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Scrip Code/Symbol: 540678/COCHINSHIP	

Dear Sir / Madam,

Subject: Transcript of CSL Q4-FY21 Earnings Conference Call

1. Please find attached herewith the transcript of conference call conducted on Friday, June 18, 2021 at 15:30 hrs. to discuss CSL's Q4-FY21 Results and the road ahead.
2. The above is for your information and record please.

Thanking you,

For Cochin Shipyard Limited



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Cochin Shipyard Limited
Q4 FY21 Earnings Conference Call
June 18, 2021

Moderator: Good day, and welcome to the Cochin Shipyard Limited Q4 FY21 Earnings Conference Call hosted by Valorem Advisors and PR partners Passion 4 Communication. 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 presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. I now hand the conference over to Mr. Anuj Sonpal from Valorem Advisors. Thank you, and over to you sir.

Anuj Sonpal: Good afternoon everyone and a warm welcome to you all. My name is Anuj Sonpal from Valorem Advisors. On behalf of the company, I would like to thank you all for participating in the earnings conference call of Cochin Shipyard, for the fourth quarter and full year ended financial year ended 2021. Before we begin, I would like to mention a short cautionary statement. Some of the statements made in today's earnings conference call may be forward-looking in nature. Such forward-looking statements are subject to risks and uncertainties which could cause actual results to differ from those anticipated. Such statements are based on management's beliefs as well as assumptions made by an information currently available to management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's earnings conference call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review.

I would now like to introduce you to the management participating with us in today's earnings conference call and give it over to them for opening remarks. We have with us Mr. Madhu S. Nair, Chairman and Managing Director; Mr. V J Jose, Director Finance; Mr. Sreejith K N, Chief General Manager, Mr. Sivaram Narayana Swamy, General Manger Business Development Shipbuilding; Mr. Shibu John, Deputy General Manager of Finance; and Mr. Syamkamal N, Company Secretary. Without any further delay, I request Mr. Madhu S. Nair to give his opening remarks. Thank you and over to you sir.

Madhu S Nair: Thank you. Good afternoon everyone. First of all, let me convey warm regards from Cochin Shipyard Limited. I am Madhu S Nair here CMD Cochin Shipyard and thanks for taking the time to be with us today. I presume most of you would have seen the short presentation which we uploaded, which gives a brief of what's happening in the company, and about the financials. As you're all aware, we are going through a very difficult phase. In fact, things are not yet back to normal. So this has been a difficult year for us to put it that way. In fact, things were generally

going well and that's when the lockdowns came in last year, the company had to lockdown, but then at the earliest possible we could recover back, we tried to see what best we could actually do. And as I say every dark cloud has a silver lining, what we actually did within those most difficult part was, we started working in two shifts. And by exploiting the company much better, the company's infrastructure much better. And it's a last 30 years Cochin Shipyard has not worked in two shifts, we have been actually working in a single shift with extended hours and a night shift predominantly for contract work. But after the lockdown, and when we opened, we saw that because of social distancing norm, there was no other way but for us to actually move into this particular mode, which was a bit uncomfortable for people because of logistical reasons. But then, these days we started working from 7 in the morning till 10 in the night in two shifts with a little bit of an overlap. So, to that extent a difficult period has been converted into a bit of an opportunity and then the entire workforce also was with us in this.

As we move forward, to give you a quick glimpse of what happened Q1 of last year was practically a washout, you would have seen the results ship repair we could do very, very little and ship repair, shipbuilding also we couldn't do much. Q2 it was back to sort of recovery mode. But Q3 and Q4, I thought we could come back much better and we could handle things. The only catch in Q3 and Q4 was essentially as we moved forward there were some projects especially in shipbuilding which missed milestones, because we still needed some foreign OEMs to come in. And because of second wave which was going through Europe, the travel especially from West Europe some of the key people couldn't come in. So, that was a disappointment, but from a turnover point of view from a work point of view, we could actually move forward despite missing milestones, especially a critical milestone on the aircraft carrier where we were practically ready to go to sea early into this financial year, but as we are taking we have not been able to do that, we are still missing it. And certain other projects, the milestones could not be achieved.

But despite the difficulties, what best possible on the work front has been done keeping the safety of people in mind, it's a fact that we have had a number of cases in the company turning COVID positive, but most of them being in Kerala, the treatment has been good and things have been generally handled well. So, as we are speaking touchwood things have generally been good, except one unfortunate fatality. So, this is where we were on the COVID and the people front.

Coming to the CAPEX projects, you are aware that we are implementing two large projects, the new dry dock being implemented and the new ISRF project, and unfortunately both have got severely hit because there have been significant migrant labor on both the project. The dry dock is being implemented as a turnkey project by Larsen and Toubro and the ISRF project is being implemented by Simplex infrastructure. So, both had the labour issues, in addition, on the ISRF project, Simplex Infrastructure also had some financial difficulties which has actually led to both the project's suffering. In my personal opinion it's been a fairly strong setback on both the infra projects.

Our new subsidiary in Kolkata Hooghly Cochin Shipyard Limited, we could move forward despite all the difficulties in Kolkata and Amphan Cyclone also we could move forward we actually got the people to stay within the campus and we could move forward with the work. As we are speaking we are pretty close to start off work in that facility in Kolkata. In the meantime, you're also aware that Tebma Shipyards Limited in Malpe in Karnataka, we have taken over and Malpe facility is also getting refurbished. And we are hoping to start work as early as next month.

Where we are currently, I will just touch upon that and then get into the financials but where we are currently like this year again, continuing what we thought we did good work in Q4, like we have moved on to Q1 of this year and work has really picked up but that's when on 8th of May we had to shut down but then we started working from 31st onwards in part mode. So as we are speaking today in the company, we are almost 55% of people are working in the company, generally okay. But shipbuilding we need to push forward a bit more.

