

April 4, 2025

Robust order pipeline provides longer-term growth visibility...

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

- For 9MFY25, revenue is up 29.8% YoY to ₹ 8257.5 and PAT by 63.9% at ₹ 2088.2 crores. Order backlog stands at Rs 34787 crore as of Dec-24 end

Investment Rationale:

- Revenue growth to remain healthy over FY26-27E; Current order backlog to be executed over next 2-2.5 years:** Company's revenue grew by ~30% YoY during 9MFY25 as the execution remained strong. Order backlog stood at Rs 34787 crore (3.1x TTM revenue) is expected to be executed over the next 2-2.5 years. Major contracts like four P-15B destroyers & six P-75 Kalvari submarines have already been delivered and only post commissioning work is pending (~12% of order size). Others key contracts also like four P-17A stealth frigates, refit of submarines, AIP plugs, multipurpose vessels etc are also seeing healthy execution and will be delivered by FY28E. Increasing indigenisation level of submarines and warships is also helping the company in terms of ease of supply chain and improvement in overall execution. Thus, we expect revenue growth to remain healthy at ~19% CAGR over FY24-27E
- Order pipeline remains robust; longer-term growth outlook intact:** Order pipeline also remains strong for the company, considering the opportunities from both defence & commercial segments. Contracts like additional three Kalvari class submarines (expected order size ~Rs 35000 crore) and six next-generation submarines under P-75I (expected value ~Rs 70000 crore) have already been cleared from govt and expected to be placed with the company in near to medium term. 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. Though these contracts would be divided between two ship-builders, we believe that these three larger projects provide longer term order inflow visibility for MDL. Moreover, additional opportunities are there in AIP plugs, refit of submarines, ship-repairs, commercial vessels & exports. Overall, we see MDL has orders opportunity of Rs 2-2.5 lakh crore in the coming years

Rating and Target Price

- MDL is well positioned to benefit significantly from already strong order backlog and robust orders pipeline. Execution is expected to remain strong, led by increasing indigenisation levels
- We recommend BUY on MDL with target price of ₹ 3100 per share (based on 35x FY27E EPS)

Key Financial Summary

(Rs crore)	FY22	FY23	FY24	3 Year CAGR (FY21-24)	FY25E	FY26E	FY27E	3 Year CAGR (FY24-27E)
Revenues	5,733	7,827	9,467	32.7	12,296	14,061	16,062	19.3
EBITDA	435	798	1,412	84.7	2,443	2,825	3,258	32.2
EBITDA margin (%)	7.6	10.2	14.9		19.9	20.1	20.3	
Net Profit	611	1,119	1,937	55.6	2,760	3,098	3,571	22.6
Diluted EPS (Rs)	30.3	55.5	96.0		68.4	76.8	88.5	
P/E (x)	82.8	46.0	26.6		37.3	33.2	28.8	
EV/EBITDA (x)	210.2	112.2	62.8		37.0	31.1	25.9	
RoCE (%)	20.0	29.5	38.7		41.0	35.9	33.1	
RoE (%)	16.1	23.4	30.8		32.1	27.9	25.6	

Source: Company, ICICI Direct Research



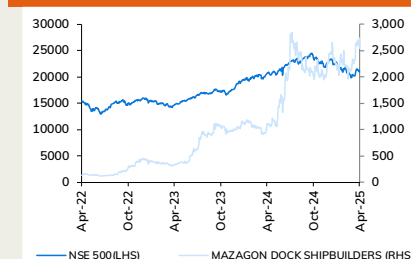
Particulars

Particular	Amount (Rs Crore)
Market Capitalisation	1,02,862
FY24 Debt	-
FY24 Cash	14,248
EV	88,613
52 Week H/L	2930 / 1045
Equity Capital	202
Face Value	5

Shareholding pattern

	Mar-24	Jun-24	Sep-24	Dec-24
Promoter	84.8	84.8	84.8	84.8
FII	2.4	2.4	1.5	1.6
DII	0.7	0.8	1.0	1.5
Others	12.1	11.9	12.7	12.2

