

October 29, 2025

Timely placement of large orders to drive long-term growth...

About the stock: Mazagon Dock Shipbuilders (MDL) is the only public sector defence shipyard constructing destroyers & submarines. Currently, MDL has capacity of building 11 Submarines & 10 warships (including destroyers, frigates & other vessels) concurrently

- Order book stands at ₹ 27,415 crore as of Sep-25

Q2FY26 Result: Revenue increased by 6.3% YoY (+11.6% QoQ) to Rs 2929.2 crore. EBITDA margin stood at 23.7% (+519 bps YoY, +1222 bps QoQ) on account of lower project related other expenses and reversal in provisions. Subsequently, EBITDA was up by 36% YoY (+130.3% QoQ) to Rs 694.6 crore. PAT increased by 28.1% YoY (+65.8% QoQ) to Rs 749.5 crore. For H1FY26, revenue is up by 8.6% YoY at Rs 5554.8 crore with EBITDA margin standing at 17.9% (vs 22.5% in H1FY25)

Investment Rationale:

- Current order backlog to be executed over next 2-2.5 years; new orders to drive growth from FY28E:** Company's revenue grew by 8.6% YoY during H1FY26, largely in-line with management's guidance. Order backlog as on Sep-25 stands at Rs 27415 crore (2.3x TTM revenue), which mainly consist of contracts like P-17A frigates (~42% of total order-book), ONGC (~18% of OB) and post commissioning work pending in P-15B destroyers & P-75 submarines, AIP plugs etc. Most of these contracts are expected to be executed in the next 2-3 years, which would drive revenue growth during FY26E-FY27E. We believe that revenue growth beyond FY27E will be dependent on timely placement of large contracts like 3 additional submarines and 6 next generation submarines (expected to be placed in coming months). Though management guides revenue growth of ~9% YoY in FY26E and ~5% YoY in FY27E, we believe this to be conservative and we estimate revenue growth at ~12% CAGR over FY25-28E
- Order pipeline remains robust; longer-term growth outlook intact:** Order pipeline remains strong for the company, considering the opportunities from both defence & commercial segments. Contracts like six next-generation submarines under P-75I (expected value ~Rs 70000 crore) and additional three Kalvari class submarines (expected order size Rs 30000 40000 crore) have already been cleared from govt and expected to be concluded in coming months. Following this, other major contracts like next-generation corvettes (expected value ~Rs 36000 crore), next-generation frigates or P-17B (expected value ~Rs 70000 crore) & next generation destroyers or P-18 (expected value ~Rs 85000 crore) are also expected to be finalised in the coming years. We believe that these three larger projects provide longer term order inflow visibility for MDL. Moreover, the company has recently signed an MoU with Swan Defence where-in they would together bid for Landing Platform Dock

Rating and Target Price

- Current order-book would drive growth over the next 2-3 years. However, timely placement of large contracts like submarines, frigates, destroyers etc would drive growth from FY28E onwards. We estimate revenue CAGR of ~12% over FY25-28E with EBITDA margin at ~19%. We recommend HOLD on MDL with TP of ₹ 3060 per share (based on 35x FY28E EPS)

Key Financial Summary

(Rs crore)	FY23	FY24	FY25	3 Year CAGR (FY22-25)	FY26E	FY27E	FY28E	3 Year CAGR (FY25-28E)
Revenues	7,827	9,467	11,432	25.9	12,650	14,168	15,868	11.6
EBITDA	798	1,412	2,060	68.0	2,341	2,643	3,049	14.0
EBITDA margin (%)	10.2	14.9	18.0		18.5	18.7	19.2	
Net Profit	1,119	1,937	2,414	58.1	2,732	3,086	3,528	13.5
Diluted EPS (Rs)	55.5	96.0	59.8		67.7	76.5	87.5	
P/E (x)	49.8	28.8	46.2		40.8	36.1	31.6	
EV/EBITDA (x)	123.1	68.9	46.3		39.6	33.9	28.2	
RoCE (%)	29.6	38.9	38.6		35.1	32.4	30.7	
RoE (%)	23.5	31.0	30.4		27.6	25.5	24.2	

