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June 11, 2019

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

Subject: Transcript of conference call

1. Please find enclosed transcript of conference call held on Monday, May 27, 2019 at 14:30 hrs. to discuss on company's Q4 FY19 results and the road ahead.
2. Kindly take the same on record.

For Cochin Shipyard Limited

V Kala

Company Secretary &
Compliance Officer



पंजीकृत कार्यालय : प्रशासनिक भवन, पी.ओ.बैग सं 1653, पेरुमानूर पी. ओ., कोच्ची - 682 015
Registered Office : Administrative Building, P.O. Bag No. 1653, Perumanoor P.O, Kochi - 682 015
फोन / Phone : +91(484) 2361181 / 2501200 फाक्स / Fax : +91 (484) 2370897 / 2383902
वेबसाइट / Website : www.cochinshipyard.com, सीआईएन / CIN: L63032KL1972GOI002414



Cochin Shipyard Ltd.

“Cochin Shipyard Limited Q4 & FY19 Results Conference-call”

Transcript

May 27, 2019

**MANAGEMENT: MR. MADHU S. NAIR - CHAIRMAN AND MANAGING DIRECTOR
MR. V.J. JOSE - GENERAL MANAGER - FINANCE
MS. V. KALA - GENERAL MANAGER AND COMPANY SECRETARY
MR. RAJESH GOPALAKRISHNAN, GENERAL MANAGER - BUSINESS
DEVELOPMENT**

Moderator: Ladies and gentlemen, good day and welcome to Cochin Shipyard Q4 FY2019 post earnings conference call jointly hosted by Concept Investor Relations and Reliance Securities Limited. 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. Please note that this conference is being recorded. I now hand the conference over to Mr. Arafat Saiyed from Reliance Securities. Thank you and over to you Sir!

Arafat Saiyed: Thank you Stanford. Good afternoon friends. On behalf of Reliance Securities, I welcome you all to the post Q4 & FY19 results conference call of Cochin Shipyard. Today, we have with us from the management, Mr. Madhu S. Nair – Chairman and Managing Director, Mr. V.J. Jose, General Manager (Finance), Ms V Kala, General Manager and Company Secretary. I would like to handover the call to the management for their opening remarks. Over to you Sir!

Madhu S. Nair: Good afternoon and just for information we also have Mr. Rajesh Gopalakrishnan, General Manager Business Development also on the conference. My name is Madhu Nair, I am CMD for Cochin Shipyard Limited and welcome to all. At the outset, we have had a generally gratifying result. The turnover is up by about 26%, the profit before tax is up by about 24% and the PAT had increased by about 21%. We have recorded an all-time high turnover in the ship repair segment of Rs. 832 Crore and as we are talking like current order book also, we are looking fairly comfortable. Our larger capex plan is going well, so overall it has been a good year.

Let me get into the details a little bit. On the turnover as you are seeing we have clocked Rs. 2962 Crore and the breakup is coming as shipbuilding Rs. 2130 Crore and the ship repair turnover Rs. 832 Crore. The profitability has generally been good though you would have noticed in Q4 we had a slight dip in the profitability because there has been some provisioning and Mr. Jose would explain it a little bit later, but the reason for the provisioning is due to adoption prudent accounting policies, but let my general manager (finance) explain it a little bit later.

The highlight of the year was on the shipbuilding side, there has been a few orders, which we have secured, what we are having right now. We have finally signed the contract for 8 ASW corvettes with the Indian navy. On March 1, 2019, we secured

contracts from a group company of Jindal Steel Works, , the company is called Utkarsh Advisory Limited and we have signed contracts for four numbers, mini bulk carriers, on which, we will also have the privilege of getting the shipbuilding support subsidy; so all in all the flow would be approximately Rs.300 Crore.

We also concluded a contract for nine numbers floating border out posts for Border Security Force and this contract comes from the Ministry of Home, so let us say Rs. 270 Crore is the base value of the contract. There is something more in it by way of a 10-year annual maintenance contract and then we also signed contracts for small vessels of inland water authority. So, all in all current order book that has been signed stands at around Rs. 8300 Crore and this does not include the expected phase 3 contract of the IAC and it also does not include the cost plus part of the IAC. So if you add both of those, we are somewhere around Rs. 15000 Crore order book, which looks fairly comfortable at this stage.

On the ship repair side, during the financial year , we had some major refits from the Navy and from ONGC, the negative has been we have had a bad accident last year, the negatives from which was carried forward to some extent , this year. The other highlights have been that the company has continued to have cordial industrial relations, we have now concluded the long-term wage settlement with our workers, it is a settlement for 10 years and which is awaiting final approval from the government. It is more of a formality when we sign it in a long-term settlement and this increase in the wages are already being factored into whatever we are talking as of now.

