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

Dear Sir / Madam,

Subject: Transcript of CSL Q1FY21 Earnings Conference Call

1. Please find attached herewith the transcript of conference call conducted on Monday, August 17, 2020 at 16:00 hrs. to discuss CSL's Q1FY21 Results and the road ahead.

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

Thanking you,

For Cochin Shipyard Limited

Syamkamal N

Syamkamal N
Company Secretary &
Compliance Officer

"Cochin Shipyard Limited Q1FY21 Earnings Conference Call"

August 17th, 2020

MANAGEMENT: **SHRI. JOSE V J – DIRECTOR (FINANCE)**

SHRI. RAJESH GOPALAKRISHNAN – GENERAL MANAGER (BUSINESS DEVELOPMENT & NEW PROJECTS)

SHRI. SHIBU JOHN – DGM (FINANCE)

SHRI. SYAMKAMAL N –COMPANY SECRETARY

Cochin Shipyard Limited

Q1 FY-21 Earnings Conference Call

August 17, 2020

Moderator: Good evening ladies and gentlemen, I am Faizan, moderator for this conference. Welcome to the Conference Call of Cochin Shipyard Limited, arranged by Concept Investor Relations to discuss its First Quarter Results ended June 30th, 2020. We have with us today, Shri V J Jose, Director (Finance), Shri Rajesh Gopalakrishnan - General Manager (Business Development & New Projects), Shri Shibu John – Deputy General Manager (Finance), Shri Syamkamal N – Company Secretary. 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 Shri V J Jose, Director (Finance). Thank you and over to you sir.

Jose V J: Good evening all. Welcome to the con call of Cochin Shipyard Limited for Q1 June 30th. And, I am Jose VJ, Director Finance. I have with me Mr. Rajesh Gopalakrishnan - General Manager (Business Development), Mr. Shibu John – DGM (Finance) and Mr. Syamkamal – Company Secretary. Hope all of you have seen our limited reviewed results, which has been published and also the PowerPoint presentation uploaded on the website. Today I'll just give a brief on the performance of the last quarter. As stated, the COVID pandemic has affected the performance of CSL adversely. But we were able to report a PAT of Rs.43 crores as against Rs.120 crore reporter last quarter, despite various constraints the turnover for the quarter was Rs.332 crore as against Rs.737 crore reported last year same period, a drop of around 55% and PBT of around Rs.58 crore as against Rs.186 crore reported last year, same period, a drop of 69%. And PAT of around Rs.43 crore a drop of around 65%.

Several constraints have been faced by the yard despite resuming operations on 6th May. We had 100% production loss for 25 days in Q1. Then while the operations resumed from 6th May, we could operate only with 50% strength complying social distancing and other safety norms. And there were non-availability of materials and equipment both in shipbuilding and ship repair front. Since all the suppliers have invokved force majeure clauses and our Mumbai ship repair unit was fully closed during the entire Q1. In the ship repair front, certain confirmed ship repair orders planned for Q1 were either cancelled or deferred. In certain cases, the ship owners reduced the scope of work due to liquidity issues. International and interstate travel restrictions still continues, hence there is a non-availability of service and OEM engineers to do commissioning and other works. These factors have adversely affected the financial performance of the company in Q1. In the CAPEX front also, both our ISRF and Dry Dock both have been impacted adversely.

Both the projects were having substantial portion of civil work and this work was being carried out by a large number of migrant laborers. Consequent to COVID-19, all the migrant labors went back to their native places. While we were able to bring back certain number of laborers during the month of July, some of them again went back now, since the number of cases in Kerala is increasing now, further due to the night curfew imposed by the local administration, no works were happening during the night also. And there also we faced difficulties in non-availability of materials and equipment. So, on account of the above factors, the physical progress on both CAPEX are very low during Q1.

The company is taking all efforts to ramp up the operations in both shipbuilding and ship repair through various proactive measures. The company has already introduced two shift systems for employees on a permanent basis. Now, the company is working from 7am to 10pm every day, similarly various cost cutting measures are being introduced to ensure liquidity and to improve productivity. We have also resumed our operations in Mumbai ship repair unit. Therefore you can see improvement in financial performance from Q2 onwards. With this I conclude my opening remark and we will now take your questions one by one.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Ramesh Damani from Ramesh Damani Finance. Please go ahead.

