



Mazagaon Dock Ship Builders Limited

MAZDOCK

—— 2ND NOVEMBER, 2022 ——

Industry	52 Week High/Low	Last Traded Price	Market Cap
Ship Building	720/224	682	12,867 Cr

About The Company

Mazagon Dock Shipbuilders Limited, aptly called “Ship Builder to the Nation”, is one of India's leading Defence public sector undertaking shipyard under the Ministry of Defence. Main activities are construction of warships and submarines with facilities situated at Mumbai and Nhava (under development). It has a capability to build warships, submarines, merchant ships upto 40,000 DWT since 1979.

MDL has completed modernization and up gradation of its facility to contemporary world standards with virtual reality lab, product data management, product life cycle management, modular integrated construction, which enables MDL the capability and capacity to construct at any point of time 10 warships and 11 conventional submarines simultaneously also MDL is India's only shipyard to have built destroyers and conventional submarines for the Indian Navy

Defence Sector

Total defence equipment procurement budget was at 1.24 lakh crore for FY23E of which 84,598 crore (68% of procurement budget) has been kept for purchasing locally produced weapons and systems to boost self-reliance in the defence sector (Make In India Defence). The defence procurement budget is likely to increase considerably for FY24E with the share of imports coming down further.

'Make in India, Make for the World' efforts by the GOI are also bearing results which are reflected from India's growing defence exports, that has increased by nearly 800 % in the last six years. Speaking at an event on October 15, Defence Minister Rajnath Singh said, “There was a time when India only exported defence equipment worth INR 1,900 crore. The figure today has crossed INR 13,000 crore. We have set a target of INR 1.75 lakh crore of defence production by 2025, including INR 35,000 crore worth of exports. We are well on course to achieve the target.

Healthy Order Book and Strong Order Pipeline

Indian Navy's major projects in the pipeline are next generation destroyers, next generation frigates, conventional submarines and next generation corvettes. The estimated cost of these four projects is approximately 1.8 lakh crore. With an already strong order backlog of 43,343 crore as of August 2022 (6.4x TTM revenues).

MDL is well placed to benefit from Indian Navy's big procurement plan for the next three to four years. Order backlog includes Project-17A (Nilgiri class frigates), Project-15B (Visakhapatnam class destroyers), Project-75(Kalvari class submarines). Apart from these three major projects, the company has ventured into the business of shipping container manufacturing and bagged two orders from Container Corporation of India (Concor) totalling 2500 containers.

Order backlog as of Aug 2022

Projects	Nos	Project Cost	Per Unit Cost	Executed	Order Backlog
P 17-A Frigates	4	24,238	6,060	4,443	19,795
P 15-B Destroyers	4	34,300	8,575	15,403	18,897
Project 75 Submarines	6	27,976	4,663	23,576	4,400
Others		1,176		925	251
Total					43,343

Current status of 3 Major Projects

Project	Submarines/Warships	Launch	Commission	Current Status
Project-75 Submarines	INS Kalvari	Oct 2015	Dec 2017	-
	INS Khanderi	Jan 2017	Sep 2019	-
	INS Karanj	Jan 2018	Mar 2021	-
	INS Vela	May 2019	Nov 2021	-
	INS Vagir	Nov 2020	2022 End	Sea Trials Going On
	INS Vagshseer	Apr 2022	2023 End	Under Construction
P-15B Destroyers	INS Vishakhapatnam	Apr 2015	Nov 2021	-
	INS Mormugao	Sep 2016	2022 End	Sea Trials Going On
	INS Imphal	Apr 2019	2024	Under Construction
	INS Surat	May 2022	2025	Under Construction
P-17A Frigates	INS Nilgiri	Sep 2019	2022 End	Sea Trials Going On
	INS Udaygiri	May 2022	2025	Under Construction
	INS Taragiri	Sep 2022	2025/26	Under Construction
	INS Vindhyagiri	To Be Launched	-	Under Construction

