कोचीन शिपयार्ड लिमिटेड
(भारत सरकार की श्रेणी-1 मिनिरत्न कंपनी, पत्तन, पोत परिवहन और जलमार्ग मंत्रालय)

COCHIN SHIPYARD LIMITED
(A Government of India Category-1 Miniratna Company, Ministry of Ports, Shipping and Waterways)

SEC/48/2017-63 **June 01, 2022**

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 Conference Call to discuss Q4-FY22 earnings

1. Further to our communication with respect to the conference call to discuss Q4-FY22 earnings of the Company, please find attached herewith the transcript of the said conference call conducted on Thursday, May 26, 2022 at 10.00 A.M.

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

Thanking you,

For Cochin Shipyard Limited

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

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"Cochin Shipyard Limited Q4 FY22 Conference Call"

May 26, 2022

MANAGEMENT:	**MR. MADHU S. NAIR – CHAIRMAN & MANAGING DIRECTOR, COCHIN SHIPYARD LIMITED** **MR. V. J. JOSE - DIRECTOR FINANCE, COCHIN SHIPYARD LIMITED** **MR. SYAM KAMAL N. - COMPANY SECRETARY, COCHIN SHIPYARD LIMITED**
MODERATOR:	**MR. VASTUPAL SHAH – KIRIN ADVISORS**

Moderator: Ladies and gentlemen, good day and welcome to the Cochin Shipyard Limited Q4 FY22 Conference Call hosted by Kirin Advisors. 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. Vastupal Shah. Thank you and over to you, sir.

Vastupal Shah: Thank you. Good morning, everyone. I would like to welcome Shri. Madhu S. Nair - Chairman & Managing Director of Cochin Shipyard Limited; Shri. Jose V. J. - Director Finance and Shri. Syam Kamal N. - Company Secretary of the Cochin Shipyard Limited. Madhuji, over to you, sir.

Madhu S. Nair: Thank you. Good morning, everyone for joining, happy to have all of you here again. The year that has just gone by has been, I should say mix bag for Cochin Shipyard Limited. We have done reasonably well in certain segments. There have been some disappointments. I would just briefly touch upon what has happened in various areas and various teams.

Ship building projects, the key activities were on the indigenous aircraft carrier which has now gone through 3 rounds of sea trial which is a very significant achievement and the vessel is being readied for delivery as early as July of 2022 and for a potential commissioning into the Indian Navy by August 2022, so significant efforts were put on the IAC and from a physical point of view and financial point of view, the IAC attained targets which we had set for ourselves for the year. We also effected deliveries of various vessels, so most of the projects that was in various phases of construction in the company has been delivered now, so we had delivered from the floating border outpost which we are doing nine numbers, six have been delivered, three are in advanced stages and getting ready for delivery next month. 500 Pax vessel had been delivered, the second vessel has completed all trials and is actually just waiting for formalities from the client side to be handed over, so also could happen in fact as early as this month end. We are building a series of boats for the Cochin Water Metro; the total order value is about Rs. 175 crores. We feel disappointment over there, we had delivered one vessel, four are in advanced stages in the company and 16 in various stages in the company, but we have not been able to deliver it, small technical hitches, but as we speak we should be in a position deliver another 4 of those coming months and those vessels are getting delivered. So, all in all there have been deliveries during the last year and the work that is happening right now is, I will probably touch upon it as we move forward.

Ship repair projects generally have been a steady year. Mumbai operations could do better even though we have not been able to attain levels what we wanted, so Mumbai has done about Rs. 85 crores, approximately turnover of 21-22. Kolkata operations has done better than expected, we actually were just expecting to this get started over there, but we have been able to do Kolkata could give a turnover of around Rs. 33-Rs. 34 crores and we had just started the operations in Andamans because COVID got a little bit prolonged in Andamans, there was still travel restrictions into Andamans, so Andamans we have just got started. Otherwise in the Kochi main unit, we had naval projects, we had other projects. Generally, things went well.

