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The Manager Compliance Department BSE Limited Phiroze Jeejeebhoy Tower Dalal Street Mumbai – 400 001	The Manager Compliance Department The National Stock Exchange of India Ltd. Exchange Plaza Bandra – Kurla Complex, Bandra (East) Mumbai – 400 051
Scrip Code/Symbol: 540678/COCHINSHIP	

Dear Sir / Madam,

Subject: Transcript of Investor/ Analyst Conference Call to discuss the financial results of the Company for the quarter and year ended March 31, 2024

1. Further to our communication with respect to the conference call to discuss the financial results of the Company for the quarter and year ended March 31, 2024, please find attached herewith the transcript of the said conference call conducted on Friday, May 31, 2024 at 04:00 P.M.
2. The above is for your information and record please.

For Cochin Shipyard Limited





“Cochin Shipyard Limited
Q4 FY '24 Earnings Conference Call”

May 31, 2024



MANAGEMENT: **MR. MADHU S NAIR – CHAIRMAN AND MANAGING DIRECTOR – COCHIN SHIPYARD LIMITED**
MR. JOSE V J – DIRECTOR FINANCE – COCHIN SHIPYARD LIMITED
MR. NEELAKANDHAN A N – CHIEF GENERAL MANAGER, PLANNING & PROJECT MANAGEMENT – COCHIN SHIPYARD LIMITED
MR. RAJESH GOPALAKRISHNAN – CHIEF GENERAL MANAGER, SHIP REPAIR – COCHIN SHIPYARD LIMITED
MR. HARIKRISHNAN S – CHIEF GENERAL MANAGER, SHIPBUILDING – COCHIN SHIPYARD LIMITED
MR. SHIBU JOHN – GENERAL MANAGER, FINANCE – COCHIN SHIPYARD LIMITED
MR. SYAMKAMAL N – COMPANY SECRETARY – COCHIN SHIPYARD LIMITED

MODERATOR: **MS. CHANDNI CHANDE – KIRIN ADVISORS**

Moderator: Ladies and gentlemen, good day and welcome to Cochin Shipyard Limited Q4 and FY '24 Conference Call hosted by Kirin Advisors. As a reminder, all participant lines will be in the listened only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference has been recorded.

Ladies and gentlemen, the call duration is for one hour. I now hand the conference over to Ms. Chandni Chande from Kirin Advisors. Thank you and over to you, ma'am.

Chandni Chande: Thank you. On the behalf of Kirin Advisors, I welcome you all to the conference call of Cochin Shipyard Limited. From management team, we have Shri Madhu S Nair, Chairman and Managing Director; Shri Jose V J, Director of Finance; Shri Neelakandhan A. N., Chief General Manager, Planning & Project Management, Shri Rajesh Gopalakrishnan, Chief General Manager, Ship Repair; Shri Harikrishnan S., Chief General Manager, Shipbuilding; Shri Shibu John, General Manager, Finance; Shri Syamkamal N., Company Secretary. Now I hand over the call to Shri Madhu S Nair. Over to you.

Madhu S Nair: Thank you. Good evening and a warm welcome to the conference call of Cochin Shipyard Limited. As has been briefly mentioned, I'm Madhu S Nair, Chairman and Managing Director of Cochin Shipyard Limited; and the senior officials whose names have just been introduced are with me. As the CMD of Cochin Shipyard Limited, I'm proud to present the outstanding performance of the company for the last financial year. Let me begin by highlighting some of our significant achievements during Q4 2024 till date.

On the new orders, from January 2024 till date, we are happy to announce the signing of the contract with a prominent European client for the design and construction of Hybrid Service Operation Vessel, Hybrid SOV, which is slated for delivery in the year 2026. Subsequently, CSL has secured another contract from the same client for the design and construction of a Hybrid SOV with an additional option for 2 more such vessels expected to be completed by end of 2026. Both these contracts put together is in the range of INR1,000 crores to INR1,200 crores.

Furthermore, our wholly-owned subsidiary, UCSL, has secured an order for a 70-ton Bollard Pull Tug for Polestar Maritime Limited and another order for 3 numbers of 70-ton Bollard Pull Tug for Ocean Sparkle Limited. Other wholly-owned subsidiary, Hooghly Cochin Shipyard Limited, HCSL, has secured an order for the construction of 2 numbers of 40-ton Bollard Pull ASD Tugs for Industrial Handling Private Limited. All these orders aggregate to around INR250 crores to INR300 crores.