We also completed the buyback of shares of a total of Rs. 200 Crore as you are already aware of. On the capex side, the two main projects, which we are implementing, viz the new dry dock and the new ship repair facility both are proceeding, generally well and last year we have spent about Rs. 500 Crore on capex and as we move forward we are expecting these projects should move forward as per schedule. We have also invested in a subsidiary company in Kolkata. Here, we have initiated the construction of Hooghly Cochin Shipyard Limited, so civil works is ongoing in Kolkata and orders have been placed for some of the critical equipment in Kolkata.

On the ship repair front, as a part of the geographical expansion we have taken over this Hughes Dry Dock and five berths in the Indra Basin in Mumbai. We started physical operations in the Mumbai Yard on January 18, 2019 and as we are speaking, we have already taken 11 vessels in the dock. Things are stabilizing over there. It is just starting phase, so we will expect a few more months down the line for a much more stabilized operations. For Ship repair in Kolkata where we are slated to take over Netaji Subhas Bose Dock, we have signed the agreement and it is expected that we will start physical operations by September of this year in Kolkata. Kolkata I should caution will not be as good as Mumbai to start off, but again the investments also we make in Kolkata would be much lower.

Again, Port Blair MoU is awaiting final approvals from Andaman and Nicobar administration side, which is at a very advanced level and we were told that it would be done immediately after the elections, so we are expecting it anytime now. We have handled the corporate social responsibilities well and overall things have gone well for the shipyard. As we look into the FY2020 where we are already two months down, we expect a significant traction in the top-line. We are expecting, as we have been consistently saying at the minimum 12% to 14% increase in the top-line with consistent profitability. So, these are what I wanted to convey to start off, but again we have already uploaded an investor presentation onto the exchanges and we thought it was necessary to give some comments and clarification regarding certain provisioning, which we have done in Q4. So there has been some major provisioning, which we have done one is about Rs. 29 Crore on the ship repair side and about Rs. 26 Crore on the ship building side and if you have noted you would have seen a small loss in the ship repair segment in the segmental results, so we have explained the reasons for that also and I can assure you that these are more of one-off reason and it is stemming from prudent accounting policies. So you can be rest assured that profitability is generally steady. I think if we can move forward and then if there are specific questions on the profitability regarding provisioning, we would be glad to explain. So with that I think I will just wrap up for now and then take your questions.

Moderator:

Thank you very much, Sir. Ladies and gentlemen, we will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the

question queue assembles. The first question is from the line of Sandeep Tulsian from JM Financial. Please go ahead.

Sandeep Tulsian: Very good afternoon, Sir. My first question is pertaining to the new orders that we have in the pipeline and also as per the recent reports in media, we read that the probability of the new aircraft carrier getting scrapped is high because of the budget not being available with Navy, so if you can comment on these two aspects on your order inflow?

Madhu S. Nair: In the order pipeline, we are expecting a few requests of quotations to come from the Navy and the Coastguard. There are two, which have already been issued and which we are participating in and we are expecting a few to come in from July to December of this year and we expect to participate. We will be getting qualified for all these RFPs. In fact, the latest we understand is that there are a few small RFPs that is coming in and for those the MoD and the Navy would take a view that these will go to the small shipyards in India who are having difficulties. There are two RFPs right now, one from the coastguard for two pollution control vessels and one from the Navy, which is for a semi-submersible pontoon essentially a large floating dock. These two we are working on. Additionally we are expecting to receive RFPs for the next generation missile vessels- six numbers, new generation OPVs six numbers, also multipurpose vessels four number and then survey and training vessels coming from the navy. These are all expected to come shortly. Apart from this, there is also a high-speed landing craft six numbers expected to be tendered shortly. So, all in all there is a long line of RFPs which are expected. Regarding the aircraft carrier, I am not in a position to comment. We have seen the reports going up and down, but I think at this stage, we would not have anything else to add on this, but our understanding is that it is a big ticket decision and probably now that we have a new government we will have better clarity on this as we move forward.

Sandeep Tulsian: Sir, my second question is pertaining to the ASW Corvettes order that we have booked, I think the total value comes to about Rs. 900 Crore higher than the initial amount due to spares getting included, so with the total amount now at Rs. 6300 crore and spares relatively being a higher profit area compared to the base ship building contract, how would you look at the overall profitability of this order and if you could just briefly run us through how much advance will the company receive

and how the revenue booking will stack up over the next say initial three years because we have the execution schedule where after forty two months per ship and then six month subsequently, but in the initial two to three years, how will the revenue booking stack up?