On the ship building side, looking into the future, we have been able to secure some new orders and which has been very gratifying for us. We have secured new order for a large dredger for Dredging Corporation of India and this is a very significant win for us because order value is about Rs. 900 crores approximately and in all probability this could go up to 3 vessels. What we have signed now is one vessel, but it could go up to 3 vessels and it is also in cooperation with international leader IHC of Netherlands and this is under the Make in India initiative, so this is a large project that is coming. We have also been successful in concluding contract for 8 numbers multipurpose vessels with the German client and this again is a very significant achievement because this is coming from the what is called the short sea vessel market in Europe and these, the area from where we have got this German order is actually the home of short sea shipping in West Europe, so it is not very easy to break into that group, but we have been welcomed into that group and the first set of orders have been signed.

The next generation missile vessels which we have been talking, you all aware where we are L1, the complete negotiations everything is concluded and it is actually going through the final round of approvals in the Navy. We have been promised prior to June of this year, but we are also getting conflicting signals, there are no issues, but then the process is taking a bit longer than what we probably thought. So, there could be a few more months, but we have still been promised before June. There is nothing to be discussed further, contracts and pricing everything is done with the committees. Why I said it has been generally gratifying is like, you are aware that we have embarked on what we are calling the Cruise 2030 Strategic initiative which we prepared along with the Boston Consulting Group, so segments in the Cruise 2030 which was dredgers, short sea vessels into Europe, we have been able to break into that. Tugs is one significant area that has been mentioned and we have been through subsidiary in Udupi the erstwhile Tebma Shipyard Limited which we have now renamed as Udupi Cochin Shipyard Limited, we have been able to do the first two Tug contracts. So, we have done this with the company called Ocean Sparkle Limited which has you would have seen in the Press which has recently been 100% acquired by the Adani Group, so it is again good to get started with two Tugs which is now potentially going to the Adani Group. So, all in all, the order intake side, we feel we have been comfortable, we have also been strongly talking in Europe and I will touch upon that a little bit later as we move forward.

On the new infrastructure and the CAPEX investments, again it has been disappointing, both on the new Dry Dock project which is being executed by L&T on a turnkey basis, the progress has not been as expected, there has been technical challenges and the revised dates that have been touched now is July 2023 for completion of the civil infrastructure and thereafter the large crane is to be installed, the crane is practically ready in Korea, so it is waiting to be shipped out because we are not in a position to receive it right now, the civil construction is not yet complete, but once the crane comes in, we expect after installation and commissioning Q1, early part of Q2 2024, we should be able to get the Dry Dock up and running.

The next large CAPEX infrastructure has been the international ship repair facility, the ISRF, the ship repair facility which we are creating. It is 78% completed, but then the Turnkey Infrastructure Company that was executing the project Simplex Infrastructure Limited, we had difficulties and we have actually terminated the contract in February after we never wanted to do it, but we thought there was no other option and there have been continuous failures and we have actually terminated those contracts. So, now, we will have to split the balance work into various contracts and then execute it ourselves and that is happening and that is setting back the CAPEX projects by sometime and now the expected completion would be late 2023.

Hooghly Cochin Shipyard Limited which is being executed through the subsidiary in Kolkata, that is complete, the infrastructure is complete, so again delays in a particular crane not being able to be installed by the OEM, it got delayed by almost 6 months that crane installation, but for that crane, everything was completed, so the crane has also now been installed and the facility is ready. We are sensing potential further orders to flow in from Europe, there is a new activity happening in Europe, West Europe, especially in Norway. Green ships and advanced technology vessels and we are talking many projects, simultaneously and we have been received well and you are aware that Cochin Shipyard is currently building set of two vessels which are autonomous zero emission vessels for Norwegian clients which we will be delivering 15th of June, so those projects are giving us good visibility in Europe, so that we expect to continue, so this year, 22-23 we expect to garner more new building orders from Europe for high and advanced vessels. The overall market in the industry, we feel is exciting, international market I am talking, the international market looks exciting, the West European short sea market looks promising, the Norwegian, Scandinavian green vessel market looks promising and we expect to get something more over there. The tugs which India has taken, give their tugs to be operated in India, should be build in India. As I said two vessels already contracted, but we expect further tugs to be done, but tugs we want to do it from the subsidiary in Udupi. Overall, both the subsidiaries, subsidiary in Udupi which has now been rebranded as Udupi Cochin Shipyard Limited is executing projects. They are actually participating in the Cochin Water Metro projects, 8 of the vessels being built by Cochin Shipyard Limited is actually being built at UCSL, they are doing 20 small fishing vessels and they have now got this new tug orders. We are trying from Europe to get some orders into UCSL. HCSL is still waiting for its first order from the commercial side, but as intercorporate within the group what we have done is like there has been a large Rs. 20 crores order which we executed for Kolkata Port Trust that has been handed over to HCSL to get the systems up and running.