Source: Company, ICICI Direct Research



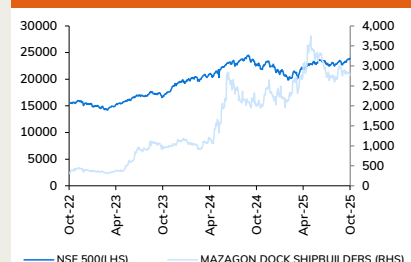
Particulars

Particular	Amount (Rs Crore)
Market Capitalisation	1,11,494
FY25 Debt	-
FY25 Cash	16,150
EV	95,345
52 Week H/L	3778 / 1918
Equity Capital	202
Face Value	5

Shareholding pattern

	Dec-24	Mar-25	Jun-25	Sep-25
Promoter	84.8	84.8	81.2	81.2
FII	1.6	2.3	2.6	2.0
DII	1.5	1.7	5.2	5.7
Others	12.2	11.2	11.0	11.2

Price Chart



Key risks

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

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Q2 and H1FY26 Result Summary

- Operational performance during the quarter remains healthy on YoY basis. Revenue increased by 6.3% YoY (+11.6% QoQ) to Rs 2929.2 crore
- EBITDA margin stood at 23.7% (+519 bps YoY, +1222 bps QoQ) on account of lower project related other expenses and reversal in provisions
- Subsequently, EBITDA was up by 36% YoY (+130.3% QoQ) to Rs 694.6 crore. PAT increased by 28.1% YoY (+65.8% QoQ) to Rs 749.5 crore.
- For H1FY26, revenue is up by 8.6% YoY at Rs 5554.8 crore with EBITDA margin standing at 17.9% (vs 22.5% in H1FY25). PAT is down 6.2% YoY to Rs 1201.6 crore.

Q2FY26 Earnings call highlights

- Company has guided revenue at ₹ 12500 crore for FY26E (which implies ~9% YoY). For FY27E, company guides ~5% YoY growth in revenues
- Order backlog stands at Rs 27415 crore as of Sep-2025 end (2.3x TTM revenue). Order inflows during the H1FY26 stands at ~Rs 5800 crore
- The order book now comprises of orders such as P-17A Stealth Frigates, P15B Destroyers, ICGS (CTS, NGOPV, FPV), Multipurpose Hybrid Powered Vessel in defence shipbuilding (~63% of orderbook).
- Defence contributes ~82% of the order backlog while non-defence and exports segments contribute ~9% respectively
- The delivery for third P-17A is expected by CY25 with the fourth ship driving revenue till FY27E. ONGC project can only be executed during non-monsoon periods hence would also be concluded by FY27E
- The management has also completed commercial negotiations for 3 additional scorpene submarines and expects the contract to be soon placed. Regarding the six P-75I submarines, negotiations are expected to be completed by CY25 end with order placing expected by FY26 and execution revenue likely to begin in 6 months post signing the contract
- Apart from P-75I, order pipeline remains robust as management expects orders such as Landing Platform Dock (~₹ 40,000 crore), Mine Counter Measure Vessels (~₹ 40,000 crore), P-17 Bravo (₹ 50,000-60,000 crore), and Next-Generation Destroyers (₹ 75,000-80,000 crore) targeting a ₹ 1,00,000+ crore order book by FY27E
- The company has recently signed an MoU with Swan Defence and Heavy Industries for jointly bidding in the recent requirement of Landing Platform Deck (LPD) by the Navy (₹ 40000 crore each). The management also sees opportunities for big commercial ships post LPD with Swan Defence
- Moreover, the management has a plan to spend ₹15,000 – 18,000 crores over the next 12-15 years to develop a 1,000-acre greenfield expansion project for commercial shipbuilding. These ships would be in partnership with Korean, Japanese and Indian shipbuilding companies. In the next 5 years, company plans total capex of ~ ₹ 5000 crore
- The management also cited that the acquisition of Colombo dockyard is in progress and is expected to be closed by Nov-25. The revenue currently generated by the dockyard is at ₹ 1000 crore with a margin of 15% which is planned to be increased to ₹ 1500 crore in 1-2 years by expanding their ship repair segment
- During H1FY26 the company had incurred additional provision expenses from Coast guard and NPV contracts which results in lower margins as compared to H1FY25. However, going forward, reversals of such margins and LD would help drive better margins in coming quarters
- The company had received a reversal in Liquidated Damages (LD) for P-17A of ₹ 102 crore in the quarter and expects another ₹ 100 crore such reversal for a submarine