On the ship repair front, CSL has entered into a contract with the Indian Navy for undertaking medium refits of two Indian naval vessels, the value of which comes to around INR150 crores. Additionally, CSL has signed the Master Ship Repair Agreement, MSRA, with the United States Navy, which will facilitate the repair of U.S. naval vessels under the Military Sealift Command in our shipyards.

We are honoured to have the Honourable Prime Minister of India flag off India's first indigenously-built Hydrogen Fuel Cell Vessel, a remarkable achievement that underscores our commitment to sustainable maritime solutions.

We have also delivered two state-of-the-art Hybrid Electric Catamaran Hull Vessels for the Kochi Metro Rail Limited under the Kochi Water Metro Project. Our subsidiary, UCSL, has also delivered a vessel named Ocean Splendour, a 62-ton Bollard Pull Tug built for Ocean Sparkle Limited and a 70-ton Bollard Pull Tug named Konna Star, for Polestar Maritime Limited.

Turning our attention to other major events, the Honourable Prime Minister dedicated the International Ship Repair Facility, ISRF and the world's first stepped dry-dock to the nation on January 17, 2024, marking a significant milestone in the augmentation of India's maritime capability. These projects are significant for the company as it's the highest capex, around INR2,769 crores, ever made by CSL in its long journey of over 50 years.

The civil work for the new dry-dock project, including the dock floor, caisson gate, pump house and substations, etcetera, has been fully completed and the installation and commissioning of the 600-ton gantry crane are currently in progress and the new dry dock is expected to be fully in operation by August 2024.

The ship lift system, 2 workstations and afloat repair berth of ISRF project at Willingdon Island is operational and it is expected that ISRF will be fully operational after the completion of certain allied work by August 2024. We have also successfully carried out the maiden surface run of the High Endurance Autonomous Underwater Vehicle, HEAUV, at our ISRF facility in Kochi, meeting all the required parameters.

CSL has also been awarded the prestigious Kerala Industrial Safety Award 2023 under the category of Very Large Factories in Engineering instituted by the government of Kerala, reaffirming our commitment to excellence in safety standards.

Turning my attention to the financial performance of the company. I'm pleased to report that Cochin Shipyard has registered its all-time high turnover in the financial year '23-'24, surpassing the previous high achieved in the financial year 2019-'20.

On a consolidated basis, the turnover in 2023-'24 stands at INR3,830.45 crores compared to INR2,364.55 crores in '22-'23, representing an increase of 62 percentage. Furthermore, our profit before tax in '23-'24 has reached INR1,070.94 crores, 156 percentage increase from the INR418.44 crores recorded in '22-'23. Our profit after tax in '23-'24 is INR783.28 crores, 157 percentage increase from the figure of INR304.71 crores in the previous year.

It is also worth mentioning that the company's ship repair turnover has crossed INR1,000 crores and the net worth of the company has clocked INR5,000 crore mark for the first time in the history of CSL. For the financial year '23-'24, CSL derived 72 percentage of its total operating income from shipbuilding activities and the remaining 28 percentage came from ship repair operations. Within the shipbuilding segment, 46 percentage of the revenue was generated from

the work on the Indigenous Aircraft Carrier and the remaining 54 percentage work from other shipbuilding projects.

The ship repair units, apart from the main unit in Kochi, performed well during the year. CMSRU, CSL's Mumbai Ship Repair Unit, registered a revenue of over INR150 crores; and CANSRU, CSL's Andaman & Nicobar Ship Repair Unit, achieved a turnover of about INR100 crores. The other ship repair unit, CKSRU, also demonstrated reasonable performance.

Regarding the subsidiary companies, Udupi Cochin Shipyard Limited, UCSL, which CSL had acquired through the IBC process, has turned around completely. It's recorded a total revenue of INR186 crores, a PBT of INR3 crores and a PAT of INR1 crore during the financial year compared to a loss of INR9 crores in the previous year. The order book position of UCSL stands at approximately of INR800 crores as on date. The other subsidiary, Hooghly Cochin Shipyard Limited, HCSL, has started securing new orders, with a total order value of approximately INR150 crores as on the reporting period. The company is optimistic about achieving a good execution rate in the upcoming financial year for HCSL.

In recognition of our financial performance, the Board has recommended a final dividend of INR2.25 per share, aggregating to INR59.19 crores. Coupled with the interim dividends paid during the year, the total dividend for the financial year '23-'24 amounts to INR256.50 crores, which is 32 percentage of the profit after tax.

