SEC/48/2017-63 **June 06, 2023**

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, 2023

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, 2023, please find attached herewith the transcript of the said conference call conducted on Wednesday, May 31, 2023 at 10:00 A.M.

2. The above is for your information and record please.

Thanking you,

For Cochin Shipyard Limited

श्यामकमल एन
SYAMKAMAL N
कंपनी सचिव
Company Secretary
कोचीन शिपयार्ड लिमिटेड
Cochin Shipyard Ltd.
कोच्ची / Kochi - 15

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“Cochin Shipyard Limited

Investor and Analyst Conference Call”

May 31, 2023

<table>
<tr><td>Management:</td><td>Shri Madhu S. Nair, Chairman and Managing Director
Shri Jose V J, Director, Finance
Shri Rajesh Gopalakrishnan, Chief General Manager, Ship Repair
Shri Harikrishnan S., Chief General Manager, Shipbuilding
Shri Syamkamal N., Company Secretary</td></tr>
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Moderator: Good morning, everyone, and welcome to the Cochin Shipyard Limited Investor and Analyst Conference Call to discuss the financial results of the company for the quarter and year ended March 31, 2023. Please note that the conference call will include forward-looking statements. These statements are made on the basis of the company's views and assumptions as of this time and are not guarantees of future performance.

As a reminder, all participant lines will be in the listen only mode. And there will be an opportunity for you to ask questions after the opening remarks of the management, at that time participants on the webcast may click on live interaction button which will be enabled below the media player. Today's session will begin with a brief introduction by the management of the company, sharing their views of the overall company's performance and strategy. This will be followed by a Q&A session.

Now I welcome the management of the company represented by Shri Madhu S. Nair, Chairman and Managing Director; Shri Jose V J, Director, Finance; Shri Rajesh Gopalakrishnan, Chief General Manager, Ship Repair; Shri Harikrishnan S., Chief General Manager, Ship Building; and Shri Syamkamal N., Company Secretary, to the call.

I now hand over the proceedings to Shri Madhu S. Nair, Chairman and Managing Director, Cochin Shipyard Limited.

Madhu S. Nair: Thank you very much. Good morning to all present in this con call. And as briefly mentioned, I'm joined here with Director, Finance, Mr. Jose V J; Chief General Manager, Ship Repair, Mr. Rajesh Gopalakrishnan; Chief General Manager, Shipbuilding, Mr. Harikrishnan; Company Secretary, Mr. Syamkamal.

In fact, we have uploaded a brief presentation on the exchanges and I'll quickly go through a few of those. In fact, we have touched upon salient and major aspects of the operational events of the year that's been completed. We feel it was necessary and it is necessary to offer a set of clarifications on the financial results, especially which came in the Q4 of FY '23, and these clarifications are split into two parts.

One is essentially touching upon the operational part, and the other part is a set of financial reasons. Then we have a brief on where the company is presently and what is a broad outlook into the future. We also touch upon the infrastructure projects ongoing in the company and certain novel and green initiatives.

For the year FY '23, the most important delivery was that of the indigenous aircraft carrier, which was commissioned by the Honorable Prime Minister in August of 2022. In addition to this, there were various other projects like the Floating Border Out-Post of the Ministry of Home Affairs, which we have delivered, the final lot has been delivered. We have delivered 7 vessels out of 23 to the Cochin Water Metro, which again was inaugurated by the Honorable Prime Minister, and it's given the company a lot of good visibility and appreciation in the market.

And as we are speaking, like 9 vessels have been delivered, 7 in the last financial year and after that, 2 more have been delivered, so 9 have been delivered. The 500-passenger vessel for the Andaman & Nicobar administration was delivered. Two autonomous electric barges for ASKO Maritime in Norway was delivered. And this while from a financial point of view are not large projects. But from an impact, visibility and the future road map point of view, very important projects because these 2 projects came from Norway during the thick of COVID and the vessels have been delivered now, and these are -- once fully deployed, these will be among the world's first fully autonomous ferries. This will be used to transport cargo for this group called ASKO, which is amongst Norway's leading grocery chain group.

So they use this as part of the greening and electrification efforts. They are calling these water drones. So we are very happy to be part of this project. It's been delivered. And reportedly, information coming in is these vessels are doing good.

Also, these were the deliveries that I just covered. The other highlights have been the 1,200-passenger vessel for A&N administration was launched. We are facing some difficulties on that project, which I can touch upon as we move forward. The most important project that is ongoing in the company after the formal delivery and commissioning of the aircraft carrier is that of the 8 numbers ASW Corvettes, which we are building for the Indian Navy. And all these vessels are in various stages of construction now, especially on the hull and the steel platform side.

The outfit part is yet to start, just about starting on the piping and other part. But in the last financial year, FY '23, steel cutting, keel laying of various vessels have happened on the ASWSWC project. Eight numbers, 7,000 deadweight multipurpose vessels being built for a German client. So that project is also in the hull construction stage now. And these contracts were secured in March of 2022.

Also, the company is proceeding with construction of arguably India's first hydrogen fuel cell vessel, which again could be the company hopes while this is not a financial point at this stage, but from a technical point of view, the company would be among the leaders in this technology. We are hoping to complete this project by September of this year, September 2023, and start with the initial pilot trials in the backwaters of Cochin.

Coming to the financial performance, it's been uploaded. I'm not getting into the details on the financial performance. We have -- in addition, we have put a slide which is showing the breakup between Shipbuilding and Ship Repair. And I would think most of the members on this con call would have some queries or concerns regarding a bit of an abnormal dip in the Q4 figures. And I think from the management side, it is imperative that we offer a set of clarifications on this.

And these clarifications, as I briefly mentioned, comes from 2 parts: one is an operational and a technical part. The other one is the financial part. So let me first start with the operational part, and then I will request our Director, Finance to explain on the financial part. On the operational part, I'm splitting this into 4 themes.

Essentially, I just want the stakeholders to appreciate that in shipbuilding, whenever you get a contract, there is a timeline after signing of the contract, then you go through design and engineering and procurement of equipment. And then you get into steel fabrication and block making, followed by outfitting, when the ship takes shape and the outfitting happens. And then you get into commissioning, sea trials and ultimate delivery of the vessel.