So that's generally on the physical part, and during the meantime like what all happened and what didn't happen, as I said aircraft carrier the final sea trial has not happened. As of now, I'll explain we are very close to getting into the sea trial mode, which is a big event, which will be a big event for the country and for the project and we are very close. So you will get these announcements coming in very shortly on the aircraft carrier project. We were building a vessel for the defense research. Practically that vessel is completed but the vessel has not been able to go to sea because we are missing a few OEM engineers who had to come from Norway. And it's again round the corner, that kind of thing because it's just the trials that's remaining on that ship.

In the meantime, like the vessels we are building for the Jindal Group, the four mini bulk carriers, we proceeded with the work there was disruption, Jindal also faced difficulties in positioning crew and others. But as you're speaking, the first vessel has been delivered even during this lockdown period and sailed off from Cochin Shipyard, and the second vessel is ready to go for sea trials. Actually, as we are speaking the vessel could go for sea trials as early as tomorrow.

We have had this project for the Kochi Metro, which has suffered because of COVID. Again, import of certain critical resins because it's an FRP boat that has actually suffered also this stranding in Suez has led to a little bit of difficulty over there. But again, the first vessel of those project also next month, we are starting deliveries of that vessel, so we have moved forward. So, ship repair, we have come back strongly there are fair bit of projects, and we have won some good Naval projects also, again this year. There was a large tanker project, which we have won and that project is expected to start next month she will be reaching Cochin Shipyard. So, ship repair we are seeing generally good traction these days.

Coming to the financials, you would have had a glimpse of the financials for Q4 and the full year. I thought under the circumstances Q4 has been good, from all points of view from turnover and profitability point of view. In fact our profitability is a, to put it mildly it is little bit too good that's specifically because the aircraft carrier is actually in a stage and part of the significant part of the turnover came from the aircraft carrier and that too from a part of the work which has got higher profitability in it. That's why there's a significant EBITDA margin of 30% in Q4, which I want to caution that is not standard, that is actually too good to believe. So that kind of a margin is there.

And on the overall year, like we have clocked 2818 crores on the turnover. We aimed a little bit better, we did not touch it as you are aware like difficulties because of COVID like you plan for something and the last minute something doesn't happen, people couldn't travel from even interstate and other things. So, it was sort of hand to mouth moment, but in the end we tried to bat well, and you can see from the Q4 we are actually better but overall a PAT disappointing but then 2818 crore is the turnover. But as I said, since the profitability was coming from the aircraft carrier commissioning and trial phase, which is a little bit of a higher profitability part. The PAT margins are good and the overall PAT figure has not come down as commensurate with the turnover that is the overall picture here.

So, this is the current situation here. And before I conclude, if I may touch on how are we looking into the future. We are all generally good, this second wave is a deep disappointment for us because we had sort of everything coming back under control the aircraft carrier, people are in high morale over there, people are gunning to go out to see, the Navy is fully involved. I can't name the exact details, but there are certain things which are done pretty close to the sea trial where you put in more than 400, 500 people on the ship. And they work like a unified drill, all those things happened on the vessel. So it was at that level. And then we had to call it off. So, I just wanted to convey that we are pretty close to going out for sea trials on the aircraft carrier. And the other project will move forward with a potential target delivery date, which is early part of next year, early part of 2022.

The other projects, the technology demonstration vessel for the DRDO will get delivered shortly. The Jindal vessel, the second vessel will undergo trials and will get delivered shortly. The KMRL projects as I said the first vessel will get into delivery mode next month. And thereafter, by the end of this year we expect another six or seven vessels to be delivered by the end of this year. And then we will continue, by that time the Jindal third and fourth vessel will also get delivered. I forgot to mention, we are billing this four vessels for Andaman Nicobar administration out of which the first vessel has been delivered, it's reached Port Blair, the second vessel is going good, end of this calendar year we should have the delivery of the second vessel. Third and the fourth vessel are larger vessels, there could be some changes happening on that vessel which are not fully privy to disclose at this stage but then, those vessels could undergo a functional change at least one of those vessels and could play a different role for a different agency within the government, that's all I can convey at this stage, you will have to

pardon me for that. But then, it has been contracted as 1200 passenger cargo vessel. So, it may undergo a certain change in its function for yet another central government entity. We'll keep you posted the moment we're in a position to convey things clearly on that project.

So, all-in-all the shipbuilding process will move forward. We have secured this two significant projects, not very big from a financial point of view, which are two autonomous vessels from a Norwegian client. Things going well, early part of next year those two vessels will get delivered. And as we are speaking ship repair as I said, there are projects Mumbai operations have suffered setbacks even though there has not been a lockdown, but then a significant number of people went through COVID difficulties again travel was a little bit difficult. So Mumbai activities will get ramped up this year. Cochin operations are doing well, so ship repair we hope to go to some positive figures by end of the financial year. So all-in-all, looking-forward, turnover wise we should be past 3500 crore coming for next year, at the end of the year, I may not be able to give you a good figures on a quarter-to-quarter basis or first quarter, second quarter that kind of a thing at this stage. As we move forward, we can open up a little bit more on that because as we are still speaking the shipyard is not at 100% worker level. But coming Monday onwards, we are sort of getting back to two shift operations. And we'll move forward on that. So this is essentially on the physical part and the financial part.

So, wanted to paint a picture of where this company should go, in my opinion, I've been again, when I'm interacting with all of you I've been in the chair for now almost five years and six months. So after my first term, thanks to the Government of India for reposing faith and giving me a extended term for another five years. So, what we are trying to do in Cochin shipyard is a subtle transformation of this company. We have made sure that CSL five years back was a single unit company in Cochin with the main yard in Kochi. And as we are speaking today, we are seven units spread over Kochi, Mumbai, Kolkata and Port Blair, also in Malpe in Karnataka.

