

Cochin Shipyard Ltd.

BUY

Sector: Shipbuilding

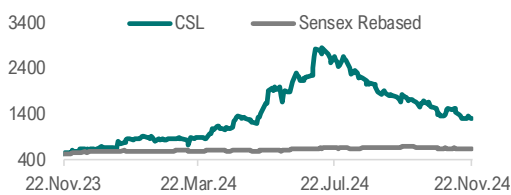
25th November 2024

Key Changes	Target ▲	Rating ▲	Earnings ▲	Target	Rs.1,557		
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame	CMP	Rs.1,299
Mid Cap	COCHIN:IN	79,117	COCHINSHIP	540678	12 Months	Return	+20%

Data as of: 22-11-2024

Company Data			
Market Cap (Rs. cr.)	34,161		
52 Week High — Low (Rs.)	2,977 - 555		
Enterprise Value (Rs. cr)	34,404		
Outstanding Shares (Rs cr)	26.3		
Free Float (%)	27.01		
Dividend Yield (%)	0.52%		
6m average volume (cr)	0.12		
Beta	0.96		
Face value (Rs)	5.0		
Shareholding (%)	Q4FY24	Q1FY25	Q2FY25
Promoters	72.9	72.9	72.9
FII's	5.2	4.9	3.8
MFs/Institutions	2.5	2.5	3.0
Public	19.6	19.7	20.3
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-37.0%	-32.0%	141.1%
Absolute Sensex	-3.2%	5.3%	19.8%
Relative Return	-35.0%	-35.3%	101.2%

*over or under performance to benchmark index



Y.E March (cr)	FY24A	FY25E	FY26E
Sales	3,645	4,405	5,330
Growth (%)	56.4	20.8	21.0
EBITDA	875	996	1,205
EBITDA Margin (%)	24.0	22.6	22.6
PAT Adjusted	813	930	1,107
Growth (%)	198.2	14.3	19.1
Adjusted EPS	31.0	35.3	42.1
Growth (%)	198.2	14.3	19.1
P/E	42.0	36.7	30.9
P/B	6.8	6.0	5.2
EV/EBITDA	39.3	34.2	26.9
ROE (%)	16.3	16.3	16.8
D/E	0.1	0.1	0.1

Author: Anil R - Sr. Research Analyst

Execution in-line....margin miss

Cochin Shipyard Ltd. (CSL) is the largest public-sector shipyard in India and derives major revenue from the Navy. CSL core capabilities include Naval vessel construction, coast guard projects, commercial shipbuilding, and vessel repair services.

- In Q2FY25, revenue grew by 15% YoY led by better execution in shipbuilding (16% YoY) and ship repair (12%) business.
- However, EBITDA was flat on account of higher input costs and dip in shipbuilding margins leading to 260bps YoY decline in EBITDA margin to 18%.
- Consequently, reported PAT was flat YoY.
- Order backlog is at Rs.22,000cr, 5x FY25E projected sales provides strong visibility in next couple of years. While order pipeline remains healthy at Rs.7,820cr.
- With completion of capacity expansion at dry dock and its international ship repair will enable it construct and repair larger vessels.
- Further, CSL is actively pursuing opportunities in green energy platforms and hybrid ship, which is now a key focus area.

Outlook & Valuation

CSL's long term prospect has improved in terms of capacity expansion, order visibility and improving ship repairs orders. With current order backlog of 5x FY25, we anticipate 17% CAGR earnings over FY24-FY26E. CSL witnessed a 61% correction in valuation and is currently trading at 1 Yr Fwd P/E of 30x. Considering, sharp moderation in valuation and healthy earnings, we value CSL at a P/E multiple of 37x on FY26E, assigning an BUY rating on the stock with a target price of Rs.1,557.

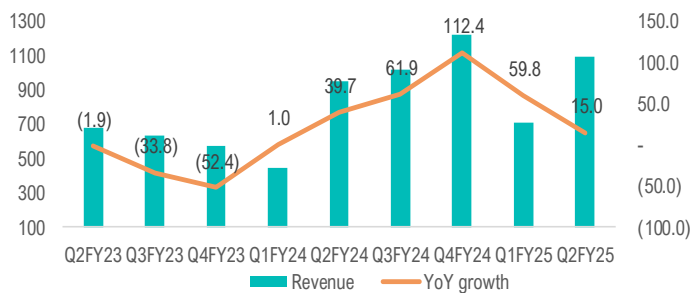
Quarterly Financials standalone.