Ramesh Damani: I just have a couple of quick questions for you. The first question is that, I want to understand your ship repair business. I understand this is a tough quarter but, if you look at over 5-10 year view, what do you expect the ship repair business to grow, once we assume we come back out of COVID-19 over a 10 year period what is the compound annual growth rate that we can foresee in the ship repair business. Considering you're putting so much CAPEX and so much effort on this business, and the fact that it's almost a monopolistic business for you, I want to understand what the growth trajectory is. Secondly, I want to know how this Atmanirbhar policy on the defense, particularly what the Defense Minister lays out, how does that help our company, can you give us an impetus as to how that will help you and last but very small question, your order book currently is about Rs. 14,000 crores and one thing is clear the order is too small considering the cycle for this business, maybe six or seven years. So would you just comment on these three questions please?

Jose V J: See in ship repair we have been growing around 20% to 25% every year for the last three years and considering the additional capacities being introduced in Mumbai, Kolkata and Andamans, we assume that we will grow at the same 20%, 25% level every year for the next three years, we'll reach around Rs 1000 -Rs1200 Crs turnover, that's what we expect.

Ramesh Damani: And beyond that your visibility, do you think you can grow this business for 10 years at 20% maybe?

Jose V J: It would be difficult to sustain 20%, but around 12% we can sustain the growth.

Ramesh Damani: Over decade or so, 12% to 15% over a decade or so?

Jose V J: Yes..

Rajesh Gopalakrishnan: Mr. Damani, this is Rajesh here. Atmanirbhar actually, definitely there is bound to be a little bit of impact on that. But actually what CSL is right now thinking of is, we want to actually tap into the international business because the new Dry Dock which is coming up is a big Dry Dock 300 meter, where we want to bring in the bigger commercial vessels, so for on the ship repair side, while Atmanirbhar will definitely fill up the upcoming infrastructure and capacities that we're building up, our focus would be to bring in the bigger, larger commercial vessels from the international liners. So that, that would be big business that you are looking at and that is where we want to actually expand our marketing into the international stronghold like Singapore and Hong Kong, where you have big shipping company, predominantly managed by Indians and we want to tap into these vessels that take international sea route path passing India. That is one area that we have been planning and we are planning to move ahead. Atmanirbhar definitely because all captive projects will now have to be done in India. So that is going to have an impact as well for sure.

Ramesh Damani: Okay. And the third one is, we are concerned is that the size of order book is too small in an industry that is looks for six, seven year projects, you only have visibility for three years?

Rajesh Gopalakrishnan: Yeah. Appreciate that because our target is also like, if you look at it based on our current revenues, three to four years is what we should always have in the order book. So, that is why we are not letting off any of the major defense vendors that are coming in, we need a couple of big orders as well to make sure that we are safe on that side and we are going after these big high value tenders and things that are coming up, we are not missing out on any of those. So, that definitely is on our minds, while we also feel that all these additional capacities will also help us in ramping up the order book because again coming back from to the topic, we would also be wanting to target major conversions and up gradations of offshore and vessels and rig, which again are high value. So, again there are certain conversions so these are areas which we have in mind and we should actually be able to tap into those new areas. So, that like you said comfort is always four years ahead, compared to the turnover that we have each year. So, the target that we have for the business development group is worked out accordingly

Ramesh Damani: Right. But there is the order pipeline robust enough that you are expecting some bigger orders over the next few years?

Rajesh Gopalakrishnan: Hopefully because as I said, there are a lot of projects that we are bidding for and I'm, sure that, it's not that we'll end up losing everything. So definitely we would of course go in and bid competitively and aggressively but, we are not a company that would go and do some hera pheri, it's not the way we do. But definitely, we would like to land a couple of major ones over the next year or so.

Ramesh Damani: Just a follow up, if you are so aggressively doing the ISRF and Dry Dock facilities and you mentioned you want to get international business. If you manage to secure that can you go 20% you think, is it possible that you shape up the ship repair businesses about 20%?