So technically, for a normal ship, for a conventional simple straightforward vessel, this initial part, from a contract to the design and engineering and when you start steel fabrication and go with the block making, that's typically about one year. And it's at the end of a year from a contract, maybe around 11 months, maybe around 12 months, maybe 13, 14 months. And that duration is when we actually get into the steel fabrication part.

So for revenues to flow in during FY '23, company should have secured orders well prior to the close of FY '22. And this was a time immediately after COVID when international ordering was largely getting constrained. The initial set of orders happened globally at the top league shipyards in the world like the Korean and some of those top-end Chinese, Japanese shipyards. And the global market was holding on to final ordering while a lot of discussions were happening. The ordering was not happening during the latter part of FY '22 because of various uncertainties in the market. But this got released and Cochin Shipyard could secure only 2 contracts. And that too in March 2022, which was number one was ASKO projects, which I mentioned, the 2 ASKO projects, and then we also received -- the ASKO projects were received in FY '22 even prior to March. But in March, we received 2 contracts, which were -- one was a dredger, 12,000 cubic meter dredger for an Indian listed dredging company, and 8 numbers of multipurpose vessels for the German client, which I just mentioned a bit earlier.

For, the ASKO vessels, which we received earlier, we could actually proceed and we could complete and deliver that project in FY '22 and revenues also accrued during FY '23. But the other vessels, which we secured, the German vessels and the dredger could not -- in a normal method, they wouldn't transfer into revenues during FY '23.

We tried. This is the second thing. We tried on that German vessels because the German vessels, the 8 numbers, 7,000 deadweight multipurpose vessels were largely simple straightforward merchant vessels. We tried to see whether we could extract about 2 or 3 months of steelmaking revenue out of it. But due to a set of reasons, especially a client-nominated design house in Europe could not match up to our pace of requirements on the design and engineering. So we could not actually get any revenues out of the multipurpose vessels.

Similarly, that dredger contract with the Indian dredging company, which we signed in March 2022. We are hoping that because it was all done, we are in partnership with a company called IHC Holland, which is the world's number one dredger company. And this dredger, it's a big budget, 12,000 cubic meter. It is being -- such large dredger is being built in India for the first time. And under the Atmanirbhar Bharat initiative of the Government of India, teaming up with IHC Holland, and we are building up this dredger. That contract was signed with the client in March, hoping that it would get effective very fast.

Within about April, we were expecting it to get effective, when we say contract getting effective, that is when CSL receives the first stage payment in our accounts, and that is the date from which the delivery date. This vessel is 34-month delivery period. So that delivery date starts from the date of effectiveness.

However, this particular project, the clients needed to draw forex loans from Netherlands and that again took a lot of time to get financial closure because RBI clearances were involved and all those clearances for the client took time. And while Cochin Shipyard backed it up continuously along with IHC, the client took time till November '22 for those projects also to get effective. So we could not draw any revenues from that particular project also.

The ASW SWC project. So these were the projects which we could actually do during FY '23 in addition to the aircraft carrier. And we did significant work on the ASW SWC, but that was all largely in the steel part of it. And the steel part on the ASW SWC turns out much less revenues. There is a financial part also, which Director, Finance will explain. Again, we were hoping to draw a little bit of, after the steel part, a little bit of the outfit revenues, which would have been given a much more better turnovers.

We were expecting to do this. In fact, we were expecting the main engines for the first vessels to come in from Europe, from Germany, and these were to reach Cochin in February 2023, so that we could have at least installed those engines and drawn the revenues. But those -- due to the Ukraine war situation and certain additional export restrictions on dual-use technologies from Europe, it took a lot of time for clearances and even as we are speaking, the engines have not been shipped out of Germany. We are hoping that this will be shipped out in the second week of June. All issues have been sorted out. Our mission in Europe and the Ministry of Defense and the Indian Navy has worked very hard on getting all these clearances, and this is also coming in now.

So the four large things impacting our operational part was, orders which could reflect our turn into revenues during FY '23, was lacking. Whatever a little bit on the German vessels and the dredger, we could not drive revenues out of those 2 projects. And we were constrained with the ASW SWC. And that was again on the steel part, we could not drive revenues out of the outfit part on it. So this was the operational part.

There has also been a financial part, which is essentially an estimation rework. And you are aware that the ASW SWC project was signed some time back. And now construction activity has picked up. There were certain things needing clarity, and clarity has emerged because all the major equipment purchase orders and orders have been placed for the ASW SWC vessel, and there were 2 major sensors. I will use the word sensors, but these are the 2 sensors for which the ship is actually being built. These 2 sensors are costing about approximately, it could be close to 15 percentage of the cost of the project itself, cost of the vessels itself.

And now these were initially to be procured in a particular fashion. CSL had actually gone ahead and placed orders for one of these sensors in a European country. And for the other one also, we had actually finalized with another European country. But there has been a lot of discussions due to a variety of set of reasons, which I can't discuss at this point here. But you're aware that this is 8 ships being built by Cochin Shipyard and 8 ships being built by another shipyard in India, so 16 vessels of this type are being built in India.

But it has been decided after discussions at the highest levels in the country, in the Ministry of Defense, including discussions at the level of the Raksha Mantri and subsequently at the level of Defense Secretary. Decisions have been taken that all these sensors will now be made in India. And this decision has been taken in January 2023.

Now with these decisions taken, with clarity on the all equipment that's been ordered, we were noticing that this particular project, the steel part or the hull part was of much lower revenue value than a normal template, which we adopt in our normal vessels. And we thought that it is required to have a re-estimation of the project.

The good part is we are now very clear the members, the stakeholders would appreciate that there has always been a bit of a concern on this project because people have raised questions that these projects were contracted at a point of time when the U.S. dollar to the rupee was at an entirely different level. And now with the present forex levels, there has been concerns whether the project will have financial negative impact. But the management is happy to report that the project is actually -- on the total project, we can say that there is going to be, on the revised estimates, there is going to be a significant profitability that will come in on the project.