Just to talk about system improvements in the company, the company has been operating over the last 10 years on a large SAP platform and this SAP platform we have not migrated to the new S/4 HANA platform, so this migration which has been a significant system improvement migration in the company has happened. The Dassault 3DEXPERIENCE platform which we are now implementing in our design and engineering is almost ready to be rolled out, it has been a tough activity on that because this is the first time that such a large platform which is being used by the industry at large, this being tried out in ship building in the country and we hope the effects of this large scale transformation on the digital plain will unfold as we move forward and it will give us positive effects as we move forward. So, this is overall on what is happening in the company. As I said at the start, a little bit of a mix bag we are looking at year that has just gone by.

The coming year, the present year 22-23, I should actually react a little bit cautiously, it is going to be more or less flat because of the way the present orders are structured, the indigenous aircraft carrier turnover would taper down a little bit, the new large projects which we are having is ASW Corvette which is Rs. 6,000 contract out of which we have booked only Rs. 300 crores till now, but the balance 22-23, it is more in the steel part and the steel part the turnovers will not be much. The larger turnovers will actually come in from the year, 23-24 onwards. So, this year we will face some headwinds on the ship building side. Ship repair should go steady and should improve a fair bit from where we are right now, but overall from a turnover point of view, I think we should be largely flat as we go into 22-23, but 23-24 and 24-25 because the ASW Corvette project will peak, also the next generation missile vessel projects will peak, the 8 vessels which we are doing for the Germans, that turnover significantly will come next financial year that is 23-24, the dredger contract which we have signed now, right now it is in the engineering phase and coming March-April onwards we will start construction on that, so that turnovers will also come in 23-24. So, 22-23 just wanted to be cautious on this because more or less flat, margin should remain generally intact, but as we move forward into next year and 23-24 and 24-25, should see a fairly significant jump from where we are. So, this is just to give a feel of where we are currently and where we could be headed.

With this, I think I can stop and would actually be happy to answer questions. Thanks a lot. Thank you.

Moderator: Thank you very much. Please not this call will run till 11 a.m. We will now begin the question and answer session. We have the first question from the line of Mohit Kumar from DM Capital. Please go ahead.

Mohit Kumar: Sir, my first question is on the next generation missile vehicles and what is the timeline of execution, is it this year?

Madhu S. Nair: It is more than that, it is about 8.5 years.

Mohit Kumar: When you expect this order to be converted into firm order?

Madhu S. Nair: We are actually expecting this by end of June, but maybe I think just to be conservative I think we should give it a few more months, so something between June and September that is what would be better to say.

Mohit Kumar: And sir, what kind of revenue you expect from ASW Corvette in FY23 and FY24 and FY25, I am just trying to figure out all the ramp up will happen?

Madhu S. Nair: The ASW Corvette is FY23, we should be somewhere between Rs. 1,000 to Rs. 1,200 crores and FY24, we should be between Rs. 1,200 to Rs. 1,400 crores.

Mohit Kumar: So, it is largely flattish, 2024?

Madhu S. Nair: This year 22-23, from the ASW Corvette we are expecting only about 600 levels. So, from 600, we will go to about 1000-1200 and then we will go to 1200 to 1400 levels.

Mohit Kumar: And how do you see the ship repair panning out in FY23, can you give just a number?

Madhu S. Nair: So, let me just correct, I got it wrong, so FY23 from the ASW Corvette we are targeting around Rs. 600 crores; FY24, we are targeting about Rs. 1,000 to Rs. 1,200 crores and FY25, we are targeting about Rs. 1,200 to Rs. 1,400 crores.

Mohit Kumar: Sir, my last question is, how do you see the order inflow for the rest of the year, are you expecting some big order to get finalized in this fiscal?

Madhu S. Nair: This fiscal, we are in advanced discussions in Europe on some vessels. We expect to conclude orders, I can't say whether it would be extremely large, but then there are multiple projects which we are looking at, so at least $100 million kind of order should come in current fiscal.