Madhu S. Nair: Rs. 5400 Crore was the amount earlier, so this Rs. 900 Crore extra is essentially based on the spares and certain modification that may come in. So, that is really not going to have an impact on profitability as it is, it's more of a pass through. e. Regarding the profitability and the scheduling, we are still working on this. I do not have the details, but we are working out the plans and the schedules right now. As far as the advance is concerned, we have already submitted the BG's for the first stage payment of 10%.

Sandeep Tulsian: Sir, third was on the ship repair side, you had mentioned that the Vikramaditya had come a year earlier than its schedule and because of that FY2019 ship repair revenues had seen a very sharp growth what kind of orders you have in pipeline now and FY2020, do you think this number will decline or what is your expectation internally?

Madhu S. Nair: FY2020, this number should come down because our internal target is somewhere around Rs. 650 Crore to Rs.660 Crore.

Sandeep Tulsian: And margins similar to?

Madhu S. Nair: Margin similar, correct.

Sandeep Tulsian: Last question if I may just squeeze in, that this TDV order that we have I think the revenue booking in FY2019 has significantly come down, is there a slowdown in the progress of the project or that ship?

Madhu S. Nair: That is right, that project is now scheduled for delivery in October of this year, we have faced some challenges on that project and this is because of some changes which the client had actually wanted. I am not in a position to get into details on it, but then the delivery date has been officially extended on that project, so we could not really put in good work on that project during the interim period, but now it has again picked up.

- Sandeep Tulsian:** Thank you for taking all the questions.
- Moderator:** Thank you. The next question is from the line of Jonas Bhutta from Phillip Capital. Please go ahead.
- Jonas Bhutta:** Good afternoon Sir. Congrats on a decent set of numbers. So, basically just had some bookkeeping questions, if Mr. Jose can help us. What was the IAC revenue booked in the Q4 broken up between fixed price and Cost Plus?
- V.J. Jose:** In quarter Q4 IAC revenue cost plus was Rs. 362 Crore and fixed price was Rs. 197 Crore, total IAC is Rs. 559.5 Crore.
- Jonas Bhutta:** Sir, also if you can help us understand the various provisions that you declared as part of your investor presentation, where do they sit in the P&L so I am assuming that the Rs. 29 Crore and the Rs. 26 Crore from the part of the Rs. 58 Crore line item that you have declared, my query for more to do with the LD provision on Sagar Bhushan and the Rs. 19 Crore follow-up and Rs. 5 Crore, so where do they sit, are they part of other expenses?
- V.J. Jose:** No, actually, the LD for the Sagar Bhushan it has been reduced from the revenue of Sagar Bhushan for the quarter that means income has come down for the quarter.
- Jonas Bhutta:** So, Rs. 11 Crore was knocked off from the revenue?
- V.J. Jose:** And, similarly Mumbai port loss of Rs. 5 Crore that will be because of the various line items of the expenditure, so the net income minus the expenses will be the Rs. 5 Crore loss, typically we generated a turnover of around Rs. 2.5 Crore from Mumbai and various expenditure is to a tune of Rs. 7 Crore like fixed expenses such as lease rent, salary for those employees which we have taken from them- around 58 employees we have taken over, etc
- Jonas Bhutta:** Sir, this Rs. 55 Crore that we have booked in terms of INS Aditya withholding tax, on a segmental basis where have you allocated this, are they allocated to costs in the shiprepair segment or it is in the un-allocable expenses?
- V.J. Jose:** This is in the unallocated.

Jonas Bhutta: My third question was on the capex target for FY2020, I know in a four-year block you need to spend about Rs. 2800 Crore for the two assets that you are developing, but what would the capex outgo be in FY2020?

Madhu S. Nair: We have a capex target of Rs. 660 Crore, the way things are going maybe it will exceed that a little bit. We will revise if at all needed by around September, but right now Rs. 660 Crore.

Jonas Bhutta: Rs. 660 Crore?

Madhu S. Nair: Yes.

Jonas Bhutta: My last question, like you gave your expectations for the ship repair revenue of about Rs. 6.5 billion, what would that number be on a ship building segment that works into the 12% to 14% growth that you have given?

Madhu S. Nair: We should see a figure of anywhere between Rs. 3000 crore to Rs. 3400 Crore our top line coming in.

Jonas Bhutta: Got it, Sir.

Madhu S. Nair: So, the shipbuilding is that figure minus Rs. 660 crore

Jonas Bhutta: I got it. I will come back in the queue for more questions. Thank you.

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

Ajinkya Bhat: Thank you for the opportunity. Sir, my question is if I look at the bill-to-book ratio for the company through the last three or four quarters, it has significantly gone up from about 22% in Q1FY2019 to about 41% employee number for Q4, so my question is have you by any chance advanced the execution the ASW Corvette order even before actually signing the contract because as far as I understand the BSE press release about the contract signing was given out on April 30, 2019, which mentioned that we signed the contract today and you have historically shown or demonstrated this approach that you can advance such execution in case of IAC phase 2 when the contract signing was delayed during 2013-2014 period, the other

part being that when I look at the balance sheet here other current assets have gone up so does it indicate some sort of accrued income that is piling up because you have advanced execution of an unsigned contract, so that is one clarification that was required?