We hope all these units over the next 12 to 18 months, standalone as functional unit because we have ramped up people have been positioned, Mumbai will have about more than 200 people working for us in Mumbai, Kolkata between the two units will have more than a 100 people, Port Blair will have about 50 people. So, all these recruitment, people positioning, things have been done. And all of this what we have done this growth path both on shipbuilding, ship repair and the geographical expansion has been in-line with what we are running in Cochin Shipyard called the CRUISE 2030 which is a long term strategic exercise which we have undertaken along with the Boston Consulting Group who have been with us over the last two years, difficult phase for them also. But we have worked together on various trajectories here and I'm generally happy that most areas which were touched upon, things have gone well for us.

Positive again emerging, we are very closely talking in Europe. We hope the moment people are free to travel from Europe, we could see some orders coming in. We are extremely hopeful of some orders, especially for what we call the short sea vessel segment in West Europe. We

have been really pushing for building up the dredgers in India, dredge manufacturing. And we have been very fortunate in concluding a long term MOU with Messrs. IHC, which is the world's number one treasure company from Netherlands. IHC is practically 60% to 70% of the world's dredge, and they are the number one it's a Royal IHC more than a 100 years of pedigree. So we are extremely happy to have this association with IHC.

And it's again even more gratifying that I can convey that, it's been decided that Dredging Corporation of India will procure dredges and as we move forward we are in the discussion so again. We are not in a position to confirm anything but, I can confirm that we are in discussion with the Dredging Corporation of India along with IHC to build dredgers in Cochin Shipyard hopefully things should be concluded shortly. Significant move for the country and for Cochin Shipyard.

Also, we have concluded a major MoU under the Make in India and Atmanirbhar Bharat initiative with Fincantieri Group of Italy. Fincantieri, as you're probably aware is the largest group in Europe and among the world's top technology groups. We are teaming up with them and the particular naval project which we have secured in ship repair, a large project it's about a +150 crores of turnover on that single project. That project is a vessel where we have teamed up with Fincantieri and will be executed in Cochin Shipyard. So Fincantieri teaming up, IHC teaming up. Yet another very strong teaming up which we had done is with an organization called Robert Allan. Robert Allan is the world's leading number one by any yardstick tug designer in the world. Robert Allan is a Canadian company and we have teamed up, especially because there is this new SOP that has been released that, as we move forward practically tugs needed in the country will have to be built in the country and we feel with this association we should be in pole position there, we are talking to at least three entities in India on potential tug orders, we hope things should move forward, COVID restrictions have also played a little bit difficult with our potential clients, but we are talking on this front.

Smaller things, the new subsidiary in Temba shipyard, we hope to get going within the next couple of months with some small fishing vessel orders and something else which we are talking over there. Hooghly Cochin Shipyard Limited we are talking with inland transport companies with potential first orders for the Kolkata yard. So, on all fronts we are moving forward and all of this has been wrapped in the CRUISE 2030 long term initiative, all of this, all this revenue segments which we have been talking.

Again we are talking significantly with potential coastal shipping companies in India including some of the leading cement makers in the country. Again, can't take names here but then leading cement makers thinking of using the coastal shipping route for transportation of cement because they have all set up silos and clinkers in the port. And for me personally and very passionately new area where Cochin Shipyard wants to move forward. As you're all aware this shipyard is today structured predominantly as shipbuilding division and ship repair division. We have structured a new division in this company which we are calling CSAS, which is Cochin

Shipyard Strategic and Advanced Solutions. We have gone through the highest levels here and we have structured this organization at a minimal level, we have actually done some recruitments also, And again, would not be in a position to discuss specifics, but the thought process this is going to be the knowledge arm of CSL. We look at all newer technology areas of electric mobility, you're aware that CSL today is the leader in electric mobility in the Marine space with the Kochi Metro boat and the Norwegian contract both of which are electric propelled.

So, electric propulsion, fuel cells and hydrogen operated vessel, solar powered vessels and various other strategic solutions, which would be defense and quasi defense. These are all things which we are working on. Expectations on how it will move forward, this is entirely different kind of thought process which we are driving, but it's not just come off the cuff, consistent initiatives over the last two years along with BCG, dovetailed into CRUISE 2030 - is why we have formed this new division. And we hope to come back to you with success stories and newer things in this division also as we move forward. The division may not start churning out high levels of revenue right from the start, but we hope that we'll be also lucky to get some critical breaks as we move forward. But S&AS is here to stay as a new division of Cochin Shipyard. So, we will be shipbuilding, ship repair and **CSAS** as we move forward.

And all-in-all, the leadership in CSL at my level, at my Board level and at the senior management level and the mid management level feels, Yes, we are going through extremely difficult times we have never had something like this last January onwards on and off COVID first wave, second wave difficulties, you plan something it gets disrupted. But even during these difficulties, we have held our morale high and as we move forward, we hope things will only improve, we are extremely pleased to see this time it's for real, the Make in India and Atmanirbhar Bharat initiatives, we are seeing this for real and we are very much playing a part here. And as we move forward, I'm sure that I will have more discussions with you and we can convey much more details here. And as we move forward, once the COVID difficulties are over and travel restrictions are removed. I welcome many of you to come down to Cochin Shipyard, we will be happy to show you around what we are doing in this company and the newer infrastructure and facilities which we have created for the country and for the company.

So with this, I have taken a fair bit of your time, but I thought it was needed to just convey where we are. So thanks a lot for being with us. And we can take questions and we will try to be as open as possible. But if there are certain things which we are not able to speak because of you are aware that there are military projects being handled in the company. The Next Generation Missiles Vessel contract, we have still not signed the contract, but we have been declared L1 so that's a extremely positive news for us. So we feel strongly positioned on the order book front the current order book is around a 12,000 crores. And the NGMVs, the next generation missile vessels would be about 10,000 crores. So, the main trunk is intact, we are here to take a few risks, which could turn out to be profitable for the company as we move forward and next few years we hope things are looking good for Cochin Shipyard. With this, I

hand over to the team and as I was saying like, whatever possible we will try to explain, if possible we'll explain straightaway, if it's not possible we'll send in the answers later. And if there are certain things which we had to hold back due to not being able to disclose very openly at this stage kindly pardon us. But thanks a lot for being with us and over to you. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sandeep Tulsian from JM Financial. Please go ahead.

