

Strong play on arising ship-building opportunities...

About the stock: Cochin Shipyard (CSL), incorporated in 1972 as a Government of India company, is one of the leading ship-building & ship-repair yards in India

- CSL has capacity of building ships up-to 110000 DWT and repair ships up-to 125000 DWT
- Company has built various types of vessels including Tankers, Bulk Carriers, Port Crafts, Passenger Vessels etc
- Order backlog stands at Rs 21100 crore as of June-25 end

Investment Rationale:

- **Strong capabilities in ship-building & ship repair; execution pick-up of strong order-backlog to drive growth:** With advanced state-of-the-art infrastructure (capacity of up-to 110000 DWT in ship-building and up-to 125000 DWT in ship-repair), CSL is adept at executing diversified projects in both these segments. With commissioning of new dry dock facility and International Ship Repair Facility (ISRF), company's capabilities have increased significantly. During the last 3 quarters, execution in ship-building segment has been muted (revenue grew ~11% YoY), however the execution in ship-repair segment remained strong (revenue grew ~131% YoY). With strong order backlog (estimated at ~ ₹ 21100 crore; ~4.1x TTM revenue) and pick-up in execution, we expect revenue growth to remain healthy in the coming period. Management also guides 14-15% YoY growth in revenue in FY26E, giving visibility on execution pick-up. We estimate ~15% revenue CAGR over FY25-27E
- **Order inflows opportunity remains robust:** The company is well-positioned to benefit from significant order inflows in both defence and commercial shipbuilding, supported by a strong pipeline. Additionally, govt remains focused on improving India's maritime infrastructure through developing new ship-building clusters and increasing share of Indian made ships. CSL is also enhancing its shipbuilding and repair capabilities through strategic partnerships with international ship-builders. Recently, the company signed MoUs with South Korea's HD Hyundai (to establish a ₹10,000 crore mega shipbuilding yard in Tamil Nadu for domestically manufactured large vessels used in intercontinental trade) and DP World (for ship-repair opportunities). Overall, company estimates ship-building order pipeline of Rs 2.85 lakh crore, which includes Rs 2.2 lakh crore in defence ship-building and Rs 65000 crore in commercial ship-building (including Rs 40,000 crore from exports)

Rating and Target Price

- We expect CSL to witness healthy growth in revenues & profitability over FY25-27E, led by execution pick-up in both the segments and increasing share of margin accretive ship-repair segment. We estimate revenue & PAT CAGR of ~15% & ~12% over FY25-27E
- We maintain BUY on CSL with a revised target price of ₹ 1990 per share (based on 50x P/E on FY27E EPS)

Key Financial Summary

(Rs crore)	FY22	FY23	FY24	FY25	3 Year CAGR (FY22-25)	FY26E	FY27E	2 Year CAGR (FY25-27E)
Revenues	3,191	2,365	3,830	4,820	14.7	5,502	6,332	14.6
EBITDA	623	253	869	878	12.1	1,010	1,192	16.5
EBITDA margin (%)	19.5	10.7	22.7	18.2		18.4	18.8	
Net Profit	564	305	783	827	13.6	906	1,046	12.4
EPS (Rs)	42.9	23.2	29.8	31.4		34.4	39.8	
P/E (x)	80.2	148.5	57.8	54.7		50.0	43.3	
EV/EBITDA (x)	67.7	160.3	47.7	48.1		40.7	33.8	
RoCE (%)	18.1	8.6	22.0	20.6		20.0	20.2	
RoE (%)	12.8	7.9	15.7	14.8		14.3	14.5	

Source: Company, ICICI Direct Research



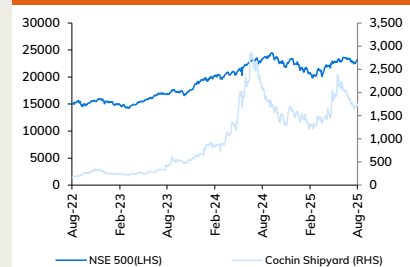
Particulars

Particulars	Rs. crore
Market Capitalisation	45,250
FY25 Gross Debt	69
FY25 Cash	3,113
EV	42,206
52 Week H/L (Rs)	2547 / 1180
Equity Capital (Rs)	131.5
Face Value (Rs)	5.0

Shareholding pattern

	Sep-24	Dec-24	Mar-25	Jun-25
Promoter	72.9	67.9	67.9	67.9
FII	3.8	2.9	2.9	3.9
DII	3.0	6.6	6.8	6.3
Others	20.3	22.6	22.4	21.9

Price Chart



Key risks

- Dependent on govt contracts
- High working capital requirement
- Availability of key raw materials