Furthermore, I would like to remind that the company has redeemed its tax free bonds amounting to INR100 crores in December 2023 and as of now, the company is practically debt-free, with only INR23 crores as long-term debt. Also, the company in January 2024, completed the split of equity shares in the ratio of 1:2, that is one equity share of face value of INR10 each was split into 2 equity shares of face value of INR5 each.

Turning our attention to the status of vessels under construction. We have made significant progress across various shipbuilding projects. On the anti-submarine warfare shallow water craft corvette, ASW-SWC, we have a total of 8 vessels under contract, with 3 vessels launched in November 2023 and the machinery outfitting of these vessels are underway. The keel has been laid for a further 2 vessels, that is number 4 and 5 in the series, in December 2023 and the hull block erection is progressing steadily. The remaining 3 vessels, vessel number 6, 7, & 8 are in advanced stages of fabrication.

With regards to the Hybrid Electric Catamaran Hull Vessels for Kochi Metro Rail Limited, under the Kochi Water Metro project, we have a total of 23 vessels under contract, of which 14 vessels have been delivered and the remaining 9 vessels are under various stages of construction. For the 7,000 deadweight Multi-Purpose Vessel project for European clients, we have a total of 8 vessels under contract and block erection and outfitting are underway for 2 vessels, while the keel has been laid for other vessels, which are in various stages of construction. Additionally, we have 2 Commissioning Service Operation Vessel, CSOV and 1 number of 12,000 cubic meter Trailer Suction Hopper Dredger, all of which are under block fabrication stage. Notably, the Hydrogen Fuel Cell Vessel, we have completed its trial and that sailed off from CSL to Varanasi on 18th May 2024.

As we look towards the future, I'm pleased to inform you that our current order book position is healthy, with approximately INR22,000 crores of unexecuted orders, including the ship repair orders, which typically amounts to a little bit of higher level than earlier times at about INR1,200 crores at this given point of time.

These achievements are the result of hard work, dedication and innovative spirit of our entire CSL team, right from the senior management to the worker level. I'm confident that with the continued support of all stakeholders, we will maintain this momentum and drive sustainable growth that will create value for our shareholders.

For the financial year 2024-'25, we would like to guide with a target of 20 to 25 percentage increase in the top line. Our PAT level will have to be tempered due to the higher depreciation cost from the commissioning of the ISRF and the new dry dock project. We expect to sustain the EBITDA at the level which we have previously guided.

Thank you for your patient hearing and now we would be happy to take any questions. Thank you, Jai Hind.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of Deepak Krishnan from Kotak Institutional Equities. Please go ahead.

Deepak Krishnan: I just wanted to understand, you said the EBITDA margin previously guided, so in the range of 18% to 19% on a consolidated. Is that understanding correct?

Madhu S Nair: Can you just repeat that last part of the question? You were talking about the EBITDA margins?

Deepak Krishnan: Yes, sir. You said EBITDA margins will be in the range of previous guidance. So does that imply more closer to the 18% to 19% on an annual basis EBITDA margin guidance?

Madhu S Nair: That's right.

Deepak Krishnan: Sure, sir. And maybe just a follow-up on that. Factors that drove such high EBITDA margin this quarter. Is it largely due to the INR400-odd crore ship repair contract that we have that continues till Q1 FY '25 and the IAC-1 sitting in our book? Are those two factors having margins ahead in this particular quarter? Or was there any one-off factor?

Madhu S Nair: It's not one-off. It's the large things, as you rightly said. We had good projects and project execution, both on the ship repair side, aided by the aircraft carrier in the dock and the IAC revenue is also coming in. So there has been good traction, both on the execution side, ship repair and shipbuilding. So it's not largely one-off.

Deepak Krishnan: Sure. And maybe just a follow-up question. The agreement that we have, the MSRA, when do we kind of see any orders coming through? Or is it just like a prequalification? And how does things really progress from the signing of the MoU?

Madhu S Nair: It is a formal agreement and we are expecting inquiries and offers will be submitted. It will have to be taken through. But as a company, we'll push for earlier starts on this. I'm not able to give time lines on this, but it's a full agreement and we'll have to get into execution at the earliest.

