

## Cochin Shipyard Ltd — 18 Feb 2026 Credit Rating Summary

As an equity-focused credit analyst, I have distilled the CRISIL rating report for Cochin Shipyard Limited (CSL) into the following summary:

### Credit Rating Summary: Cochin Shipyard Limited (CSL)

Section	Details
Agency	CRISIL Ratings (Dated: February 18, 2026)
Rating Change	Reaffirmed at <b>CRISIL AAA / CRISIL A1+</b> (No notch movement)
Outlook	<b>Stable</b> (Current) vs <b>Stable</b> (Previous)
Key Drivers of Change	<ul style="list-style-type: none"> <li>• <b>Strategic Moat:</b> Only shipyard in India to deliver an indigenous aircraft carrier (INS Vikrant); 100% GoI support under the Ministry of Ports.</li> <li>• <b>Revenue Visibility:</b> Massive order book of <b>₹21,100 Cr</b> (as of Aug 2025), representing ~4.3x FY25 revenues.</li> <li>• <b>Fortress Balance Sheet:</b> Reported Net Worth of <b>₹5,697 Cr</b> (Sept 2025) with near-zero gearing (<b>0.01x</b>).</li> <li>• <b>Operational Scaling:</b> 9M FY26 revenue reached <b>₹3,538 Cr</b>, on track to exceed <b>₹5,000 Cr</b> for the full year.</li> </ul>
Rated Instruments	<ul style="list-style-type: none"> <li>• <b>Bank Guarantee:</b> <b>₹9,109.45 Cr</b></li> </ul>
Key Observations	<ul style="list-style-type: none"> <li>(+) High-entry barrier monopoly in large-scale defense vessels (Corvettes, NGMV).</li> <li>(+) Superior liquidity: Avg. fund-based limit utilization at <b>33%</b>; cash surplus of <b>~₹300 Cr</b>.</li> <li>(+) Geographical diversification through units in Maharashtra, WB, Karnataka, and A&amp;N.</li> <li>(-) <b>Margin Compression:</b> PAT margins declined from <b>17.1% (FY25)</b> to <b>12.4% (9M FY26)</b> due to project mix.</li> <li>(-) <b>Raw Material Risk:</b> Vulnerable to steel/engine price hikes; contracts lack escalation clauses.</li> <li>(-) <b>Forex Risk:</b> High reliance on imported components (engines/pipes) impacts cost predictability.</li> </ul>
Investor Impact	<ul style="list-style-type: none"> <li>• <b>Growth:</b> Strong top-line visibility for 3–4 years; capacity expansion at HCSL/UCSL to drive volume.</li> <li>• <b>Margins:</b> Potential volatility; investors should monitor "milestone-based billing" which creates lumpy earnings.</li> <li>• <b>Leverage:</b> Extremely low; no immediate risk of equity dilution as capex is funded by internal accruals/phased debt.</li> <li>• <b>Risk:</b> Dependence on GoI policy shifts is the primary systemic risk.</li> </ul>
Agency / Cross Analysis	<p><b>Same Agency:</b> Rating remains at the highest possible ceiling. Compared to last review, the order book has stabilized at high levels, but CRISIL notes a slight dip in interest coverage (from 19.9x in FY25 to 12.6x in 9M FY26), though still "Superior."</p> <p><b>Conclusion:</b> <b>Improvement</b> in scale and strategic positioning, but <b>Marginal Deterioration</b> in operating efficiency (margins).</p>
Final Inference	<p><b>Strategic Sovereign Proxy:</b> The AAA rating confirms CSL as a "Too Big To Fail" defense asset. While equity investors may see margin pressure in the short term, the massive order book and zero-debt profile provide a high safety floor.</p>

**Financial Snapshot for Equity Perspective:** \* **Order Book-to-Bill Ratio:** ~4.3x (Strong) \* **9M FY26 PAT:** **₹440 Cr** (on **₹3,538 Cr** Income) \* **Total Outside Liabilities / Net Worth:** 1.4x (Healthy) \* **Cash Accruals:** Expected at **₹500–550 Cr** per annum.