

Pick of the Day (Short Term Delivery Call)

Company Name: Cochin Shipyard Ltd.

NSE Code	COCHINSHIP
BSE Code	540678
Market Cap (Rs cr)	14,951
Avg. Trading Vol. in lakh (5 days/30 days)	29.5/23.7
Avg. Delivery Vol. in lakh (5 days/30 days)	6.0/4.9
Promoter Holding (%)	72.9
Pledge (%)	-

CMP (Rs)	1,135.0
Accumulation Range (Rs)	1,124-1,146
Target (Rs)	1,248.5
Upside Potential (%)	10.0%
Duration	3 Months

Source: Capitaline, SSL Research

Cochin Shipyard Limited (CSL) is a leading player in construction, repairs and refits of all types of vessels including periodic upgradation and life extension of ships. It was incorporated in 1972 and has built & repaired some of the largest ships for its esteemed customers across the globe.

Investment rationale:

Large Order Book: The company's order book as of Sep'23 stood at Rs 22,000 cr with 79% of it coming from the defence sector (Indian Navy) while the remaining 21% is for commercial vessels. In addition, ~Rs 13,000 cr worth orders are in the pipeline.

Capitalizing on the domestic manufacturing theme: Cochin Shipyard Ltd has been a major beneficiary of the Make-in-India theme with the Govt emphasizing on indigenizing India's defence production. CSL successfully executed the design and construction of India's first domestically produced aircraft carrier INS Vikrant which recently achieved full operational status in the Indian Navy. The company has also delivered electric hybrid boats for Kochi Water Metro.

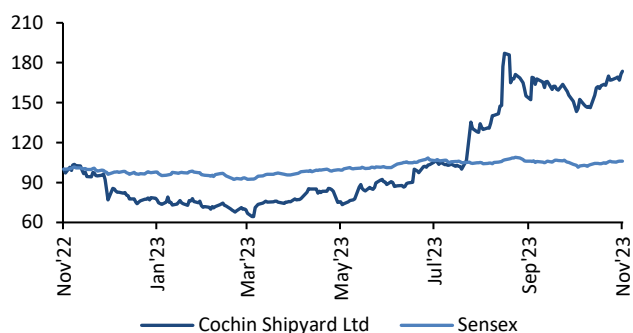
Diversifying revenue streams: CSL traditionally earns revenue from shipbuilding (~70% of revenue) which involves complex designing and engineering tasks and have long gestation period. To diversify its revenue profile, the company is also focusing on ship repair and vessels using green fuel. It currently has ship repair orders worth ~Rs 700 cr. It has achieved 81% completion of the upcoming International Ship Repair Facility (ISRF) with full commissioning by mid-2024. The management expects annual ship repair revenue to touch ~Rs 1,200 cr in next three years from current levels of Rs 700-800 cr.

Attractive valuation: At CMP of Rs. 1,133, the stock trades at FY24E/FY25E P/E of 34.1x/29.7x consensus earnings. The company has a healthy order book and pipeline with strong execution track record. Company's consol revenue grew 48% YoY in 2QFY24 to Rs 1,012 cr on back of higher order execution. It has a large addressable market ranging from naval ships and vessels to commercial vessels including passenger carriers, tug boats and dredging equipment. The company is also gaining market share in export orders particularly from Europe.

Key Risks: Execution delays, aggressive bidding by competitors, slowdown in defence spending

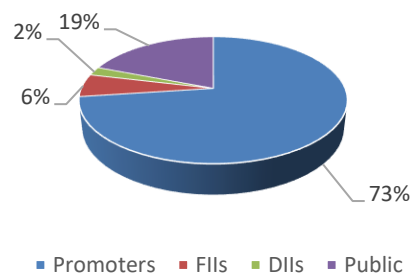
Short Term Call

Stock Performance (Indexed to 100)



Source: BSE, SSL Research

Shareholding Pattern (Sep'23)



Source: BSE, SSL Research

Why Now?

Sr. No.	Parameters	Score
1	Recent financial performance (management guidance, return and margin profile, growth and cash flow)	✓
2	Overall corporate governance (Promoter pledge, credit rating, audit qualified opinion etc)	✓
3	Recent stock price movement-worst is over for stock, all negatives in the price (valuation, 52W H/L, below average PE etc)	↔
4	Beneficiary of recent macro and industrial developments (Regulatory, Fiscal/Monetary policy, favourable industrial outlooks etc)	✓



- Neutral



- Positive



- Negative

Duration of recommendation: Short to Medium term

* Please refer to our call guide mentioned below.

Recommendation History

Date	Stock Price	Target Price	Recommendation	Status
NA	NA	NA	NA	NA

Call Guide:

The above recommendation is meant for short term investment purpose with holding period between 1-90 days and target upside upto 10% (+/- 0.5%). The recommended price is previous day's closing NSE price (except the stock only listed on BSE). In case of gap-up opening the call is termed "Not Entered" only if stock price does not come within +1% of previous close price on the day of call; partial profit is generally not advised; Call can be rationalized (changed) by Fundamental team at their discretion; generally to average or exit at loss (cut-loss strategy).

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Short Term Call

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