Madhu S. Nair: We haven't done anything on the ASW corvette which we signed on April 30, 2019. We have now gone and concluded the design contract for that. So we haven't started execution as on date. Phase 2 and the phase 3 was a slightly different thing because that is one single project even though technically we are calling it phase 1, phase 2, phase 3. Essentially, we know very clearly that the project is an old project and it is only for the comfort and practical reasons that the fixed prices is being divided into three and the Cost Plus go seamless. So, at that point of time as far as we were concerned since we have a delivery date to honor, whether we have a contract or not we just moved forward, but not in the case of the ASW.

Ajinkya Bhat: So, you are saying basically there may have been advance execution on the IAC contract?

Madhu S. Nair: Pardon?

Ajinkya Bhat: Sir, basically what you are saying IAC have been advance execution on?

Madhu S. Nair: IAC contract is a seamless contract as far as the cost plus aspect is concerned. But from a revenue point of view Jose can explain if there are any advancement or something that is happening?

V.J. Jose: No in the ASW. Nothing, in the IAC.

Ajinkya Bhat: Why are the other current assets going up?

V J Jose: After the introduction of Ind-AS 115, the new accounting standard for revenue recognition, the revenue, which has been recognized on a percentage completion method to that extent it is not due from the customer, earlier it was shown on debtors, now it is classified as contract assets in the current assets.

Ajinkya Bhat: It has moved from receivables to other current assets?

V J Jose: Yes, that is around Rs. 217 Crore plus we have some input tax, which is on GST, which is yet to be claimed that is also around Rs. 229 Crore. These are the main factors, which has gone up in the current assets because input tax credit we can avail when we deliver it, so whatever payment made between during the construction that will be accumulated as asset under the input tax credit, so these are the main reasons for increasing the other current assets.

Ajinkya Bhat: Understood Sir and I have another question on the raw material cost side, so I see that Q4 FY2019 and I understand that obviously raw material cost depends on the stage of execution etc., but for the FY2019 RM cost stands stood at around 53% of sales, sharply up y-o-y about 700 bps y-o-y now. As far as I understand the steel prices globally have declined by about 11% to 12% if you take the quarterly average Q4 2019 versus Q4 2018, so my question is, is that sort of decline also true for shipbuilding grade steel and in terms of your contracts that you may have signed with the suppliers, when the advantage of such a decline will actually start reflecting in your numbers?

Madhu S. Nair: Basically, in the Q4 the raw material cost has gone up not because of the steel price, it is mainly because of the Cost Plus part of the IAC, we have done Cost Plus part of Rs. 362 Crore vis-à-vis last year Q4 it was only Rs. 217 Crore, that is the main reason.

Ajinkya Bhat: Okay I understood.

Madhu S. Nair: Steel what you are saying, we don't have too much steel requirement right now, it is only the JSW vessel- the four bulk carriers, which we have taken in on March 1, 2019, for which we have ordered almost 75% of the steel we just placed an order and I think we got some excellent prices.

Ajinkya Bhat: Okay, understood. On the raw material cost do you have any visibility obviously q-o-q there can be volatility, but from the full year perspective, , could it be around 52% to 53% or could it be higher or lower?

Madhu S. Nair: That is difficult to predict now, that depends on, for example in the case of IAC that depends on the delivery schedule of the Russians also, that we may not be able to predict exactly.

- Ajinkya Bhat:** Understood, those are the questions from my side. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Sagar Gandhi from ICICI Securities. Please go ahead.
- Sagar Gandhi:** Good afternoon. Sir, of the Rs. 2800 Crore of complete capex on the shipbuilding and ship repair side, how much of it is already done, segmentally?
- Madhu S. Nair:** You are talking about the capex isn't it?
- Sagar Gandhi:** Yes, shipbuilding and ship repair both put together Rs. 2800 Crore, how much of it you have spent?
- Madhu S. Nair:** The new dock and new ship repair?
- Sagar Gandhi:** Yes.
- Madhu S. Nair:** Around Rs. 330 Crore totally.
- Sagar Gandhi:** For both?
- Madhu S. Nair:** For both put together.
- Sagar Gandhi:** And, if I break this up Rs. 330 Crore into the new dock in the ISRF?
- Madhu S. Nair:** Just a minute. We will just come back. We are doing a double check on this. You are talking of the total figure cumulative that we spend on both the dry dock and the ISRF till now isn't it?
- Sagar Gandhi:** Perfect.
- Madhu S. Nair:** We will revert.
- Sagar Gandhi:** No problem Sir. My next question is what is our current ship repair order book?
- Madhu S. Nair:** We normally wouldn't have an exact order book on ship repair, but we would have a feel on the projects, which are coming in and just give us 10 minutes, let us do a double check with the ship repairs group and we will come back, but Q1 you will

see more of smaller value vessels because we have this MoU with Lakshadweep Development Corporation, so monsoon we take their vessels first because we also have an obligation to maintain their fleet, there are a few naval vessels lined up, so Rajesh is double checking the main ones and we will come back to you.

