

Cochin Shipyard Ltd — 04 Sep 2025 Credit Rating Summary

| Section | Details |
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| Agency | CARE Ratings Ltd. |
| Rating Change | CARE AAA / CARE A1+ (Reaffirmed; No notches moved) |
| Outlook (Current vs Previous) | Stable / Stable |
| Key Drivers of Change | <ol style="list-style-type: none"> Robust Execution: 25% Revenue growth in FY25 (₹4,846 Cr) and 39% in Q1FY26 (₹1,069 Cr) signaling strong momentum. Order Book Visibility: Massive ₹21,100 Cr order book (4.3x FY25 Revenue) provides mid-term revenue certainty. Strategic Sovereign Status: 67.91% Govt ownership and role as India's sole shipyard capable of building Aircraft Carriers (IAC). Operational Diversification: Successful shift into commercial vessels (27% of orders) and high-margin ship repairs via new ISRF facility. |
| Rated Instruments | <ul style="list-style-type: none"> LT/ST Bank Facilities: ₹11,905 Cr (CARE AAA; Stable/A1+) LT Bank Guarantee: ₹2,280 Cr (CARE AAA; Stable) Short-term Facilities: ₹1,055 Cr (CARE A1+) Tax-Free Bonds: ₹150 Cr (CARE AAA; Stable) |
| Key Observations | <ul style="list-style-type: none"> Margin Compression: PBILDT margins dipped from 23.70% (FY24) to 19.03% (FY25) post-IAC project completion; expected to stabilize at ~18%. Liquidity Fortress: Cash and bank balances of ₹3,110 Cr against minimal external debt (Gearing: 0.14x). CAPEX Completion: ₹2,770 Cr investment in New Dry Dock & ISRF is finished; focus shifts from spending to asset sweating. Working Capital Strain: Gross Current Asset (GCA) days increased to 483 days (FY25) from 435, reflecting long project cycles. Forex Risk: High exposure due to imported components and international ship-repair clients. Sector Tailwinds: FY26 Defence budget allocation for Navy increased to ₹97,149 Cr. |
| Investor Impact | <ul style="list-style-type: none"> Growth: Strong top-line trajectory supported by execution of the ₹21,100 Cr backlog. Margins: Near-term pressure as project mix shifts, but Ship Repair expansion offers a high-margin floor. Leverage: Zero risk of insolvency; high cash levels permit organic growth without equity dilution. Efficiency: New capacity (ISRF) expected to drive export competitiveness and non-defence revenue. |
| Agency / Cross Analysis | <p>Same Agency: Reaffirmed AAA. Key Change: CARE noted a 25% revenue jump but highlighted the "normalization" of margins (down ~460 bps). Outlook remains Stable based on the symbiotic relationship with the Ministry of Defence. Conclusion: Financial performance is improving in scale, while the credit profile remains at the "ceiling" due to sovereign linkage and cash reserves.</p> |
| Final Inference | <p>Real Improvement. The rating reaffirms a "Fortress Balance Sheet" with no debt risk. For equity investors, the story transitions from a "Defence Monopolist" to a "Global Ship-Repair Powerhouse" as new CAPEX begins contributing to the bottom line.</p> |