Rs.cr	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	H1FY25	H1FY24	YoY (%)
Sales	1,097	954	15.0	710	54.5	1,807	1,398	29.2
EBITDA	196	195	0.6	182	7.5	378	277	36.6
margin %	17.9	20.4	-256bps	25.7	-782bps	20.9	19.8	113bps
EBIT	175	180	(2.6)	168	4.1	343	249	37.8
PBT	266	258	3.2	242	10.0	508	403	26.1
Rep.PAT	193	191	1.1	181	6.8	374	300	24.5
Adj.PAT	193	191	1.1	181	6.8	374	300	24.5
EPS (Rs)	7.3	7.3	1.1	6.9	6.8	14.2	11.4	24.5

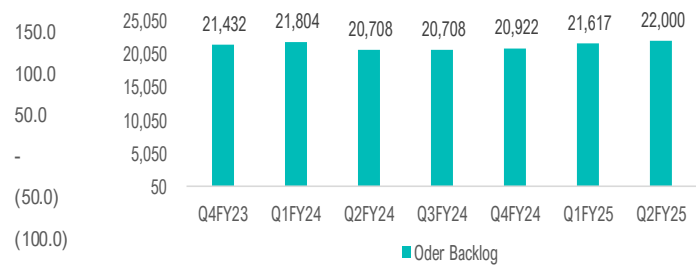
Key Highlights

- The current order backlog is healthy at ~Rs22,000cr, which at 5x FY25E projected sales has improved earnings visibility for the next 2-3 years.
- The Dry Dock (Rs.1,790cr) and its ISRF (International Ship Repair Facility) (Rs.970cr) expansion is completed. With expansion, CSL has doubled the operational capability of the yard by enabling it to construct and repair larger vessels like LNG carriers, new generation aircraft carriers etc.
- Management is pursuing opportunities amounting to Rs.30,000cr which are largely in RFI stage.
- Further, on commercial side, bagged foreign ship building orders. Also CSL is actively pursuing opportunities in green ships which is now a key focus areas.
- Timeline for new aircraft carrier still remain uncertain which could impact medium term outlook for the company.

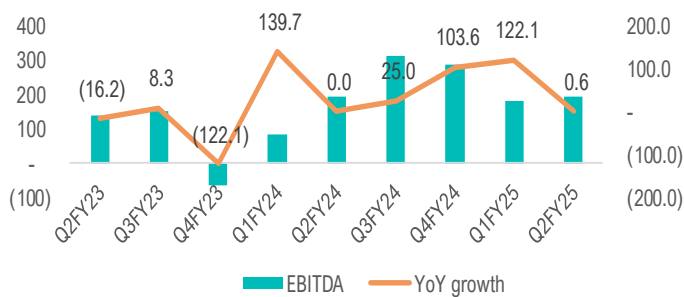
Revenue



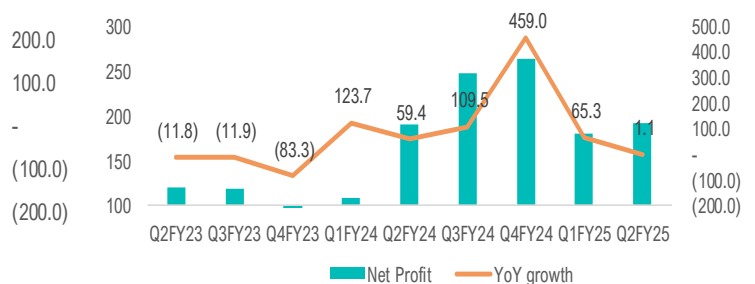
Order Backlog



EBITDA



PAT



Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	4,930	-	4,405	5,330	(10.6)	-
EBITDA	783	-	996	1,205	27.1	-
Margins (%)	15.9	-	22.6	22.6	6.7	-
Adj. PAT	640	-	930	1,107	45.3	-
EPS	34.9	-	35.3	42.1	45.3	-



Standalone Financials

PROFIT & LOSS

Y.E March (Rs cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Sales	3,190	2,330	3,645	4,405	5,330
% change	13.2	(26.9)	56.4	20.8	21.0
EBITDA	629	265	875	996	1,205
% change	(12.7)	(57.8)	230.0	13.8	21.0
Depreciation	54	51	57	102	155
EBIT	574	214	818	894	1,050
Interest	46	34	32	34	39
Other Income	266	206	307	380	465
PBT	794	449	1,094	1,239	1,476
% change	(2)	(44)	144	13	19
Tax	208	114	281	310	369
Tax Rate (%)	26.2	25.4	25.7	25.0	25.0
Reported PAT	587	334	813	930	1,107
Adj.*	-	(62)	-	-	-
Adj. PAT	587	273	813	930	1,107
% change	(3.9)	(53.5)	198.2	14.3	19.1
No. of shares (cr)	26.3	26.3	26.3	26.3	26.3
Adj EPS (Rs)	22.3	10.4	30.9	35.3	42.1
% change	(3.9)	(53.5)	198.2	14.3	19.1
DPS (Rs)	7.7	8.9	9.0	9.0	9.0