Sandeep Tulsian: Sir, firstly on the annual revenue target, we have pegged it at 3500 crores for FY22. Keeping in mind all the current disruptions that have taken place in Q1. If you could elaborate a little bit more on how much top line you're targeting from each of the different segments, shipbuilding and ship repair, and within shipbuilding, how much will be IAC, non-IAC and then ship repair how much will the Cochin Shipyard contribute and all of these new yards at Mumbai, Kolkata, how much of those yards jointly will contribute to ship repair?

Madhu S Nair: Sandeep, I'm not sure whether I can share that kind of a detailed information at this stage. But approximately, I can convey where the revenues will come from, and this can we can go a little bit up that's what I would think. So, from the aircraft carrier we should be expecting to get about 1850 crores and from other shipbuilding projects we expect to get another about 950, 970 crores and we should be getting 750 to 800 crores from ship repair from all the places together.

Moderator: Thank you, the line of Sandeep got disconnected. We will move to the next question which is from the line of Mohit Kumar from DAM Capital. Please go ahead.

Mohit Kumar: Sir, two questions. Of course you go the breakup for FY22, can you just explain some picture for FY23 and do you think what kind of contribution is likely from the new ASW Corvette, the new order in FY23?

Madhu S Nair: FY23, around 4000 crores should be coming in FY23.

Mohit Kumar: So, do you think this new order will kick in from FY23 and what kind of contribution will pan out in the sense, is it possible to give some sense of the revenue?

Madhu S Nair: The ASW Corvette orders are starting to come in even from FY22 onwards, but the new NGMV contract orders will not come in from that point, it will be because we expect to conclude the new contract by end of this calendar year. And then there is a design and engineering phase, so the turnovers for NGMV will kick in only year after that FY24.

Mohit Kumar: Understood sir. And sir, do you think the margin undergo a change going forward for next two years or do you think this margins are sustainable and on ship repair, do you think the ship repair will clock the FY20 numbers, even though the situation is more or less normalized now?

Madhu S Nair: See, the margins are basically like as I said in my initial part, the aircraft carrier project the margins have been a bit more on the higher side again you should not read too much into it. So those margins are because probably we have worked significantly in the previous year, that's the way you should look at it because it's a long-long project. So the kind of effort which wouldn't be getting converted earlier has actually got converted later. And it's not about physical effort it would have been probably design and engineering which we don't recognize for turnover. But its effect was coming in much later, design and engineering on the aircraft carrier project took almost 6.5 odd years. So those were actually being recorded later.

Now margins, these are all competitive tenders, the ASW and the NGMV. We actually said that the ASW Corvette was extremely competitive fought contract and the margins we had conveyed earlier, the margins are actually in single digit levels over there. But the NGMV contract is a little bit better than the ASW Corvette. So, I wouldn't want to talk specific project margins, but then we'll get into the double digits early double digits on the NGMV project.

Mohit Kumar: And the shiprepair, last question sir?

Madhu S Nair: Ship repair margins should be consistent and as you said we will go and clock the record turnovers which we have done two years back, I will have to hold my guns till we get into the next quarter.

Mohit Kumar: Understood sir, how does the order pipeline large tender which you are bidding for in FY22, or do you think that will get concluded and where we have a fair chance of winning the bid?

Madhu S Nair: Yes, we have the order pipeline where we are participating strongly two projects on the Coast Guard and one on the Navy altogether about 4500 crores of order pipeline. We feel all we are actually hopeful, but one is out of 4500 to one project is about 700ish, the other one is about a 300, 400 crore project. And the other one is a slightly larger one it's about 3500. That is the kind of spread so at least one project we should be able to win that is our take as we move forward. But again, on a pipeline I was also mentioning other than the Navy, the dredger order pipeline could be fairly big, it could be around a 1000 crores, which we are fairly confident will come our way.

Moderator: Thank you. The next question is from the line of Parimal Mithani from Credential Investments. Please go ahead.

Parimal Mithani: I just wanted to know, is it a CAPEX till date which has happened on the International Ship Repair Facility, the new dry dock at Hooghly and Temba till date and what will be their going ahead, how much are we planning to spend going ahead for the current year?

Madhu S Nair: For the current year we are expecting to spend all together 330 crores on the CAPEX, on the dry dock in to the ISRF, and what we have spent till now is that the question you are asking. Yes, on both the projects together we have spent about 1240 crores.

Parimal Mithani: Okay. Sir second question is in terms of your order book which is there, how likely are we going to any big order from the vessel side sir currently?

Madhu S Nair: Pardon, can you repeat that question once again?

Parimal Mithani: You mentioned on the concall, you have three orders from the Navy and the core product about 4500 crores. Are they on a nomination basis or are they on a commercial basis?

Madhu S Nair: These all tenders and these all expected to be finalized shortly, it is in advance stages and what we understand from the system is that, all getting finalized fairly shortly.

Parimal Mithani: Okay, and sir RFP backlog will that in terms of?

Madhu S Nair: Yes, with this RFP backlog is more or less over, but there is a new one order coming up, which again will be participating this is the next generation opportunities coming up.

Parimal Mithani: This will be for Repair or shipbuilding?

Madhu S Nair: New building.

Parimal Mithani: Okay, sir. And what is the size of the order if you can, ballpark figure?

Madhu S Nair: Can't say, it's what I said the larger project was 3500 crores but can't say if I get that well and good but the other ones are about 700/ 350/ 400 crore that kind of a projects. So we'll have to wait.

Moderator: Thank you. The next question is from the line of Jonas Bhutta from Phillip Capital. Please go ahead.

Jonas Bhutta: Sir my first question is on the IAC that even though the ship can start sea trials as early as July, but there is almost a 5000 crore kind of work to be done yet on the ship. So, if you can help us understand whether this entire 5000 crores will be revenue recognized by the time the ship is commission or you think that the work to be done will be lower than what we have estimated and hence this entire 5000 crores would not need to be revenue recognized, given that some of this could also entail some bit of buffer cost. So, that's the first question sir.

