## Cochin Shipyard Ltd — Sep 2026 Quarterly Analysis

# 1. VERDICT & BUSINESS QUALITY SNAPSHOT

**Result:** Inline (Financials) / Beat (Strategic Milestones) **One-line:** CSL is pivoting from a local defense fabricator to a global maritime services hub, using a major Joint Venture with Drydocks World to de-risk its ship repair business while funding an aggressive □8,400 Cr capex cycle.

| Dimension | This Quarter | Signal / Evidence | Sentiment |
|---|---|---|---|
| Beat/Miss vs Guidance | Inline | Revenue of □1,094 Cr aligns with 12-15% annual growth guidance. | □ |
| Earnings Quality | High (Core) | Operations remain solid; however, "Other Income" contribution to EBITDA will fade as cash is deployed into Capex. | □ |
| Guidance Confidence | Neutral | 12% revenue growth is conservative; however, 14-15% EBITDA margin is a reset from historical 18%+ levels. | □ |
| Management Credibility | Strong | Signed DDW JV and Tuticorin lease; executed solo pivot on Block Fabrication after Hyundai JV stall. | □ |
| Business Quality Signal | Improving | Transition to high-margin ship repair (22-24% margin) and Green vessels reduces reliance on cyclical defense. | □ |
| Key Q&A Exchange | Q13/14 (Margins) | Mgmt reset expectations to 14-15% blended EBITDA due to competitive bidding and lower interest income. | □ |
| The Street's Primary Anxiety | Margin Compression | Concern over 14% margin guidance; mgmt cited shift from "nomination" to "competitive" defense bids. | □ |
| Capital Cycle Stage | Investment | Entering a heavy 5-year investment phase (□8,395 Cr total estimated capex). | □ |
| Margin / Return Ratio | Deteriorating | ROCE guidance of 14-15% is lower than the 23% seen in FY24 as assets are built. | □ |
| Pricing Power | Stable | Holding 45% of India's ship repair market; L1 in □5,000 Cr NGSV contract validates competitive edge. | □ |
| FCF Conversion | Improving | FY26 OCF was negative due to tail-ended export contracts; 10 deliveries in FY27 will trigger cash inflows. | □ |
| Competitive Moat | Widening | Exclusive aircraft carrier repairer + DDW partnership creates a "Kochi Repair Cluster" moat. | □ |
| Balance Sheet Strength | Strong | D/E of 0.21x; □900 Cr cash inflow from ISRF JV will further bolster liquidity for expansion. | □ |
| Working Capital | Stable | Typical of long-cycle EPC; tail-ended payment structures for exports (70% on delivery) drive peaks. | □ |
| Mgmt Track Record | Reliable | 3 vessels delivered in Q1; track record on Indigenous Aircraft Carrier (IAC) remains the gold standard. | □ |
| Key Vulnerability | Execution Risk | Managing four concurrent greenfield/brownfield expansions (Vadinar, Tuticorin, Kochi ISRF, Block Fab). | □ |
| Management Tone | Confident | Bullish on the "Green Tug Transition Program" and global repair hub vision. | □ |

**Sentiment: □Positive**

**Key Takeaways** * **The Strategic Reset:** The thesis is shifting from "Defense Order Book Growth" to "Global Maritime Ecosystem." The JV with Drydocks World (DDW) is a masterstroke—it monetizes the ISRF at □1,800 Cr (50% cash), brings in global clientele, and de-risks the operational ramp-up. * **Order Book Visibility:** Total unexecuted order book of ~□22,000 Cr, plus □5,000 Cr L1 (NGSV) and a □1,300 Cr DCI dredger nomination, provides ~□28,300 Cr visibility (over 5x FY26 revenue). * **Margin Normalization:** Investors must accept a lower "new normal" for margins. As CSL transitions from nomination-based aircraft carrier work to competitive bidding for frigates and survey vessels, EBITDA margins are settling at 14-15% (down from historical 18-30% peaks). * **Cash Flow Inflection:** FY26 negative OCF (CFO-to-PAT < 0) was a timing issue due to tail-ended European contracts. With 10 vessel deliveries slated for FY27 (3 already done), a significant cash inflow is imminent. * **Watchpoint:** The "Block Fabrication" facility pivot. Moving solo after failing to agree on JV terms with HD KSOE (Korea) reduces the capacity target from 100k to 60k tons/annum. This may cap long-term shipbuilding throughput compared to previous ultra-bullish estimates.

