



Cochin Shipyard

17th DECEMBER, 2022

Cochin Shipyard Limited (CSL), a wholly owned Government of India Company incorporated in 1972, is one of the most stable companies in the Indian shipbuilding and repair sector. In the last five decades, the Company has emerged as a forerunner in the Ship Repair Industry and a well-known player on the Global Shipbuilding Front. The Company has emerged as a premier player in the Indian Shipbuilding Segment with expertise in design, engineering and project implementation. The Company has built and delivered the prestigious Indigenous Aircraft Carrier, INS Vikrant, for the Indian Navy and has built & repaired some of the largest ships in India. Over the years, CSL has successfully responded to fluctuations in the shipbuilding requirements of the markets and has evolved from building bulk carriers to smaller and more technically sophisticated vessels such as Platform Supply Vessels (PSV) and Anchor Handling Tug Supply Vessels (AHTS).

Cochin Shipyard, to date, has built and delivered 166 vessels, including 20 Large Vessels, 35 Offshore Support Vehicles, 84 Small And Medium Vessels, and 27 Defence Vessels. CSL's reputed clientele in domestic markets includes Indian Navy, Indian Coast guard, Shipping corporation of India Limited. Its international clients list consists of National Petroleum Construction Company (Abu Dhabi), The Clipper Group (Bahamas), Vroon offshore (Netherlands) and SIGBA AS (Norway)

Investment rationale

• **Steady growth in revenue sustained by gigantic order book:** On a cumulative basis, Cochin Shipyard is sitting on an orderbook of 20,000 Cr, which is almost 6 times its revenue, which is placed at 3,190 Cr. The Indian Navy has been pushing for a third carrier, expected to be a 65,000-tonne warship, after the commissioning of India's first indigenously-built aircraft carrier, INS Vikrant, of around 45,000 tonnes. Revenue for FY 22 stands at 3,190 Cr, up 13% against 2,818 Cr for FY 21.

• **Defence remains a big area of focus area because of its excessive reliance on imports:** After "Make In India", new slogans such as self-reliance and "Vocal For Local" are gaining prominence. The government initiative of import restriction on certain equipment and setting up of a separate budget for domestic procurement will further lead to a reduction in the import bill, which gives domestic companies an opportunity.

• **Major expansion projects in pipeline:** Cochin Shipyard Limited is in the process of setting up a New Dry-dock. The New Dry-dock measuring 310 x 75/60 x 13 m with a 600T Gantry crane will be capable of handling vessels up to Suezmax, Aircraft Carriers of 70000T displacement, Jack-up rigs, LNG vessels etc. The ISRF will modernize and expand the existing ship repair facility in CSL. The ISRF includes a 6000T ship lift for ships up to 130 x 25 m with six workstations and allied facilities. It has a total outfitting berth of 1500 meters approx.

• **Capacity expansion for ship-repair activities to help get more orders in this segment, which is also a higher margin business:** . CSL has also the second largest ship repair capacity and largest among the public sector in India, which can accommodate vessels up to 125,000 DWT. Historically, the company has reported strong margins in its ship repair business, the driver of overall business margins. CSL has also undertaken repairs of various types of vessels including upgradation of ships of the oil exploration industry as well as periodical maintenance, repairs and life extension of ships. CSL is presently one of the best performing shipyards in India.

Stock Data	
CMP	₹ 615
52 Week High/Low	₹ 687/280.75
Face Value	₹10
Market Cap (In Crs)	₹8,073
NSE	COCHINSHIP
BSE	540678
Bloomberg	COCHIN:IN
Sector	Defence

Shareholding Pattern (in %)		
	Jun-22	Sept-22
Promoter	72.86	72.86
FII	2.75	3.68
DII	4.37	4.96
Public	20.02	18.50

Price Performance (in%)			
(%)	1M	6M	1Yr
Nifty 50	-0.41	19.46	7.56
Cochin Shipyard	-8.8	103.4	80.58

Key Ratios	
P/E	14.71
P/B	1.87
Debt To Equity	0.03
ROE	12.83%
ROCE	16.48%
Dividend Yield	2.74%

Industry Overview

Global Defence Shipbuilding: Global Defence Shipbuilding: Beijing's aggression in the South China Sea has grabbed sizeable attention in maritime security of South East Asian Countries, Japan & Taiwan, who are now looking for a considerable expenditure on their Defence. China's state-owned shipyards have built 83 ships in just eight years with unprecedented speed. China has its own independent maritime missile defence and naval combat system. The military ship building segment will be exhibiting healthy growth owing to the rise in global conflicts, displacement of population, and terrorist attacks, which foster naval developments.

Country	Aircraft Carriers	Destroyers	Frigates	Corvettes	Submarines	Patrol Vessel	Total Fleet
United States	11	92	0	22	68	10	484
China	2	41	49	70	79	152	777
Russia	1	15	11	86	70	59	605
India	2	10	13	22	17	128	295
Japan	0	36	4	6	21	6	155
South Korea	0	12	18	11	22	111	234
UK	2	6	12	26	0	26	75

Indian Defence Shipbuilding: Defence shipbuilding in India is emerging as an area of focus for public and private sector shipyards alike. While the public sector shipyards such as Garden Reach Shipbuilders & Engineers Limited (GRSE), Mazagon Dock Shipbuilders Limited (MDL), Goa Shipyard Limited (GSL) and Cochin Shipyard Limited (CSL) are the frontrunners in the defence shipbuilding space, increasing number of private shipyards are undertaking specific measures to enhance competence and modify their existing shipbuilding repair facilities to suit the needs of the Indian Navy and the Indian Coast Guard.