But with the revised estimates, what we had to do is -- what we did is on the hull part or the platform part or the steel part, whichever way you would understand it better, we have shifted revenues onto the outfit part. We felt we should not recognize that much of revenue on the steel or the hull part. And instead, we have shifted it on to the latter part. It is not a reduction in any revenue. The turnovers are being shifted onto the latter outfit part and since we had to do it, we had to -- whatever we did in Q1, Q2 and Q3, we had to take it into Q4, along with the impact of Q4. So that entire impact on shifting revenues from the steel part or the hull part onto the outfit part was taken in Q4. So this is why you see a significant dip in the turnover part and straightaway, that figure which Director, Finance can explain. Jose, if you can just explain a bit more than what I have explained.

V J Jose: Yes. Good morning, everyone. My name is Jose V J, Director, Finance. As CMD explained regarding the operational challenges, there were some financial hit in the Q4. CMD briefly touched upon that. So what we do, whenever we get a shipbuilding contract, the contract price will be split into 2 parts. Certain part of revenue will be recognized for the hull part, hull is the platform part of the ship and the remaining part of the contract will be recognized while the outfit part is being completed.

For the ASW project also, we have taken a certain percentage of weightage for hull and outfit. But when the construction activities picked up during '22-'23 and when the re-estimation of all the project estimate has been reworked, as CMD explained, we felt that we are recognizing slightly more than what is required for the hull part. So we thought we'll make that correction in the Q4 so as to make it more prudent and in a more conservative basis, so what we did is that we have reduced the -- some turnover from the hull part and took the entire adjustments in the Q4 for the Q1, Q2, Q3. And that impact is almost around Rs.275 crores to Rs.280 crores turnover, which has been taken into Q4.

So, the result is that the turnover has been reduced by around that level. And the PBT also, the same impact is there. And this is shifted to the right. Means, all this turnover will be recognized in the remaining part of the outfit. There is only a timing difference.

Madhu Nair: So that was explanation on the results from an operational point of view and from the financial point of view. I'll quickly jump into a view into the future, and then I'll come and touch upon opportunities and current status on the capex projects.

We are generally happy to report a good and robust future order position. It's in the slide presented. About Rs.21,400 crores is the order book for the company. These are firm orders. And very happy to inform that in addition to the 8 ASW SWC Corvettes, the company has now signed contracts for 6 numbers, Next-Generation Missile Vessels for the Indian Navy and total project value, Rs.9,805 crores. The contract has been signed on the 30th of March 2023, and the company has also received the initial stage payments.

The company has also been successful -- I explained about the dredger contract. And there are vessels further to be delivered to the Cochin Metro. But we're also very happy to report contracts for CSOV vessels from Europe and also zero-emission feeder container vessels from Europe. And in the subsidiary company, especially in Udupi Cochin Shipyard Limited, company has secured orders for 4 tugs under the new approved standard tug design policy of the Government of India. So that segment is looking good in the subsidiary company.

So Rs.21,400 crores of contracts, and contracts actually executable and revenue which will accrue in FY '24. Because right now, the ASW SWC project, on both the hull part and the outfit part, the engines expected immediately and the outfit part, the German multipurpose vessel contracts, the dredger contract and the CSOV will all get into execution phase in FY '24.

So, the difficulties which we faced because in FY '23, not having projects which are -- not getting into the execution part in FY '22 -- '23, that is not there in FY '24. We are on much better wicket. Also, looking into the future, order pipeline has been presented in the presentation. We are seeing strong traction from Europe, especially for green vessels. And this is where that Cochin Metro vessels and the ASKO autonomous green vessels becomes very important because it is those vessels which has actually set Cochin Shipyard on a good track in the West European green shipping circuit.

So, the CSOVs, which are green vessels, methanol fuel, the zero-emission feeder container vessels, as I mentioned, for a company in Europe, which would be among the world's first hydrogen fueled container vessels, and we are seeing many more possibilities coming from Europe.

We expect we should be successful in some of these, which are at advanced stages for both execution at CSL, Cochin and also Udupi Cochin Shipyard in Udupi. In addition, the company is bidding for this month, June, we are bidding for fast patrol vessels and next-generation offshore patrol vessels to the -- these are AON to the tune of around Rs.4,830 crores.

And there are various RFIs and RFPs, prominently among them, the Next-Generation Corvettes, the Landing Platform Docks and the other NGFAC, FICs, all coming in, which we are putting roughly at Rs.35,000 crores of order pipeline, which probably over the next 12 to 15 to 18 months should be turning into RFPs.

So, the company feels good, very positive into FY '24. Even beyond that, Ship Repair looking strong. Ship Repair also, I did not touch upon Ship Repair of last year. Again, Ship Repair performance of last year, we had a set of difficulties. We could not, on a large naval project, which we took in our Mumbai unit. In fact, that was the first time such a large naval project we took in our Mumbai unit. It was a little bit of an aggressive push to make sure that systems work over there because it's a newer system over there, but it did not go exactly as envisaged.

So there has been a dip in Ship Repair FY '23. And at least one large project, which we expected to come to Cochin Shipyard in FY '23, it went to a competition elsewhere in the country. This is something which we are seeing recently. But at the price levels at which that project has gone to the other company, we are surprised and probably Cochin Shipyard would not have wanted that project at that price levels.

But the upcoming FY '24 on Ship Repair also looks good. There are some large projects lined up from the Navy for FY '24. For FY '25, there are larger projects lined up that are -- we had an MOU between Lakshadweep and Cochin Shipyard, which had expired in the past. And it had gone in a different direction because the administration wanted those vessels to be handled in a different direction. But probably, they come back now due to reasons best known to them. They come back. And the MOUs have been signed with Cochin Shipyard, and so that revenue stream is also back. And all in all, Ship Repair also looks pretty good for FY '24.

Before I hand over, just also wanted to touch upon the large investment cycle projects, which we are doing, a new large dry dock and the International Ship Repair Facility, stakeholders would be aware. But the new dry dock project being executed by Larsen & Toubro as turnkey contractor and the big crane to come from Hyundai Korea. We are expecting the project to be completed by December 2023, and there would be a little bit of the final crane installation and other things may remain. But by mid of 2024, we expect the project to be fully commissioned.

The ISRF project had run into difficulties with a failure on the turnkey contracting company, which we had to terminate, come out, encash bank guarantees, and then split it into 3 separate contracts. That's also going good.