Mohit Kumar: And what was the Navy side, sir, anything which is there?

Madhu S. Nair: Nothing from the Navy this fiscal.

Moderator: Thank you. We have the next question from the line of Sandeep Tulsiyan from JM Financial. Please go ahead.

Sandeep Tulsiyan: The first question is pertaining to the execution profile of the orders which will change materially because the variable price portion of the IAC was in final stages and that will get trim down in FY23 while ASW Corvette execution will pick up, so in this regards, how do you see the margins because what we recall is ASW Corvette order was booked and there was a big gap between the L1 and the final award date between which we had seen significant movement in raw material prices as well as currency, so how do you expect the ship building margins to pan out over the next 2 years if you can guide us?

Madhu S. Nair: So, the ship building margins at an EBIT level, we would be purely from the ship building side, we currently because of the IAC, we have a significantly higher EBIT levels coming in, but over the next 2 years like the ASW and there is still a little bit of IAC to come in, so we could be somewhere around 16% kind of margins at the EBIT levels coming from ship building.

Sandeep Tulsiyan: In FY23?

Madhu S. Nair: Yes, FY23, we could be blended including with what is there in the IAC we could be around we can say slightly more. FY23, the current year, we still have bit of IAC coming in, so the EBIT levels would be about, you can give it about 18% approximately.

Sandeep Tulsiyan: Secondly, you mentioned on the revenue guidance that you might be flat on a full year basis for FY23 which is close to Rs. 3,200 crores, so how will you guide this for each of the segments between ship building and ship repair, what can be the contribution?

Madhu S. Nair: Ship repair would be about Rs. 900 crores out of, we have flat ship repair current year, we have done about 678, so that should go to about Rs. 900 crores, but the balance ship building out of which the IAC could be about Rs. 1,400 crores levels.

Sandeep Tulsiyan: And just some book keeping numbers, from the order book breakup that you have provided in the presentation, IAC still shows that Rs. 2,700 crores, one, if you could tell us how much of revenue was booked in IAC in FY22 last year, the breakup between fixed price and the cost plus portion and what is pending this breakup in the order book between fixed price and cost plus, if you can guide, please?

V. J. Jose: Sandeep, I am Jose here. For FY22 full year, we have booked from fixed price around Rs. 563 crores and remaining is Rs. 1,230 crores from cost plus, so that the total is Rs. 1,793 crores from IAC for FY22.

Sandeep Tulsiyan: And the order book portion for each?

V. J. Jose: And the remaining from the fixed price remaining is around Rs. 1,000 crores and the Rs. 1,700 crores from cost plus, so totally Rs. 2700 crores remaining to be booked.

Sandeep Tulsiyan: And last question from my side is on the future large orders like other than next generation missile vessels, if you can guide us, may be not in FY23, you said nothing from Navy, but if one were to take 2 to 4 year or 5-year view, which are the big contracts which have high probability wins for Cochin Shipyard and any status on IAC to completely scrapped or any plans to revise that, if you can give your thoughts on overall basis, sir please?

Madhu S. Nair: Overall, as I said this is dredger because the dredger, we are going to be about 3 vessels for sure, so you give it approximately Rs. 1,000 crores each, so we have now signed one vessel, the second and third should come in, when giving it 2 to 3 year profile those orders should be coming in. That is for sure. So, let us say, another about Rs. 1,800-Rs. 2,000 crores kind of an order if it comes from the dredges. As I said, Europe, this green shipping area like there are projects which are at advanced stages of discussion, it is hanging around a little bit because many of these projects are also supported by the Norwegian government, so we expect as I said we should be, don't hold me onto this, but then somewhere around 100 million Euro kind of an order should actually come in over the next I give it this fiscal, early part of next fiscal kind of a thing. From the Navy, as you are probably aware, there are no big things that is happening right now, but as we move forward the LPD, Landing Platform Dock that is again coming back, those discussions are happening, so four-vessel LPD should be coming and that is something which we would look at in the pipeline. The second IAC while no firm official discussions are happening, at least there is better energy there and there are at least discussions that is taking place. So, that is positive. That is what I would like to compare right now.