The Indian Navy fleet includes mainly three categories of vessels/combat platforms:

- Surface ships
- Naval aviation
- Sub-surface vessels/submarines

Prime Minister Narendra Modi on Oct 19 in Jammu laid emphasis on the importance of maritime security and space technology. He added that the maritime security has emerged as a global priority

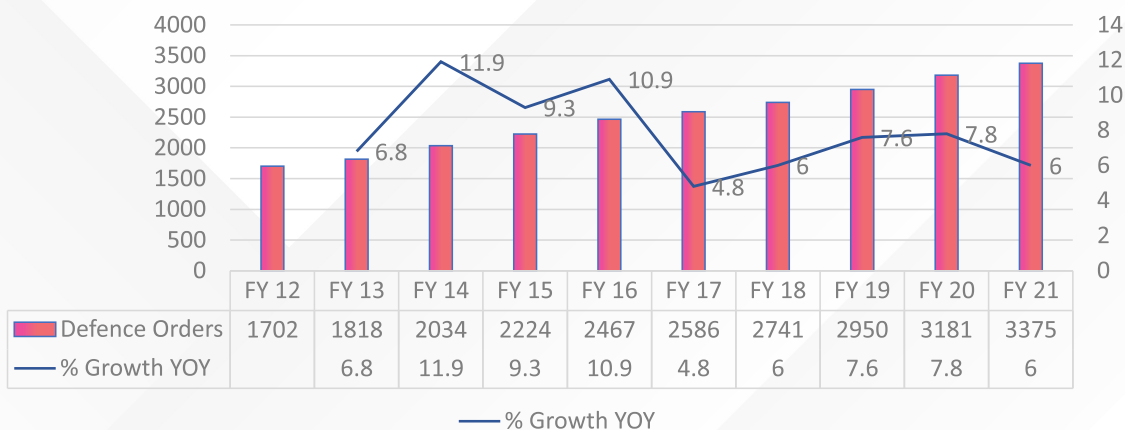
Indian Shipyards and their Proficiency	
Company	Variety of ships build
Cochin Shipyards	Air Craft Carrier, Platform Supply Vessels, Anchor Handling Vessels, Fast Patrol Vessels
Mazagaon Dock	Frigates, Dredger (Merchant Ship), Submarines, Corvettes.
Garden Reach Shipbuilders and Engineers	Landing Craft Utility, Landing Ship Tank, Survey Vessels, Frigates, Corvettes, Patrol Vessels.
Goa Shipyard	Patrol Vessels, Survey Vessels, Fast Interceptor Boats, Mine Sweepers, Landing Craft Utility, Offshore Patrol Vessels.
Hindustan Shipyard	Bulk carriers, Cargo Liners, In-shore Patrol Vessel, Patrol Vessels.
Reliance Naval	Landing Platform Dock, Patrol Vessels, Interceptor Boats
L&T Shipbuilding	Landing Platform Dock, Patrol Vessels, Interceptor Boats
ABG Shipyard	Tug Vessels, Interceptor Boats, Cement Carriers, Diving Support Vessel

Chinese Strategic Scenario: China recognizes that geography gives India a special position in the Indian Ocean, but it has warned that the ocean is not India's backyard and is not India's Ocean. Since 2015, China's defence Papers have linked its national security and development interests. Throughout China joined Indian Ocean Region (IOR) with its Belt and Road Initiatives, China's naval strength in the Indian Ocean is greater than India's. The People's Liberation Army Navy (PLAN) is bigger than the Indian Navy, and can deploy more sea-based aircraft. India is safeguarding its interests in the Indian Ocean Region. So, the Indian Navy has to significantly increase its deployment of warships, submarines and other assets in the Indian Ocean Region to send a message to China. Additionally, our two beasts, INS Vikrant & INS Vikramaditya, are continually guarding us. INS Vikrant is an indigenously developed aircraft carrier, and INS Vikramaditya is a modified Kiev Class aircraft carrier. India needs its third aircraft carrier, which could support our current fleet in guarding the Arabian Sea, Bay Of Bengal & Indian Ocean in order to counter China and Pakistan and ensure our maritime security. This third aircraft carrier will also ensure that we properly check on our neighbours when one of our other aircraft carriers is under maintenance and overhaul.



Indian Defence Budget: In the Union Budget for 2021-22, the defence sector has been allocated Rs 4.78 lakh crore, including an outlay for the payment of pensions, against last year's Rs 4.71 lakh crore. The total amount includes capital expenditure of Rs 1.35 lakh crore to purchase new weapons, aircraft, warships and other military hardware against the capital outlay of Rs.1.31 lakh crore during 2020-21. Last year, the jump in the revised expenditure for 2020-21 of the Navy and Air Force was much more.

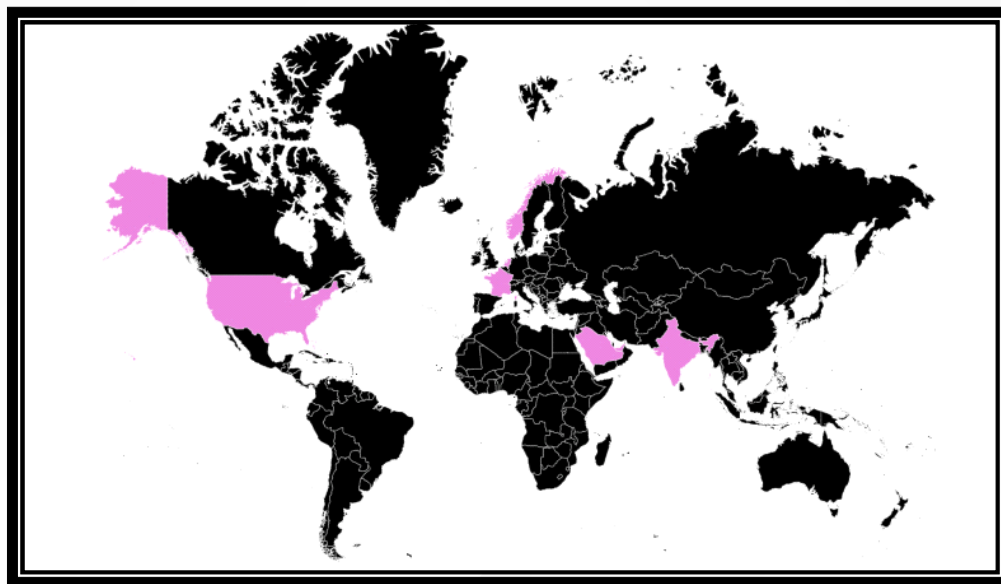
BUDGETARY ALLOCATION FOR DEFENCE SECTOR



Company Background

Cochin Shipyard is India's largest public-sector shipyard. Since its inception in 1972, the yard has undertaken numerous shipbuilding and ship repair projects for both local and international clients, including the construction of India's first mighty indigenous aircraft carrier, the INS Vikrant. Its shipyard is strategically placed on India's west coast, halfway along the primary sea route connecting Europe, West Asia, and the Pacific Rim – a busy international marine route. Furthermore, its shipyard is close to the Kochi port and offshore oil deposits on India's western coast, as well as the Middle East. Since its inception in 1972, the yard has completed several shipbuilding and ship repair projects for both domestic and foreign customers. CSL has completed many orders for foreign companies like the Clippers Group, Bahamas and NPCC Abu Dhabi and locally for the Shipping Corporation of India, ONGC, A&N Administration, and DCI.

