage and geopolitical tensions, like the Israel-Hamas conflict. However, Mazagon Dock's strategic responses, including mitigation measures, exhibit its adaptability and resilience in navigating such challenges.
- **Project Management:** Although some projects experienced delays, the company's proactive measures in contesting liquidated damages and efficient project management have minimized financial impacts. This approach demonstrates a robust risk management framework.

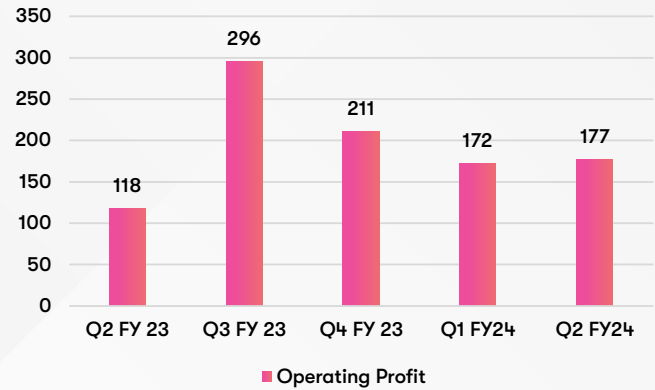
Future Projects and Strategic Direction

- **Project Pipeline:** Mazagon Dock is a front-runner for future naval projects, including advanced destroyers and frigates. This potential pipeline suggests a sustained and growing role in India's maritime defense infrastructure.
- **Indigenization and Self-reliance:** The focus on indigenizing critical submarine components is not just a strategic move to reduce dependencies on foreign Original Equipment Manufacturers (OEMs) but also aligns with India's broader policy of self-reliance in defense manufacturing.