Madhu S Nair: This figure which you had mentioned, I'm not talking explicitly on this, but then the figure you're talking is about 10% to 15% on the higher side. So, bids are remaining that is there on the project. And it is not entirely getting recognized by the time we deliver the vessel, you use

the word commissioning, delivery of the vessel is when Navy takes delivery. So, delivery is what we said early part of next calendar year. And after delivery there are some part which the Navy gets into till they commission the vessel and even post commissioning, there are certain things where CSL is getting associated. So, there are still revenues that will have to flow from the project post-delivery and that is actually that is how the contract is also structured.

Jonas Bhutta: So, this 4500 crores will be recognized over a two to three year period, is that a fair assumption sir and not in this 1.5 years will the ship get delivered? So, my follow up on your response was, I just wanted to understand this 4500 crores of the outstanding book will be executed over a three year period and not necessarily over a one, one and a half year period when the ship gets delivered to the Navy?

Madhu S Nair: Correct.

Jonas Bhutta: That's helpful sir. My second question was, like you rightly said that the ASW margins that you had earlier guided for which will be single digit and you are looking at slightly lower double digit margins on the NGMV, just wanted to understand both these projects have their fixed price. And the volatility in raw material is quite immense at the time of the NGMV bid, because you have still not closed the contract. So you're saying it will get closed only by the year end calendar. That means that you're still open in terms of your bid that you put in or the rates which you put in, so what makes you so confident that the same issue that we had in case of ASW where the FOREX costs sort of went up. So what makes you believe that you will be able to do these double digit, low double digit margins in NGMV sir?

Madhu S Nair: See on the NGMV as you're probably are already aware, like, the foreign exchange is covered, because it's under the new DPP and the foreign exchange variation is covered. Now coming to commodity prices and fluctuation, on naval projects the commodity prices what happens in the cost of steel, definitely the steel price goes up there is an impact. But at the end of the day these are not steel heavy or only thing that goes up is a little bit of stainless steel here and there and some piping, but these as compared to the size and scale of the project these are minimal. Even in the case of ASW also it was overall steel on ASW would be about just 200 tonnes. So even if you think about \$200 difference, what is the kind of difference that happens on a vessel. So when you look at the overall cost of the ship, so that commodity pricing is not a great factor, you're right if it was a bulk carrier, we would have got extremely worried but, commodity pricing is not a very major part. And on the NGMV the FOREX we are covered.

Moderator: Thank you. The next question is from the line of Nikhil from SIMPL. Please go ahead.

Nikhil: Can I continue with my question? Yeah, please.

V J Jose: Hello, I am Jose here, Director Finance. CMD sir is having an urgent call, so you can continue with your questions.

Nikhil:

Sir, my question is, that if we look at it like, it's a little more long term in nature, now as previous participant questioned, MD sir said that, this 4500 crores of IAC order book will get extinguished. And this was also the high margin business. What I want to understand which means that once this IAC goes off the rest of the 1800 crore kind of the order book which we have as of now is a low double digit kind of a margin business. But, I would also presume that IAC is taking a much larger infrastructure. So can the rest of the order which we are doing at 400, 500 crore can it be doubled or can the revenue potential of the rest of the order book or execution period can be faster once IAC goes off, because that much infrastructure can be released. So on an annualized basis is it like any normal order book & IAC we can continue with a 1500, 2000 crores of an order execution, do we have that much infrastructure to sustain or what kind of maximum potential we can do?

Madhu S Nair:

That's correct, see naturally when the IAC goes off, today about 2000 people are working on the aircraft carrier, and the infrastructure is supporting that. So that's the whole plan when the IAC goes off. Luckily for us, what was most important for us is to have a good strong pipeline. That is why the ASW Corvette and the NGMV, even if it comes at a little bit of a tough margin, why we want those projects in-house is 8 to 6, 14 vessels over next six to eight years. What happens is, it lends extreme stability to the yard and when you are doing vessels in series, IAC is a one off vessel when you're doing vessels in series, after a few vessel, few one the second vessel, this is like it becomes extremely comfortable for the yard to actually move forward on this vessel. So from a margin perspective and from the turnover perspective yes, the turnovers will definitely the figures that you are saying 1500, 600 crores that kind of, we will have to do that and slightly more that is our intent and the margins naturally you will not get a margin like an IAC anywhere and we have continuously mentioned this, the kind of EBITDA margins will not be available but that is the shipbuilding business. The thing is, you will have to populate your shipbuilding yard much more with more orders which we feel extremely confident not just the naval orders, we expect certain orders to come in from outside also from our Indian clients also, dredger orders which you are talking will be a pipeline for the company. So, those are things which will run in parallel. So, at the end of the day it is execution track record which will be defining the company as we move forward, margins definitely will not be at IAC levels it will come down.

Nikhil:

Okay. Just one on as you touched upon the dredging part, this 1000 crore which you mentioned is the cost of one dredger or is it a combination of three or four dredgers, because in a news article in Business Lines, the Chairman of Dredging Corporation had mentioned that, in India there is not much dredging facility available and the requirement is much large. So, and I thought with this tie up which we had it opens a much larger potential business for Cochin. So, if you can just help me understand is my understanding correct and what could be the potential size or what is the potential market for dredging in India which is currently not being completely manufactured in India?

Madhu S Nair: See, large dredges are not manufactured in India and the large dredging companies in India are the DCI and Adani's at this stage and all of their dredgers are practically imported, except maybe one in the past that's all, which was different type of dredger also. So the dredger market, straightaway it is not that the dredger market or dredge building market can build up straightaway, because it's not that, dredger live for 25 to 40 years the way you use it. So, dredging, in all ports in India is going to increase, but there is also competition there are foreigners, foreign dredging companies also working in India. So within India we expect, there will be numbers but it's not like it won't come in the 10s or that kind of a number these are all costly vessels, these are all a single vessel could be anywhere between \$50 to \$100 million kind of a thing so, you end up talking two, three, four vessels coming from maybe these players over the next 5 or 6 years. So this is what will come in. So we are we are looking at dredging as one of the verticals within our shipbuilding revenue group.