Price Chart



Key risks

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

Research Analyst

Chirag Shah
shah.chirag@icicisecurities.com

Vijay Goel
vijay.goel@icicisecurities.com

Kush Bhandari
kush.bhandari@icicisecurities.com

- **Offer-for-sale (OFS) in alignment with SEBI regulations:** The Indian government plans to reduce its stake in MDL from 84.83% to 80% by divesting up to 4.83%. This includes selling 1.14 crore shares (2.83%) with an option for an additional 2% (80.67 lakh shares). Shares will be priced at a minimum of Rs 2,525 each, which will fetch Rs 4,918 crore to the government. The offer for sale (OFS) will be available to institutional investors on April 4, 2025, and to retail investors on April 7, 2025. The stake sale by govt in MDL is to comply with SEBI norms of maximum promoter's holding of 75%

Exhibit 1: Current order book breakup

	Particulars	Project Value (INR Cr)	Nos. (Contracted)	Client	Balance (INR Cr)	Nos. (Pending to be delivered)
Shipbuilding	P15B Destroyers	28,641	4	MOD	4,301	0
	P17A Stealth Frigates	26,803	4	MOD	14,518	3
	ICGS (CTS,NGOPV,FPV)	2,849	21	MOD	2,838	21
	Multipurpose Hybrid Powered Vessel	715	6	European	693	6
Submarine and Heavy Engineering	P75 Kalvari Submarines	28,890	6	MOD	2,671	1
	Medium Refit and Life Certification (MRLC) of Submarines	2,379	1	MOD	1,856	1
	ONGC (PRPP, DSF II & PRP 8 Grade A)	6,525	3	ONGC	5,955	3
	AIP	1,758	1	MOD	1,758	1
	Others	256	-	Other	197	-
	Total Order Book as on, 31st December 2024				34,787	

Source: Company, ICICI Direct Research

Exhibit 2: Order Opportunities in the coming years

Order Opportunities	Estimated Order Value (₹ crore)
Three P-75 Submarines	30000 - 35000
Six P-75 (I) Submarines	70000- 75000
Next Generation Corvettes (Total order size - Rs 36000 crore)	13000 - 15000
Next Generation Frigates (Total order size - Rs 70000 crore)	30000 - 40000
Next Generation Destroyers (Total order size - Rs 85000 crore)	40000 - 45000
Others	
Refits of submarines	
AIP Plugs for submarines	
Exports	
Commercial Vessels	
Ship-Repairs	
Total	183000 - 210000

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 3: Profit and loss statement

₹ crore

(Year-end March)	FY24	FY25E	FY26E	FY27E
Revenue	9,467	12,296	14,061	16,062
% Growth	20.9	29.9	14.4	14.2
Other income	1,101.5	1,211.6	1,332.8	1,532.7
Total Revenue	9,467	12,296	14,061	16,062
% Growth	20.9	29.9	14.4	14.2
Total Raw Material Costs	6,227	7,009	8,015	9,155
Employee Expenses	897	1,004	1,105	1,215
other expenses	931	1,840	2,116	2,433
Total Operating Expenditure	8,055	9,853	11,235	12,804
Operating Profit (EBITDA)	1,412	2,443	2,825	3,258
% Growth	76.9	73.1	15.7	15.3
Interest	5	4	4	4
PBDT	2,508	3,650	4,154	4,787
Depreciation	83	125	176	176
PBT before Exceptional Items	2,425	3,525	3,978	4,611
Total Tax	616	895	1,010	1,171
PAT before MI	1,809	2,630	2,968	3,440
PAT	1,937	2,760	3,098	3,571
% Growth	73.1	42.5	12.3	15.3