- Deepak Krishnan:** Sure. But is there like a guaranteed volume or anything that you can kind of comment on?
- Madhu S Nair:** No guaranteed volumes. But the company has been evaluated thoroughly and the final inspections were in Jan by a 17-member team spread over 3 days and the feedback has been excellent.
- Deepak Krishnan:** Maybe just one follow-up. If you could indicate the order backlog within sections, defense - you've given the overall number of INR22,000 crores, but within defense, commercial, commercial exports.
- Madhu S Nair:** It will be uploaded immediately after this call.
- Deepak Krishnan:** Okay, maybe I will just come back on the questions after a while.
- Moderator:** Our next question is from the line of Umesh Raut from Nomura. Please go ahead.
- Umesh Raut:** Good evening and Congratulations for the good set of numbers. Sir, my first question is pertaining to future prospect pipeline on the ordering side, both on shipbuilding and ship repairing. Could you please highlight key projects which you are expecting in next couple of years?
- Madhu S Nair:** Ship repair, Rajesh, can you just throw light on the ship repair part in brief?
- Rajesh Gopalakrishnan:** Yes. Ship repair, as was mentioned briefly, typically, ship repair, we don't maintain a long term order book because inquiries keep coming and we quote and take orders. But this particular year is slightly different because we already have secured firm orders for almost for the full year and most of them are mainly from the Navy, a couple of large weapon platform refit projects and of course, one major conversion project from the Navy.
- Along with that, there are also MoU projects which we are handling for the Lakshadweep Administration. These are all almost assured projects. So from that sense, the order book for this particular year for ship repair looks quite well settled and final figures will actually be revealed when we complete the negotiations especially on the naval projects.
- Madhu S Nair:** On the shipbuilding side, you're talking about further order inflow. You'll have to wait a little bit to see on the defense side. And on the international side, as was briefly mentioned, we have secured this recent two contracts for the Hybrid SOVs. And I won't be able to give you much more information, but I can tell you that there is good traction we are seeing on similar vessels from Europe and we expect to sign more contracts. Naturally, with a caveat that's 'all going well'.
- Umesh Raut:** Okay. A follow-up on shipbuilding prospects. So basically, there is a next corvette order which is in the pipeline. And what we are hearing, there are about 4 shipyards which are now shortlisted by MoD to participate into the tender. So just wanted to clarify whether Cochin Shipyard has qualified in that particular order or not.

- Madhu S Nair:** I wouldn't want to comment on that specific information because it's not a formal communication kind of a thing. So we would not want to comment on matters which would be the prerogative of the Indian Navy.
- Umesh Raut:** Okay. Got it, sir. My follow-up on repairing side is more of on the utilization of new facilities, which got commenced recently. How you are planning to kind of ramp up revenue from that particular facility?
- And maybe in the medium to longer term, maybe 3 to 5 years down the line, what kind of repairing top line you are seeing? And along with that, maybe what kind of margins you are kind of seeing more of sustainability to maintain on the repairing side?
- Madhu S Nair:** See, the facility for ship repair, ISRF has been commissioned, as I briefly mentioned. We expect this to be put into operations from August '24 onwards. We are coming up shortly with a global tender for a global operating partner, which will be out in the open shortly. And over the next few years, we expect significant revenues to come in, but I wouldn't want to put figures on to this, we have our internal projections and we have a plan of action. But it probably would not be proper to put this across in the open at this stage. But number of vessels, there will be, because as we already said, the facility is to cater to 82 vessels in a year of size less than 130-meter in length. So you were wanting a guidance in 3 years to 5 years' time, but I can say for sure that in 3 years to 5 years, it will actually touch that kind of numbers on the ship repairs. We would not want to put money values into it at this stage.
- Umesh Raut:** And sir, on the margin side, is it fair to say that 25% to 30% is more of a sustainable EBIT margin range for ship repairing business?
- Madhu S Nair:** My Director Finance would like to guide you to 22 to 23 percentage.
- Umesh Raut:** Okay. So sir, that is more of at the company level, right, at a blended shipbuilding plus ship repairing level, right? I was asking more of from the repairing point of view only.
- Jose V J:** It would not be prudent to take Q4 performance or this FY23-24 performance be taken as the guidance, because in FY24, since there a better execution, the EBITDA level is higher. But going forward, the blended level, you can expect around the 17% - 19%.
- Madhu S Nair:** We always say 17% to 19% for the blended level. We would like to be conservative, but we would like to say 17% to 19%. Ship repair, we would like to say 22 to 23 percentage. Probably, you can take a little bit of your views, but we would like to convey these levels on a prudent basis.
- Umesh Raut:** Got it. Fair enough, Sir, you have mentioned in your opening remarks that depreciation costs from '24 onwards will go up significantly. Is it fair to assume that new capacity will have a depreciation rate of closer to, say, 6% and maybe additional cost of about INR50-odd crores incrementally on a base of '24?
- Jose V J:** Both capacities put together is around INR2,800 crores. So the additional depreciation will be around INR125 crores to INR150 crores, not exact.