CSL has worked with several leading technology firms in the industry including Rolls Royce Marine (Norway), GTT (France), Vard Group (Norway) etc. CSL has exported 47 vessels to some of the most demanding clients in Norway, Netherlands, Cyprus, USA, Germany, Demark/Bahamas, Saudi Arabia and UAE. This has added to our credibility in the international market. Our key shipbuilding clients on the domestic front include the Indian Navy, the Indian Cost Guard, Ministry of Home Affairs, the Shipping Corporation of India Limited, Lakshadweep Government, various Port Trusts, Inland Waterways Authority of India (IWAI), A&N Administration, Directorate General of Lighthouses and Lightships (DGLL) and Jindal Steel Works (JSW) group. CSL has also undertaken repairs of various types of vessels including upgradation of ships of the oil exploration industry as well as periodical maintenance, repairs and life extension of ships. CSL is presently one of the best performing shipyards in India



Business Division

Cochin Shipyard Limited has two primary business segments: (a) shipbuilding (79% of revenues in FY22) and (b) ship repair (21% of revenues). It serves clients in the Indian defence sector as well as clients in the global commercial sectors for shipbuilding and ship repair. Defence shipbuilding is a complex and time-consuming task. On the other hand, commercial shipbuilding is less complicated, though it is prone to cyclical weaknesses.

Defence Shipbuilding: The Indian shipbuilding industry continues to be driven by defence requirements, and the vision of the Government of India (GOI), as per the Defence Production Policy, was “to make India among the top five countries of the world in Aerospace and Defence Industries”. The Indian Navy and Indian Coastal Guard fleet are each expected to grow to about 200 vessels by 2027. CSL completed its contract negotiation of the Next Generation Missile Vessel (NGMV) project for the Indian Navy, for which the contract is likely to be signed this year, thus adding good order book value to the Company. Indian Navy and Indian Coast Guard Services are its two clients from the defence sector.

Commercial Shipbuilding: In the last five years, CSL has derived 20 to 30% of its shipbuilding revenues from the commercial segment. Prospects for the commercial shipbuilding industry are determined by global trade and the cyclicity of oil, natural gas, shipping, transportation, and other trade-related industries. In addition, the offshore industry is still in a slump. As a result, CSL is constantly working to secure orders from more niche markets, both commercial and defence.

% Revenue: Ship Buildings & Repairs



% Revenue: Defence & Commercial



Product Portfolio Defence

• **Aircraft Carriers:** **INS Vikrant** is an aircraft carrier built for the Indian Navy by Cochin Shipyard Limited in Kerala. It is the first aircraft carrier constructed in India. It is named Vikrant in glory of India's first aircraft carrier, the INS Vikrant. In Sanskrit, the name Vikrant means "courageous". The IAC is the largest warship ever to be built in India having a deep displacement of appx 45,000 tonnes and is also considered as the most ambitious warship project of the country. It is unprecedented in terms of size and complexity in comparison to any ship (both commercial and defence) built in India till date. The vessel is a mammoth steel structure of 21,500 tonnes of special grade steel developed indigenously and used in Indian Naval Ships for the first time.



• **Next Generation Missile Vessels:** Next Generation Missile Vessels (NGMVs) are a planned class of anti-surface warfare corvettes for the Indian Navy. Anti-ship missiles or land-attack missiles such as the BrahMos will be used by ships in this class. Ships in this class will also have advanced stealth features such as a low radar cross section (RCS) and infrared, acoustic, and magnetic signatures. Cochin Shipyard won the bid to build six Next Generation Missile Vessels for a cost of 10,000 crores on February 23, 2021.



• **Anti-Submarine Warfare Shallow Water Crafts:** A class of anti-submarine warfare corvettes known as the Anti-Submarine Warfare Shallow Water Craft (ASW-SWC) is currently being constructed by Cochin Shipyard for the Indian Navy. The vessels are capable of preventing and destroying subsurface targets, primarily hostile submarines, in the vicinity of coastal waters because they are outfitted with cutting-edge sensors and artillery.



• **Technology Development Vessel:** INS Anvesh (formerly known as the DRDO Technology Demonstration Vessel) is a missile range instrumentation ship (also termed a "Floating Test Range" (FTR)) built for the Indian Navy. Designed by the Defence Research and Development Organisation (DRDO) and built by Cochin Shipyard Limited (CSL), the ship was conceived to serve as a sea-based platform for India's ballistic missile defence program.



• **Floating Border Outposts Vessels:** Cochin Shipyard (CSL) recently delivered three new vessels to the Border Security Force of India (BSF). The ships are officially known as floating border outposts (FBOPs), and their primary purpose is to serve as self-propelled staging bases for the BSF's smaller patrol boats. As a result, the FBOPs are outfitted on the aft deck with launch, recovery, and storage facilities for up to four small outboard-powered patrol boats, as well as space for petrol, fresh water, food, and other provisions required by the boats' crews. Individual davits are used to launch and recover the small boats.



• **Fast Patrol Vessels:** Aadesh-class patrol vessels are a series of twenty fast patrol vessels (FPVs) built for the Indian Coast Guard by Cochin Shipyard Limited at its shipyard in Kochi, Kerala. The vessels are equipped with a long-range gun and modern vessel control, navigation, and communication tools. They can have 7 days' of continuous deployment at sea without replenishing supplies. These FPVs are small compared to other large vessels that Cochin Shipyard has built. Extensive use of aluminum in the superstructure was made to reduce weight, and Cochin Shipyard has developed unique techniques to ensure high-quality welding and fabrication of aluminum structures.