Rajesh Gopalakrishnan: 40% on top line?

Ramesh Damani: 20% on the topline?

Rajesh Gopalakrishnan: 20% we should be able to do, definitely I heard it as 40% sorry.

Ramesh Damani: No, 20% over the next 10 year can you compound as 20% over the next 10 years that business?

Rajesh Gopalakrishnan: I might be asking for too much if I commit that now, but like DF was mentioning, we would aim for around 15% but 12% is what we always sort of commit when we are on such calls with our investors.

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

Jonas Bhutta: Sir one comment that you've made in the Q4 call was that, Navy had sharply cut the budget starting April, so and that was likely to create some bit of stress on working capital. If you can highlight it, there's been any improvement to that account and has the Navy or the MOD now given you some bit of line of sight on cash flows during the year?

Jose V J: Yes, Jonas. Now we have started receiving collections from Navy. Indian Navy has released around Rs 900 crs during Q1 that is as expected, and in the ship repair front also we have received some money but the major chunk is yet to receive but they have started releasing funds.

Jonas Bhutta: Okay. So you do not expect, the level of stress of working capital that you expected at the start of the year, or do you think that is still?

Jose V J: No, we don't see any liquidity issue as of now, we can manage it and we are constantly following with Navy and other customers and they have started releasing money in bits and pieces.

Jonas Bhutta: My second question sir was on, if Rajesh can sort of comment on so, the next gen missile vessels was made part of that list of 100 odd projects that the Ministry of Defense announced that they need to necessarily be made in India. So what is that, that was always going to be the case, so there was no surprising element in that right that the next gen missile vessels will be made only in India, or is this sort of even warrant you to now completely make the components or source the components also from India. If you can elaborate on how the tenders will shape up given, the recent announcements by the MOD?

Rajesh Gopalakrishnan: Jonas you are right, all along this project was actually what they call the IDDI, indigenously designed and developed in India. But having said that, there is a provision there also for a certain extent of foreign content to come in because as you would appreciate, India doesn't, right now manufacture the entire, all the equipment or the systems that go on board the ship. So, there's a provision but, like you said there's no surprises there, this RFP was already there, but it's been included, probably so that in future these are projects where India would like to do 100% of it in the country.

Jonas Bhutta: Got it. So has there been any movement during the quarter on this or it's still, the tender still remains in the RFP stage?

Rajesh Gopalakrishnan: No, as regards the missile vessel which was already submitted, so we are just waiting for the next move from the Navy.

Jonas Bhutta: Okay. My last question and then I'll come back in the queue. If Jose sir can give us the breakup of the shipbuilding revenue into IAC non-IAC, cost plus and fixed price?

Jose V J: Yes, shipbuilding total revenue earned from shipbuilding is Rs.316 crore out of that IAC is RS.261 crore and other shipbuilding is Rs.56 crore and out of Rs.261 crore of IAC, cost plus part is Rs.186 crores and fixed price is Rs.75 crore.

Moderator: Thank you. The next question is from the line of Swechha Jain from ANS Wealth. Please go ahead.

Swechha Jain: Sir I have few questions, one is, just a follow up question on the order book of Rs.14,000 crores typically in how many years can be assumed this would be completed, and whether any new orders bided for in Q1 FY21 especially there were some bids, which the company was supposed to submit to Navy regarding the SMV and MPV vessels?

Rajesh Gopalakrishnan: Yes, the order book currently would suffice for around three years, right now as we speak. And the bids which you have mentioned are actually, we had mentioned about bids going in for new generation offshore patrol vessels then some multipurpose vessels. So these and there was one more which we were talking about one second. Yes, there was this in New Generation Missiles (NGM) and Offshore Patrol Vessels (OPV) and the multipurpose vessels. So altogether that's sort of Rs.12,000 to Rs.13,000 crore value of bids that are being submitted. So those are still in the process of being submitted.

Swechha Jain: Okay. And sir from the current order book, will you be able to give us a breakup in terms of percentage as to, what percentage is on cost plus basis and what percentage is on fixed price?