CASH FLOW

Y.E March (Rs cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Net inc. + Deprn.	850	500	1,151	1,341	1,630
Non-cash adj.	(187)	(210)	(382)	(656)	(795)
Changes in W.C	751	1,817	(935)	746	357
C.F. Operation	1,415	2,046	(173)	1,432	1,192
Capital exp.	(224)	(316)	(616)	(1,176)	300
Change in inv.	31	(58)	49	-	-
Other invest.CF	74	109	179	380	465
C.F - Investment	(1,011)	(1,921)	478	(796)	765
Issue of equity	-	-	-	-	-
Issue/repay debt	(25)	(24)	(32)	-	-
Dividends paid	(204)	(233)	(237)	(237)	(237)
Other finance.CF	(9)	(13)	(2)	(34)	(39)
C.F - Finance	(238)	(270)	(371)	(271)	(276)
Chg. in cash	166	(145)	(65)	365	1,681
Closing cash	456	311	246	611	2,292

BALANCE SHEET

Y.E March (Rs cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	456	311	246	611	2,292
Accounts Receivable	437	330	335	447	540
Inventories	288	350	959	1,554	1,881
Other Cur. Assets	4,588	5,916	6,868	4,354	3,884
Investments	262	336	355	355	355
Gross Fixed Assets	1,008	1,030	1,081	3,545	3,845
Net Fixed Assets	736	707	705	3,067	3,212
CWIP	1,224	1,587	2,189	900	300
Intangible Assets	27	25	18	18	18
Def. Tax (Net)	68	57	60	60	60
Other Assets	189	176	67	92	117
Total Assets	8,318	9,909	11,880	11,537	12,740
Current Liabilities	3,408	5,026	6,350	5,319	5,648
Provisions	468	394	626	441	533
Debt Funds	513	418	460	460	460
Other Liabilities	3	3	0	0	0
Equity Capital	132	132	132	132	132
Reserves & Surplus	4,228	4,292	4,894	5,587	6,457
Shareholder's Fund	4,359	4,423	5,026	5,719	6,589
Total Liabilities	8,318	9,909	11,880	11,537	12,740
BVPS	321	325	370	420	484

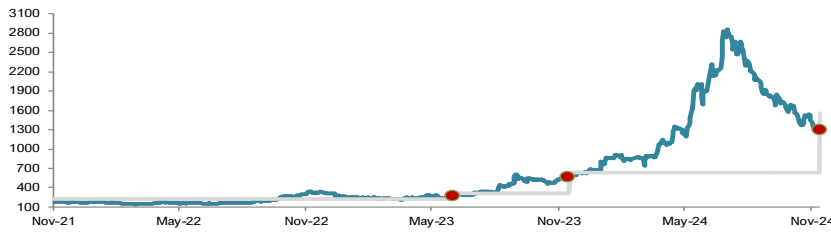
RATIOS

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
Profitab & Return					
EBITDA margin (%)	19.7	11.4	24.0	22.6	22.6
EBIT margin (%)	18.0	9.2	22.4	20.3	19.7
Net profit mgn.(%)	18.6	21.6	18.4	14.4	22.3
ROE (%)	13.5	7.6	16.2	16.3	16.8
ROCE (%)	15.2	12.2	4.4	15.7	15.2
W.C & Liquidity					
Receivables (days)	45.2	60.1	33.3	32.4	33.8
Inventory (days)	81.4	105.7	147.0	226.4	255.7
Payables (days)	67.8	61.7	70.7	85.5	86.8
Current ratio (x)	1.7	1.4	1.3	1.3	1.5
Quick ratio (x)	1.6	1.3	1.2	1.0	1.2
Turnover & Leverage					
Gross asset T.O (x)	3.3	2.3	3.5	1.9	1.4
Total asset T.O (x)	0.4	0.3	0.3	0.4	0.4
Int. covge. ratio (x)	12.4	6.3	25.9	26.1	26.8
Adj. debt/equity (x)	0.1	0.1	0.1	0.1	0.1
Valuation					
EV/Sales (x)	5.4	7.4	9.4	7.7	6.1
EV/EBITDA (x)	27.3	65.4	39.3	34.2	26.9
P/E (x)	58.2	125.3	42.0	36.7	30.9
P/BV (x)	3.9	3.9	6.8	6.0	5.2



Recommendation Summary (last 3 years)

Dates	Rating	Target
20.Aug. 20	BUY	223
12.June.23	ACCUMULATE	309
29.Nov.23	ACCUMULATE	633
25.Nov.24	BUY	1,557



Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:



Upgrade



No Change



Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Not rated/Neutral- The analyst has no investment opinion on the stock under review.