- Umesh Raut:** Okay. But would that be applicable from FY '25 onwards? Or that will come up in phases?
- Jose V J:** We are planning to fully commission that project by August '24. So around 8 months, it will be there. The depreciation will be there for almost 8 months of the financial year.
- Umesh Raut:** Got it, sir. My last question is more of on the balance sheet side, where if I look at inventory position for FY '24, that has increased by about 40 days. If I look at on an average in the last few years, we were maintaining closer to about 45, 50 days, but for '24, it was closer to 100 days. So was there any particular reason behind this?
- Jose V J:** Now both ASW and NGMV, projects are coming to the production stage. So a lot of materials have started reaching CSL. So the inventory has gone up this year and high value equipments also. For NGMV project, the material component is quite high.
- Umesh Raut:** Okay. Got it. And similarly, advances from customers, that has also seen marginal drop as compared to FY '23 and FY '24. So would that continue, assuming that our execution from ASW Shallow Water Craft and NGMV will go up only from current level?
- Jose V J:** Yes, it is likely to come down. The advance of customers was mainly from the NGMV project, but now since the execution started, the advance will come down.
- Umesh Raut:** Okay. Got it sir. Thank you.
- Moderator:** Our next question is from the line of Pritam from Wealth Way. Please go ahead.
- Pritam:** My question is regarding decarbonization and the opportunity for Cochin Shipyard in green vessels. So how big is the opportunity for the hybrid vessels, zero emission vessels, both large and the medium-sized as well as the green tugs, patrolling boats, etcetera?
- We saw some orders coming along on those fronts and also how we are technologically advanced when we will have to compete against a few of those Japanese or Korean companies also perhaps with the European policy that is coming up by 2027-'28 that they are probably levying penalties for the diesel petrol boats and more efforts towards green?
- Madhu S Nair:** On the green vessels, from an international point of view, CSL had has got a generally good footing in the European market and we expect orders to come in from that segment. Many of the companies are looking at options and would like to talk to Cochin Shipyard. We are expecting orders from that side. So we have set in motion. I don't want to use the word firmly entrenched, but we are almost there in the international functional vessel part. Specialized vessels like wind construction vessels and other specialised vessels, we are generally good.
- Coming to the Indian market, you were alluding to the green tug policies and other things. And we again feel there would be a good opportunity for CSL and for other shipyards also. But we have been working on this for quite some time. We are expecting at least 8 to 10 vessels being ordered over the next year or so by the major ports through private entities and of course we expect to be very much actively parked in those process. I'm not in a position to say exactly what

we will get, but both international green vessels on the functional vessels side and Indian vessels on the green tug side, we are good.

The other thing on the green vessel side, green ferries and other things, what we are talking, it will not translate into too much of business at this stage, but we would be frontrunner in all those aspects. You also asked a question on the technology and competition. We are good on that. We are good from a competitive point of view and we have our methods to do appropriate partnerships and collaborations. So that is not a great worry at this stage. I presume this gives you an overall feel of this space.

Pritam: And regarding Kochi Water Metro station, do you see replicas of those coming in other areas of India? Are there any inquiries or potential sales could be coming?

Madhu S Nair: It is not exactly the same, but definitely, there is. I can confirm that the Bengal government is talking projects. We are actively involved there. There are others also. So we are also waiting for the outcome.

Moderator: Our next question is from the line of Vivek from Shanti Financial. Please go ahead.

Vivek: Congratulations. The entire shipyard sector itself catching the fancy of the market and Cochin is probably the pioneer for everything to do within defense. I'd like to understand, broadly, you mentioned that you have an order book of some sort, but then there are so many other projects in the pipeline. So I guess to understand the breakup of - what are orders on hand? You mentioned around only INR1,200 crores. What is the size of the volume of such mix? What's the size of the revenue that is part of your pipeline?

And I'd also like to understand if there's going to be a call transcript that's going to be posted on your website or any of the normal financial websites for us to take stock of the numbers that you mentioned, because there are many projects and many different numbers that have been discussed?

Madhu S Nair: Regarding the order book and the order possibilities, I would request you to kindly wait till end of this call and immediately thereafter, we are uploading a presentation in which there are 2 slides giving a fair bit of information on the order position. But the overall for a figure, INR22,000 crores from both shipbuilding and shiprepair out of which about INR15,000 crores is the defense part and the balance is the non-defense part.

