Cochin Shipyard Ltd — 28 Oct 2025 Credit Rating Summary

Section	Details
Agency	CARE Ratings Ltd.
Rating Change	**Reaffirmed**: CARE AAA / CARE A1+ (0 notches moved)
Outlook (Current vs Previous)	**Stable vs Stable**
Key Drivers of Change	1. **Strategic Sovereign Linkage:** 67.91% GoI ownership; sole shipyard capable of building Indigenous Aircraft Carriers (IAC). 2. **Order Book Strength:** ₹21,100 Cr consolidated order book (4.3x FY25 revenue) provides high medium-term visibility. 3. **Capacity Augmentation:** Completion of ₹2,770 Cr new dry dock and International Ship Repair Facility (ISRF) to drive high-margin repair revenue. 4. **Robust Liquidity:** Strong cash/bank balance of ₹3,110 Cr and low gearing of 0.14x as of Mar 2025.
Rated Instruments	1. **LT/ST Bank Facilities:** ₹13,035 Cr (Enhanced), CARE AAA; Stable / A1+ 2. **LT Bank Facilities:** ₹2,280 Cr, CARE AAA; Stable 3. **ST Bank Facilities:** ₹1,355 Cr, CARE A1+ 4. **Corporate Bonds:** ₹150 Cr, CARE AAA; Stable
Key Observations	• **Revenue Growth:** FY25 revenue grew 25% to ₹4,846 Cr; Q1FY26 saw a sharp 39% YoY jump. • **Margin Pressure:** PBILDT margins moderated from 23.7% (FY24) to 19% (FY25) following IAC project completion; expected to settle at ~18%. • **Order Diversification:** Defence share in order book fell from 88% to 66% as export/commercial orders grew (24% of book). • **Working Capital:** High GCA days (483 days in FY25) due to long project cycles and lower advances (20-30%) on export orders vs domestic defence orders. • **Forex Risk:** High import content for specialized components, partially mitigated by hedging and pass-through clauses. • **Subsidaries:** UCSL and HCSL tapping mid-sized commercial segments with ₹2,139 Cr order book.
Investor Impact	• **Growth:** Strong top-line trajectory backed by government indigenization ("Make in India") and new ship-repair capacity. • **Margins:** Near-term compression as product mix shifts from IAC to commercial/export; ship-repair growth is the key margin protector. • **Leverage:** Extremely low; expansion is largely internal-accrual funded, though working capital debt may rise for export orders. • **Dilution Risk:** Nil; strong cash accruals (₹926 Cr in FY25) negate the need for equity raising.
Agency / Cross Analysis	**Same Agency:** Rating remains at the ceiling (AAA). **What changed:** Facilities enhanced by ~₹1,430 Cr to support higher execution and export working capital needs. Margin expectations revised downward to ~18% (previously higher during IAC peak). **Outlook Alignment:** Consistent "Stable" outlook supported by GoI's "Miniratna" status and "strategic importance" tag. **Conclusion:** Fundamental **Improvement** in execution capacity and order book diversification, offset by cyclical margin normalization.
Final Inference	**Real improvement in scale and capacity.** Reaffirmation at AAA despite margin moderation signals the agency's confidence in CSL's monopoly-like position in large-scale Indian naval defense and its robust, debt-free balance sheet.