Cochin Shipyard Ltd — 21 Nov 2024 Credit Rating Summary

Section	Details
Agency	CRISIL Ratings
Rating Change	**Reaffirmed** at CRISIL AAA / CRISIL A1+ (No notches moved)
Outlook (Current vs Prev)	**Stable** vs **Stable**
Key Drivers of Change	1. **Strategic Importance:** Only shipyard under Ministry of Ports/Shipping; critical for Indian Navy (built INS Vikrant). 2. **Order Book Strength:** ₹22,587 Cr as of June 30, 2024 (approx. 6x FY24 revenue), providing multi-year visibility. 3. **Peak Execution:** Achieved highest-ever revenue of ₹3,830 Cr in FY24; H1 FY25 revenue already at ₹1,915 Cr. 4. **Robust Capital Structure:** Total debt of only ₹24 Cr against a Net Worth of ₹5,275 Cr (Gearing < 0.01x).
Rated Instruments	**Total Facilities: ₹15,000 Cr** • Non-Fund Based (BG/LC): ₹13,624.45 Cr (CRISIL A1+) • Fund Based (Cash Credit/WCDL): ₹1,375.55 Cr (CRISIL AAA/Stable)
Key Observations	**Strengths:** • **Superior Liquidity:** Negligible bank limit utilization; high unencumbered cash balance. • **Execution Moat:** Strong track record in complex defense vessels and ship repair. • **Healthy Metrics:** H1 FY25 Interest coverage at 35x; Net cash accruals to debt at 17x. **Risks:** • **Margin Volatility:** Lack of price escalation clauses in contracts makes EBITDA vulnerable to steel/ engine price hikes. • **Forex Exposure:** Significant import content for engines/components creates currency risk. • **Concentration:** High dependence on Indian Navy and GoI policy.
Investor Impact	• **Growth:** High revenue certainty but execution pace remains key to unlocking the ₹22.5k Cr pipeline. • **Margins:** Fixed-price contracts mean margin expansion is capped by raw material inflation. • **Leverage:** Zero-debt status eliminates interest rate risk and dilution risk for Capex. • **Dividends:** Strong cash position supports continued high payout capacity.
Agency / Cross Analysis	**Same Agency (CRISIL):** Reaffirmed from Dec 2023 review. • **What Changed:** Financial risk profile has strengthened further with Net Worth rising from ~₹4,400 Cr (FY23) to ₹5,275 Cr (Sep 2024). • **Alignment:** Rating remains anchored to "Strategic Importance" (Notching up) and the "Stable" outlook reflects consistent GoI support despite commodity price risks. • **Conclusion: Improvement** in scale and liquidity; credit profile remains "Gold Standard."
Final Inference	**Real improvement in scale and balance sheet strength.** The "AAA" rating is a massive endorsement of its zero-leverage growth model, though equity upside remains sensitive to the "fixed-price" nature of its order book.