Nikhil: Okay. Just one last thing, we were doing dredging earlier we were manufacturing dredgers earlier but then we discontinued and am I correct there?

Madhu S Nair: Not really, we have just done one small dredge way back in 2000 and that to again was in cooperation with IHC of Netherlands but otherwise, Cochin Shipyard has not done dredgers. In fact, India has not done dredger, there has been just one it's a different type of dredger built by Mazagon dock about 20 years back in combination with a German/Dutch designer, but otherwise dredger, the smaller dredges, extremely small ones which is like \$2 to \$3 million kind of thing those are cutter suction dredgers, small section dredger and others, those are made in India with foreign design support.

Moderator: Thank you. The next question is from the line of Shanti Patel some Shanti Patel Investment Advisor. Please go ahead.

Shanti Patel: Who are the main competitors in our industry and what is our capacity utilization as on today. And are you confident that will continue in future also?

Madhu S Nair: So, the competitors, the defense shipbuilding if you're talking about, I will have to take the segment, if it's defense shipbuilding, there are the defense PSU Mazagon Dock, Goa Shipyard, Garden Reach Shipbuilders and Hindustan Shipyard and Larsen and Toubro Shipbuilding, these are the competitors on the defense side. On the commercial side we are by far the largest from the size and scale point of view. But then, there are some able companies like the Chowgule Group in Goa, there is Titagarh Wagons with their shipbuilding division in Kolkata and then there are very small players in the industry. This is on the shipbuilding part. On ship repair again the closest competitors would be Larsen and Toubro shipbuilding and Hindustan Shipyard Limited doing ship repairs. Also in the private sector, Chowgule Shipyard out of their shipyard in Lavgan near Jaigad. And capacity wise, ship repair, there's no absolute authenticated figure but we would think we are somewhere around 40% to 45% of organized ship repair happening in the country and shipbuilding, if we're looking at our turnover we are number two after

Mazagon Dock and like overall maybe India including the naval shipbuilding may be doing something around 12,000 to 15,000 crores in a given year. So, we are probably somewhere around 20% to 25% of Indian shipbuilding capacity.

Moderator: Thank you. The next question is from the line of Giriraj Daga from KM Visaria Family Trust. Please go ahead.

Giriraj Daga: So, my first question is, can you give me the breakup of 4500 crore of IAC orders in terms of cost plus and fixed price?

Madhu S Nair: I am not getting into the exact figures but then, approximately the fixed part would be about 35%, and the balance is cost plus.

Giriraj Daga: Okay. My another query on the margins you mentioned that obviously IAC had a higher margin and this year we had booked good margins, but should we assume this year margin and IAC to continue for the rest of the orders or this year, particularly we had some component which had a very high margin and hence even the IAC margin will also drop is this the right assumption?

Madhu S Nair: Something similar should happen because what I was saying is that, IAC went through the construction phase, then the testing and commissioning phase. So we are currently in the testing commissioning sea trial phase. So the margins generally should be consistent with what we've seen over the past projects.

Giriraj Daga: So, with this PM margins are higher, and the margin should be fair similar to last year FY18, 19, 20, this is what you are trying to convey?

Madhu S Nair: Can you repeat that question again, there's a little bit of an echo when you are talking.

Giriraj Daga: This year we had a very good margin, but still our revenue getting lower, we had a higher EBIT margin in the EBIT profitability in the ship building segments. I want to understand the IAC margin parse will remain same for the rest of the FY22 and FY23, or will the IAC margin also declined on a like-to-like or apple-to-apple comparison, FY22 IAC margins will be lower than FY21?

Madhu S Nair: See the IAC margin is comparable, but then again I'm not in a position to give you fine detail, that's why I said 35% would come from the fixed part. And there's a margin difference also between the fixed part and the cost plus part, you're probably aware of that. But it would be consistent from what we have seen in the immediate past.

Giriraj Daga: Okay. My second query on the CAPEX side, you mentioned the 630 crore of CAPEX but, looking at our CAPEX number were you able to commission ISRF as per our guidance of December 21?

Madhu S Nair: It looks a little bit difficult as of now, because we have also got force majeure claims of delays from the crane makers. Simplex Infrastructure has had difficulties so, we may touch and go, we are still looking at December end of this year. But whether the entire facility can get commissioned, we'll have to see as we move forward there could be something spilling beyond this also.

Giriraj Daga: Okay. Sir a small follow up, what is the FY23 CAPEX will be, that number should be materially higher FY23 CAPEX?

Madhu S Nair: We should be around 400 crore.

Giriraj Daga: Okay. So we are targeting FY23 dry dock also to commission right?

Madhu S Nair: See the dry dock commissioning we are now set for 22 December, that completion of the work and then the big crane which is coming from Korea, which will actually reach here, the commissioning maybe a few months beyond that, maybe March 2023/ April 2023 we should be able to start exploiting the work.

Moderator: Thank you. The next question is from the line of Dixit Doshi from Whitestone Financial Advisors. Please go ahead.

Dixit Doshi: Sir excluding the IAC we will be having almost order book of 17,000, 18,000 crore including this 10,000 crore of next generation missile. So, what would be the execution period for this 18,000 crore order book?

Madhu S Nair: I may have to draw your attention that 18,000 crore order book portion the ASW Corvette and the NGMV are long projects, because that is the way the Navy wants it. So, if you are looking at the NGMV for example from a contract the first vessel is to be delivered in 48 months and thereafter one vessel every year. So when we are talking about six vessels, you can see it goes into 4 years plus 5 years essentially, so it's altogether nine years the NGMV will go in. And the ASW Corvette we are currently in the construction phase. That's also spread over six years. So this is not the sole order book which we have, but this is what we have right now and as we move forward that's why we will target to bring in new orders into the company as we move forward because for example if we are looking five years down the line, it is not that we have full order book because five years from now we'll have probably one or two ASW Corvette remaining and a NGMV remaining, that is not the order book that will be there at that point of time. We will actually continuously try to fill this order book portion as we move forward.