DISCLAIMER & DISCLOSURES

Certification: I, ANIL R, author of this Report, hereby certify that all the views expressed in this research report reflect our personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of Geojit Financial Services Limited, hereinafter referred to as Geojit.

For General disclosures and disclaimer: Please Visit : <https://www.geojit.com/research-disclosures#fundamental-research>

Group companies of Geojit Financial Services Limited are Geojit Technologies Private Limited (Software Solutions provider), Geojit Credits Private Limited (NBFC), Geojit Investment Limited (financial Services Company), Geojit Techloan Private Ltd(P2P lending) Geojit IFSC Ltd (a company incorporated under IFSC Regulations, Qurum Business Group Geojit Securities LLC (a joint venture in Oman engaged in Financial Services), Barjeel Geojit Financial Services LLC (a joint venture in UAE engaged in Financial Services), Aloula Geojit Capital Company (a joint venture in Saudi Arabia (Under Liquidation)) and BBK Geojit Business Consultancy and Information KSC (C) (a joint venture in Kuwait-engaged in Financial services). In the context of the SEBI Regulations on Research Analysts (2014), Geojit affirms that we are a SEBI registered Research Entity and in the course of our business as a stock market intermediary, we issue research reports /research analysis etc. that are prepared by our Research Analysts. We also affirm and undertake that no disciplinary action has been taken against us or our Analysts in connection with our business activities.

In compliance with the above mentioned SEBI Regulations, the following additional disclosures are also provided which may be considered by the reader before making an investment decision:

1. Disclosures regarding Ownership:

Geojit confirms that:

It/its associates have no financial interest or any other material conflict in relation to the subject company (ies) covered herein, at the time of publication of the research report

It/its associates have no actual beneficial ownership of 1% or more in relation to the subject company (ies) covered herein. at the end of the month immediately preceding the date of publication of the research report.

Further, the Analyst confirms that:(i) He, his associates and his relatives have no financial interest in the subject company (ies) covered herein, and they have no other material conflict in the subject company, at the time of publication of the research report (ii) He, his associates and his relatives have no actual/beneficial ownership of 1% or more in the subject company covered, at the end of the month immediately preceding the date of publication of the research report

2. Disclosures regarding Compensation:

During the past 12 months, Geojit or its Associates:

(a) Have not received any compensation from the subject company; (b) Have not managed or co-managed public offering of securities for the subject company (c) Have not received any compensation for investment banking or merchant banking or brokerage services from the subject company. (d) Have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company (e) Have not received any compensation or other benefits from the subject company or third party in connection with the research report (f) The subject company is / was not a client during twelve months preceding the date of distribution of the research report.

3. Disclosure by Geojit regarding the compensation paid to its Research Analyst:

Geojit hereby confirms that no part of the compensation paid to the persons employed by it as Research Analysts is based on any specific brokerage services or transactions pertaining to trading in securities of companies contained in the Research Reports.

4. Disclosure regarding the Research Analyst's connection with the subject company:

It is affirmed that I, ANIL, Research Analyst (s) of Geojit have not served as an officer, director or employee of the subject company

5. Disclosure regarding Market Making activity:

Neither Geojit/its Analysts have engaged in market making activities for the subject company.

6. "Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors."

7. Standard Warning: "Investment in securities market are subject to market risks. Read all the related documents carefully before investing."

Please ensure that you have read the "Risk Disclosure Documents for Capital Market and Derivatives Segments" as prescribed by the Securities and Exchange Board of India before investing.

Geojit Financial Services Ltd. Registered Office: 34/659-P, Civil Line Road, Padivattom, Kochi-682024, Kerala, India. Phone: +91 484-2901000, Website: www.geojit.com. For investor queries: customercare@geojit.com. **Compliance officer:** Ms. Indu K. Address: Geojit Financial Services Limited, 34/659 P, Civil Lane Road, Padivattom, Kochi – 682024; Phone: +91 484-2901367; Email: compliance@geojit.com. **For grievances: Grievance Officer:** Mr Nitin K; Address: Geojit Financial Services Limited,34/659 P, Civil Lane Road, Padivattom, Kochi – 682024; Phone: +91 484-2901363; Email: grievances@geojit.com. Corporate Identity Number: L67120KL1994PLC008403, SEBI Stock Broker Registration No INZ000104737, Research Entity SEBI Reg No: INH200000345, Investment Adviser SEBI Reg No: INA200002817, Portfolio Manager: INP000003203, Depository Participant: IN-DP-325-2017, ARN Regn.Nos:0098, IRDA Corporate Agent (Composite) No.: CA0226.