Jose V J: Cost plus is Rs.3800 crore and fixed price is around Rs.2470.

Swechha Jain: Okay. And so just two more questions, if you can just help us with the cash position as on June 30th. And see EBITDA has kind of reduced to 25% in this quarter. So can we assume for this year or for next couple of quarters, we would maintain the EBITDA margin at 25% on an overall basis?

Jose V J: Yes, the cash position as on 30th June is around Rs.1950 crore and EBITDA at 25%, EBITDA is including other income. In you remove the other income from the EBITDA our normal EBITDA is around 20% to 21% but this year must be around 19% .

Moderator: Thank you. The next question is from the line of Harshit Kampani from JM Financial. Please go ahead.

Harshit Kampani: Sir, I have two questions. Firstly, in regards to the ban on the 101 import items, which areas in sense Corvettes or cargo vessels or fishing vessels, which areas can we see a big pickup in inflows, that's the first thing and the second thing is that, given a small indigenization that is going to happen in India. Is it a fair understanding that in the long run shipbuilding orders will be coming in at around 7.5% margins. Thank you.

Rajesh Gopalakrishnan: Yes, as regards to your first question, basically the 101 list items, on which India is trying to put this embargo is all defense related so it doesn't really affect the other set of vessels like fishing vessels or whatever this is predominantly the, there are around 11 to 12 type variants of defense systems that have come into that list. I didn't get your second question, can you just repeat?

Harshit Kampani: Yes, so in the future as more of indigenization that's going to happen and more of Make in India, is it a fair understanding that as per the MOD norms you know, making India is it a fair understanding and as per the MOD norms of giving orders at 7.5% margins. Is it what the ship building marginal long and 7.5% percent so, the new orders we book?

Rajesh Gopalakrishnan: See actually the MOD doesn't really give , earlier MOD had this method of cost plus contract, now a days it is all competitive tenders and fixed price contracts. So, this 7.5% margin as a standard margin across contracts is not applicable even as we speak. So surely in special cases where we have this cost plus provision, there you have that margin, otherwise it's the margin that you manage through a competitive bidding process. And that's, what's been going on for all the current projects itself.

Harshit Kampani: Okay, sure thanks. And can I get the revenue for ASW and the existing backlog for that on order?

Jose V J: See the existing backlog is around Rs. 6311 crore and so far we had not booked any revenue from ASW till Q1. So from Q3 onwards, we will start booking revenue from ASW.

Moderator: Thank you. The next question is from the line of Umesh Raut from Yes Securities. Please go ahead.

Umesh Raut: Sir my first question pertains to ASW shallow water craft order. So, as you said we will start booking revenue from that project in third quarter. So, do you see sir any delay happening on that front because of the non-availability of material or because of the travel restrictions which are in place right now or because of some of the concerns that you have in terms of labor. So, any thought on that project?

Rajesh Gopalakrishnan: As we speak, if the project is going through the design and the planning phase. And so, as such we're not expecting anything, hoping by the time we get into the production as DF was mentioning, if the situation worldwide eases out and we are not having any major challenges on the material front. We shouldn't actually; we are planning for any major delays on that project as of now.

Umesh Raut: Okay. Sir second questions on the export order, you have received one order in the quarter. So just wanted to understand the three or five year horizon from the five year horizon period what kind of potential or target we are seeing from the export market?

Rajesh Gopalakrishnan: The export shipbuilding segment have been very, very low over the last five to six years. Post 2008, it's not really picked up, it's almost a decade now. And it was just showing signs of picking up when we ran into this pandemic. Having said that where we are also trying to focus nowadays where there is more innovation and technology and that is why this particular order which is picked up this quarter is extremely important for us. Value wise it's two vessels of Rs.120 crores, but these are probably going to be the first autonomous Ro-Ro vessels in the world, which means vessels which can run without any operator on board or crew on board. So, in that sense, India getting a chance to do this is something really big for us and for the country as well. So, maybe going into the future and looking at the way things are changing, Whether it's technology or disruptions all over, probably technology is where we should focus on and that's why we were very keen on taking this order. And what helped us was the track record on earlier export orders that we had because you would appreciate that during this COVID scenario, there was no way that the client could come and assess us physically so it all happened remotely. All our previous deliveries and track records and goodwill helped a lot. So right now as we speak we have two orders for those two autonomous vessels. And there is an option for two more, the owner will decide whether or not to exercise he has been given a window of around six months to take a decision. So, what I'm trying to say is when you talk about exports in the conventional export market is still down and out and the situation whether it is the pandemic or the overall business scenarios is not really going to help that market swinging in towards favor of shipbuilding very quickly. We felt, probably technology is where we need to look at and at least we've got the breakthrough. We would like to build upon that further.