And December 2023, we are expecting to complete the ship lift and the first 2 workstations, and by mid of next year, the full facility. So the dry dock project is currently at 76 percentage fiscal completion levels, and the ISRF facility is currently at 78% fiscal completion levels. We also mentioned in the presentation certain initiatives we are doing on the zero-emission green vessels, India's first hydrogen fuel cell pilot vessel, teaming up with a tech company in India to develop the fuel cell and the Indian Register of Shipping.

Company has secured orders from IWAI for 2 numbers of electric Catamaran ferries for cities in Varanasi, Guwahati. And company has moved forward with an innovative start-up, maritime start-up fund through -- being implemented through IIT Madras and Indian Institute of

Management Kozhikode. The company has got Board approvals to proceed and develop a fully Indian autonomous surface vessel, which we feel has got a market possibility into the future.

The company has continued to focus good on various people initiatives because the company feels at the end of the day, it's all people driven and both at the executive level who have gone through some of the finest institutes and some of the finest exposures. The workers are also going through various programs.

We're also reaching out strongly to people who have retired from the company, to children of the employees. All in all, the whole intent is to have a happy company, productive company where employees push and employees take ownership, responsibility and work passionately and dedicated for the company. And company is, again, happy to report absolutely comfortable industrial relations across all stakeholders within the organization.

Just touching upon a particular event which has happened in May 2023. Stakeholders may be aware that ministries these days do brainstorming sessions called Chintan Shivir. And the Ministry of Port, Shipping and Waterways had its Chintan Shivir 2 weeks back in Kerala. The entire shipping fraternity led by the Honorable Minister, Shri Sarbananda Sonowal was here.

And in line with India's policies, certain decisions have been taken and this has been announced. It's already in public domain. The company feels 2 decisions are very much in favor of the company: one is enhancement of the shipbuilding financial assistance scheme to 30 percentage for promotion of green shipping. For that, exact details are awaited. But presently, the Shipbuilding Financial Assistance scheme is 14 percent. It started at 20 percent. And in 2 tranches, it's come down to 14 percent.

So, if this is 30 percentage, it would be good for Indian shipbuilding. It would be good for Cochin Shipyard to get in more orders for green ships. There is a new policy called the Green Tug Transition policy. I had explained that the earlier approved standard tug design policy of the Government of India and insistence that the major ports procure tugs made only in India, has helped the company.

The subsidiary company, Udupi Cochin Shipyard Limited already secured 4 contracts from Indian private sector to be ultimately deployed in the Indian ports. We hope this Green Tug Transition Programme will also help CSL, CSL subsidiary companies, to actually secure orders in this regard. And CSL is first mover in this space amongst all Indian yards, and we think we would be having a good traction here.

So all in all, while there has been a bit of a disappointment in the financial results of FY '23, the reasons which I've explained and which I hope the stakeholders would appreciate, understand and also very clearly appreciate that it is as a prudent company, conservative on financials, we felt this is the right thing to do. We were aware that it would actually make an impact on the Q4 results, but we felt this is the way to do because there is nothing on the turnover getting impacted, but it is actually getting shifted on to the right on to the project.

Overall, high levels of positivity, looking at the near future, the next few years. Good order book position. Good order pipeline visibility, split between shipbuilding from the defense side, shipbuilding from Europe, especially on the green front. And Ship Repair looking strong with at least a few major orders every year for FY '24, FY '25 already in sight. So, the company feels good into the future.

And I think I will stop now and would be happy to take questions. Thank you. Thank you all for your patient hearing.

Moderator: Thank you very much. Ladies and gentlemen, we will begin the question and answers session. Participants on the webcast may click on the live interaction button below the media player. The operator will take your name and announce your name. The first question is from the line of Parimal Mithani from Credential Investments. As there is no response, we'll move to the next question from the line of Dixit Doshi from Whitestone Financial.

Dixit Doshi: **Thanks for the opportunity.** A couple of questions. Firstly, on the execution timeline. So, you have given the order book breakup. If you can give an execution timeline for defense, commercial export and commercial domestic separately. And in defense, if you can mention about NGMV and ASW Corvette separately?

Madhu Nair: I can give you an approximate guidance because it would be difficult for me to explain the whole schedules. But on the ASW Corvettes, as I said, the vessel is -- the first vessel -- first 3 vessels are expected to be launched from our dock this November, November 2023. So, it's 3 vessels simultaneously getting launched November 2023. And the first vessel to be delivered to the Navy in November 2024.

And thereafter, 2 vessels every year. That's on the ASW vessels. On the NGMV vessels, we have signed a contract in March 2023. And the first vessel is 48 months from delivery from contract date. And thereafter, one vessel every year.

On the other main vessels, the dredger contract, as I said, November -- is November 2022 is when it got effective. The delivery date is 34 months from contract signing. We are expecting to cut steel for that vessel, in September 2023. The German 8 numbers, multipurpose vessels, which we are building, the first vessels. I explained the first vessel. From an original contract point of view, the first vessel's delivery was January 2024. That is getting shifted by about 4 months now on to the right. The owners are in it. We have the buy-in over there.

So, after that, entire vessels get delivered in about 18 months thereafter.

Dixit Doshi: And second question is in this -- we have given the Rs.700 crores approx orders of ship repair. I assume that ship repair, we generally give the next one-year execution.

Madhu Nair: Correct. We have actually given -- ship repair, you're very right. Like, see, we are not in a position to exactly give a figure. But I can confidently say that the execution would be higher than that figure. We can guide you towards a figure of around Rs.900 crores for FY '24 on Ship Repair. We are looking very good.

Dixit Doshi: What kind of Shipbuilding revenue we can expect next year?

Madhu Nair: We would guide you around Rs.3,000 crores.

Dixit Doshi: Rs.3,000 crores. Okay. And what kind of margins we expect in both the segments separately?

Madhu Nair: Margins. Margins in both the segments, Shipbuilding and Ship Repair.

V J Jose: Shipbuilding is around -- on an EBITDA level, Shipbuilding will be around 12 percent to 13 percentage. And Ship Repair will be around 18% to 19%. So blended will be around 14%, 15%.

Dixit Doshi: Okay. Now if I see the results, there were two more. So, you have given clarification on most of the issues. But there are two notes to account, one is regarding the shipbuilding contract with Andaman and Nicobar, where we have recorded the LD. So, I mean how much was the LD in FY '23? And what is the status of this order now?