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Q1FY26 Result Summary

- Revenue increased by 38.5% YoY to Rs 1068.6 crore in Q1FY26, mainly led by strong growth in ship-repair segment. Ship-building revenue (41% of total) declined by 16.7% YoY to Rs 439 crore while ship-repair segment revenue (59% of total) grew by 157.2% YoY to Rs 629.6 crore
- EBITDA margin stood at 22.6% (flat YoY), mainly due to higher share of ship-repair segment (better-margin business). EBIT margin of ship-building stood at 8.3% (-910 bps YoY) while for ship-repair, it stood at 44.2% (+120 bps YoY)
- Subsequently, EBITDA increased by 36.1% YoY to Rs 241.4 crore. PAT increased by 7.8% YoY (-34.6% QoQ) to Rs 187.8 crore

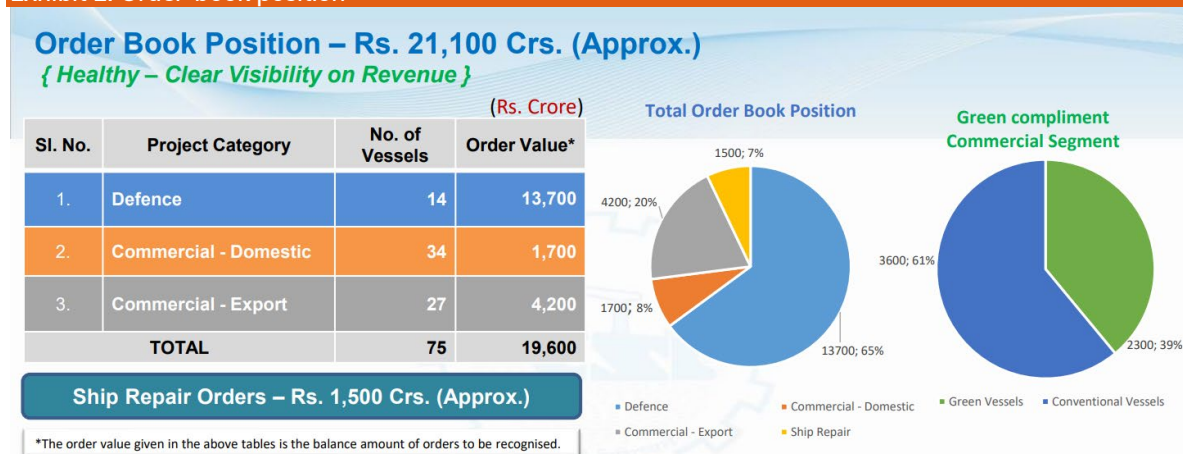
Q1FY26 Earnings call highlights

- Management guides FY26E revenue at 14-15%, EBITDA by 20% and PAT by 15%, driven by pick-up in execution across segments
- Orders book stands at ~Rs. 21100 crores as of Jun-25, of which majority of orders, (~65%) are from Defence sector comprising Anti-Submarine Warfare Shallow Water Craft (ASW) and Next-Generation Missile Vessels (NGMV). While the other orders comprise of commercial export (20%), commercial domestic (8%) and ship-repair (7%)
- The company targets a revenue of ~Rs. 250 crores in the next 18-24 months from International Ship-Repair Facility (ISRF) scaling up to Rs. 600+ crores in the long term
- The projects under the order book are in various different execution status such as 25 in design and engineering stage, 37 in hull fabrication stage and remaining 13 under advanced stage.
- The company has completed both its capex projects – new large drydock (310m) with 600T crane and International Ship-Repair Facility with 6000T ship lift
- In strategic partnership with HD KSOE (Korea) the emphasis is on merchant shipbuilding utilizing the new dry dock which is expected for long-term collaboration with improved fabrication capabilities.
- With Drydocks World Dubai focus is on ship repair, utilizing ISRF with potential for expansion following the initial phases of ship repair.
- With Maersk MOU the initial emphasis is on ship repair and skill enhancement, with the possibility of extending into shipbuilding.
- On the capex front, the company has invested ~Rs. 3250 crores over the last 7 years and projects a limited further investment for securing double turnover by 2030-31E. The management has also planned additional investments for post 2030 growth
- The company also foresees an order pipeline of ~Rs. 2,85,000 crores of which ~Rs. 2,20,000 crores are from defence and the rest from both domestic and export commercial orders
- The pipeline in defence constitutes of submitted bids of ~Rs. 9500 crores (Next-Generation Patrol Vessels and Next-Generation Survey Vessels), ~Rs. 1,29,750 crores in Request for Information (RFI) stage (Mine-Countermeasures Vessels, P-17 Bravo, Landing Platform Dock), ~Rs. 80,000 crores in expected RFI and ~Rs. 750 crores in Request for Proposal (RFP)
- Going forward, the management is focused on balanced growth by selective adoption of smart shipyard technologies, through focusing on efficiency without full digital transformation and laying a strong emphasis on specialist vessel exports, with strategic collaborations for global competitiveness.
- The management also has a strategic vision which aligns with Maritime India Vision 2030 and Maritime Ambition Vision 2047