Umesh Raut: Okay, got it. Sir if I squeeze in one more, on the ship repair side you discussed in the last call that you would be targeting somewhere around Rs.550 crore for FY21. And you are also expecting INS Vikramaditya order to come in FY22 or maybe early part of the FY23. So just wanted to have your updated guidance on it?

Rajesh Gopalakrishnan: The targeted turnover what we still remains and we are on course. As regard, Vikramaditya no movement has been seen from the Navy as of now. So we're still waiting, we do not know whether they have any change in plans or anything, but till now there is nothing that has been officially communicated. But what we understand is, like we said latter half of FY22 or early FY23. The vessel is due for repair so that was what we had mentioned last time.

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

Aditya Mongia: The first question was on the Atmanirbhar thing, I wanted to check with you 11 to 12 vessel type that are non-COVID and this period, I wanted to get a sense on you whether past ordering of these vessels was largely given to domestic vendors or foreign vendors?

Rajesh Gopalakrishnan: Sorry, we didn't get you.

Aditya Mongia: So, the question was that the 11 to 12 vessel type that are now included in the list of 101 items as per the Atmanirbhar plan, were orders given for these vessels in the past typically going?

Rajesh Gopalakrishnan: There are around 11 to 12 types of vessels which have been included in the 101 item list issued by Prime Minister Modi. These vessels which have either been built or which are currently being built, already built or currently being built and there are a few vessels which are under tendering stage. So, these are vessels that are already sort of which all of us are aware can be built in India.

Aditya Mongia: Okay. So the second question was moving on the pipeline of orders for this year beyond the Rs.13,000 crores of order that we have already highlighted to share more colors on the pipeline?

Rajesh Gopalakrishnan: That was what I just mentioned, we are putting in bids for around Rs.10,000 crores, three, four major projects from the Navy which are all in the bidding stage while we carry on, looking out for private and commercial orders as well.

Aditya Mongia: Okay, any large central or private commercial orders that are in the fray for this?

Rajesh Gopalakrishnan: Couple of strong enquiries which we are pursuing very closely, but too early stages to, indicate any anything concrete.

Aditya Mongia: Sure. Last question from my side, you obviously have a cost plus portion of your backlog. Once that cost plus portion that completely executed, do you see any meaningful change in your overall margins profile?

Jose V J: We get around 10% to 12% only in cost plus. Actually margin is more than the fixed price portion of IAC.

Aditya Mongia: Sure. So, what you are suggesting is that the margin profile should be steady or improve once the Rs. 2000 mark crore of cost plus, pardon me if I am wrong?

Jose V J: Not really because now Navy is following bidding system for all the tenders, though the margin will be slightly lesser because here the cost plus part in the IAC it is a nomination order so the margin is slightly higher than what they normally get. But here after, Navy would be doing all the tenders through bidding process. So we have to quote competitively and then naturally the margin will be slightly lesser.

Moderator: Thank you. The next question is from the line of Hiten Boricha from Sequent Investment. Please go ahead.

Hiten Boricha: Sir my first question is on the CAPEX side, you mentioned that our CAPEX plans are going slow because of migrant labor issues. So any changes in our guidance of RS.290 crore?

Jose V J: No, we will be spending around Rs.290 crore, in place of our original target for Rs.600 crore, due to the COVID we have revised downwards to Rs.290 crore, so that remains.

Hiten Boricha: Okay. And my second question is on the revenue side sir, you mentioned that we are facing certain equipment issues due to lockdown and other supply chain issue. So just wanted to understand what kind of revenue are we looking for FY21?