Sagar Gandhi: No problem. Thank you so much. That was from my side.

Moderator: Thank you. The next question is from the line of Sanjay Bhatia an Individual Investor. Please go ahead.

Sanjay Bhatia: My question was whether this company has been in competition with other shipyards to bid for submarines and if it is, I have read the reports that the project might go to Mazagon Dockyard on a nomination basis, can you comment on that?

Madhu S. Nair: You are talking about the submarines isn't it?

Sanjay Bhatia: Yes.

Madhu S. Nair: We are not in a position to comment too much, but then all we know is that it is expected to be under the strategic partnership model. At a point of time, we also had this feel that it could go to Mazagon Dock on a nomination basis but now it looks like this may not be happening. We have our views on it, but then I am probably not in a position to comment,.

Sanjay Bhatia: I just have two more questions, so one is on the couple of years ago Indian Navy had awarded four warships to L&T and Reliance Naval, but the contracts haven't been signed this is regarding the warships landing platform dockyard?

Madhu S. Nair: The landing platform docks have not been awarded, we are also keen on that project and to our understanding is that it has not been awarded, in fact the bids have not been opened.

Sanjay Bhatia: There were some controversy a few months back, so do you see any possibility of any one of the warships coming to Cochin Shipyard?

Madhu S. Nair: As I was just explaining, there are few RFPs from the Navy in-line, in fact there is quite a lot that is coming in this year. So, we would definitely expect we would bid

aggressively for some of this and the specific projects, which you are talking about on the LPD, our wish would be that it doesn't go forward in its present Avatar and it gets retendered.

Sanjay Bhatia: Thank you for shedding some light on the questions.

Madhu S. Nair: Just a minute Mr Sagar Gandhi, the total capex for both the project is totally Rs. 570 crore as of March 31, 2019.

Sagar Gandhi: Yes Sir, I am on line.

Madhu S. Nair: The capex spend up to March 31st 2019 on the ISRF of ship repair is Rs. 273 Crore and dry dock Rs. 297 Crore, totally Rs. 570 Crore.

V.J. Jose: The current year target is Rs. 660 crore, but as I said it could go up a little bit.

Sagar Gandhi: Yes, Sir because roughly Rs. 1000 Crore or to be precise Rs. 980 Crore is for the ship repair facility, will the ship repair facility become ready this year itself then?

Madhu S. Nair: Yes, ship repair facility is Rs. 970 Crore, but see that Rs. 970 Crore how it works out is there is a civil work part, which is a turnkey part, which we awarded to Simplex that is somewhere around Rs. 700 Crore and then the balance is we are handling it directly these are the few cranes, which we are in the process of procurement because these cranes are just buy and fit items, so Simplex part is Rs. 700 Crore, so whatever we are seeing and what Mr. Jose mentioned is Rs. 273 Crore which is part of what is gone to Simplex.

Rajesh G: Mr. Gandhi just to clarify on your query on the ship repair order book. As we always say ship repair order book keeps happening progressively as and when enquiries come in we bid and it is a continuous process, but as we speak we have clear visibility on approximately Rs. 250 Crore out of which around close to Rs. 180 crore to Rs. 200 crore would come from the defense and the remaining from the commercial side.

Sagar Gandhi: Thank you so much Sir. That was from my side.

Moderator: Thank you. The next question is from the line of Prashant K from Pinaki Ventures. Please go ahead.

Prashant K: Thank you for the opportunity. Just wanted to understand basically what is the reason for the expected drop in the ship repair revenue, are there any specific reasons, which could be corrected and just adding onto that the ship repair facility, when it is expected to come on stream and what could be the impact within a year of it coming on stream?

Madhu S. Nair: You were talking about the ship repair revenue drop like when I mentioned next year it would be Rs. 660 Crore is that what you are asking?

Prashant K: Yes, that is it.