The ship repair component of order book is about INR1,250 crores, which normally, if you have been following us earlier, we always used to guide about the order book of INR600 crores, INR700 crores. So ship repair order book is also at much better level right now. But you will get more information when we upload this after this call.

Moderator: Our next question is from the line of Viraj from Jupiter Finance. Please go ahead.

Viraj: Congratulations, sir, on the good set of numbers. My question is regarding the guidance. You gave a growth of 25% and EBITDA of 19% to 20% EBITDA margin. So the PAT should be in the range of 12% to 14%, is that correct to think, number one?

Number two, what are the factors making you - giving you some confidence that the growth will be double digit, maybe 20%, 25% on the revenue growth? That's my question number two.

My other question is on the ship repair sir, like with U.S. the strong connection plus Europe, what kind which will give you more colour in terms of growth in the ship repair business for a bit of time. Just your sense. I'm not asking for a guidance, but just your sense for a period of time to understand? Thank you sir. That's it from side.

Madhu S Nair:

On the growth guidance, 20 percentage to 25 percentage on the overall turnover in FY25. You are aware that shipbuilding and ship repair for the year, we talk based on contracts in hand and our current execution status and the confidence is based on that. So that's the top line growth on both shipbuilding, ship repair together.

Your next question was on ship repair, connected with the MSRA with the U.S. Navy. Currently, financial figures from MSRA has not been factored in. Our ship repair story, what we have conveyed is based on what we are currently in and what we are seeing our potential to see over the next 12 to 18 to 24 months.

We will not be able to record it, but we are also tracking continuously in the market what kind of orders in the ship repair space will come, both from defense and from our friends in the commercial space. So it is based on that.

Specifically on the U.S. MSRA, see, all I can say is it's a very significant step for Cochin Shipyard. Because the U.S. vessels, both the - what we call the MSC sealift vessels and the combatant vessels, there are a lot of challenges and a lot of requirements, but Cochin Shipyard has been cleared after a long and detailed assessment. The entire team have been happy with our performance and what we have done.

But we are waiting for the first order and probably the second order to come in and to exactly convey to people like you how exactly it is going. But all in all, if I may use the word, it is a very positive step for Cochin Shipyard. I would not want to add figures on it.

Viraj:

Sir, my follow-up on this would be that as the aircraft carrier comes, this will be additional to all the guidance, right? My thinking is correct in this direction?

Madhu S Nair:

That is correct.

Viraj:

Thank you Sir and good luck.

Moderator:

Our next question is from the line of Sagar Gandhi from Invesco Mutual Fund. Please go ahead

Sagar Gandhi:

My question is related to IAC-2. So I'm not asking you whether it will come or not, but if it has to come, will it be '26 or '27?

Madhu S Nair:

Sagar Gandhi, your guess should be as good as mine and there would be - if at all I have better information, I will not be able to share it also here. That's all.

Sagar Gandhi: Okay. Sir, my second question is considering that next 2 years are likely to be very heavy in terms of delivery or revenue bookings, so in absence of IAC-2 will FY '25 or '26 still see peak revenue?

Madhu S Nair: We don't want to consider it that way. Because with IAC-2, there is a plan of action. Without IAC-2, if at all such a scenario happens, I think we should still have a plan of action, both on our defense and non-defense side. Defense also, there are projects coming in. We will be there strongly. Non-defense and the export side, as we have just explained in interactions earlier, we feel things are good.

So we don't want to talk about peak revenue as a company. We want to continually grow both top line with a steady-state margin levels. So IAC-2 coming in definitely would be great and welcome, but in case, because it's not under our control and there are lot of other reasons how it will move forward, but we would nevertheless confidently talk growth at least for the next 5, 6 years as of today.

Sagar Gandhi: Okay. And sir, when is our new shipbuilding facility getting commissioned? Ship repair you said August 2024?

Madhu S Nair: Shipbuilding, also August '24. It is actually that the crane is getting installed, we probably are putting a picture after this call. So, the crane is halfway through. So the crane gets commissioned and a little bit of work. So August this year, we expect to start shipbuilding work in the new facility.

Sagar Gandhi: Okay. Thank you so much sir.

Moderator: Our next question is from the line of Dhiraj from Samvad Financial Services LLP. Please go ahead.