Jose V J: We were always guiding around 12% growth every year. But this year it may not be possible to grow at that size. What we are trying is at least at par with the last year or near to that that's what we are targeting now.

Hiten Boricha: Okay. So we will see a flat kind of revenue in this year, right?

Jose V J: Yes.

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

Tanmay: My question was already answered. Thank you.

Moderator: Thank you. The next question is from line of Devesh Jhanwar from Jhawar Tradecom LLP. Please go ahead.

Devesh Jhanwar: Yes, sir my question is that the Euro has moved up significantly, will it impact the margins of ship building. How much will.

Jose V J: Can you repeat that question once again?

Devesh Jhanwar: Yes, Euro has moved up significantly so what will be the impact of that on the ship building margins?

Jose V J: You are talking about Euro?

Rajesh Gopalakrishnan: Yes. Right now as we speak there is no project which has a major implication. But there is a Euro component on anti-submarine warfare project which is not yet moved into the full scale procurement phase. So, we are just waiting and watching so hopefully by that time things will improve.

Devesh Jhanwar: Sir and my second question was any updates on Tebma Shipyard and how much is it contributing towards the revenue in the ship building or ship repair side?

Rajesh Gopalakrishnan: Yes, Tebma shipyard is right now, you are aware that the NCLT order has been passed and we are the successful resolution applicant, so there was a period of 90 days, 90 days from the effective date by which we should have paid up and completed the process. But then due to this lockdown and later the constraints there has been a further extension and right now, we are looking at concluding the process by around mid to end September. So, you're also probably aware that, that facility has been lying idle for a few years now. And so once we take over we would need a few months for the initial maintenance and bringing it, making the facility live again. So, it will be only after that we would start physical, production in that facility. So it's, four to five months before and hopefully if things don't worsen out on the pandemic front we are actually trying to see whether we can move a team immediately there but you would appreciate that the current situation doesn't permit that. But anyway we would like, we were, we are aiming to complete this resolution process over the next one month and take over and start maintenance so that the earliest possible we can start the production and generating revenues.

Moderator: Thank you. The next question is from the line of Anurag Patil from Roha Asset Managers. Please go ahead.

Anurag Patil: Sir out of this Rs.1950 crore cash, how much are the own funds?

Jose V J: Pardon?

Anurag Patil: Out of Rs.1950 crore total cash position, what will be the own funds?

Jose V J: Own funds will be around almost 100% but out of Rs.1950 crore, Rs.118 crore is the proceeds from IPO, and out of the remaining company's own fund, Rs.1100 crore has been earmarked for the two CAPEX.

Anurag Patil: Okay. Then second question the Rs.12,500 crore backlog of Indian Navy order. Can you give possible revenue booking of this order over next three years any ballpark numbers?

Jose V J: Maybe around, between Rs.2000 crore and Rs.3000 crore every year from Navy.

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

Jonas Bhutta: Two quick questions. Firstly, have we committed to the Navy on the revised delivery date of the IAC or that is still open ended as of now?

Jose V J: Basin trial of IAC was originally planned for April 19. Now the same has been shifted to September or mid-October. So, for similar shift will be there in the delivery period also.

Jonas Bhutta: Okay, so you're saying that almost Rs.6000 crore revenues or they're about almost Rs.5000 crore of revenues will be booked post-delivery?

Jose V J: Yes.

Jonas Bhutta: Or the post basin trial, fair assumption?

Jose V J: No, please repeat.

Jonas Bhutta: Sir basically today we have an unexecuted order book on the IAC of almost Rs.6200 crores by September, October or maybe even by December you would have booked maybe about 1000 crores of revenue on that. So once the basin trial, so there will still be a pending order book of almost Rs.5000 crores which will be revenue recognized only post-delivery, that's the fair assumption?

Jose V J: No, post-delivery revenue will be around Rs.2000, Rs.2500 crore totally for two years.

Jonas Bhutta: Sir, Rs.2500 will be booked when sir?

