Cochin Shipyard Ltd — Feb 2022 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

The punchline. Read this first — it frames everything below.

Result: Miss (Bottom-line) / Beat (Ship Repair Revenue) **One-line:** Strong top-line execution in Ship Repair and IAC project milestones was offset by a sharp normalization in EBITDA margins compared to an abnormally high Q3 FY21 base, though the □10,000 Cr L1 status in Missile Vessels provides long-term visibility.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Miss	PAT declined 41% YoY despite a 27% increase in Turnover.	□
Earnings Quality	Low (Base effect)	Prior year margins (45%) were likely inflated by high-margin close-outs; current 22% is a return to mean.	□
Guidance Confidence	Neutral	Order book execution is visible, but margin volatility remains high.	□
Management Credibility	Neutral	PPT shows steady execution on IAC, but lack of margin stability is a concern for forecasting.	□
Business Quality Signal	Stable	Ship Repair segment growth (+102% YoY) indicates high-margin diversification.	□
Key Q&A Exchange	N/A	PPT_ONLY: Not applicable.	□
The Street's Primary Anxiety	Margin Sustainability	Massive 2300 bps drop in EBITDA margins YoY (45% to 22%).	□
Capital Cycle Stage	Harvesting / Investment	Harvesting IAC Phase III; Investing in new ASW Corvettes and New Dry Dock.	□
Margin / Return Ratio Trajectory	Deteriorating	PAT margins compressed from 31% to 14% YoY; RoE down to 7.26% (9M).	□
Pricing Power	Stable	Defense contracts (IAC-Cost Plus) ensure cost recovery; Fixed Price contracts carry risk.	□
FCF Conversion & Quality	Distorted	9M Net Worth grew, but ROE indicates lower incremental capital efficiency.	□
Competitive Moat Signals	Widening	Retained L1 status for Next Gen Missile Vessels (□10,000 Cr).	□
Balance Sheet Strength	Strong	Net Debt at □123 Cr against a Net Worth of □4,168 Cr.	□
Working Capital Efficiency	Deteriorating	Turnover increased 14% (9M) while Profit decreased; implies higher working capital intensity.	□
Mgmt Guidance Track Record	Reliable	Consistent delivery on IAC milestones; L1 conversion into orders is the next test.	□
Key Vulnerability / Red Flag	Margin Volatility	Dependence on specific IAC project milestones for high-margin recognition.	□
Management Tone	N/A	PPT_ONLY: Commentary absent.	□

Sentiment: □Neutral

Key Takeaways (Positives & Negatives): * **Positives:** Ship Repair segment delivered an exceptional 102% YoY growth (□224 Cr vs □110 Cr), diversifying the revenue base away from pure-play new builds. The company remains L1 in the Next Generation Missile Vessel project (□10,000 Cr), which effectively doubles the current order book and secures the pipeline for the next decade. * **Negatives:** Profitability witnessed a significant contraction; Standalone PAT fell 41% despite revenue growth, as EBITDA margins normalized from an unsustainable 45% to 22%. The IAC project is shifting from Fixed Price recognition (down 72%) to Cost-Plus recognition, which fundamentally alters the margin profile. * **Forward Watchpoint:** The conversion of the □10,000 Cr Missile Vessel L1 status into a definitive contract is the primary catalyst for a re-rating.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: Concall not available — commentary absent.

Metric	Current Qtr (Q3FY22)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (Standalone)	□952.88 Cr	↑ 27.3%	Not in doc	↑	Volume growth driven by Ship Repair and IAC-Cost Plus.
Revenue (Consolidated)	□952.88 Cr	↑ 27.3%	Not in doc	↑	Consolidated performance mirrors standalone.
EBITDA	□206.47 Cr	↓ 38.1%	Not in doc	↓	Profitability hit by margin normalization.
EBITDA Margin %	22%	↓ 2300 bps	Not in doc	↓	Drop from 45% in Q3FY21 (high base effect).
PAT	□134.39 Cr	↓ 41.4%	Not in doc	↓	Dragged by lower operating margins.
ROCE (%)	Not in doc	Not in doc	Not in doc	□	ROE (9M) is 7.26% vs 15.34% (FY21).
Cash Flow (OCF)	Not in doc	Not in doc	Not in doc	□	Not provided in 9M summary slides.
Net Debt	□123.00 Cr	→ 0%	→ 0%	→	Net debt remains stable vs FY21.
Order Book	□10,678.24 Cr	Not in doc	Not in doc	□	Excludes □10,000 Cr L1 status for NGMV.
Execution Rate (%)	8.9%	Not in doc	Not in doc	□	Q3 Turnover as % of Closing Order Book.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
Shipbuilding (IAC)	□496.93 Cr	↓ 6.7%	Not in doc	↓	Under	Shift from Fixed Price to Cost-Plus.
Other Shipbuilding	□231.79 Cr	↑ 120%	Not in doc	↑	Above	Strong scaling in non-IAC projects.
Ship Repair	□224.16 Cr	↑ 102%	Not in doc	↑	High	Massive surge in repair throughput.

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3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Order Book	□10,000 Cr NGMV contract (L1 status).	Needs contract signing by FY23 to maintain book-to-bill > 3.0x.	Consistent L1 to Order conversion historically.	Moderate (Contract timing).
Guidance	Execution	IAC Balance Order: □3,439.40 Cr.	Needs ~□1,146 Cr/qtr to finish in 3 quarters (estimated timeline).	High (IAC is in advanced sea trials).	Low
Guidance	New Projects	ASW Corvette: □6,072.88 Cr.	Early stage; execution expected to ramp up as IAC winds down.	New project cycle; execution risk exists.	High (Execution lag).
Strategy	Diversification	Ship Repair expansion via international and domestic ports.	Segment now 23.5% of Q3 revenue; trend is positive.	Delivering on capacity expansion.	Low

(N/A — no concall)

4. ANALYST Q&A

Section not applicable — investor presentation only. No concall conducted or available.

5. WHAT CHANGED vs PRIOR QUARTER

First entry — no prior quarter to compare.

What Changed	Prior Quarter	This Quarter	Direction
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STOP HERE.