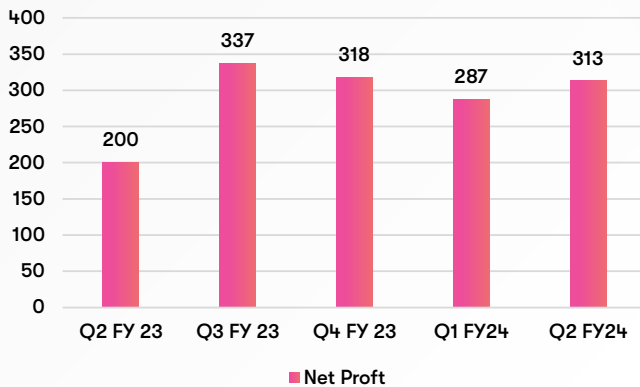
Revenue



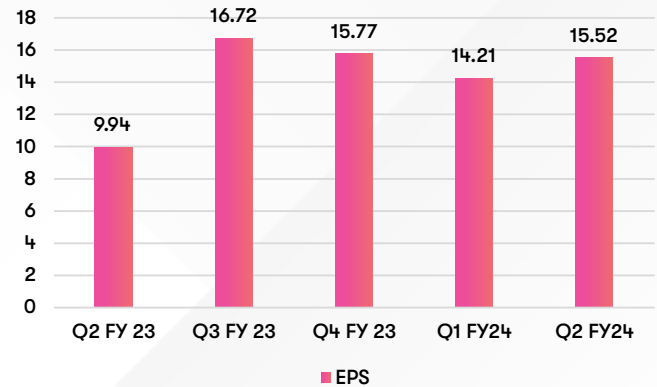
Operating Profit



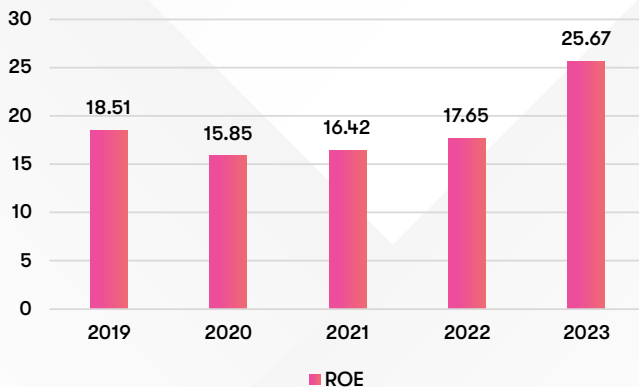
Net Profit



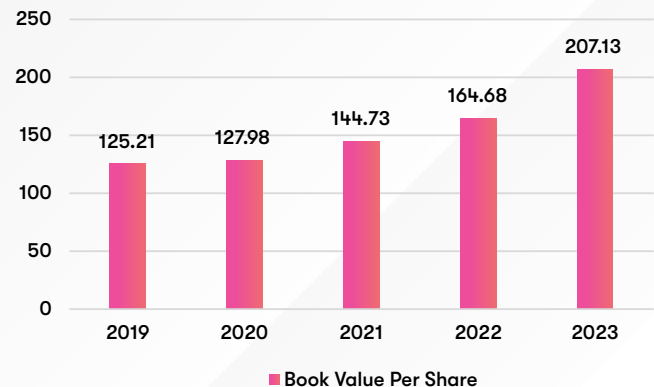
EPS



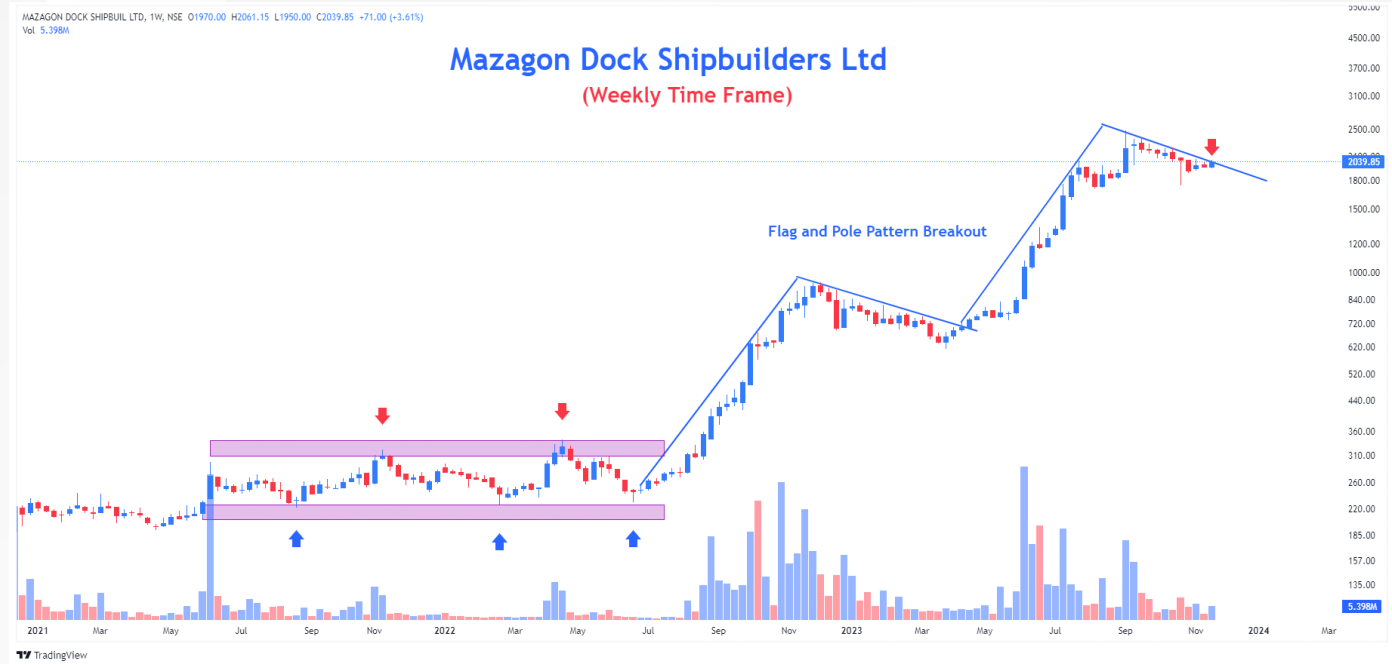
ROE



Book Value Per Share



Technical Outlook



Following a successful breakout from a consolidation phase, Mazagon Dock exhibited a distinctive Flag and Pole pattern, resulting in a notable uptrend. Currently, the stock has once again formed a recognizable Flag and Pole pattern, setting the stage for a potential subsequent breakout. The anticipation for this breakout is contingent upon a noticeable surge in trading volumes, indicating heightened market interest.

The initial breakout showcased Mazagon Dock's resilience, and the repetition of the Flag and Pole pattern suggests a potential continuation of the upward momentum, subject to market dynamics and increased participation.

Moving Averages Days	Simple Moving Average	Exponential Moving Average
5	1991.42	1999.88
10	1988.07	1990.77
20	1973.38	1994.61
50	2068.93	1990.35
100	1939.68	1841.64
200	1375.97	1523.00

Pivot Levels : FIBONACCI

R1 2059.46	Pivot 2017.00	S1 1974.54
R2 2085.69		S2 1948.31
R3 2128.15		S3 1905.85

Relative Strength Index (RSI)	Daily	Weekly
	54.83	64.75

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