Dixit Doshi: Okay. And now that once this IAC will be over. So currently are doing around 400 crore of shipbuilding other than IAC, let's say whenever this NGMV and ASW both together will have a good execution what kind of peak revenue we can do in shipbuilding?

Madhu S Nair: Somewhere around 1600 1700 crore is what we are from NGMV and from the ASW Corvette somewhere around 800 to 1000. So, it should be somewhere around 2500 crores of shipbuilding turnover and this was a question somebody asked sometime back, this is what we will actually do on the shipbuilding part.

Moderator: Thank you. The next question is from the line of Aditya Mongia from Kotak Securities. Please go ahead.

Aditya Mongia: Sir, I just wanted to clarify when you are saying that the margins are going to be low double digits or are you talking at a EBITDA level or at a PAT level for the new orders that you won?

Madhu S Nair: Can you repeat that, you are asking the low double digit was PAT or EBITDA is this your question?

Aditya Mongia: Yes, that's the question, like what are you guiding for margins for the new shipbuilding order that you?

Madhu S Nair: That's at the PAT level.

Aditya Mongia: Okay. In second question which I had was more related to the third division that you intent to plan, you have given us some color but if you could give us some more in terms of the kind of investment that we want to do in the third business that we want to create a new division some thought process on timeline?

Madhu S Nair: Not really in a position to discuss the money part on this division straight away I thought I should convey to our investors and analysts that, we are moving in this direction, see right now we are looking at certain investment opportunities that is for sure, but the most important part is, we are actually building up people. So, the investment currently is in people in that organization and revenues there are a few leads being followed but it's too early days to actually discuss anything on this division.

Moderator: Thank you. The next question is from the line of Nitesh Jeet from **-1:06:17** Securities. Please go ahead.

Nitesh Jeet: Sir, as per our internal assessment when can we complete this IR International Ship Repair project like till what date it has been postponed to sir?

Madhu S Nair: See, we have actually formally postponed it till the end of this year December 2021. But we are sensing some difficulties in the completion especially the turnkey contractor involved is facing some difficulties, he has not fully recovered back from this COVID difficulties and the financial difficulties, plus there are certain equipment which is important especially crane which may take some more time. So, probably maybe next quarter I can give you much better information, but then we are probably getting into mid of next year for the commissioning.

Nitesh Jeet: Sir, sorry to harp on it. But in the market there are really some difficult things we are hearing about the Simplex Infrastructure also. So, is there a alternative or do you think they will be able to complete this thing and what?

Madhu S Nair: I fully understand what you're asking, this is one project where Simplex Infrastructure has not let gone, they are still working on the ground, I can tell you that. And we have worked very closely with them, we have tried to support them to whatever extent possible, but I can tell you, even if there's a break we are probably in a position to hold the project because the complete marine part of the project is already completed. The complete equipment part, the cranes and other thing, we are holding it directly and they have gone through difficulties because it's been a steel price increase that have hurt them badly on this project. But for us it was sort of a the escalation clauses which was normal escalation clauses are not giving them full comfort on the steel part. But we hope and we are standing by them, we hope that they will be able to continue but then, work has slowed that is our greatest concern it is not that they stopped and move forward. Work has slowed down and since they are facing some difficulties, some other good people have left. But all-in-all, we are facing these difficulties. That's why I'm not able to give you exact dates and other things, but even if something goes wrong with them, we are in a position to take over the work and complete it. But that's definitely not the best method to move forward.

Nitesh Jeet: Thank you, sir for being candid. And I hope by next quarter the company itself Cochin Shipyard itself is able to get a clear cut visibility on the project. Thank you very much sir

Moderator: Thank you. The next question is from the line of Ashok Damani, an Individual Investor. Please go ahead.

Ashok Damani: I have a couple of questions. One regarding you mentioned just now that we will do peak shipbuilding revenue of 2500 crores, what year would that be in sir?

Madhu S Nair: Pardon?

Ashok Damani: What year would that fall under the 2500 crore revenue?

Madhu S Nair: Which year will it come?

Ashok Damani: Yes, sir.

Madhu S Nair: Immediately after IAC. Because currently, actually the current financial year we will get into sort of good work on the ASW Corvette and next year that is FY23 ASW Corvette will be one of the critical key component in our revenue turnover. And since there are 8 vessels in the ASW Corvette we have reached this levels as we move forward along with the other projects, which we'll have. And by the time NGMV will also kick in. So NGMV plus the ASW Corvette, and certain

other shipbuilding projects which we haven't got right now, but as I was saying the dredger, a few projects which we are talking in Europe, there's a high level of optimism that those will also come in because we definitely need this mix. We need this mix of naval and the other projects, because our target is always been trying to increase the volumes in shipbuilding, because as you are aware the infrastructure, overhead that more or less remains steady. So, if we can actually increase your turnover which is the figure which we are talking that is what the profitability will come sustained.

Ashok Damani: Thank you. My last question is sir, you give projections for FY22 and indigenous aircraft carrier, you're saying the other shipbuilding will be 950 crores, which is almost 2.5 times and other ship repair will be 800 crores which again is double. How do you see this going forward?

Madhu S Nair: See shipbuilding should go even more than this because shipbuilding depends on how much orders we can garner, we should be able to, we are hopeful that we can take this much more forward because on the shipbuilding side we have the ASW and the NGMV coming in after sometime we should be able to take this forward. Ship repair we actually set some internal target for us, see the moment ship repair is a continual flow and the moment we have some brakes again just one month break we have seen from May 8th till now is actually pulling us down by at least it's not just 1/12th it will take off a little bit more than that. So ship repair also, where we are 800ish level, we expect things should consistently go up. 12%, 15% at least going up on a yearly basis.