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## 2. BUSINESS PERFORMANCE

### 2A. KEY METRICS

DATA SOURCE: PPT primary source; Concall for margins and order pipeline.

| Metric | Current Qtr (Q1FY27) | YoY Change | QoQ Change | Trend | Mgmt Commentary |
|---|---|---|---|---|---|
| Revenue (□Cr) | 1,094.21 | +2.4% | -21.4% | □ | Q1 is seasonally softer; 12% YoY growth target for full year. |
| EBITDA (□Cr) | 266.00 | -13.6% | -14.2% | ↓ | Compression due to lack of interest income on cash spent for Capex. |
| EBITDA Margin % | 24.31% | -669 bps | +40 bps | ↓ | Blended margin guided at 14-15% for the full year. |
| PAT (□Cr) | 151.45 | -19.4% | -28.9% | ↓ | Impacted by higher depreciation from new ISRF and Drydock. |
| Order Book (□Cr) | 21,900.00 | -2.7% | -0.5% | → | Excludes □5,000 Cr NGSV L1 and □1,300 Cr DCI prospect. |
| Order Inflows (□Cr) | Not in doc | - | - | - | L1 status in □5,000 Cr contract is the primary inflow signal. |
| Execution Rate (%) | 5.0% | - | - | - | Based on current Qtr Revenue / Opening Order Book. |
| Book-to-bill (x) | 4.36x | - | - | - | Based on FY26 revenue of □5,021 Cr. |
| ROCE (%) | 4.00%* | - | - | ↓ | Lower due to capital work-in-progress; guided at 14-15% steady-state. |
| Net Debt / (Cash) | (1,268.00) | - | - | ↑ | Net cash position of □1,268 Cr; D/E remains low at 0.21x. |
| Working Capital | Stable | - | - | → | Negative OCF in FY26 to reverse in FY27 due to 10 deliveries. |
| *ROCE is not annualized.* | | | | | |

### 2B. SEGMENT BREAKDOWN

| Segment | Revenue (□ Cr)* | Mix % | Margin | Trend | vs Co. Avg | Key Development |
|---|---|---|---|---|---|---|
| Ship Building | 698.00 | 64% | 10-12% | → | Lower | Focus on ASW-SWC and export MPVs. |
| Ship Repair | 396.21 | 36% | 22-24% | ↑ | Higher | DDW JV to scale Kochi cluster to □1,200 Cr revenue. |
| Udupi (UCSL) | 123.00 | 11%** | 12-14% | ↑ | Average | Delivered 3 vessels in Q1; order book of □2,100 Cr. |
| Hooghly (HCSL) | 30.00 | 3%** | 8-10% | → | Lower | Order book of □200 Cr; primarily inland ferries. |
| **Segment revenue derived from mix % provided in PPT.* | | | | | | |
| ***Subsidiaries included in Ship Building/Repair totals.* | | | | | | |

## 3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

| Dimension | Category | Management Target / Claim | Required Run-Rate / Mathematical Feasibility | Historical Delivery | Risk Flag |
|---|---|---|---|---|---|
| Guidance | Revenue | 12% YoY Growth (FY27). | Requires □4,529 Cr in next 3 quarters (~□1,510 Cr/qtr). Feasible with 7 deliveries left. | Consistent | Supply chain for green tech. |
| Guidance | Margins | 14-15% Blended EBITDA. | Current Q1 is high at 24%; implies significant compression in high-volume Q4. | Resetting | Competitive bid pricing. |
| Guidance | Order Wins | □6,300 Cr (NGSV + DCI). | NGSV (□5,000 Cr) expected in Nov '26; DCI (□1,300 Cr) in Oct '26. | High | CCS Approval delays. |
| Guidance | Capex | □8,395 Cr total (5-year). | Approx □1,600 Cr/year. Debt-Equity planned at 80:20. | High | Environmental Clearance (EC). |
| Strategy | Repair JV | ISRF Transfer for □1,800 Cr. | Targeted closure by Mar '27. Needs shareholder & DIPAM approval. | New | Valuation dispute. |
| Strategy | Green Pivot | □640 Cr Battery Rev (Yr 5). | HBL JV to marinize batteries. CSL holds 40% stake. | New | Battery tech evolution. |
| Strategy | Block Fab | 72,000 tons throughput. | 60k tons (New) + 12k tons (Existing). Solo implementation. | Revised | Efficiency vs Korean JV. |
| Macro | Defense Pipe | □1,17,000 Cr RFP Pipeline. | LPD (□32k), MCMV (□36k), P-17B (□49k). | Long-tail | 12-18 month lead times. |