And secondly, there was some exceptional income of Rs.62 crores, if you can explain that as well?

Madhu Nair: Jose, can you explain the Rs.62 crores, I'll explain the A&N.

V J Jose: Yes. See, as CMD mentioned, we have two major capex. Out of that, one capex is ISRF, that is International Ship Repair Facility, which we are doing it in a lease port land from the Cochin Port Authority. So there, we are paying lease rent every year to the Cochin Port. And, we were charging the lease rent to the P&L every year. But this year, what we have done is that as per the advice from the statutory auditors since that lease is being taken for the project, that lease rent paid from the date of effectiveness of the environmental clearance that has been capitalized to the project. So those lease expenses, we already charged to the P&L, has been taken as one-off income. That is around Rs.62 crores come as one-off in the Q4.

Madhu Nair: Regarding the Andaman & Nicobar vessels. Actually, these were -- there were four vessels which we concluded with Andaman & Nicobar. These were in 2016 March, the Ministry of Shipping and A&N administration was involved. So, there were two 500-passenger vessels, which have subsequently been delivered and are in operation in Andamans. And then there are two 1,200-Pax vessels.

Now due to a set of reasons, Andaman & Nicobar administration, because of changes in flight preference, travel preferences, improved flight connectivity into the islands, the Andaman & Nicobar administration has informed the government that they probably would not be too keen to take these vessels. And they requested the ministry to try and see alternative use for these vessels. Both vessels we have -- Cochin Shipyard already secured -- 80 percentage payments have been paid for both the vessels. And both vessels are today launched, completed till the deck level, including everything below the deck level. But above the deck, we have kept it pending because we are not sure which -- what kind of function the vessel would be looked into.

One of the vessels is being looked at by the Indian Navy as a National Hospital Ship. There have been advanced levels of discussion on one of the vessels. The second vessel is being currently looked at by another government agency as also a potential use by one of the other island territories in India. I'm not in a position to discuss this because these are in the discussion stage.

But your question, we hope it's been rather difficult for us because these vessels are under a contract. The contracts are still valid. 80% of payments have been received. But we are not in a position to move forward and complete these vessels because what exactly, if it's a hospital ship, we had to do a set of conversion and design engineering changes and the conversion. If it's the other national agency, also there is a bit of a conversion. And if it's the Island territory which you are talking about, there may be some readjustments that is to be done. But we hope it is not too late now that the ministry is also fully involved on this, we would be having effort reassignment on these vessels, and we'll keep the stakeholders post around this.

Dixit Doshi: So how much LD we have recorded already in this?

V J Jose: See, actually, now since there is a valid contract with Andamans, as per the terms of the contract, we need to provide for LD in the accounts. But since the delay is not because of ours, we may not have to pay any LD. But in a prudent manner, we have been providing LD in the accounts. And almost we have -- so far, we have provided LD almost 20 percent of the contract price. But now we have decided that further LD we will not provide. So, the statutory auditors wanted this to disclose in the notes to the accounts.

Dixit Doshi: Contract size?

Madhu Nair: Contract size approximately Rs.409 crores each vessel. So Rs.409 crores into two vessels.

V J Jose: Two vessels.

Dixit Doshi: And this is included in the current order book or it's right now not there in the order book of Rs.21,000 crores?

Madhu Nair: It is in the current order book.

V J Jose: The remaining part of execution is there in the Rs.21,600 crores order book.

Dixit Doshi: So, 80% is already over. The remaining part is there in the order book?

V J Jose: Not 80%.

Madhu Nair: We have put it Rs.295 crores included in the current order book. Out of Rs.409 crores into two, now the pending, what we have included in the order book is Rs.295 crores.

Moderator: Thank you. We have the next question from the line of Parimal Mithani from Credential Investments. Please unmute yourself and proceed with your question. We'll move to the next question, which is from the line of Aditya Mongia from Kotak Securities, please unmute yourself and go ahead with your question. We'll move to the next question from the line of Vijay Goel from ICICI Securities. As there is no response, we move to the next question from the line of Pratiksha Daftari from Aequitas Investments. Please proceed with your question.

Pratiksha Daftari: So, my question is that we have guided for in the Shipbuilding side, EBITDA margins of 12% to 13%. Historically, we've been able to do higher than that. So how does the margin profile change in terms of the stage of project that we are in? And does it have – like, is it very different for the outfitting part, or is it very different for the steel cutting part? If you could elaborate a little bit on that?

Madhu Nair: See, actually, the margin profile, what we are actually guiding right now is you are aware that we have had the indigenous aircraft carrier, which the entire stakeholders would be aware that would -- was at a slightly more higher margin profile.

Now these days, like both the naval projects we have, are coming from competitive bidding basis. The international contracts we are having are from negotiated, but again competitive basis. So, the margin profile on Shipbuilding, while the volumes would be there, the margin profile would be a notch lower.

Pratiksha Daftari: So, going ahead, what would be sustainable margins? And what -- if at all we were to head competitive bidding, in future projects as well, then what is the margin that we would price in at the time of bidding?

Madhu Nair: That's a very, very tough thing to answer because that's actually really in the competitiveness. I will not be able to give an exact figure on that. But then I would think 12%, 13%, 14% on a competitive bidding. But if competitive bidding, we sense that it may not have too many participants or we are having a higher chance, maybe it could be 100 basis points higher for the international contracts. It could be some of these green vessels, maybe we have again 100 basis points, 200 basis points more.

So, it's somewhere around that figure. I would just guide towards the figure, which is 12-ish, 13, 14 kind of a thing. And then an exact figure bid-by-bid, depending on the circumstances we move forward. Certainly, for example, the NGMV. See, it's a bid with a very high volume because it's a Rs.9,000 crores, Rs.9,800 crores contract. So naturally, companies like ours, and I'm sure most of our competitors would not mind losing 100 basis points, 150 basis points lower over there and getting that strength of a large order.

But if I'm bidding towards a Rs.200 crores or a Rs.300 crores contract, I may adopt a little bit of a different strategy. That is why I said I can't exactly give you a figure, but it depends. So we have today from the naval side, we have secured two large contracts. And on the first contract, as I said, on the ASW vessels, which again, you are aware, we had bid at a very tight margin at a time where the forex was entirely different.