Moderator: Thank you. The next question is from the line of Shweta Jain from A&S Wealth. Please go ahead.

Shweta Jain: Sir, again I have a follow up question regarding your peak revenue and order book. So like you mentioned sir our peak revenue would be 2500 crores after the IAC right. And sir just want to understand sir, how do you see when our peak revenues is 2500 the order book primarily consist of ASW and Next Gen Missiles. So what kind of peak order book are we looking in next two, three years. Do you think the order book which is currently 18,000, including IAC and Net Gen Missile ASW, can it ever reach to a level like 25,000 or 30,000 crores the next three, four years sir?

Madhu S Nair: Thanks for asking this question, this is our wish list also. But, I can tell you like, in shipbuilding and as a company we always need an order book which I've always used this word, this is about something like four to five times your aspirational annual turnover this is where we want to go, and we will actually bid aggressively for those, that is where the company sustains itself because the company's overheads are not going down. There is a PSU company, if something is going down we don't sack our people, we hold our people. So there is a core overhead which we are carrying in this company. So what is very important is and that is why we will go on all fronts, that's why I said we go into Europe for short sea shipping, we will try for dredgers, we will try for the naval project and we will try other private contracts also within the country and

outside. But at any point of time, the general take is that, for example when I'm guiding you into a turnover target of around 3500, 3600 level, internally, I would have in my mind about +4000, and I will multiply it by about say five times. So, that's about 20ish, we will what I need to have now which touchwood we are having this order now.

But next year, I need to actually have an order book position of around this levels slightly more, about 10% more, so about 10% to 20% I should have and this is the continuous challenge for people like us getting into the market and getting these orders. But the good part is, we are sensing positivity and how we'll be able to convert that positivity, we like to walk the talk together, but we will try our best to go into this levels.

Shweta Jain: And sir so what kind of peak revenue are we targeting for ship repair like the 2500 believe is on the shipbuilding side?

Madhu S Nair: Ship repair should be on a continuous growth, but we are guided 1000/1200 in one to two years to come that is where we guide and at this stage. But as we move forward we will end up repairing at least around 200/ 220 ships in one year, when these facilities are also coming up.

Shweta Jain: Okay. And sir my last question is, on the new division the knowledge center, the knowledge arm that we are coming up with. So, if you could throw some light like you said you are investing in people, so if you could throw some light as to who is going to be the main person who is going to drive this division what kind of people are we looking at to hire and strategically how are we looking at this division to provide synergies to our ship repair and what kind of revenue potential can we have because of this synergy and because of this new division coming in for?

Madhu S Nair: See, I can give you only a very high level picture here. We have set up this division with one of our key executives who has been with the company for 25 years strongly involved in defense engineering, he is heading the division along with two Assistant General Managers who are both been with the company for +15 years. Then then we have got around six people with a group right now. But as we move forward by end of this year, we will have about 20 people within the organization and the larger thought process is to have this probably as a subsidiary company or a associate company as we move forward and going to under the CRUISE 2030 initiative by 2030 getting to at least a 800 - 1000 crore division, this is the thought process. But too early days to discuss much more detail but this is the overall plan here.

Moderator: Thank you. The next question is from the line of Tanmay Diav, an Individual Investor Please go ahead.

Tanmay Diav: My question is, about the dry dock, when do we expect in what kind of revenues do we expect from the dry dock?

Madhu S Nair: See the dry dock as I said we are looking at completing the dry dock the civil part in December 22. We are closely working with Larsen & Toubro on this, the crane may come in in a few months thereafter. So that is around mid 2023.

Tanmay Diav: Right sir. And my question is that this dry dock, the size of the dry dock is similar to the size of the dry dock which we have right now or it's slightly bigger?

Madhu S Nair: It's much bigger.

Tanmay Diav: On similar lines or slightly higher from it?

Madhu S Nair: Should be again, it could also handle some critical asset for the country if the country decides to do so.

Moderator: Thank you. The next question is from the line of Dhiraj Nathani from Jupiter Finance. Please go ahead.

Dhiraj Nathani: Sir, can you tell us our own cash in the company would be how much as of today?

Madhu S Nair: Can I request the Director Finance Mr. Jose to handle this question.

V J Jose: Yes. Own is around 1000 crores.

Dhiraj Nathani: Sir my next question is regarding this ship repair business, is it a business or continuous business, how do we look should we look at a ship repair business, are we going up and down certain quarters or we will be steady over the quarter?

V J Jose: We have to take it in a overall one year picture because the quarter there were the ups and downs but throughout the year you should see that.

Dhiraj Nathani: And the other defense shipyard are also entering this like GRSE and others, so will we face competition from them, because they are also talking about a ship repair business?

V J Jose: But as of now only HSL is doing ship repair, GRSE has not yet started.

Dhiraj Nathani: And sir my last question is, going forward broadly we will have a net margin of 15% to 18% is that correct way to see, mix of ship building and ship repair?

V J Jose: The ship repair EBIT margin is around 23%.

Dhiraj Nathani: No, the broad blended net margin should be around 16 to 18?

V J Jose: On a PAT basis around 15 to 16, EBIT wise is around 19 to 20.

Dhiraj Nathani: And sir what would be the growth on the blended basis in both the business if I have to look at for next three, four years?

V J Jose: See, we have been guiding around 12% year-on-year but last year we could not achieve that but going forward we will be able to do that.

Dhiraj Nathani: In the ship building is it or both?

V J Jose: Overall.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Madhu S Nair, Chairman and Managing Director from Cochin Shipyard Limited for closing comments.

V J Jose: I am Jose here, Director Finance. CMD has just gone for another meeting with the ministry. So thank you all the investors for joining the call and we'll catch you later. Thank you.

Moderator: Thank you. On behalf of Cochin Shipyard Limited, that concludes this conference. Thank you for joining us and you may now disconnect your line.