Madhu S. Nair: IF we are looking at FY2018, our ship repair turnover was Rs. 623 Crore and then the sharp increase we are seeing this year ie FY2019 is because of aircraft carrier, INS Vikramaditya with a revenue of Rs. 485 Crore . Rs.485 Crore in five months' time is really good as typically Rs. 485 Crore project could go for about 18 months. So it was a high-intensity project, which came in and such projects do not come in always. So, next year we would not have the liberty of having a Vikramaditya. So that is why we are somewhere around Rs. 650 crore to Rs. 660 Crore. We will have a fair bit coming out of Mumbai operations, so it is Rs.660 crore as per conservative estimate e as of now as we move forward we will update with you that information. Otherwise our ship repair is doing well. You had your second question regarding ISRF. ISRF, the original target was 2019 end, we are now 2020 around August.

Prashant K: Sir, like this Rs. 650 Crore that you are talking about what would be from Mumbai, Hooghly, Kolkata port trust?

Madhu S. Nair: Kolkata port trust, we are not factoring anything over there, we will see it probably later into the year, but Mumbai Rs. 60 Crore could be slightly more also, but Rs. 60 Crore.

Prashant K: Ok that is at least and Hooghly?

Madhu S. Nair: When we are talking Kolkata there are two things, which we are doing there . One is a subsidiary company which is for shipbuilding only. This is under construction,

so there are no revenues expected. The other project in Kolkata, the ship repair operations, we expect to start around September of this year. However there is absolutely nothing in Kolkata.. We need to get a few systems correct, so hardly anything will come in may be Rs. 5 Crore to Rs. 6 Crore that is all we will see at least this financial year.

Prashant K: So, that could mean that Cochin, present facility would be doing the ship repair revenue Rs. 580 Crore?

Madhu S. Nair: Something like that, it all depends on what we are bidding and we are looking at a few large projects also. If those projects come in may be, we will see a little bit more also.

Prashant K: And with the ship repair facility on you are talking 70 vessels more. So, that could average about at the present price in constant price scenario that would add up to around another Rs. 300 crore to Rs. 400 Crore more annually?

Madhu S. Nair: 300ish, but then that would not happen in the first year itself, fully stabilized operations could be somewhere around the later part of the second year, but somewhere around Rs. 300 crore plus.

Prashant K: So, we could be targeting around stable revenue of close to Rs. 1000 Crore in ship repairing?

Madhu S. Nair: Even Mumbai should be more, from Mumbai it is Rs. 60 crore as of now, but Mumbai should actually do more. So, ship repair we should like one and half years down the line, two years down the line, we should see it reaching a level of Rs. 1200 crore plus.

Prashant K: Rs. 1200 Crore plus and in shipbuilding this 1% target on shipbuilding that Government of India is talking about under the Make in India does Cochin see anything happening on this because basically China, Japan, Korea which have 90%?

Madhu S. Nair: We feel very positive with this new thing that is come in, unfortunately some of the shipping companies are taking Ministry of Shipping to court, but we feel even this JSW order, which we have taken there is a little bit of that aspect factored in because the vessel will be built in India even though JSW is building for their own

captive purpose. In case they have a requirement of a potentially good charter coming out, they could actually go for it and we feel strongly about the coastal shipping segment coming up in India, we are looking into that and our consultants are also talking to a few of the big time cargo owners in India.

Prashant K: Are we going for any JV in the shipbuilding because LNG vessels in which Koreans are very strong, Are we going for any JV or anything of that sort?

Madhu S. Nair: We are not yet ready for a JV at this stage, but then we are keeping all options open and you are right these are areas, which we are closely looking at, but we feel strongly that coastal and near-coastal vessels in India could actually see an uptrend again. We now have a new government and if the policy is taken forward from where it was then I think it is positive.

Prashant K: Thank you.

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

Jonas Bhutta; Just two or three more question, Sir, could you give us the breakup of the ship repair revenue for FY2019 broken up between defense and commercial?

V.J. Jose: I don't have readily available that information Jonas.

Madhu S. Nair: Mr. Jose will send it to you bit later.

Jonas Bhutta; Sir, my next question was the two new orders are RFPs that you highlighted from the coastguard and the Navy, what could be the potential size just a rough-cut number also?

Madhu S. Nair: I can see semi submersible pontoon is around Rs. 450 Crore and the pollution control vessel are two numbers at Rs. 450 Crore each.

Jonas Bhutta; Who could be typical participants in this particular tender?

Madhu S. Nair: I think we would see Goa Shipyard, Hindustan Shipyard, Larsen & Toubro, I am not sure, I do not know other participants participating in this.