Jose V J: See out of Rs.6000 crore, Rs.4000 crore will be booked during pre-delivery. And post-delivery will be around Rs.2000 to Rs.2500 crs.

Jonas Bhutta: Okay, so the Rs.4000 is by September next year as in September 21?

Jose V J: Yes. Ballpark figure around Rs.2000, Rs.2300 crore every year from IAC for next two years, this year and next year.

Jonas Bhutta: And so this year also despite just doing about Rs.200, Rs.300 crores in the first quarter you think that you should be able to get to that Rs.2400 crore number on the IAC that you did last year?

Jose V J: That's that's we are trying.

Jonas Bhutta: Sir, the other question I had was the non-IAC, non-ASW part of your shipbuilding order book is about Rs.1300, Rs.1400 crore as of now, whereas the revenue last year was about Rs.450 odd crores or Rs.475 crores on that. How will this Rs.1400 crores get executed over what timeframes should we assume, should assume that same run rate of over Rs.50 crore?

Jose V J: This year it will be more than that, this year we are expecting around 800 to 900 crores because two, three vessels are scheduled for delivery this year.

Jonas Bhutta: Okay, so this year then on-defense shipbuilding will be about Rs.800 to Rs.900 crores?

Jose V J: Yes, including ASW.

Jonas Bhutta: Including ASW?

Jose V J: Yes, it's including ASW. So, you can take out around Rs.150 crores from that to remove ASW.

Jonas Bhutta: Okay. And the last one was sir, and maybe you can help me understand. So then we bid for the ASW Corvette order which was almost 24 months now, what was the level of localization at that point in time in the bid that was assumed and now has there been a major change given, what has happened to the currency. So if you can talk in, if at all possible, precise numbers like at the time of the bid you would assume what 30% localization content of the equipment excluding hull, and now has there been a material change in that, that will help us understand the margin trajectory of that business of that particular project, at least in the near term sir and that's my last question.

Rajesh Gopalakrishnan: Jonas right now as we speak, we do not see much of an impact of that coming in. But, this is a long drawn project. So, fs there a specific improvement and India is able to liver, there are certain set of major equipment's which is otherwise coming through BHEL or BEL and all that, so otherwise the major equipment as we are looking at for import on this project is still likely to come from abroad. I don't think, at least by the time we are moving into this project, there could be a change. But something like that.

Jonas Bhutta: Sorry, my question was more from the perspective of the Forex movement that we've seen, ever since bids been open to when you're going to start execution. Have you sort of managed to offset a bit of that in negative impact through trying to procure stuff locally and it was not more from, and it's not from the 101-negative list?

Rajesh Gopalakrishnan: Yes, exactly as we had explained earlier Jonas, what we have done is we are sort of working out a package deal with BEL so that we are able to handle a lot of things through BEL , it's a total package that we're trying to work out and that IS under discussion. So, you negate a certain percentage of the risk that is coming from that Forex thing that we were talking about and that is moving ahead. So, that action haS already been sort of taken on the procurement side.

Jonas Bhutta: So the margin profile that you expected on the project remains right?

Rajesh Gopalakrishnan: Yes, as of now it still remains.

Moderator: Thank you. The next question is from the line of Swechha Jain from ANS Wealth. Please go ahead.

Swechha Jain: I just have one follow up question regarding the ASW backlog of Rs.6500 crores. So you mentioned that Rs.150 crores is likely to be received this year. So the balance Rs. 6350 crores what should we assume in typically how many years do we expect this revenue to be booked?

Jose V J: The revenue recognition is based on the percentage completion, actually not based on the actual amount received. If you see we have already received a 10% of Rs6,300 crs which was due on signing the contract and another 10% we have already raised the invoice but we have not received the money so far. But revenue recognition is based on the physical progress of work actually completed in this year. So, this year we are expecting a turnover of Rs.150 crores from that project and from that next year onwards around Rs.1000 crores will be recognized from the project. So, next three years you can see these kind of turnovers from ASW.

Swechha Jain: Okay. So, I can assume 1000 crores for next three years?

Jose V J: On an average.

Moderator: Thank you. The next question is from the line of Ramesh Damani from Ramesh Damani Finance. Please go ahead.