Sandeep Tulsiyan: Understood sir, probably just a comment is that overall pipeline looks a little bit weaker than how it has been in the past, of course this Rs. 10,000 crores vessel.

Madhu S. Nair: That is because if the Navy goes through one large cycle, see if you are looking at Cochin Shipyard between the ASW Corvette it is at Rs. 6,000 crores order and NGM which is Rs. 10,000, these are significant orders. So, Rs. 15,000 crores there are two orders that is coming for Cochin Shipyard, similar orders have gone in elsewhere also. So, when we look at it in the US dollar terms, these are large value contracts that has happened, so we feel generally comfortable because there is no point, just blocking orders, even these two orders as I said right at the start, the NGM last vessel is around 8 to 8.5 years. I think that is generally good to have the back bone. With this back bone, we should actually be getting in the orders of say around 100 million kind of a thing every year if we can garner, then I think we are good.

Sandeep Tulsiyan: No, comment was because our topline if you look at in last 4 years has been close to about Rs. 3,000 crores number and to grow that and of course….

Madhu S. Nair: I do agree, because the growth ship repair will have to grow faster, ship building because there is a particular ramp up that will happen in ship building, but when the ASW and the NGMV comes in, we expect that topline also to grow when the ASW and NGMV happen together we expect that to grow.

Moderator: Thank you. We have the next question from the line of Peter Agnel from Ksema Wealth Management. Please go ahead.

Peter Agnel: Sir, my first question is that if you can give some color on the raw material basket, what was the raw material basket cost last 2-3 years and how do you foresee the raw material pressure going forward?

Madhu S. Nair: If you are alluding to the commodities like steel, the steel pricing has definitely gone up and the newer projects which we had taken, for example the German projects which we had taken, the dredger we have taken, we have factored current steel pricing, it has cooled a little bit over the last let us say 2 months or so, but the steel pricing is actually high. It is something that was around $700-$750 a ton had gone up to around $1,100, $1,200, even slightly more than that per ton, but the good part for us is many of these projects we are doing especially the naval projects are low on steel, so the overall impact is not extremely high, but yes steel price increases are a point of concern for the entire ship building industry and we feel this cooling down which is happening now. We were expecting this cooling down and we feel it will cool down a little bit more. The other major cost increases that has actually happened would be copper has gone up, so electrical cables and this electrical things pricing have gone up a little bit. Because of the petrochem increases, paint costs have actually gone up a little bit, so these were the larger things, but I think from our perspective generally manageable, that is all I would like to say.

Peter Agnel: And sir, in line with the same question, sir, can we assume you have a good, of course it depends on big contracts, so for most of the contracts, do you have a passthrough or?

Madhu S. Nair: No, we don't have a passthrough except on the IAC contract. We don't have a passthrough. All commercial contracts or fixed price contracts, even the naval contracts are fixed price contracts, so you don't have a passthrough, so that is why I said it is actually a point of confirm, but when you are signing a new contract, for example, on the ASW Corvette, it is a contract which has been signed in the past. So, any increases we will have to bear the increases, but what I am saying is the ASW Corvette the entire vessel is just 250 tons of steel and 50 tons of aluminium. So, out of 300 tons even if you see some increases which definitely we don't want that increases, but I think it is manageable over the full project cost.

Peter Agnel: And sir, in terms of revenue guidance, if you can expand a little bit, you had mentioned FY23 will be flat, but for FY24 and FY25, what kind of growth can we expect broadly?

Madhu S. Nair: Up to FY24, we should see anywhere between 16% to 20% growth.

Peter Agnel: And FY25, sir?

Madhu S. Nair: FY25 from that position may be another 12%.

Peter Agnel: And sir, in terms of the export mix, that was the export percentage for last 2-3 years we are having?

Madhu S. Nair: I don't have that figure right away, but the export has been practically nil last 2-3 years, we just have the project for the Norwegian, just one project for the Norwegians, but now we are fetching more. The Cochin Shipyard, if you look at in the past about 5-6 years back, there were fair bit of export percentage that had almost gone to 0 and with this ASKO project it is around 9% and now we will come back a little bit more.