Source: Company, ICICI Direct Research

Exhibit 4: Cash Flow Statement

(Year-end March)	FY24	FY25E	FY26E	FY27E
Profit after Tax	1,937	2,760	3,098	3,571
Depreciation	83	125	176	176
Interest	5	4	4	4
Cash Flow before WC changes	2,025	2,889	3,278	3,751
Changes in inventory	1,643	(1,698)	(1,064)	(1,206)
Changes in debtors	(845)	(562)	(346)	(392)
Changes in loans & Advances	-	-	-	-
Changes in other current assets	281	(1,092)	(681)	(772)
Net Increase in Current Assets	1,220	(4,136)	(2,250)	(2,557)
Changes in creditors	4	1,260	822	932
Changes in provisions	17	54	35	40
Net Inc in Current Liabilities	(1,506)	435	3,275	3,714
Net CF from Operating activities	1,740	(812)	4,303	4,907
Changes in deferred tax assets	(150)	-	-	-
(Purchase)/Sale of Fixed Assets	(97)	(500)	(1,000)	(1,000)
Net CF from Investing activities	(358)	(541)	(1,026)	(1,029)
Dividend and Dividend Tax	(309)	(444)	(605)	(726)
Net CF from Financing Activities	(443)	(448)	(609)	(666)
Net Cash flow	939	(1,801)	2,667	3,212
Opening Cash/Cash Equivalent	13,309	14,248	12,447	15,115
Closing Cash/ Cash Equivalent	14,248	12,447	15,115	18,326

Source: Company, ICICI Direct Research

Exhibit 5: Balance Sheet

₹ crore

(Year-end March)	FY24	FY25E	FY26E	FY27E
Equity Capital	201.7	201.7	201.7	201.7
Reserve and Surplus	6,081	8,396	10,889	13,734
Total Shareholders funds	6,282	8,598	11,091	13,935
Other Non Current Liabilities	144.3	144.3	144.3	144.3
Total Debt	-	-	-	-
Total Liabilities	6,853	9,169	11,662	14,506
Gross Block	1,275	1,644	2,344	3,344
Acc: Depreciation	495	621	796	1,045
Net Block	780	1,023	1,547	2,298
Capital WIP	68	200	500	500
Total Fixed Assets	870	1,245	2,069	2,820
Non Current Assets	2,751	2,792	2,818	2,847
Inventory	5,713	7,411	8,475	9,681
Debtors	1,847	2,409	2,754	3,146
Other Current Assets	3,653	4,745	5,426	6,199
Cash	14,248	12,447	15,115	18,326
Total Current Assets	25,827	28,162	33,079	38,848
Current Liabilities	4,466	5,727	6,549	7,481
Provisions	425	565	566	567
Total Current Liabilities	22,634	23,069	26,344	30,057
Net Current Assets	3,193	5,093	6,736	8,791
Total Assets	6,853	9,169	11,662	14,497

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios

(Year-end March)	FY24	FY25E	FY26E	FY27E
Diluted EPS	48.0	68.4	76.8	88.5
Cash per Share	706.5	308.6	374.7	454.3
BV	311.5	213.2	274.9	345.5
Dividend per share	15.3	11.0	15.0	18.0
Dividend payout ratio	16%	16%	20%	20%
EBITDA Margin (%)	14.9	19.9	20.1	20.3
PAT Margin (%)	20.5	22.4	22.0	22.2
RoE (%)	30.8	32.1	27.9	25.6
RoCE (%)	38.7	41.0	35.9	33.1
EV / EBITDA	62.8	37.0	31.1	25.9
P/E	26.6	37.3	33.2	28.8
EV / Net Sales	9.4	7.4	6.2	5.3
Sales / Equity	1.5	1.4	1.3	1.2
Market Cap / Sales	10.9	8.4	7.3	6.4
Price to Book Value	8.2	12.0	9.3	7.4
Asset turnover	1.5	1.4	1.3	1.2
Debtors Turnover Ratio	6.6	5.8	5.4	5.4
Creditors Turnover Ratio	2.1	2.4	2.3	2.3
Debt / Equity	-	-	-	-
Current Ratio	2.3	2.3	2.4	2.4
Quick Ratio	1.1	1.1	1.2	1.2

Source: Company, ICICI Direct Research

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Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal

Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Bhavesh Soni Email address: headsservicequality@icicidirect.com Contact Number: 18601231122

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