## 4. ANALYST Q&A

| Q# | Rel (1-5) | Analyst / Firm | Theme Cluster | Category | Underlying Concern | Management Response & Investment Implication | Evaded | Cred (1-5) | Verdict |
|---|---|---|---|---|---|---|---|---|---|
| 1 | 4.0 | Garvit Goyal / Serene Alpha | Green Propulsion JV | Business Overview | What is the scale and product basket for the HBL battery JV? | Management expects □640 Cr revenue by the 5th year from energy storage and power management systems for the marine sector. **Implication:** Creates a vertical integration moat for the Green Tug Transition Program; CSL captures margin on components previously imported. | None | 4.0 | Specific target given |
| 2 | 3.0 | Garvit Goyal | Competitive Landscape | Business Overview | How many competitors exist for marine batteries and what are the margins? | Management expects a 20% EBITDA margin, noting that while HBL is a leader on land, marinizing for salt/vibration is a niche moat. **Implication:** Early mover advantage in the domestic green vessel market; high margins likely sustainable for 3-5 years. | None | 3.0 | Consistent |
| 3 | 3.5 | Garvit Goyal | Electric Tugs | Business Overview | What is the bid pipeline for electric tugs under the GTTP program? | Government targets 50% green tugs by 2035, implying a □1,000 Cr battery opportunity over 10 years. **Implication:** Provides a long-term annuity-like revenue stream for the JV, though | None | 4.0 | Quantified pipeline |

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|---|---|---|---|---|---|---|---|---|---|
| | | | | | | mass movement is 3-4 years away. | | | |
| 4 | 3.0 | Garvit Goyal | JV Capital | Capex | What capital is being deployed in the battery JV? | Total capital is only 50 Cr, as HBL will use existing facilities for contract manufacturing. **Implication:** High ROE venture due to low capital intensity for CSL (40% stake). | None | 5.0 | Specific |
| 5 | 4.5 | Dipen Vakil / PhillipCap | DDW Repair JV | Strategy | Will the DDW JV only cater to DP World vessels or domestic demand too? | DDW brings global clientele, but CSL will continue to route its captive defense and government vessels (up to 130m) through the JV. **Implication:** JV provides a "floor" of domestic volume while DDW provides the "upside" of international foreign exchange revenue. | None | 4.0 | Clear synergy |
| 6 | 4.0 | Dipen Vakil | Repair Market Share | Business Overview | Will there be any market share loss between CSL and the JV? | There is a clear understanding that larger vessels stay with CSL main yard; JV handles only <130m/6,000t vessels. **Implication:** No cannibalization; the JV acts as a specialized capacity | None | 4.5 | Specific boundary |

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|---|---|---|---|---|---|---|---|---|---|
| | | | | | | extension for medium vessels. | | | |
| 7 | 5.0 | Dipen Vakil | Order Pipeline | Management Outlook | What are the major RFPs expected in the next 1-2 years? | Management is tracking LPD (□32k Cr), MCMV (□36k Cr), and P-17B (□49k Cr). **Implication:** If CSL wins even 30% of this pipeline, the order book could double, providing visibility into the mid-2030s. | None | 4.0 | Detailed pipeline |
| 8 | 4.0 | Dipen Vakil | Nomination Orders | Management Outlook | Are any contracts expected to finalize this year? | Expected wins include a repeat DCI Dredger (□1,300 Cr) and Andaman passenger vessels (4 nos) on nomination. **Implication:** Nomination orders protect margins better than competitive bids; provides near-term book growth. | None | 5.0 | High conviction |
| 9 | 3.5 | Dipen Vakil | Block Fabrication | Capex | What is the capacity of the new solo Block Fabrication unit? | Capacity is reduced to 60k tons/annum (solo) from the earlier 100k tons (Hyundai JV plan). **Implication:** Total throughput reaches 72k tons; sufficient for current drydock but lowers long-term ceiling vs. | None | 5.0 | Specific delta |

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|---|---|---|---|---|---|---|---|---|---|
| | | | | | | the original JV plan. | | | |
| 10 | 4.0 | Mohit Chaurasiya | Cash Flow | Financials | Why was FY26 operating cash flow negative despite strong PAT? | Negative OCF was due to "tail-ended" European export contracts (70% payment on delivery); expect reversal in FY27. **Implication:** Earnings quality concern is temporary; significant cash inflection expected as 10 vessels are delivered this year. | None | 4.0 | Logical explanation |
| 11 | 3.0 | Mohit Chaurasiya | ROCE Target | Financials | What ROCE are you targeting for new investments? | Target ROCE is approximately 14-15%. **Implication:** Lower than historical peaks due to heavy asset base; CSL is moving into a "utility-like" stable return phase during construction. | None | 3.0 | Vague but realistic |
| 12 | 3.5 | Bhavya Gandhi | Revenue Guidance | Management Outlook | What is the revenue and EBITDA guidance for next 2 years? | 12% revenue growth and 14% blended EBITDA margin on a conservative basis. **Implication:** Management is de-risking the "Other Income" loss; focuses on core operational profitability. | None | 4.0 | Consistent |
| 13 | 4.5 | | Margin Sustainability | Financials | Why guide for 14% | Historical margins were | None | 5.0 | Brutally honest |