Dhiraj: My one request, which you have already said that we will be putting the presentation, but it would have been better had the presentation being circulated in advance. That would help reduce and improve the understanding for all of us. So just a request, in future, whenever you do con call, please pre-circulate presentation in advance.

Madhu S Nair: We will do that. That's a positive suggestion and we'll do that for sure.

Dhiraj: And second part, while we do kind of path breaking work, but at least there is no update about what kind of R&D, whether do we have an R&D laboratory or research lab or IP kind of things, patents, etcetera.

Can you share some insights and share whatever you can disclose on those parts? Are we protecting our IP, because we are doing so much good amount of work. Any thoughts of management? And if you can disclose what exactly your effort on that side?

Madhu S Nair: You're bringing out a very, very important point. See, Cochin Shipyard, due to historical reasons, we have been a shipbuilder and ship repair and it's not been too much of an R&D and IP kind of thought process. But over the last many years, the kind of knowledge that is coming up in the

company that is why by 2021, we set up a new division called the CSL Strategic & Advanced Solutions (C-SAS).

And I can tell you, we have set it up as a new division. Our divisions are shipbuilding and ship repair, the business division, so we did not call this new C-SAS as a group, we actually call it as a division, wanting to convey to ourselves and to the external stakeholders that this is actually potential growth area for us.

And within the new C-SAS is where we are doing this innovative work, including the hydrogen fuel cell vessel and various other things which we have conveyed. Currently, we have commenced works on a fully indigenous autonomous surface vessel and it is a 24-month project. We are already about 6, 7 months into the project.

And we are teaming up with the DRDO, IITs and at least 7 startups. Similarly, there are other work also being undertaken. Regarding IP and protecting the knowledge, yes, there are certain aspects and certain things which we are doing. But a little bit beyond the IP, we are recording, we are documenting and we are holding on to the knowledge spot much better and C-SAS will be our vehicle to take this forward.

Dhiraj: Thanks a lot for updating and performing so well. Just one more suggestion. In the annual report for FY '24, if you can give some, whatever you can disclose about your research and IP, that would be appreciated. Anyway you are supposed to disclose the answer. Just a humble suggestion.

Madhu S Nair: And whatever that's possible we can do, we'll absolutely do.

Dhiraj: Thanks a lot and wish you all the best.

Moderator: Our next question is from the line of Gagan from ASK Investments. Please go ahead.

Gagan: The first question is on this very significant addition to gross block of almost INR2,800 crores. What could be the peak fixed asset turn one could expect on this?

Jose V J: Kindly repeat that question please?

Gagan: I'm saying that your current gross block is probably closer to INR1,300 crores, on which you are doing a sales turnover of INR3,400 crores or more. On this new gross block addition that you're doing, this new capex of INR2,800 crores, which will get added to the gross block? What could be the potential fixed asset turnover on that? What could be the peak fixed asset turnover on that?

Jose V J: It will be around, I don't have the exact numbers right now. It will be around 2, once the operation in both new facilities get stabilised.

Gagan: Okay. So I mean, when these capacities are fully utilized, you are saying essentially INR5,500 crores, INR5,600 crores contribution to sales can come from them eventually when they are fully utilized.

- Madhu S Nair:** I think it's safe to assume that way.
- Gagan:** And would it be possible for you to elucidate in a little more detail your pipeline on the commercial side pertaining to hybrid vehicles sorry, hybrid vessels, especially which we're getting from European or Scandinavian countries. Some idea of the pipeline that is possible from there?
- Madhu S Nair:** What we already have contracted, you will get this information when we upload these figures. But when we are talking about pipeline and what the potential possibility of the pie outside is, all I can say is there's enough on the green vessel, on the short sea vessels getting replaced that's enough. But Cochin Shipyard what we are looking at it is not just about grabbing orders. It is also to make sure that we are generally good.
- I won't say exact, but we are generally and largely good with execution and what we can handle. And within that, we want to maximize the, what shall we say, the value for the company, which would be a combination of financial and strategic insights. So we are also a bit choosy. Choosy about the project, choosy about the client, choosy about how much of risk, because any new aspect we are getting into the European market, because these are new things even in the European market. So risk is also a factor. So it's a combination of these things. As an organization, we want to be prudent. We want to be aggressive, but at the same time, we want to be very prudent in what we do. But I can tell you, currently, there is enough in Europe for a company like Cochin Shipyard. That is what I would like to say, if that answers your question.
- Gagan:** All right, sir. And this shipbuilding, ship repair order book of INR1250 crores, is that executable in less than 12 months? Or is it executable in 12 months or more?
- Madhu S Nair:** It spreads beyond that also. But then that is not the ship repair. There will also be orders we'll pick up as we go also during this year. It is not that we pick up, for example, if we are talking about everything today, that means that for the next 10 months, we won't pick up any new work for this year. That is not the way we do ship repair. Maybe 2 months down the line, I would be picking up various other orders also for execution within this year itself.
- But we are, again, targeting significant growth in our ship repair top line also for this year as we move forward. We are happy and you would have noted that for the first time in our history, we crossed the INR1,000 crores on ship repair. It's a tough job, ship repair, but between Cochin Shipyard units, the three ship repair units elsewhere and the upcoming ISRF, we are still hoping to do a good increase in top line as we move forward. And we again feel there is good traction in the market to support that kind of a growth.
- Gagan:** Final question, sir. You mentioned the additional depreciation from the new facilities, but there would also be additional employee and overhead costs related to the new facilities. Can you give some idea of what could be the additional leverage and inventory costs coming from the new facility?
- Madhu S Nair:** We may not be able to put an exact figure on it, but all I can say is like the new facilities, which the new dry dock, let me say, the new dry dock is not a stand-alone facility. It is contiguous to