- Jonas Bhutta;** These projects typically have drawings given to you by the respective client or...?
- Madhu S. Nair:** Navy has got their DSP, Directorate of Ship Production, so these are directly procured, .This is just like a commercial contract, the outline specification would have been given and then you design or you buy the design or whatever it is and then you build it and deliver, so it is straightforward turnkey sort of things. See the navy has got two methods of procurement; one is procurement like what I just now explained. The other one is, navy has Design Directorate in Delhi, designs a ship and then go to the shipyard for an offer.
- Jonas Bhutta;** Sir, my third question was on I remember about two or three calls ago Mr. Rajesh had spoken about opportunities from this ONGC mobile offshore productions unit (MOPU) and which sort of there was a very big-ticket number that was given that if ONGC where to convert most of its things into MOPU. It could be officially line Rs. 20000 Crore kind of opportunity over a long period of time. What is the status of such project Sir? Has there been any moment in the last year or so even since we spoke about it?
- Rajesh G:** Not really, right now there is no MOPU conversion actually coming up at least immediately, you are aware that a couple of MOPU conversions are already ordered by ONGC I do not believe those vessels have come in as of now. So, on the MOPU front specifically we do not see any immediate tender or opportunity coming up, but definitely we feel there are going to be lot of requirements that ONGC will need. So, they might definitely have such things under consideration, but there is a rig revamp project that ONGC had tendered, we are participating, so that is what it is now, no major conversion right now tendered out or coming up from them.
- Madhu S. Nair:** Just to add on since we are talking about ONGC, See Cochin Shipyard has had ONGC as our top client about 15 years back , but after that there has been a total gap But it is after long while that we got the vessel called Sagar Bhushan, which again met with this unfortunate accident. But considering the quality of work on Sagar Bhushan despite the accident, even after the accident how we actually handled that vessel etc ONGC brought in the next vessel, which is Sagar Vijay, which is actually sister vessel of Bhushan into the shipyard and we handled Sagar Vijay which was delivered in good time. it was delivered exactly on schedule In fact

there are discussions and ONGC feel that CSL and ONGC could work together much more strongly as we move forward, , I am not sure whether it is MOPU conversion straight away, Sagar Vijay was a Rs. 30 Crore project, which we have executed this financial, so we are sensing much more opportunity with ONGC as we move forward because interactions with the senior team has been extremely positive.

Jonas Bhutta;

You did speak the new ISRF having a revenue potential of almost Rs. 300 Crore, but in a scenario where you are also setting up a unit, or you taking over the Andaman Nicobar dockyard that will free up space from the existing ship repair yard, could you just give us what is on your mind and how do you look to fill up the ISRF with the 70 odd ships that somebody else spoke about, what are you targeting in terms of market or there is already enough demand for those 70 ships, which you are not able to fulfill in the existing plant as of now that will give us slightly more confidence building in revenue from this field?

Madhu S. Nair:

Andaman I will explain first Andaman is more captive, where we are not looking at anything coming from outside . Andaman has got about 84 vessels of various types, very small vessels to large vessels and we already have an MoU with them, so nine of the large vessels are being handled by us already in Cochin Shipyard, the other vessels handled in Andaman. Sso Andaman is of a captive demad , the business model is also very different, hopefully let us sign that agreement and then we will explain what the business model is, but say there are revenues from day one on that. That is how the Andaman model is.

Jonas Bhutta;

I meant that the ships that travel from Andaman to Cochin currently may now sort of start getting repaired at the dockyard that...?

Madhu S. Nair:

That wouldn't happen because those nine vessels currently Andaman doesn't have any infrastructure, it does not have a dock to take this nine vessels, so they got a set of vessels called the foreshore vessels, these are basically inter-island vessels between the islands of Andaman, they got 17 of those, which is currently being operated by Shipping Corporation of India. So, those are the vessels, which should be handled first. So, it is basically the foreshore vessels, these nine vessels are mainly the main land, island vessels, so these nine vessels will at least for some more time come to Cochin itself,. Andaman is expanding their dry lock, again that expansion and how that expansion should happen is also being advised by Cochin

Shipyard under this MoU. Now let us look at Mumbai and Cochin existing operations and Cochin ISRF. Presently we are letting go quite a lot of orders especially like let us say coastguard, the coastguard is almost say 200-vessel coastguard and the coastguard vessel, we are hardly handling anything. There is a major requirement and then all sorts of offshore, the smaller offshore vessels and all sorts of port vessels. So, the smaller vessels currently what is coming in Cochin Shipyard, for example this complete Lakshadweep vessels is being handled by the Cochin Main yard today. We may shift the entire Lakshadweep Vessel to the ISRF, once ISRF is completed .Mumbai already what we are seeing just five docking down the line is that there is quite some demand. However things are yet to stabilize because each packet size is small, but we have also seen now larger size is coming to us, larger requirement coming to us. Just for your information Magazon Dock submarine was taken in the dock Wwe also handled a weapons grade warship which is already in the dock and we also handled the ONGC's multipurpose support vessel. So, different type of vessels are being handled in Mumbai, so the overall feel is between Cochin main yard, ISFR and Mumbai there would be enough mix and match and from a marketing perspective, we are handling this altogether.