Peter Agnel: Sir, my final question is regarding exports only, just to understand because of the new geopolitical tension, are we taking more order, part one and part two, if the export markets for example Europe which you are throwing some light on to get more orders, are they also following some kind of an Atmanirbhar strategy and because of which we may not get order, can you throw some light on that?

Madhu S. Nair: What you said the geopolitical part, not the Ukraine effect, I don't think we have seen any effect of the Ukraine other than overall price tightening and some decisions being put up to the right a little bit, but we are definitely sensing a liking for a company like Cochin Shipyard in India. Let me put it very clearly, I am not saying anything, I am saying Cochin Shipyard, we have been actively involved in the European market almost now, 18 to 20 years. We are definitely seeing a liking, there is huge warmth in the discussions and there are multiple projects which are being involved. I am not saying all the projects will come towards us, but we are actually being involved on multiple project discussions. So, compared to let us say, the option of taking some of these new advanced technology, new technology vessels to China, people are looking definitely at a place like India, that is for sure, in fact we have seen like even our friends in Chowgule in Goa has secured orders out of Europe. So, this is one thing and the second part you said is like would the Europeans have some sort of Atmanirbhar kind of a thing, they don't have it right now, they are actually like all they want is, for example, the German owners, all they want is, they want some of this equipment to be European make that is not because of Atmanirbhar that is because of serviceability reasons because these vessels are short sea shipping market and it is finally tuned market where you can't take down time, so some of the critical equipment they want European brand we are also otherwise, we didn't have an issue on that, we have been working on many of those equipments. That is not an issue.

Moderator: Thank you. We have the next question from the line of Vijay Goel from ICICI Securities. Please go ahead.

Vijay Goel: Sir, just wanted to understand one thing, what kind of blended EBITDA margin we can expect for next year as we are expecting revenue share from ship repair is going to increase to 28% this year from 20% I think we had in FY22, so what kind of margin differential is there between these two segments?

Madhu S. Nair: Ship repair, we are getting an EBIT level of something like, it depends a little bit, but 21% to 23% kind of a thing and blended EBIT levels, you are talking about current FY23, isn't it?

Vijay Goel: Right.

Madhu S. Nair: So, FY23, 18-19%.

Vijay Goel: On the EBIT level?

Madhu S. Nair: At the EBIT level.

Vijay Goel: And sir, one more thing, you mentioned that in FY23, the revenues from ship repair is expected at Rs. 900 crores, but as on date I think we have order book of about Rs. 500 crores only in ship repair, so are we expecting more orders in ship repair and will be executed in the same year?

Madhu S. Nair: Ship repair, the order we have said if you note, we said approximate, because ship repair order book is a little bit dicey always. We are giving this for a fair bit of guidance only. For ship repair, the order book, we would be participating in something. We are actually fairly close to securing a fairly big order which we expect to be executed in our operations with Mumbai ship repair. So, the confidence is coming from that and it may not have been concluded and in the presentation we wouldn't give things as it is not concluded, but then the targets is coming from the optimism. It is practically done, but then not yet signed, that kind of a thing. And there is a large naval project which is coming in which we expect to do in our Bombay operations.

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

Nikhil: Sir, two things, one is at the AGM you had mentioned when we had raised the question that would we be looking at ship building of say the large vessel like Panamax or Suezmax and you said the focus would only be on the niche segment, now just to understand these niche segments and even in the call you mentioned that the orders which we have got from the German operations are the dredging, what I want to understand is how large are these segments and how is the competition in these segments, then the way we see the profitability in large vessels, **(Inaudible) 41.36**?

Madhu S. Nair: Nikhil, you are coming a little bit broken, I heard what you said on, what is niche and what is the expectations on that, but what was the last part you said, can you repeat that again?

Nikhil: I was trying to understand that how large is the niche segment?