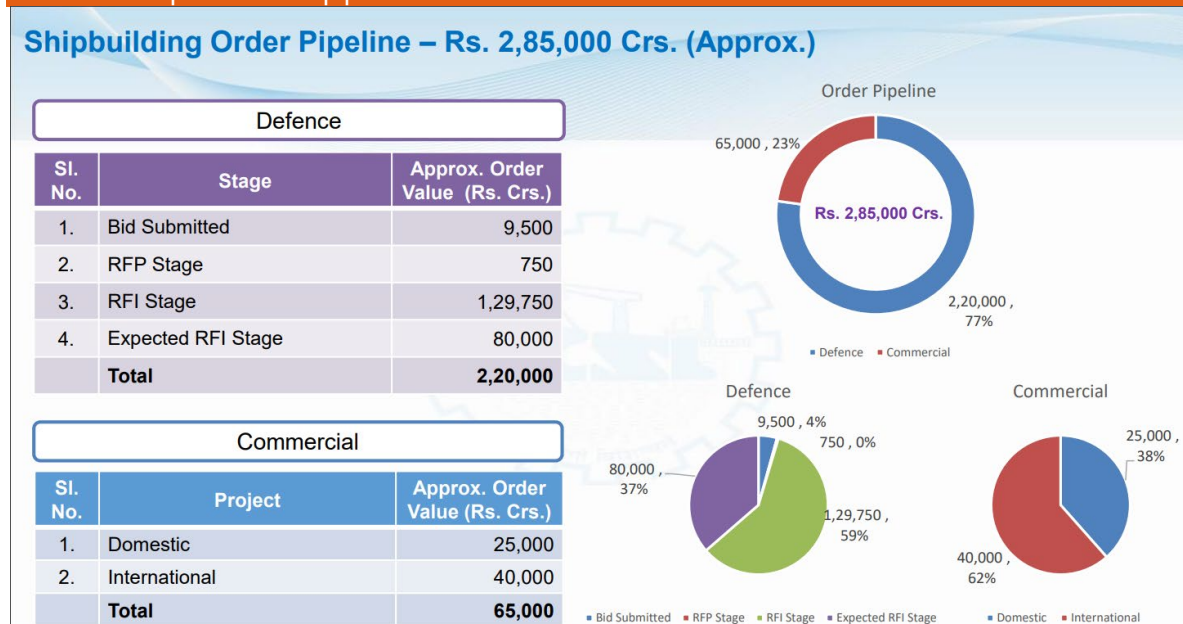
Exhibit 1: Q1FY26 performance

	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	Comments
Operating Income	1,068.6	771.5	38.5	1,757.7	-39.2	Execution remained healthy in ship-repair while it was impacted in shipbuilding
Other income	54.3	84.0		157.1		
Total Revenue	1,122.9	855.5		1,914.8		
Raw materials costs	324.0	316.4		696.5		
Employees Expenses	106.7	99.9		117.1		
Other Expenses	102.5	61.8		181.3		
Total Expenditure	827.2	594.1		1,491.9		
EBITDA	241.4	177.4	36.1%	265.8	-9.2%	
EBITDA margins (%)	22.6	23.0	-40 bps	15.1	747 bps	EBITDA margin contracted due to higher provisions
Interest	12.2	6.6		11.8		
Depreciation	34.0	18.9		27.1		
Tax	61.7	61.6		96.9		
PAT	187.8	174.2	7.8	287.2	-34.6	

Source: Company, ICICI Direct Research

Exhibit 2: Order-book position


Source: Company, ICICI Direct Research

Exhibit 3: Prospective order pipeline


Source: Company, ICICI Direct Research

Financial Summary

Exhibit 4: Profit and loss statement					₹ crore
(₹ Crore)	FY24	FY25	FY26E	FY27E	
Revenue	3,830	4,820	5,502	6,332	
% Growth	62.0	25.8	14.1	15.1	
Other income	310.2	389.1	428.0	470.8	
Total Revenue	3,830	4,820	5,502	6,332	
% Growth	62.0	25.8	14.1	15.1	
Total Raw Material Costs	1,735	2,129	2,476	2,881	
Employee Expenses	386	424	488	561	
other expenses	249	382	458	522	
Total Operating Expenditure	2,962	3,942	4,492	5,140	
Operating Profit (EBITDA)	869	878	1,010	1,192	
% Growth	242.7	1.1	15.0	18.1	
EBITDA Margin	22.7	18.2	18.4	18.8	
Interest	33	39	40	40	
PBDT	1,146	1,228	1,398	1,623	
Depreciation	75	103	157	190	
PBT before Exceptional Item:	1,071	1,125	1,241	1,433	
Total Tax	288	298	335	387	
PAT before MI	783	827	906	1,046	
PAT	783.3	827	906	1,046	
% Growth	157.1	5.6	9.5	15.5	
EPS	29.8	31.4	34.4	39.8	