Ramesh Damani: This is just a follow up question on the ship repair business. Based on what I understand you telling me, that for the next three years you can grow this business at about 25% and after that at 12% so if you are starting at Rs. 600 crore by the end of the decade, Rs. 2500 crores for the ship repair business and can we assume a 25% EBITDA margin for that business over a long term, is my understanding correct?

Jose V J: See we are expecting around ship repair business to reach around Rs.1200 crore in next two to three years. And EBITDA margin is around, we can expect around 25% from ship repair.

Ramesh Damani: After three years we look at your four, five can you grow this business at about 12% and if you do that it should double again to Rs.2500 crore?

Rajesh Gopalakrishnan: You are talking about Rs.2500 crores by when?

Ramesh Damani: By 2030, 10 years.

Jose V J: Yes.

Rajesh Gopalakrishnan: That we have in mind.

Ramesh Damani: And you would have 25% EBITDA margin in that business sustainably?

Jose V J: Yes, typically ship repair that's been remaining consistent in that region. What we envisage is that once we grow the business we will have to bring some export orders also by entering some AMC, MOU with big companies like Maersk and all. So, we may have to price it competitively.

Rajesh Gopalakrishnan: When we were talking about the commercial foreign business there the margin might not be as much. So, that is where a little bit of averaging out may happen. So, that is all that we are trying to say.

Ramesh Damani: And are these contracts denominated in, the international contracts which denominate in dollars right, I assume.

Rajesh Gopalakrishnan: Typically international contracts are all private ship owners; they would pick and choose their yard based on both the technical capabilities as well as a commercial competitiveness. So, , as we speak the challenge we are having is that our Dry Docks are full and booked for next six months already. We are not able to go and really pitch commercial business because they always want the vessel to be Dry Dock at short notice, so with expanding capacities we hope to have that availability of Dry Dock at short notice and that is why we want to fit in for these bigger vessels. The advantage there is, while margins may be slightly lesser than what we're talking about today. They all turn around quickly and it's just 10, 15 days of project time so it's the faster turnaround and it helps build a lot of efficiency and professionalism into the system.

And typically, whenever we have tried to do that, in earlier times, we've been successful because five, six years back when we decided to venture out and seek some foreign business we were able to get around 13 vessels from foreign clients. So, we could manage and wherever we have tried to compete we've been able to handle it. So, that business is available, it's just the fact that we don't have the capacity yet.

Jose V J: The currency for export is either euro or dollar.

Ramesh Damani: Sir just a quick follow up, based on the fact that quarter one was basically no revenue from ship repair, are you still confident that you can do a Rs.550 – Rs.600 crore turnover this year in ship repair?

Jose V J: Yes, we are not expecting 600 we are expecting around between 500 and 550.

Moderator: Thank you. As there are no further questions. I would now like to hand the conference over to the management for closing comments.

Rajesh Gopalakrishnan: Thanks a lot to all who have participated today. I hope we've been able to clarify the queries that you've raised. As already conveyed by our Director (Finance) in the opening remarks, we have had the challenges related to the lockdown and loss of production that were there and as we would all appreciate, although we started the operations in early May, ramping up takes time and then by the time you're able to generate the momentum, there is a consequential effect as well. But having said that, Cochin is still comparatively better off compared to a lot of other places in terms of this pandemic situation. Although, the numbers in Kerala and Cochin as well are going up in recent weeks. We are only hoping that we don't end up in too much of a problem and then we can actually continue to pick up momentum. Internally also we have made certain adjustments, we have started shift working arrangement trying to generate more productive hours. So our efforts will continue and hopefully we should be able to sort of, like Director (Finance) was mentioning sustain levels. We're trying to reach the level what we achieved last year at least. So hopefully we should be there and thanks for all the support and thanks for the participating.

Moderator: Thank you. Thank you all for being a part of a conference call. If you need any further information or clarification, please mail at gaurvav.g@conceptpr.com. Ladies and gentlemen this conclude today's conference for today. Thank you for using Chorus Conference Call Service. You may disconnect your lines now. Thank you and have a pleasant day.