Cochin Shipyard Ltd — Rating update 2d Credit Rating Summary

Section	Details
Agency	CARE Ratings Ltd.
Rating Change	**Reaffirmed** (CARE AAA / CARE A1+; No notches moved)
Outlook (Current vs Previous)	**Stable** vs **Stable**
Key Drivers of Change	1. **Massive Order Backlog:** □22,223 Cr (as of June 2026), providing 4.4x revenue visibility; diversification improved with defence share dropping from 88% to 57%. 2. **Strategic Asset Monetization:** Transfer of ISRF to a 50:50 JV with DP World for □1,800 Cr (□900 Cr cash inflow) enhances global ship-repair footprint. 3. **Margin Compression:** PBILDT margin moderated to 16.79% in FY26 (vs 19.03% in FY25) due to lower contribution from high-margin ship-repair segment. 4. **Sovereign Support:** 63.33% GoI ownership and strategic importance as India's only yard capable of building indigenous aircraft carriers.
Rated Instruments	1. **LT/ST Bank Facilities:** □14,810 Cr (Reaffirmed/Enhanced) | CARE AAA; Stable / A1+ 2. **LT Bank Guarantee:** □2,280 Cr | CARE AAA; Stable 3. **LT/ST Bank Facilities:** □2,025 Cr (Assigned) | CARE AAA / A1+ 4. **ST Bank Overdraft:** □1,766 Cr | CARE A1+ 5. **Bonds:** □150 Cr | CARE AAA; Stable
Key Observations	**(+)** Dominant market position in large-scale shipbuilding; only yard to deliver 219 vessels including IAC INS Vikrant. **(+)** Liquidity is "Strong" with □2,385 Cr cash balance and □1,060 Cr annual cash accruals (FY26). **(+)** New capacity (Dry Dock & ISRF) completed in FY25 now entering the ramp-up phase. **(+)** Robust interest coverage at 7.60x despite increased debt for working capital. **(-)** Working capital intensity rising due to export orders (receive only 20-30% advances vs high advances in defence). **(-)** Significant capex plan of □6,000 Cr over 5-6 years may moderate future leverage metrics. **(-)** PBILDT margins highly sensitive to the revenue mix (Ship-repair vs. Shipbuilding). **(-)** Exposure to forex volatility on imported components and international contracts.
Investor Impact	**Growth:** Revenue growth is steady (4% in FY26), but the executable backlog supports a higher scale in FY27-28. **Margins:** Expected to stabilize at 16-17%; upside depends on high-margin repair volume through the new DP World JV. **Leverage:** Gearing increased from 0.14x to 0.31x (FY26); further debt-funded capex expected, but remains well within AAA comfort zone. **Dilution Risk:** Minimal; GoI unlikely to drop below 51% stake given CSL's strategic defence role.
Agency / Cross Analysis	**Same Agency:** Ratings reaffirmed but total rated facilities significantly enhanced (e.g., ST facilities increased from □1,355 Cr to □2,976 Cr) to support growing export order execution. **Comparison:** Financial metrics (Interest Coverage 16.7x → 7.6x) show a downward trend due to debt-funded growth, but remain superior to industry peers. **Conclusion: Improvement** in business profile (JV & order diversification) offset by a **Moderate Deterioration** in near-term margins and leverage.
Final Inference	**Real Improvement:** The DP World JV is a game-changer for the ship-repair segment's global competitiveness. The rating reaffirmation reflects a rock-solid balance sheet that can comfortably absorb the planned □6,000 Cr capex, signaling long-term equity value protection despite short-term margin volatility.