Exhibit 1: Q2 and H1FY26 result summary

	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	Comments	H1FY26	H1FY25	YoY (%)
Operating Income	2,929.2	2,756.8	6.3	2,625.6	11.6	Healthy execution in-line with management	5,554.8	5,113.9	8.6
Other income	270.6	254.3		289.3			559.9	525.3	
Total Revenue	3,199.9	3,011.1		2,914.9			6,114.8	5,639.1	
Raw materials costs	1,700.0	1,706.9		1,095.5			2,795.5	2,922.4	
Employees Expenses	223.3	231.3		249.8			473.2	458.6	
Other Expenses	311.2	307.9		978.6			1,289.8	580.0	
Total Expenditure	2,234.6	2,246.2		2,323.9			4,558.5	3,960.9	
EBITDA	694.7	510.7	36.0	301.7	130.3	Improvement due to lower project related other expenses and reversal in provisions	996.4	1,152.9	-13.6
EBITDA margins (%)	23.7	18.5	519 bps	11.5	1222 bps		35.2	45.8	-1057 bps
Interest	7.8	1.1		1.1			8.9	2.2	
Depreciation	23.5	23.4		23.1			46.6	46.7	
Tax	224.1	187.7		147.6			371.6	410.6	
PAT	749.5	585.1	28.1	452.2	65.8		1,201.6	1,281.2	-6.2

Source: Company, ICICI Direct Research

Exhibit 2: Current order book breakup as of Sept-25
ORDER BOOK

Types	Particulars	Project Value (INR Cr)	Nos. (Contracted)	Client	Balance (INR Cr)	Nos. (Pending to be delivered)
Shipbuilding	P15B Destroyers	28,734	04	MOD	2,174	0
	P17A Stealth Frigates	27,251	04	MOD	11,492	02
	ICGS (CTS,NGOPV,FPV)	2,849	21	MOD	2,815	21
	Multipurpose Hybrid Powered Vessel (MPV)	715	06	NAVI MERCHANTS A/S	655	06
Submarine and Heavy Engineering	P75 Kalvari Submarines	29,505	06	MOD	2,248	0
	Medium Refit and Life Certification (MRLC) of Submarines	2,408	01	MOD	1,302	01
	ONGC (PRPP, DSF II & PRP 8 Grade A)	6,524	03	ONGC	4,800	03
	AIP	1,758	01	MOD	1,739	01
	Others	235	-	Other	191	-
Total Order Book as on, 30 th September 2025					27,415	

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 3: Profit and loss statement

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	9,467	11,432	12,650	14,168	15,868
% Growth	20.9	20.8	10.7	12.0	12.0
Other income	1,101.5	1,121.2	1,233.4	1,418.4	1,631
Total Revenue	9,467	11,432	12,650	14,168	15,868
% Growth	20.9	20.8	10.7	12.0	12.0
Total Raw Material Costs	6,227	5,682	6,262	7,084	7,934
Employee Expenses	897	979	1,065	1,161	1,277
other expenses	931	2,711	2,982	3,280	3,608
Total Operating Expenditure	8,055	9,372	10,309	11,525	12,819
Operating Profit (EBITDA)	1,412	2,060	2,341	2,643	3,049
% Growth	76.9	45.9	13.7	12.9	15.4
Interest	5	4	12	5	5
PBDT	2,508	3,177	3,563	4,057	4,676
Depreciation	83	115	101	142	190
PBT before Exceptional Items	2,425	3,062	3,462	3,915	4,485
Total Tax	616	784	879	995	1,139
PAT before MI	1,809	2,277	2,582	2,921	3,346
PAT	1,937	2,414	2,732	3,086	3,528
% Growth	73.1	24.6	13.2	12.9	14.3