• **Hydrographic Survey Vessels:** A survey vessel is any type of ship or boat that is used for underwater surveys, usually to collect data for mapping or planning underwater construction or mineral extraction. It is a type of research vessel, and may be designed for the purpose, modified for the purpose or temporarily put into the service as a vessel of opportunity, and may be crewed, remotely operated, or autonomous. The size and equipment vary to suit the task and availability. The primary role of these survey ships would be to conduct full-scale coastal and deep-water hydrographic survey of ports and harbours, and determination of navigational channels and routes.



• **Offshore Patrol Vessels:** An offshore patrol vessel (OPV) is a small surface ship designed for coastal defence. These warships are well equipped to tackle a range of roles such as maritime security, border control, anti-smuggling, counter-terrorism, disaster relief and more.



Product Portfolio: Commercial

- Oil Tankers
- Bulk Carriers
- Dredgers
- Pax Vessels
- Tugs
- Special Purpose Vessels
- Deck Cargo/Jacket Launch Barges
- Electric Autonomous Vessels
- Electric Passenger Ferries
- Ro-Ro Vessels
- Ro-Pax Vessels
- Specialised Fishing Vessels
- Marine Ambulance



Product Portfolio: Offshore

- Platform Supply Vessels
- Anchor Handling/Tug Supply Vessels
- Multi-Purpose Vessels
- Specialized Construction of Support Vessels



Ship Repair

- Maintenance and repairs of Aircraft Carriers and other Defence Vessels
- Repairs and maintenance of Tankers, Bulk Carriers, all kinds of Commercial and Specialized vessels
- Oil Rig Upgradation, Repair Projects and Conversions



Shipyards: Embracing The Indian Peninsula

• **Cochin Shipyard, Kochi** : World class infrastructure capable of building ships up to 1,10,000 DWT and repair ships up to 1,25,000 DWT. CSL has built more than 150 vessels and has completed around 2,500 ship repair projects, including Aircraft Carriers, for commercial, defence, domestic and international customers. The Yard which has built India's first Indigenous Aircraft Carrier and also the largest and most accomplished ship repairer in India.



• **CSL Mumbai Ship Repair Unit (CMSRU), Mumbai**: Operating at the Mumbai Port aimed at augmenting the existing ship repair capacity in Mumbai area. Commenced ship repair operations in January 2019 and has successfully undertaken repairs to more than 75 vessels.

• **CSL Kolkata Ship Repair Unit (CKSRU), Kolkata Establish**: Established for catering to the ship repair requirements of commercial as well as defence segments in the east coast of India. Located at the Syama Prasad Mookerjee Port, Kolkata. Commenced ship repair operations in October 2019 and has completed various key ship repair projects.



• **CSL Andaman & Nicobar Ship Repair Unit (CANSRU), Port Blair**: Setup at Marine Dockyard, Port Blair inter alia to develop a ship repair ecosystem at the A&N Islands including augmentation and modernization of the existing facilities. Commenced ship repair activities in November 2021.

• **Hooghly Cochin Shipyard Limited (HCSL), Kolkata**: Constructed at the banks of Hooghly river at Nazirgunge as a compact yard aimed at building quality inland and coastal vessels. The facility was inaugurated on August 16, 2022.



• **Udupi Cochin Shipyard Limited (UCSL), Udupi**: Acquired in September 2020 through the IBC process. Main facility situated at Udupi, Karnataka. Commenced operations in July 2021. Modern and high-end infrastructure for building small and medium sized vessels.

Major Expansion Projects

• **New Dry-Dock:** CSL is in the process of setting up a New Dry-dock. The New Dry-dock measuring 310 x 75/60 x 13 m with a 600T Gantry crane will be capable of handling vessels up to Suezmax, Aircraft Carriers of 70000T displacement, Jack-up rigs, LNG vessels etc. Around 85% of RCC piling works have been completed. Dock floor construction has commenced and crane track works, substation works, pumphouse works & caisson gate fabrication works are progressing.



• **International Ship Repair Facility (ISRF):** The ISRF will modernize and expand the existing ship repair facility in CSL. The ISRF includes 6000T shiplift for ships upto 130 x 25 m with six work stations and allied facilities. It has a total outfitting berth of 1500 meters approx. However, due to the financial difficulties of the construction contractor appointed for ISRF project, construction activities at the project site was severely affected and eventually CSL terminated the contract on February 04, 2022. Physical progress of construction works reported till the termination of contract is 78%. CSL is presently in the process of appointing alternate contractors by retendering for completing the balance works within the minimum possible time. All other actions are progressing without any change.



FY 22 Key Highlights

- Signed "Protocol of Delivery & Acceptance (PODA)" with JSW Shipping & Logistics Private Limited, of the first 8000 T Cargo Vessel named "JSW Mihirgad".
- Signed the "Protocol of Delivery & Acceptance (PODA)" with JSW Shipping & Logistics Private Limited, of the second 8000 T Cargo Vessel named "JSW Malhargad".
- Signed the "Protocol of Delivery & Acceptance (PODA)" with JSW Shipping & Logistics Private Limited, of the third 8000 T Cargo Vessel named "JSW Mandangad".
- Delivered the fourth and final 8000 T Cargo Vessel named "JSW Manikgad" to JSW Shipping & Logistics Private Limited.
- Delivered 6 Floating Border Out-Post (FBOP) Vessels for the Ministry of Home Affairs.
- Launched 2 8000 DWT Mini General Cargo Ships for JSW Shipping & Logistics Pvt. Ltd.
- The Indigenous Aircraft Carrier (IAC) – "Vikrant", India's most complex warship to have been indigenously built by Cochin Shipyard for the Indian Navy proceeded for its maiden sea trials from Cochin Shipyard.
- Inauguration of the 2 Autonomous Zero Emission Electric Vessels built for ASKO Maritime AS, Norway.
- Hooghly Cochin Shipyard Limited (HCSL), a wholly owned subsidiary of Cochin Shipyard Limited, has signed an MoU with Inland Waterways Authority of India for development of Ship repair facility at Pandu, Assam, on the banks of Brahmaputra river.
- Delivered the Technology Demonstration Vessel, "INS Anvesh" to Defence Research and Development Organization (DRDO), Ministry of Defence.
- Contract signed with the Dredging Corporation of India (DCI) to build India's Largest Dredger, 12,000 m3 Trailing Suction Hopper Dredger (TSHD), in collaboration with IHC Holland.
- Official sea trial of the second 500 passenger cum 150 MT cargo vessel, "Nalanda" for A&N Administration was conducted from 22nd to 26th March, 2022.