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|---|---|---|---|---|---|---|---|---|---|
| | | Abhishek Poddar / Citadel | | | when historicals were much higher? | high due to "nomination" aircraft carrier work and interest on ₹3k Cr cash; both are now disappearing. **Implication:** Critical reset for analyst models —premium valuations based on 20%+ margins must be revised. | | | |
| 14 | 4.0 | Abhishek Poddar | Competitive Bids | Strategy | How to think about the P-17 Bravo bid? | CSL is a Category A shipyard and will bid aggressively; LPD is better suited for CSL's large dock capabilities. **Implication:** CSL is prioritizing LPD/ MCMV for higher win-probability over frigates (P-17B). | None | 4.0 | Strategic clarity |
| 15 | 3.5 | Deepak Krishnan / Kotak | Capex Revenue | Capex | What is the revenue potential from the ₹6k Cr+ new investments? | ISRF (₹1.2k Cr), Vadinar (₹600 Cr), Tuticorin (₹2k Cr) at peak. **Implication:** New facilities add ~₹3,800 Cr to annual top-line potential by FY30-32. | None | 3.0 | Long-term target |

**PATTERN FLAGS & SENTIMENT** * **Theme 1: The Margin "New Normal":** Analysts were heavily focused on the 14-15% EBITDA guidance vs. historical 20%+. Management was uncharacteristically blunt: the "low-hanging fruit" of high interest income on unspent IPO cash is gone, and the era of massive high-margin "nomination" defense contracts is shifting to competitive bidding. This concern is resolved but likely to keep a lid on P/E re-rating. * **Theme 2: Strategic De-risking via JVs:** The shift from a Hyundai JV (which stalled) to a solo Block Fab, and the success of the DDW JV, signals a management that is pragmatic. They are willing to trade equity for global market access (DDW) but prefer to go alone when partners demand too much control (Hyundai). This increases long-term credibility. * **Theme 3: Cash Flow Inflection:** The negative OCF in FY26 was a major point of friction. Management's explanation of the "70% payment on delivery" structure for exports appeared to satisfy the room, but the Street will be watching the Q2/Q3 cash flow statement closely for the promised □2,000 Cr+ in collections.

**Analyst Sentiment Verdict:** Analysts are **Cautiously Bullish**. While the massive order book (□22k Cr+) and pipeline (□117k Cr) are undisputed strengths, the "reset" in margin guidance to 14% has cooled some of the hyper-growth enthusiasm. Management's credibility remains high due to the high-quality DDW partnership and tangible asset monetization.

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## 5. WHAT CHANGED vs PRIOR QUARTER

| What Changed | Prior Quarter | This Quarter | Direction |
|---|---|---|---|
| **Ship Repair Strategy** | 100% Owned ISRF | 50:50 JV with Drydocks World (DDW) | □ |
| **Order Book Value** | □22,500 Cr | □21,900 Cr (+ □5k Cr L1) | □ |
| **Fabrication Strategy** | Proposed JV with Hyundai | Solo 60k ton/annum facility | □ |
| **Capex Pipeline** | General expansion | Finalized Tuticorin/Vadinar/Block Fab (□8.4k Cr) | □ |
| **EBITDA Guidance** | 18-20% (Historical) | 14-15% (New Normal) | □ |
| **Cash Position** | High Surplus | Cash spent; incoming □900 Cr from JV sale | □ |
| **ROCE Guidance** | 20%+ | 14-15% | □ |
| **Technology Milestone** | H2 Trials | HBL Battery JV & Green Tug Program rollout | □ |

**Investor Note:** The thesis remains intact but requires a shift in valuation logic. CSL is no longer an "earnings-per-share" story driven by defense nominations; it is now a "capacity & asset utilization" story. The 14% margin guidance suggests the company is trading a bit of profitability for massive scale and market dominance in the ship repair cluster. **Monitor:** Delivery schedule of the 10 vessels in FY27 to ensure the OCF-to-PAT reversal occurs as promised.