Source: Company, ICICI Direct Research

Exhibit 4: Cash Flow Statement

(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
Profit after Tax	1,937	2,414	2,732	3,086	3,528
Depreciation	83	115	101	142	190
Interest	5	4	12	5	5
Cash Flow before WC changes	2,025	2,533	2,846	3,232	3,723
Changes in inventory	1,643	1,176	(315)	(582)	(652)
Changes in debtors	(845)	780	(111)	(141)	(158)
Changes in loans & Advances	-	-	-	-	-
Changes in other current assets	281	1,585	(220)	(275)	(308)
Net Increase in Current Assets	1,220	3,014	(943)	(1,145)	(1,287)
Changes in creditors	4	(728)	421	499	559
Changes in provisions	17	109	34	40	45
Net Inc in Current Liabilities	(1,506)	(2,811)	2,289	2,619	2,976
Net CF from Operating activities	1,740	2,736	4,192	4,705	5,412
Changes in deferred tax assets	(150)	(78)	-	-	-
(Purchase)/Sale of Fixed Assets	(97)	(174)	(650)	(800)	(850)
Net CF from Investing activities	(358)	(75)	(666)	(819)	(872)
Dividend and Dividend Tax	(448)	(712)	(787)	(887)	(1,008)
Net CF from Financing Activities	(459)	(721)	(799)	(892)	(1,013)
Net Cash flow	923	1,940	2,727	2,994	3,527
Opening Cash/Cash Equivalent	13,286	14,210	16,150	18,877	21,871
Closing Cash/ Cash Equivalent	14,210	16,150	18,877	21,871	25,398

Source: Company, ICICI Direct Research

Exhibit 5: Balance Sheet

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
Equity Capital	201.7	201.7	201.7	201.7	201.7
Reserve and Surplus	6,042	7,738	9,684	11,882	14,402
Total Shareholders funds	6,243	7,940	9,886	12,084	14,603
Other Non Current Liabilities	144.3	137.5	137.5	137.5	137.5
Total Debt	-	-	-	-	-
Total Liabilities	6,814	8,885	10,831	13,029	15,548
Gross Block	1,275	1,384	1,767	2,467	3,317
Acc: Depreciation	495	610	712	853	1,044
Net Block	780	774	1,056	1,614	2,274
Capital WIP	68	133	400	500	500
Total Fixed Assets	870	929	1,477	2,136	2,795
Non Current Assets	2,751	2,395	2,411	2,430	2,452
Inventory	5,713	4,537	4,852	5,434	6,086
Debtors	1,847	1,067	1,178	1,320	1,478
Other Current Assets	3,653	2,068	2,289	2,563	2,871
Cash	14,210	16,150	18,877	21,871	25,398
Total Current Assets	25,788	24,714	28,384	32,523	37,338
Current Liabilities	4,466	3,738	4,159	4,658	5,217
Provisions	425	565	566	567	568
Total Current Liabilities	22,634	19,823	22,112	24,730	27,707
Net Current Assets	3,154	4,891	6,272	7,793	9,631
Total Assets	6,814	8,885	10,831	13,029	15,548

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E	FY28E
Diluted EPS	48.0	59.8	67.7	76.5	87.5
Cash per Share	704.5	400.4	468.0	542.2	629.6
BV	309.6	196.8	245.1	299.6	362.0
Dividend per share	22.2	17.7	19.5	22.0	25.0
Dividend payout ratio	23%	29%	29%	29%	29%
EBITDA Margin (%)	14.9	18.0	18.5	18.7	19.2
PAT Margin (%)	20.5	21.1	21.6	21.8	22.2
RoE (%)	31.0	30.4	27.6	25.5	24.2
RoCE (%)	38.9	38.6	35.1	32.4	30.7
EV / EBITDA	68.9	46.3	39.6	33.9	28.2
P/E	28.8	46.2	40.8	36.1	31.6
EV / Net Sales	10.3	8.3	7.3	6.3	5.4
Sales / Equity	1.5	1.4	1.3	1.2	1.1
Market Cap / Sales	11.8	9.8	8.8	7.9	7.0
Price to Book Value	8.9	14.0	11.3	9.2	7.6
Asset turnover	1.5	1.4	1.3	1.2	1.1
Debtors Turnover Ratio	6.6	7.8	11.3	11.3	11.3
Creditors Turnover Ratio	2.1	2.8	3.2	3.2	3.2
Debt / Equity	-	-	-	-	-
Current Ratio	2.3	1.8	1.7	1.8	1.8
Quick Ratio	1.1	0.7	0.7	0.7	0.7

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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