Comprehensive Investment Rationale

Colossal order book gives a long and strong visibility of expansion in revenue and profitability:

Despite being a labor-intensive industry, the company effectively managed the challenges posed by the COVID-19 pandemic and progressed operations, continuously improving internal efficiencies. Currently (FY 22), the company has an order backlog of 20,000 Cr which is almost 6 times of its revenues which is placed at 3,190 Cr. Speaking of new orders, CSL could venture into new segments. CSL achieved a remarkable feat by entering into a contract with DCI to build India's largest Dredger in collaboration with IHC Holland under the 'Make in India' initiative of the Government of India. This ambitious project is vital for CSL and the nation, which is expected to open new verticals in the Indian maritime space. CSL also broke into the European short sea shipping segment by concluding a contract with HS Service GMBH & Co. KG, Germany, for building 8 nos. of HS Eco Freighter 7000 DWT Vessels. During the year, CSL also set foot in the specialized Tug segment by securing orders for making two Tugs through its wholly owned subsidiary based in Udupi from Ocean Sparkle Limited (OSL), a leading port operations and marine services company.

Make In India Defence Companies	Order Book (In Cr)	Trailing Revenue (In Cr)	Order Book/ Revenue (X)
Astra Microwave Products Ltd	1650	783.73	2
Bharat Dynamics Limited	13000	3383.61	4
Bharat Electronics Limited	55450	16860.12	3
Cochin Shipyard Limited	20000	3302.37	6
Garden Reach Shipbuilders & Engineers Limited	23583	2033.1	12
Hindustan Aeronautics Limited	84500	26626.65	3
Mazagaon Shipbuilders Limited	43500	6749.36	6
MTAR Technologies Limited	766	358.98	2
Total	242749	60097.93	4

Ship Building – Domestic Order Position (As On 31/12/2022)

Vessel Type	Nos
Order book – Projects being executed	
Indigenous Aircraft Carrier for the Indian Navy	01
500 Passenger cum 150 MT cargo vessel for A & N Administration	01
1200 passenger cum 1000 MT cargo vessel for A & N Administration	02
Floating Border Out-Post vessel for Ministry of Home Affairs	03
Anti-Submarine Warfare Shallow Water Craft for Indian Navy	08
Hybrid Electric Aluminium Catamaran Hull vessel for KMRL	22
Autonomous Electric vessel for ASKO Maritime AS, Norway	02
Order book – New Projects received in the year 2021-22	
HS Eco Freighter 7000 DWT vessel for HS Service GMBH & Co. KG, Germany	08
Trailer Suction Hopper Dredger for Dredging Corporation of India (DCI)	01

During the year 2021-22, CSL had been successful in securing against intense competition, shipbuilding orders for 8 nos. of HS Eco Freighter 7000 DWT Vessels for HS Service GMBH & Co. KG, Germany and also successfully signed contract for construction of 01 no. of Trailer Suction Hopper Dredger for Dredging Corporation of India (DCI).

Second Indigenous Aircraft : INS VISHAL

The fact that India built its aircraft carrier and made history in the process is something to be proud about. Given that only a few countries can design and construct aircraft carriers, this is an incredible accomplishment. After thorough testing began as early as August 2021, CSL, with the help of the Indian Navy, DRDO, OEMs, and other stakeholders presented the prestigious Indigenous Aircraft Carrier INS Vikrant to the Indian Navy in July 2022. It's also important to note that the Steel Authority of India Limited and the DMRL-DRDO jointly developed and produced the entire steel utilized in the vessel.

Additionally, the vessel contains 76% indigenous content. IAC Vikrant is a real example of Aatmanirbharta and collaboration and paving the path for an independent India in the defence industry. This warship is an excellent example of what our country can achieve when different groups come together to support a common cause. In a nutshell, INS Vikrant is about "Team India," representing the strength of our nation's industry. CSL is optimistic about continuing the uplifting spirit and passionate excitement our Hon'ble Prime Minister exhibits in making India a great maritime power that will benefit the entire world.

Cochin Shipyard Limited is preparing to construct INS Vishal, also known as Indigenous Aircraft Carrier 2 (IAC-2), as an aircraft carrier for the Indian Navy. It will follow INS Vikrant as the second aircraft carrier built in India (IAC-1). Its name, Vishal, is Sanskrit for "great." The second carrier class's suggested design will be a brand-new one that differs significantly from Vikrant in size and displacement. A CATOBAR system for the Electromagnetic Aircraft Launch System (EMALS) is also being considered.



““Hamare doosre aircraft carrier ka bhi kaam prarambh ho gaya hai (Work has begun on our second aircraft carrier),” Defence Minister Rajnath Singh. After the launch of the indigenously built INS Vikrant, India has started work on its second aircraft carrier, which highlights the geopolitical significance of the third aircraft carrier for ensuring the country's maritime security. More sea-based aircraft can be deployed by the People's Liberation Army Navy (PLAN), which is larger than the Indian Navy. In the Indian Ocean region, India needs to defend its interests.

Therefore, in order to send a message to China, the Indian Navy must significantly increase the deployment of its warships, submarines, and other assets in the Indian Ocean region. Additionally, INS Vikrant and INS Vikramaditya, our two beasts, are always watching over us. INS Vikramaditya is a Kiev Class aircraft carrier that has been modified, while INS Vikrant is an aircraft carrier that was developed indigenously. In order to counter China and Pakistan and ensure our maritime security, India needs its third aircraft carrier, which could assist our current fleet in policing the Arabian Sea, Bay of Bengal, and the Indian Ocean. When one of our other aircraft carriers is undergoing maintenance or overhaul, the third aircraft carrier will make sure that we properly check on our neighbours.

Defence remains a big area of focus area because of its excessive reliance on imports.