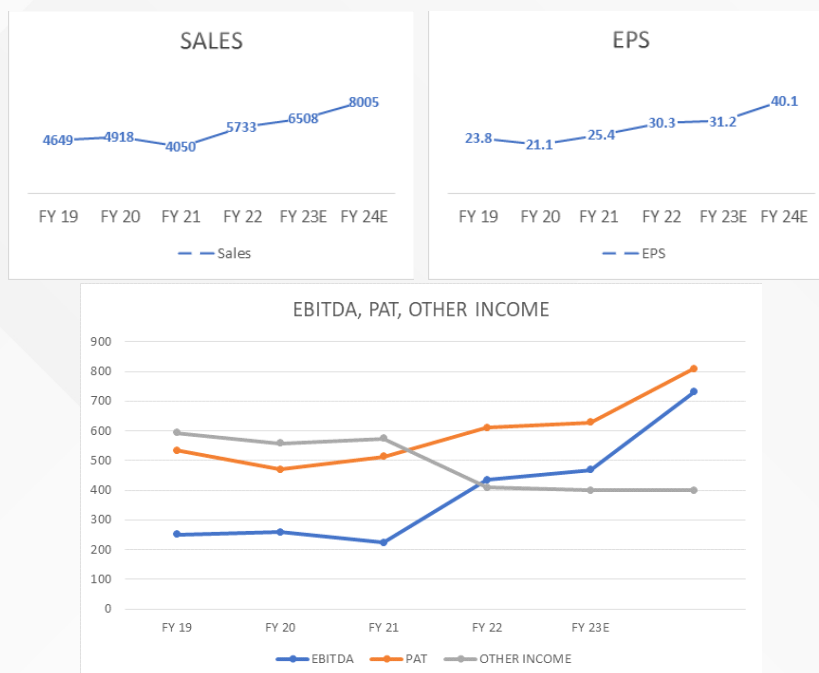
Projects Under Pipeline

Projects Pipelined	Nos	Customer	Estimated Cost	Status
New Generation Corvettes	8	Indian Navy	33,000	Approved by DAC; RFP will be out soon
Project 75-I submarines	6	Indian Navy	43,000	RFP already out; bid submission extended to Nov-22
Next Generation Destroyers	5	Indian Navy	50,000	Next phase of Project 15-B
Next Generation Frigates	7	Indian Navy	56,000	Navy is considering repeat order of 7 P-17A frigates.
Total			1,82,000	

MDL's order pipeline looks healthy considering the requirement and strong procurement plan of the Indian Navy and Coast Guard, which are reflected in the Maritime Capability Perspective Plan (MCPPI). The major submarines & warships projects in the pipeline are five next generation destroyers, eight next generation corvettes, six submarines under Project P75(I) and seven next generation frigates. The cumulative cost of the mentioned projects is estimated to be 1,82,000 crore.

Financial Summary

Particulars	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023E	FY 2024E
Revenue	4,649	4,918	4,050	5,733	6,508	8,005
EBITDA	251	259	223	435	469	731
Depreciation	61	69	60	75	91	112
Finance Cost	4	9	8	7	7	7
Other Income	593	558	574	410	400	400
PAT	534	470	513	611	628	809
EPS	23.8	21.1	25.4	30.3	31.2	40.1
ROE	14.7%	12.3%	17.7%	16.1%	14.6%	16.6%
P/E	10.6X	17.5X	13.7X	13.4X	13.3X	10.3



Key Ratios

Particulars	FY 20	FY 21	FY 22	FY 23E	FY24E	Opinion
ROCE	24.5	21.5	20	18.1	20.9	Company has a steady 20+ ROCE (Positive)
Book Value	151.7	170.1	191.3	213.4	242	Company has a steady growth in Book Value (Positive)
EBITDA Margin	5.3	5.5	7.6	7.2	9.1	Company has a steady growth in EBITDA Margin (Positive)
PAT Margin	9.6	12.7	10.7	9.7	10.1	Company has a steady PAT Margin (Positive)
Cash Per Share	287.5	393.6	568.9	666	825.5	Company is cash rich but most of it cash flow is from investing activity and not from operating activities
Debt To Equity	0	0	0	0	0	Company is debt free (Positive)

Key Risk and Concerns

- Primarily dependent on contracts from Government Of India (Ministry Of Defence).
- Dependent on foreign suppliers for weapons, propulsion systems s to be fitted on warships and the submarines. Any change in preference of these suppliers or any disturbance in the global supply chain may impact the company's execution and, thus, earnings and cash flows.
- Concentration Risk Current order book has a high reliance on a single customer i.e., the Indian Navy. Its revenues are also highly dependent on shipbuilding as the higher-margin ship repair business accounts for just 3% of sales.
- High portion of other income in profit before tax.

Technical Outlook



Mazagaon Dock has given a humongous flag and pole breakout from its previous resistance with heavy volume accumulation. Similar flag and pole breakout was seen in the beginning of October Month around 450 level after which volume driven momentum took it all the way to 680 level.

Now Mazagaon Dock has given a similar flag and pole breakout and it is all set to move towards 1000 levels.

On the lower side mazagaon dock can show some weakness below 620 levels

**This research has been done by the
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