And now to the credit of the company, and I can say that we are on that Rs.6,400 crores contract. I can guide you towards overall profitability of more than Rs.800 crores. So, I think I would reiterate you to read beyond that at your end. It would be difficult for us to give you exact figures. But I can guide you for more than Rs.800 crores profitability on those projects.

Moderator: Thank you. We'll take the question from the line of Aditya Mongia from Kotak Securities. We'll take the next question from the line of Sai Pasupuleti from Kotak Securities. As there is no response, we'll move to the next question from the line of Brajesh Jhawar, individual investor. Please proceed with your question.

Brajesh Jhawar: Thanks for the opportunity. Sir, my first question is regarding ISRF. What revenue should we expect from Ship Repair at consolidated levels post ISRF facility going live? And there is a follow-up question, I'll ask it later.

Madhu Nair: Okay. ISRF. See, ISRF, right now when ISRF goes live, ISRF is one ship lift and six workstations. We'll go live in December with one ship lift and two workstations. The other four workstations will follow shortly.

See, at the end, the ISRF has been with six workstations fully in operation, 70 vessels to 80 vessels per year of medium size. 130-meter length is the max size of the vessel is what is proposed to be handled in ISRF. Cochin Shipyard of today handles around 80-plus vessels every year. So, in Cochin, with the Cochin Shipyard of today and the ISRF coming in, we expect both together to handle about 140 vessels, 150 vessels. It is not exactly an addition because some of the smaller vessels we are handling in Cochin Shipyard today, we'll ship to ISRF. So, this is -- and we'll try for larger vessels in the main yard in Cochin Shipyard.

Now your question, what would be the additional revenue? We would guide like in the initial -- I don't know what is at the first year. But put in the initial 24 months, we should see an incremental revenue from ISRF in the range of, say, around Rs.250 crores kind of a revenue coming in. But ultimately, when the ISRF is in full-blown condition, the revenues should be about Rs.500 crores to Rs.600 crores from ISRF. This is the game plan under which we are moving.

Exactly how it will pan out? Give us some more time, and we really need to operate that. But then in the first, give it about 24 months, I think we should see about Rs.200 crores, Rs.250 crores to come in from ISRF alone.

Brajesh Jhawar: Okay, sir. And sir, my follow-up question is there is a tight tanker market and global shipbuilding capacity is down 40% from where it was a decade ago. And commercial oil tankers delivery schedule is Q1 FY '26 if someone books a vessel in a leading shipyard in Korea or Japan. So, what is the company's approach towards securing commercial tankers and dry bulk vessels if there are any orders in the pipeline or if we are planning to execute some, we would garner some of the orders in this space as well?

Madhu Nair: It's a very pertinent question and the global market, especially in the better shipyards have got tightened. Actually, Cochin Shipyard also, with the current set of orders we have and certain things which we are talking, we are also talking well into 2026 at this stage, including we have actually taken in contracts, which will be executed in the new dry dock, which will get, as I mentioned, will be get completed this year-end and fully commissioned mid of next year.

Now the question is about commercial tankers and bulk carriers. See, Cochin Shipyard has always been more comfortable in a niche set of vessels, where we are not working directly into the competitive strength of some of the Chinese shipyards and some of the Korean shipyards. So that is not where we want to go.

So, the straight away that commercial tanker and the classical bulk carrier market, there are very strongly entrenched players in the world. Having said that, what we have been looking at, and if you see the order book, we have actually gone in for the CSOV contracts. This, we feel, is an emerging new space.

After oil going down, the wind energy market has come in and the commissioning support and operations vessels, each of these vessels are in the range of EUR60 million kind of vessels. And these vessels can't get placed just like that anywhere in the world. These go only to technically strong companies with European, who are also willing to work along with European technology providers. So, we have sensed that, that CSOV looks a good market for us. The European short-sea market, which is what those German vessels are coming from, and it comes in a bit of numbers. You can see the German vessels are 8 vessels, smaller vessels, but 8 vessels.

We are seeing the numbers. Europe short-sea replacement market, market studies say Europe's short-sea vessels average age profile is 19, 20 years, and they will have to definitely change and change when they will have to go for the greener new-generation vessels. We sense more than 2,000 vessels to 2,500 vessels will get replaced in Europe over the next 10 years. We feel this is an emerging market. So, the high-tech green vessels out of Europe, the short-sea vessels in Germany and Netherlands, these were more interesting to us than the classical bulk carriers, which profitability levels are much lower because these are classical things which entrenched shipyards can do very strongly.

But what we are seeing and what we are evaluating is what we are calling the feeder container vessels. Feeder container vessels are the smaller container vessels because the monstrous big container vessels, which gets built in Japan and Korea, have gone very big, 14,000 TEU, 18,000 TEU, 20,000 TEU. So, each of those vessels to evacuate would need feeder assets. And feeder vessels are vessels which would be 700 TEU all the way up to, let's say, 2,500 TEU, 3,000 TEU.

We have seen strong traction. At least four leading companies are talking to us. But CSL, we are taking a cautious watch because should we actually go for such vessels or should we go for the more advanced CSOV green vessel. So, we are taking a cautious watch over this as we move forward. We will be -- I think our order intake should be, all going well, should be good. We are fully aware of this tanker market and the bulk carrier market. But we feel there are -- from CSL standpoint of view, there would be slightly better options available elsewhere at this current stage.

Moderator: Thank you. The next question is from the line of Parimal Mithani from Credential Investments. Please go ahead. Sir, we're not able to hear you. We'll move to the next question from the line of Raj Rishi from DCPL. Please go ahead. The next question is from the line of Abhishek Chaurasiya from Voyager Capital. Please go ahead.

Abhishek Chaurasiya: So basically, in your presentation, you have said that we have missed a few major orders. So, could you please give us clarity on that? What kind of orders were? And what was the quantum of this order? And what were the reasons behind we missed it?

Madhu Nair: That is on ship repair. Ship repair, in fact, see, in Jan to March of 2023, we are actually slotted for a vessel belonging to ONGC. And this is a vessel which we have handled many times in the past. So we were fairly clear on this.