The Indo-Pacific region has continued to be an expression or idea that characterizes the modern geostrategic world, with India having the honour of being at its centre. This region could be correctly referred to as the world's "Centre of Gravity of Geopolitics and Geo-economics." The oceans offer us a vast resource pool that can be tapped to support India's economic growth as it strives to become a \$5 Tn economy. And when we discuss India's potential for the Blue Economy, we mean everything from energy to ecology, fishing to tourism. While the Blue Economy currently makes up about 4% of India's GDP, there is great potential for it to grow.

The Indian Navy is a significant player in achieving this vision, and it excels at maintaining order, security, and safety at sea. Naturally, the Navy is playing a significant role in providing a broad security shield to safeguard, maintain, and advance India's national interests in the maritime sector. In addition to leading the government's Aatma Nirbhar Bharat initiative, the Indian Navy is firmly committed to local shipbuilding initiatives. The fact that more than 130 ships have been constructed and put into service in India serves as proof of this. 65% of all spending over the past ten years has gone toward purchasing from indigenous sources. The expenditure share will rise to about 70% in the following 5 to 7 years and to about 80% in the following 10 to 15 years. Indigenisation remains the best option available to reduce Foreign Dependency on Defence Equipment. The spares of all Foreign origin equipment are also being progressively indigenized. IN is aiming to achieve 100% indigenization of Naval Ammunition, wherein Conventional Ammunition by type has been indigenized by 90%.

Capacity expansion for ship-repair activities to help get more orders in this segment, which is also a higher margin business.

CSL enjoys a strong competitive advantage due to its sizeable dry dock capacity. CSL's infrastructure and integrated capabilities have helped the company build a strong reputation for quality and timely delivery over decades of business with Indian and international clients. CSL's shipbuilding infrastructure has allowed it to undertake structural, machinery and electrical design-related work at commendable speed. CSL is developing a new dry dock and international ship repair facility (ISRF). Once created, these new facilities will expand existing capabilities significantly. The new facilities will help build and repair a wider variety of vessels, including new-generation aircraft carriers and oil rigs, which are expected to be key growth drivers in the medium to long term.

• Dry Dock:

The New Dry-dock measuring 310 x 75/60 x 13m with a 600T gantry crane will be located at the northern end of the existing premises of the Company. The new dock will augment the Company's shipbuilding and ship repair capacity, essentially required to tap the market potential of building specialized and technologically advanced vessels such as LNG Carriers, Aircraft Carriers of higher capacity, jack-up rigs, drill ships, large dredgers and repairing of offshore platforms and larger vessels. Construction activities commenced in June 2018 are progressing despite the setbacks due to the COVID-19 pandemic. Ground improvement works, cofferdam works, and dock wall sheet pile installation works have been completed. Further, around 85% of RCC piling has also been completed. Dock floor construction has commenced, and crane track works, substation works, pumphouse works & caisson gate fabrication works are progressing. The physical progress of the project achieved as on March 31, 2022, is 60%. A contract for the supply & commissioning of a 600T gantry crane was also issued, and fabrication of the crane commenced in August 2021 in South Korea.

CSL's new dry dock vs. existing dry dock CSL's Docks Size

CSL's Docks	Size	Crane Capacity
Existing dry dock	255 X 43 X 9M	300T
New dry dock	310 X 75/60 X 13 M	600T

International ship repair facility (ISRF):

CSL continued to operate the dry-dock & existing facilities in the leased area (first phase) at Cochin Port premises. CSL completed repairs of twelve ships during the year 2021-22. The construction works of the ISRF project, which commenced on November 17, 2017, were progressing till February 04, 2022. However, the construction contractor appointed for the ISRF project, Simplex Infrastructures Limited, Kolkata, has been facing a severe financial crisis due to which construction activities at the project site were severely affected. Eventually, CSL had to terminate the contract on February 04, 2022. Physical progress of construction works reported till the termination of the contract is 78%. CSL is presently appointing alternate contractors by retendering to complete the balance works within the minimum possible time. Meanwhile, CSL received all components pertaining to the transfer system supplied by M/s. IMG, Germany. For the ship lift system from M/s. Syncro lift AS Norway, CSL receives all components except the platform sections. The Indian Register of Shipping (third-party inspection agency) had completed the pre-dispatch inspection of the 10 T crane ordered on M/s. CJSC SMM, Russia, in mid-February 2022 and the crane is expected to be delivered soon at CSL. 3 nos. of tower cranes for which order was placed on M/s. Liebherr, Germany, is in the advanced stages of manufacturing.

Ten globally renowned maritime industry firms have partnered with CSL to set up their units in the Maritime Park in the first phase. CSL expects to position Kochi as a major ship repair hub with major operations in the present ship repair dock coupled with increased capacities that would be available when the ISRF is commissioned. Post completion of the capex, ISRF is likely to help CSL expand its ship repair revenues by 80-90% (i.e. incremental 80-90 ships vs. existing capacity of 80-100 ships).

- **CSL-Mumbai Ship Repair Unit (CMSRU):** CMSRU commenced Ship Repair Operations on January 18, 2019, at Mumbai Port and has successfully undertaken repairs to around 71 vessels. During the financial year 2021-22, CMSRU has undertaken dry-dock and afloat repairs of 22 ships. CMSRU also commissioned a new machinery workshop, store facility, and new CMSRU office space.
- **CSL-Andaman & Nicobar Ship Repair Unit (CANSRU):** CSL commenced ship repair activities at Marine Dockyard, Port Blair, in November 2021 by undertaking emergency repair of MV Sindhu, followed by drydock repair of MV Rajhans. A&N Administration has provided the list of vessels proposed for ship repair in FY 2022-23, and advance actions for the same have been initiated.
- **CSL-Kolkata Ship Repair Unit (CKSRU):** Despite the lockdown-related restrictions and economic slowdown in connection with the second wave pandemic situation that gripped the whole nation, CKSRU managed to undertake major dry-dock repairs of 5 vessels during the financial year 2021-22. Various CAPEX projects have been undertaken to develop the ship repair ecosystem and infrastructure at CKSRU.
- **Hooghly Cochin Shipyard Limited (HCSL):** HCSL aspires to establish itself as one of the leading shipbuilding yards on the east coast for quality inland and coastal vessel construction. All project work pertaining to the "New Yard construction of HCSL" is completed, and the Yard is ready for production. At the end of the financial year 2021-22, physical progress to the tune of 99% is achieved for all civil, mechanical and electrical-related works. The proposed ship repair facility will cater to the repair requirements of all vessels in the National Waterways-2 and North Eastern sector without any loss of valuable time travelling to Kolkata for every minor repair.
- **Udupi Cochin Shipyard Limited (UCSL) [Formerly known as Tebma Shipyards Limited (TSL)]:** During the reporting period, the Company is executing CSL's order for fabrication, outfitting and machinery installation of eight Hybrid Electric Aluminum Catamaran Hull Vessels for the Kochi Water Metro Project, of which two vessels have already been delivered; one in March 2022 and the other in April 2022. The work on other ships is progressing. Further, during March 2022, UCSL has also signed contracts with Ocean Sparkle Limited (OSL), a leading port operations and marine services company, for building two Tugs and with a beneficiary from the state of Andhra Pradesh for the construction of one Tuna Longliner Cum Gillnetter Fishing Boat under the "Pradhan Mantri Matsya Sampada Yojana (PMMSY)".