the percent Cochin Shipyard main unit. So largely, we are leveraging the existing facility. So it would be marginal additions on the labour side.

And wherever is core labour, that is what it will be our own. Otherwise, there will be a significant part which is outsourced on a business on need basis. But the core aspects, let's say the plant maintenance because it's a brand new facility, we would put our own people to handle that facility. Similarly, on the ISRF side, if you were there earlier on the call, I have mentioned that we are looking at an operational partner. I can't disclose more details at this stage, but this will be coming out in the open when we do the tender hopefully within a month from now. We are trying to bring in a global operating partner. So again, it is not just about increasing the number of people, but again, in ISRF also, it's a brand-new ship lift and crane, which would be our own core people who will handle the electronics and the ship lift.

So we are cognizant of the fact. We don't want to brought up anything. But it will be more marginal. It will not be a multiplier kind of a thing, depending on the size and scale.

Gagan: When you say you're looking for a partner, can you elaborate a little more on the business contents of this? Is the partner the one who will operate the ship repair facility, which will be owned by you? What exactly are the contents of this project?

Madhu S Nair: I won't get into too much detail, but the partner is not just to do the work, it is to make sure that we are best-in-class in the world. Turnaround times for us in ship repair, we are good in India. We are good generally, but we are not the best. We still need significant improvement. And for that significant improvement, we need to learn and work with some of the best in the world. We need to leverage some of the ecosystem, which is supply chain and service provider chains, which many of them have developed in places like Singapore or the Middle East.

And we also would like to see them coming in with their clients. So it is, a close example would be the Indian airport, when it's been, some of the leading Indian operators have worked on this, but then they are also in league with some of the best international operators. I would like to stop at that, but that is our whole intention.

Gagan: Thank you.

Moderator: Our next question is from the line of Deepak Krishnan from Kotak Institutional Equities. Please go ahead.

Deepak Krishnan: Maybe just one follow-up. Just wanted to understand how are we looking at a potential IAC execution time line, given that we've already guided in the past. So suppose the order comes through, how many years for design and typical execution after that from fit-out launch as well as in final delivery?

Madhu S Nair: Again, this is something which we wouldn't want to talk too much. But whatever we have said on record earlier, if next carrier, when it comes, is largely based on the same or similar platform as what was Vikrant, then we have said we are somewhere around 8 to 10-ish years. This is what we have said. But I would like to stop at that because, again, it's the prerogative of the MoD and the Indian Navy to talk more on this.

Deepak Krishnan: Sure, sir. Maybe just any outlook on the landing platform though? Initially we had indicated that, that project could be potentially coming up for RFP over the next 2 years. Anything that you're seeing incrementally positive on that front?

Madhu S Nair: Not yet. Probably maybe after the elections and the new government comes in, maybe there will be traction on that.

Deepak Krishnan: Thank you.

Moderator: Thank you. Ladies and gentlemen, that was the last question for the day. I now hand the conference over to Ms. Chandni Chande for closing comments.

Chandni Chande: Thank you, everyone, for joining the conference call of Cochin Shipyard Limited. If you have any queries, you can write to us at research@kirinadvisors.com. Once again, thank you for joining the call.

Moderator: Thank you. On behalf of Kirin Advisors, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thanks.