And that project, our price levels were upwards of Rs.200 crores, but it's gone at, at least 25% lower price. And that was not something which we were keen on at those levels. Then there was another, again, ONGC project which again has gone at a price which is about just a notch below 20% lower than our price level. That was also close to Rs.200 crores, which was a project -- both these projects would have been spread over a year of ship repair work.

So, these two projects which we have seen, we're a bit disappointed at this because we were in a strong position on this. But something which we guided in earlier interaction also, we have seen a little bit of a jump by some of our competitors into ship repair. We have been in this business 45 years. We understand where the money comes from and where we can lose big time if that is the case. And we are cautious. We are aggressive, at the same time we are cautious. So, the price levels at which these projects have gone, we hope the markets will realize, the clients will realize at a point of time.

We've already seen something like this on a naval project, which we lost some time back to another Indian defense PSU. And there has been a struggle for that company who have taken that contract. So, I can't discuss more on this, but then we have seen a bit of an uncomfortable aggressive take coming in at what -- according to us, with all our experience, we feel are much below cost levels.

Abhishek Chaurasiya: Okay. So, my next question is regarding the -- recently, government is coming with a green ship, right? So, are we looking for any orders from your -- if yes, what will be the margins and all? Is it on the higher side?

Madhu Nair: It would definitely be because it is entire green shipping market, which is largely being driven by requirement in Europe. Because Europe is going to implement what is called the EU ETS scheme. And green vessels, only green vessels will be able to trade into Europe.

If vessels are not green, they will have to actually pay penalties or buy credit. So, there are a lot of shipbuilding requirements coming for such green vessels or hybrid vessels. And since not every yard in the world can actually jump into this, there are technology restrictions, there are capability restrictions. So, we feel it looks better.

And again, with support, it could be much better. The margins would be better than normal on such vessels if we can garner more orders. We are definitely talking to many projects across. But probably you also need to understand many of these projects, the green shipping projects worldwide have also got support from back end from their own countries.

For example, in Norway, when they do it, there's something called a Norwegian Green Shipping Programme. So, the Government of Norway actually support those programs. In fact, including the project which we have secured for 2 hydrogen-powered container vessels. Those are supported by the Government of Norway by their funding.

So, it doesn't flow just like a commercial order, but we are strongly entrenched in this. And I can just report, coming week, there are big conferences happening in Norway and a large delegation from CSL is participating in those meetings. A lot of business meetings have been lined up in Europe.

Moderator: Thank you. The next question is from the line of Raj Rishi from DCPL. Please unmute yourself and proceed with your question.

Raj Rishi: Yes. I think in the last con call, Mr. Nair had mentioned that early '26, when you leave, you would be happy with a certain level of turnover. Could you just share your view on that as to what sort of turnover would that be which would make you happy?

Madhu Nair: Rs.5,000 crores.

Raj Rishi: How much do you say?

Madhu Nair: Rs.5,000 crores.

Raj Rishi: Rs.5,000 crores.

Madhu Nair: That's what makes me happy. That's a good question, and that's a straightforward answer.

Raj Rishi: Okay. But sir, I believe last year, you said something like Rs.6,000 crores. So how come this came down?

Madhu Nair: No. I'm not sure. Like Rs.5,000 crores, I should be happy.

Raj Rishi: Okay. And Mr. Nair, like what's the edge which Cochin Shipyard has to get the orders in -- for international orders versus your, say, competition?

Madhu Nair: See, we have been active towards West Europe. Now this year, it will be 20 years. So, for 20 years, we have been very active in West Europe. There have been more than 50 vessels delivered into West Europe. So, there are no easy routes here. Our products have done well in West Europe. The trust and the relations we have with a lot of -- more than 100 companies out in Europe, especially Scandinavia, has been strong. And now when this green shipping market is emerging, see, we moved in initially with the classical markets and oil and gas offshore vessel segment. When the oil went out, that segment crashed a little bit.

But now we are seeing high levels of positivity on the green shipping market. And it's the same company, same friends involved in many of our discussions. So, we are seeing strength over there. There is a high level of trust in Cochin Shipyard. Again, in this business, you need to have financial strength to raise refund guarantees. Our banking, our balance sheet, our banking connects with the Indian sector is good. We're able to do that.

So overall, whatever Europe especially needs, we are able to provide the kind of technical strength, the kind of people strength we have, the kind of openness we have displayed towards Europe. I think it's all coming back and helping us right now, which we feel are major strengths which cannot be again acquired very fast. It takes time. But I think we are in a sweet position at this stage.

Raj Rishi: Okay. Sir, the segment of the green vessels in, say, three years' time or maybe three to four years' time, what percentage of your revenue can be from this area?

Madhu Nair: So that's again a tough one. Because see, in shipbuilding, you can see like even now, significant revenue share is coming from the defense side. That's because the defense contracts are always costly contracts because it's with costly equipment. So, from a turnover point of view, that percentage is much more higher. But we would try to see our shipbuilding revenue split between defense and nondefense to the tune of something like a 60-40, maybe 55-45, something like that. So, in that nondefense part, we expect more than 50, 60 percent to come in from that space in Europe. This is what we think.

Raj Rishi: From the green side?

Madhu Nair: From the green side.

Raj Rishi: Okay. And sir, any comments on the possibility of U.S. ships coming to, say, a company like Cochin Shipyard for repair?

Madhu Nair: See, this is something, again, we have been trying for long. And due to a set of reasons, I can say there are national clearances and other things needed. Our units in Mumbai and Calcutta are being evaluated for such requirements. But due to a set of reasons, at this stage, our unit in Cochin is not being looked at. I won't be able to discuss anything beyond this. But units in Mumbai and Calcutta is being evaluated.

Moderator: Thank you. The next question is from the line of Manas. We request you to please provide your company name and proceed with your question.

Manas: Hi, I'm a private investor. I would like to understand what is the future of the second aircraft carrier, which has been proposed by the government? And the first aircraft carrier, Vikrant. You showed in your investor presentation, there's still some Rs.1,800 crores still revenue to be booked. By when will that happen?

Madhu Nair: Jose, can you explain on the revenue part?