Cochin Shipyard Limited's Clientele

The company's primary area of expertise is shipbuilding, and it has constructed many different types of vessels, ranging from bulk carriers and tankers to passenger ships and port craft as well as offshore support vessels. The Indian Navy and the Indian Coast Guard are among the company's Indian customers. Other Indian customers include SCI, ONGC, DGLL, and DCI. The company also has customers from other countries, such as NPCC, the Clipper Group, Vroon, and Sigba AS. CSL has developed sufficient capabilities to handle complex and sophisticated repair jobs in the ship repair segment. These jobs require a high level of expertise. Additionally, the company has entered into unique MoU arrangements with the intention of bolstering its ship repair business.



Recent Developments

- IHC Dredging and Cochin Shipyard have signed an agreement for a design and engineering, hardware and support package for the licensed construction of a Beagle12 trailing suction hopper dredger (TSHD). The TSHD will be built by Cochin Shipyard for the Dredging Corporation of India (DCI). With the construction of this Beagle® 12, a high-capacity dredger (12,000 m³), DCI expands their fleet of trailing suction hopper dredgers.

- The Cochin Shipyard Ltd has bagged a prestigious international export order with a European client for the construction of Commissioning Service Operation Vessels (CSOVs) for offshore wind farms. The contract is valued at around Rs 1000 crore, with potential for more orders in the series. With the attention turning towards sustainable and green energy solutions, there is a large global focus on the development of offshore wind farms. Offshore wind farm Commissioning Operation Vessels (CSOVs) and Service Operation Vessels (SOVs) are therefore part of an emerging, highly specialized niche vessel segment.

Quarter 2 Financial Highlights

Particulars	Q2 FY23	Q1 FY23	Q2 FY22	Q-O-Q	Y-O-Y
Net Revenue	744.37 Cr	497.21 Cr	738.48 Cr	50%	0.7%
PBT	174.13Cr	65.40 Cr	182.89 Cr	166%	-4.7%
PAT	119.83 Cr	48.90 Cr	135.82Cr	145%	-11.8%
EPS	9.11	3.72	10.33	144%	-11.8%

Net Revenue: Net Sales at Rs 744.37 Cr crore in September 2022 up 50% from Rs. 497.21 crore in June 2022.

Net Profit: Quarterly Net Profit at Rs. 119.83 Cr in September 2022 up 166% from Rs. 65.40 Cr in June 2022.

EPS: Cochin Shipyard EPS has increased to Rs. 9.11 in September 2022 from Rs. 3.72 in June 2022.

Peer Comparison

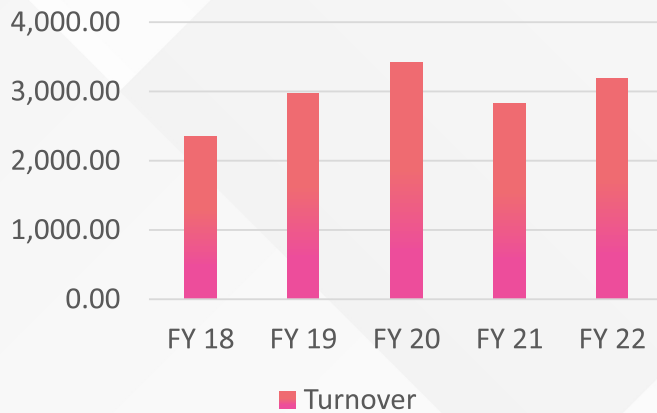
Particulars	Cochin Shipyard	Garden Reach Shibuilders	Mazagaon Dock	Knowledge Marine
CMP (16-12-22)	615	483.45	832.40	1067.60
Price/Earnings	14.71	25.28	21.52	53.67
Price/Book	1.87	4.07	4.49	23.07
Price/Sales	2.46	2.41	2.44	17.88
Enterprise Value	5772.93 Cr	1852.93 Cr	4856.56 Cr	1096.63 Cr
Market Cap/Sales	2.46	2.41	2.44	17.88
ROCE (%)	16.48	20.47	25.49	51.80
ROE (%)	12.83	15.13	19.10	54.75
ROA (%)	7.48	2.51	2.21	28.84
Debt To Equity	0.03	0.01	0.00	0.56
Promoter Holding (%)	72.86	74.50	84.83	72.30
FII Holding (%)	3.68	1.95	3.05	0.09
DII Holding (%)	4.96	8.36	0.76	0.00
Book Value	340.39	118.76	185.46	46.28
Dividend Yield	2.74	1.20	1.09	0.00