Source: Company, ICICI Direct Research

Exhibit 5: Cash flow statement					₹ crore
(₹ Crore)	FY24	FY25	FY26E	FY27E	
Profit after Tax	783	827	906	1,046	
Depreciation	75	103	157	190	
Interest	33	39	40	40	
Cash Flow before WC changes	891	969	1,103	1,276	
Changes in inventory	(653)	(859)	(150)	(220)	
Changes in debtors	(17)	126	(148)	(57)	
Changes in loans & Advances	(0)	(0)	(0)	(0)	
Changes in other current assets	(1,718)	(898)	(187)	(657)	
Net Increase in Current Assets	(2,404)	(1,779)	(485)	(935)	
Changes in creditors	249	36	102	91	
Changes in provisions	239	398	179	182	
Net Inc in Current Liabilities	1,515	715	1,060	1,251	
Net CF from Operating activities	2	(95)	1,677	1,592	
Changes in def tax assets	0	(5)	-	-	
(Purchase)/Sale of Fixed Assets	(667)	(502)	(400)	(500)	
Net CF from Investing activities	(545)	(412)	(400)	(500)	
Dividend and Dividend Tax	(237)	(128)	(145)	(178)	
Net CF from Financing Activities	(351)	(244)	(185)	(218)	
Net Cash flow	(894)	(751)	1,092	875	
Opening Cash/Cash Equivalent	4,758	3,864	3,113	4,205	
Closing Cash/ Cash Equivalent	3,864	3,113	4,205	5,080	

Source: Company, ICICI Direct Research

Exhibit 6: Balance sheet					₹ crore
(₹ Crore)	FY24	FY25	FY26E	FY27E	
Equity Capital	131.5	131.5	131.5	131.5	
Reserve and Surplus	4,872	5,448	6,209	7,077	
Total Shareholders funds	5,003	5,579	6,340	7,209	
Total Debt	23	69	69	69	
Total Liabilities	5,526	6,168	6,929	7,798	
Gross Block	1,319	1,396	4,399	4,899	
Acc: Depreciation	447	550	707	897	
Net Block	949	3,034	3,692	4,002	
Capital WIP	2,195	515	100	100	
Total Fixed Assets	3,163	3,563	3,806	4,116	
Non Current Assets	240	170	170	170	
Inventory	1,026	1,885	2,035	2,255	
Debtors	355	229	377	434	
Loans and Advances	1	1	1	2	
Other Current Assets	3,270	4,168	4,355	5,013	
Cash	3,864	3,113	4,205	5,080	
Total Current Assets	8,639	9,667	11,244	13,054	
Current Liabilities	465	501	603	694	
Provisions	674	1,080	1,259	1,441	
Total Current Liabilities	6,516	7,231	8,291	9,542	
Net Current Assets	2,122	2,435	2,953	3,512	
Total Assets	5,526	6,168	6,929	7,798	

Source: Company, ICICI Direct Research

Exhibit 7: Key ratios					
(Year-end March)	FY24	FY25	FY26E	FY27E	
Diluted EPS	29.8	31.4	34.4	39.8	
Cash per Share	146.9	118.3	159.8	193.1	
BV	190.2	212.1	241.0	274.0	
Dividend per share	9.0	4.9	5.5	6.8	
Dividend payout ratio	0.3	0.2	0.2	0.2	
EBITDA Margin	22.7	18.2	18.4	18.8	
PAT Margin	20.4	17.2	16.5	16.5	
RoE	15.7	14.8	14.3	14.5	
RoCE	22.0	20.6	20.0	20.2	
EV / EBITDA	47.7	48.1	40.7	33.8	
P/E	57.8	54.7	50.0	43.3	
EV / Net Sales	10.8	8.8	7.5	6.4	
Sales / Equity	0.8	0.9	0.9	0.9	
Market Cap / Sales	11.8	9.4	8.2	7.1	
Price to Book Value	9.0	8.1	7.1	6.3	
Asset turnover	0.8	0.9	0.9	0.9	
Debtors Turnover Ratio	11.0	16.5	18.2	15.6	
Creditors Turnover Ratio	11.2	10.0	10.0	9.8	
Debt / Equity	0.0	0.0	0.0	0.0	
Current Ratio	4.3	4.0	3.7	3.7	
Quick Ratio	3.3	2.8	2.6	2.6	

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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