Jonas Bhutta;

Got it and lastly Sir, for the phase 3 of IAC, will you get an advance?

Madhu S. Nair:

There is no advance, but once we sign the contract we can take the money pertaining the Phase III work completed by us without the contract.

Jonas Bhutta;

Got it. Thanks a lot Sir. Thank you. That's it from my side.

Moderator:

Thank you. The next question is from the line of Kamal Vesaria from KM Vesaria Family Trust. Please go ahead.

Kamal Vesaria:

Could you throw some light on the IAC 2 with reference to the continuity of the same government,, where we stand now?

Madhu S. Nair:

That is a difficult question because we also do not have much of an information at this stage and I think it is a big ticket call, so we will have to really see some indications coming from the government, but in our interactions with the Navy, the navy feels extremely confident that this will come through but the timing, I am not in a position to comment.

- Kamal Vesaria:** Thank you.
- Moderator:** Thank you. The next question is from the line of Sandeep Tulsian from JM Financial. Please go ahead.
- Sandeep Tulsian:** Sir, I just had one followup question, this Ind-AS impact that we have taken where revenue is higher by Rs. 35 Crore and expenses are lower by Rs. 5 Crore for this QTR, net impact of Rs.40 Crore on PBT has it entirely been done in Q4 and within segmental sales, how much has been adjusted under which head?
- Madhu S. Nair:** No, that is for the whole year, impact is for the whole year.
- Sandeep Tulsian:** But that has been adjusted in the Q4 numbers, right?
- V J Jose:** No, the entire amount has not been adjusted in the Q4, that has been adjusted over a period of time from Q1 because Ind-AS 115 we have introduced from Q1 onwards, so some impact has happened in Q4, but only this time we have disclosed it separately.
- Sandeep Tulsian:** Understood, so we should not look at the revenue minus Rs. 35 Crore?
- Madhu S. Nair:** No, for the quarter.
- Sandeep Tulsian:** And, second just a quick one on this Russian AFCs for the aircraft carrier , IAC, by when are they expected, because those will be large value items and the revenue is expected to spike after...?
- Madhu S. Nair:** The thing is actually some of this we are already doing it now, but in the absence of a phase 3 contract signed we have recognized the revenue to the extent of cost booked and what Mr. Jose was explaining the moment we have the phase 3 contract whatever work we have already done we will recognize revenue. So, you could actually see a spike when we sign the contract.
- Sandeep Tulsian:** I understood Sir. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Ronak Vora from AUM Advisors. Please go ahead.

Ronak Vora: Sir, can you just give me the timeline for the completion of the ISRF and dry dock?

Madhu S. Nair: See, the ISRF rightly speaking the original schedule we had given was 2019 October, but now we are looking at 2020 around August.

Ronak Vora: So, one year?

Madhu S. Nair: Yes, we had some difficulties in fact we are tiding over it and a little bit of delay from Simplex. We had ordered the ship lift from Germany and that has gone through some challenges because of some company takeover over there and, so again Simplex also faced some delays because of starting with the flooding and the monsoon then it was all slush they could not actually move forward plus certain other difficulties, but then we have pushed the deliveries today to 2020 August. ,The dry dock is a 36 months contracted with Larsen & Toubro and started in June 2018, so June 2021 is where we have headed and currently as we are speaking it is on schedule.

Ronak Vora: And the dry dock is on schedule, right?

Madhu S. Nair: Yes, dry dock is on schedule right now.

Ronak Vora: And when do we see sign the phase 3 for IAC?

Madhu S. Nair: Let us say anytime now. It is at that level, all discussions are over, so it is just a final call and let us say two months something like that.

Ronak Vora: So maybe the next conference call we will hear the good news?

Madhu S. Nair: It is only a formality of going through, but then since the elections were around then like they could not take it forward.

Ronak Vora: Okay. No problem. That is from my side. Thank you.

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

Madhu S. Nair: Thank you gentlemen. Thanks for all the questions and as we said we are pushing forward hard. There are some challenges here and there, but overall, it's been a

satisfying year. We have as you are aware like we do this MoU with the government every year. So, for the next year we have taken in MoU target, which is what I was talking like the topline should grow 12% to 14% and profit margins also consistent with what we have this year and we hope to keep you informed as we move forward, if there are any significant changes, plus or minus, but as we are speaking we are feel confident taking things forwards into FY2020. Thank you. Thanks for joining us.

Moderator:

Thank you very much Sir. Ladies and gentlemen, on behalf of Concept Investor Relations and Reliance Securities Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines. Should you have any further questions you could send an email to gaurav.g@conceptpr.com. Thank you and have a good day.