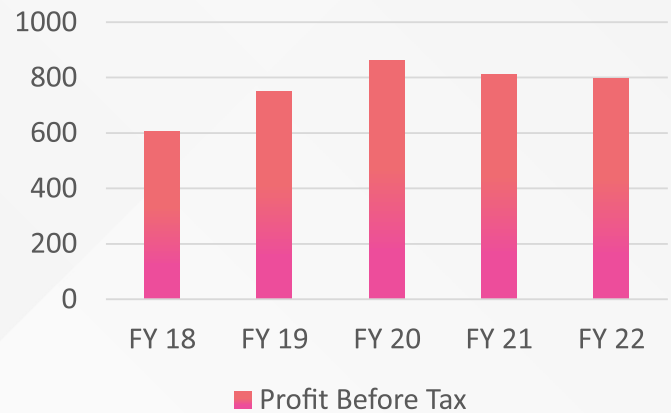
Financial Snapshot

Particulars	FY 22	FY 21	FY 20	FY 19	FY 18
Financial Position (₹ In Cr)					
Equity Share Capital	131.54	131.54	131.54	131.54	135.94
Reserve & Surplus	4,227.64	3,846.03	3,600.25	3,200.54	3,119.93
Net Worth	4,359.18	3,977.57	3,731.80	3,332.08	3,255.87
Gross Fixed Assets	938.37	903.96	853.82	426.69	369.79
Net Fixed Assets	681.66	698.41	696.54	313.03	284.47
Current Liabilities	3,465	2,937	2,516	1,762	2,073
Other Liabilities	555	548	527	155	154
Contingent Liabilities	8,413	7,519	6,406	5,246	5,483
Operating Results (₹ In Cr)					
Revenue from operations	3,190	2,818	3,422	2,962	2,355
Other Income	262	190	245	226	189
Total Income	3,456	3,009	3,667	3,188	2,544
Total Expenditure	2,640	2,150	2,764	2,427	1,928
Earnings Before Interest & Tax (EBIT)	813	859	902	761	615
Interest	47	51	44	14	11
Tax	201	199	225	269	207
Profit/(Loss) After Tax	563	608	632	477	396
Ratios					
EBDIT/Gross turnover	28.12	32.43	27.95	26.97	27.76
Net profit margin (%)	18.39	21.64	18.63	16.23	16.85
Return on net worth (%)	13.46	15.34	17.09	14.44	12.19
Return on capital employed (%)	13.47	15.39	17.01	14.46	12.13
Return on asset (%)	6.70	8.09	9.86	9.11	7.22
Debt To Equity Ratio	0.03	0.03	0.03	0.04	0.04
EPS	44.59	46.38	48.48	35.72	31.03
Number of employees	1,756	1,727	1,710	1,744	1,781
Cash Flows					
Operating Activities	1,397	789	252	-451	630
Investing Activities	-471	-522	-97	1073	-1,312
Financing Activities	-238	-405	-309	-408	812
Net Cash Flows	686	-138	-153	213	131

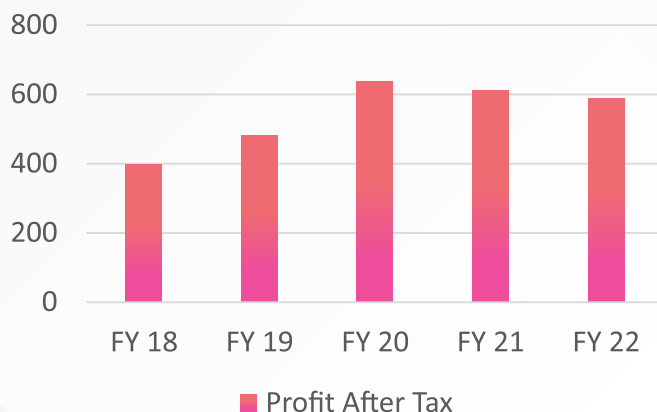
Turnovers (In Crs)



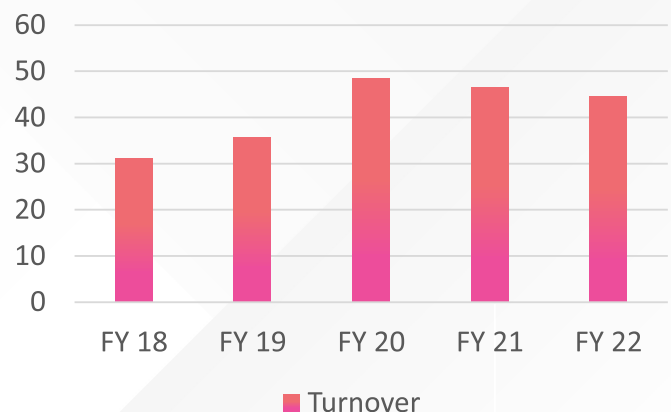
Profit Before Tax (In Crs)



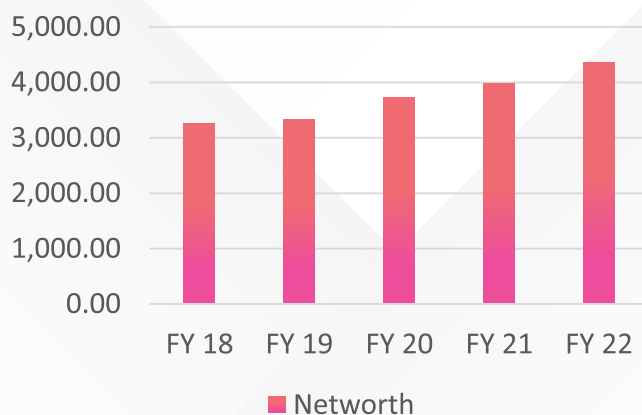
Profit After Tax (In Crs)



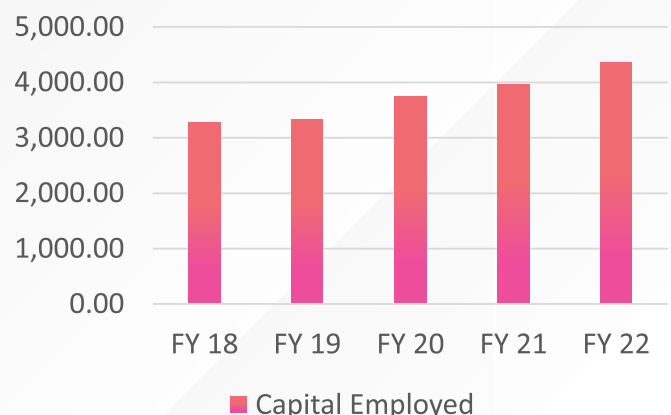
Earning Per Share (In Crs)



Networth (In Crs)



Capital Employed (In Crs)



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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



India's Best Performing and Most Customer Centric PMS



MUMBAI

911 One Lodha Place,
Lower Parel, Mumbai 400013

GURUGRAM

5th 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