V J Jose: Yes. The revenue, in the next two years, that means current financial year as well as the next financial year, we will book the entire revenue of around Rs.1,876 crores because there are post-delivery activities which we need to complete. This is as per the original contract, which has envisaged this post-contract, post-delivery activities also.

Manas: And what about the second aircraft carrier?

Madhu Nair: See, this is again -- there are various discussions happening. All I can say is discussions -- there has been heightened interactions and heightened level of discussions. We are seeing much more traction on those discussions. I will have to stop at that because those are discussions which are much at a different level and at a strategic level. But all I can convey is there has been much more positivity and much more speed on some of those discussions in the recent past.

Manas: So just to be clear, there is no confirmed closure of RFQ being released on that?

Madhu Nair: No. Not at this stage, not in this stage.

Manas: So, sir, the expertise that CSL has garnered over the years by building this unique carrier. How are we leveraging that at this point of time?

Madhu Nair: See at this stage, see, the significant expertise that's been built up has been design, engineering, planning and the skill sets with the 2 large naval projects between the ASW warfare vessels and the NGMV, which are 14 ships covering about Rs.15,000 crores.

I think we are putting this to good use because various network-centric systems, various technologies, weaponry, sensors, all these are -- there are -- the size and the scale is different on aircraft carrier. But many of the systems, subsystems, there are other significant things on these vessels also. So that is being put to use. And I also go with your keenness, and we also would be extremely happy, and we are keeping a close tab on discussions on the next aircraft carrier. We hope and we wish it goes in the right direction.

Manas: Right, sir. Sir, 1 final question. As per Government of India, are we allowed to secure defense orders for export in terms of vessels?

Madhu Nair: We have not really looked at it from that point of view. But yes, the Government of India is keen that Indian shipyards look at it from that point of view for exports. And the government has actually guided also on certain possibilities. But CSL as of now, our attention is not very much focused on that segment at this stage because there's a lot of foreign naval orders would mean strong environment at various levels of the government also. So, in fact, we would walk one step behind with the government to actually secure such things. And it may take some more time for CSL. But we are keeping a watch on that, but we are not active in that space.

Moderator: Thank you. The next question is from the line of Dixit Doshi from Whitestone Financial. Please unmute yourself and proceed with your question.

Dixit Doshi: Yes. Thanks for the opportunity. A couple of questions. Firstly, earlier, you -- sometimes you have mentioned about the opportunities in the renewable side for wind in Europe. I think some support infrastructure for wind turbines. Any update on that?

Madhu Nair: So, wind, we probably have not really discussed wind turbine construction and other things. While yes, we are aware of such a space emerging. But we have actually looked at the wind -- infrastructure, the wind energy market emerging worldwide and vessels and support ecosystem that would be needed for them.

Actually, the CSOV contracts we have taken is actually the CSOVs are ships which are for the wind market. In fact -- so these are the first contracts that's come our way from that space. And there are at least a few projects which we are in various stages of discussion in that space. That's a very exciting space. But getting into fabrication of wind turbine towers, I'm not saying that we have not looked at it, but not the area of most immediate focus because it is a slightly different type of business from what we are currently doing.

Dixit Doshi: Okay. Now secondly, you mentioned that for ASW, the sensors are now -- government has asked to make it in India. So, I mean, is there any company who is doing it or if the technology needs to be developed, then can this again delay the work of ASW?

Madhu Nair: See, there are -- as I said, there are two sensors. One of those sensors for 16 vessels, eight of CSL and eight of the other company in India are now coming from Bharat Electronics Limited. That technology is already done. Delivery dates, pricing, everything has been finalized. So that has been done already. So, one of those sensors is Bharat Electronics. The second sensor is going to be split. Out of 16 numbers, four numbers are going to be developed in India between DRDO and Bharat Electronics Limited. And the balance 12 numbers between -- for us and for the other shipyard is going to be developed in India by the Indian industry, private industry, along with foreign POD partner under what is called the Make in India scheme, which is with a 50 percentage Indian content.

And that second sensor, as you rightly asked that question, is there a possibility of delay and other things? Yes, there is a possibility of delay because it's not yet developed. So that has been delinked from the project delivery schedules. But the first sensor is included in the project delivery schedule, and that is actually coming from Bharat Electronics Limited. I hope that answers the questions.

Dixit Doshi: Okay. Okay. And just 1 last question. On the -- so you have mentioned a lot of opportunities coming on the Europe market. So currently, our order book is, say, Rs.2,300 crores. At some point of time over the next two, three years, can this become 8 times or Rs.10,000 crores kind of order book on a running basis?

Madhu Nair: Okay. We would -- our order book position actually what -- let me clarify on that. Ideally, I want an order book which looks good from an aspirational turnover point of view, multiplied by around 4.5x to 5x. This is an order book portion which we need. Now let me explain the logic from where it comes from. The naval projects, as I have explained, the naval project, there's a particular timeline under which it gets executed. The non-naval orders, typically a timeline, an outer timeline would be 34 months, 36 months from the date of a contract. If there's a series order, maybe first vessel, maybe 30, 32 months; second vessel, 36 months. If there are more vessels than that, maybe four-month interval kind of a thing.

So, when I build up my order book version, I would actually -- what is an annual turnover I would like to do from that particular segment, the space which you are mentioning about the green or the European orders. If I'm targeting to do about Rs.1,000 crores, Rs.1,200 crores every year from that particular segment, then my ideal order book for that particular segment would be, let us say, multiplied by 4x. So Rs.5,000 crores in that space would be good generally, if about that RS.1,200 crores is what I'm expecting.

So, the figure which you mentioned, that part could go to about Rs.8,000 crores, maybe Rs.8,000 crores and a notch on the higher side, but maybe something like a Rs.5,000 crores, Rs.6,000 crores order book from Europe would look good and strong.

Moderator: Thank you. The next question is from the line of Parimal Mithani from Credential Investments. Please go ahead. We'll move to the next question, which is from the Vijay Goel from ICICI Securities. As there is no response, we'll move to the next question from the line of Aditya Mongia from Kotak Securities. As there is no response, we'll take that as a last question. If you have any further questions, we would request you to reach out to Cochin Shipyard Limited

Investor Relations team. We conclude today's conference. Ladies and gentlemen, thank you for your participation.

Madhu Nair: Thank you.