Madhu S. Nair: Let me talk about two spaces as we have, one is this European short sea market. The European short sea market is a set of mid-sized vessels. These are vessels which would be about 7000-8000 tons deadweight, so each of these vessels would be size wise about 120 meter long. Now, these are vessels which operate in the rivers and the coastal areas in Europe, so they travel across the Rhine River Water System, they do trading into the Baltic, they do trading into the Caspian and also across West Europe on the sea coast. Now, this market is fairly big. There are about 2500 ships out there in this market and this fleet is very old. The fleet is about 18-19 year old. So, this fleet will need replacement and when they are trying for replace, they have been waiting, last 4-5 years, they have been waiting because of all this transition that is happening in the energy market, so now this ordering is starting and these guys would order, there would always be numbers here, that is why we are now talking 8 vessels, there are many shipping companies like these and these are all the funds are raised like our mutual fund, they do this, like KG companies and then they raise funds in close groups, part will be funded, so almost 50% will come as equity from Chennai so there is a particular ambience under which this whole market happens and the vessels, there were always be numbers and it is a continual flow. If you can pick up the orders, you can actually pick up large numbers, in fact Chowgule is in India, I mentioned, this has been one company which was active in the slightly smaller niche vessel segment in the past. Chowgule has been a decent company in the past also. They have executed more than 20-25 vessels in the Europe in the past. We are now getting into slightly more larger space, we are doing about 120-130 meter kind of vessels, so we feel if we can deliver these vessels good because these are just clearly European grade vessels of a reasonably high quality. It is not flashy, it doesn't have anything great on it, but it is steady, straight forward thing, but deliver this in good time and at a competitive price, I think there is a fairly large market available there. Similarly on the Scandinavian side, these are advanced vessels getting readied for new energy, it could be ready for methanol, it could be ready for hydrogen, so then the competition is not big and they are comfortable only with companies like Cochin Shipyard or similar in East Europe or some companies, of course, in China which is good on engineering and which are ready to do a little bit high end engineering. So, we feel connected on both these phases.

Nikhil: And any competition from the Greek Shipyard, because they have been doing these for a long period of time?

Madhu S. Nair: Competition is not Greek, one large area of competition is Turkey. Turkey has come up very strong in the past and since they have got a European flavor also. The other areas are East Europe, Romanian Yard, Poland, but from a pricing point of view, we may be able to outsmart the East European. Turkey is always tough and then of course there are this mid-size Chinese Yards.

Nikhil: Secondly, sir, what they are looking at when we are talking to most defence companies and there is a big push on export and to the friendly nations like Philippines, Malaysia and these are all coastal countries bounded by the sea who have their own shipping requirement for their own navy, so is Cochin Shipyard doing anything on those sort or do we have any of the product which we have already delivered, exported to these market, anything which we are looking at probably we can grow up significant way?

Madhu S. Nair: We are aware and we are looking at this phases, but then we haven't seen anything large in these areas because when you are talking about Philippines, Philippines has also got a ship building ecosystem which can actually deliver this thing, so unless there is a governmental involvement or something else we are not very sure whether these markets will open up, but yes, the coast guard vessel, the offshore patrol vessel market is all available, but whether it will mature immediately, I am not too sure. So, we are just watching this phase. We haven't done anything specific over there, but we are ready, we are participating in the narrative, but we haven't seen anything specific happening.

Moderator: Thank you. We have the next question from the line of Kaushik Poddar from KB Capital Market. Please go ahead.

Kaushik Poddar: I just missed it, what is the turnover progression you are looking at, this year will be flat, you said, is it?

Madhu S. Nair: Correct.

Kaushik Poddar: And what about FY24 and 25?

Madhu S. Nair: I said, we could grow at 16% to 20%, FY24; FY25 of 12%.

Kaushik Poddar: And in your segmental reporting, you have given the segment unallocated, there the profit, PBIT has gone up from Rs. 4.55 crores to Rs. 142.96 crores, can you please explain that?

V. J. Jose: That is mainly because we had some other income which is one-off nature. This is because of that. As CMD mentioned we had contract termination for the CAPEX EPC contractor. So, there was some bank guarantee encashment towards that and similarly, there was an arbitration case which was award came in favor of us, so that income was also there, so last although we can see that other income has gone up this year quite a lot because of that.

Kaushik Poddar: And in the ship repair thing, of course you have said that your turnover will go from say Rs. 678 crores this year to Rs. 900 crores, that is fine, but I don't see too many repairs of private ships, is it something you are not looking at?

Madhu S. Nair: No, private ship we do definitely look at, see the whole thing is it is a mix and match of what is the best and what is more profitable. As a general rule, private ship owners especially in India, a foreign ship owner is not just coming for repair, nobody does it that way unless we are active in this area. So, generally, it is the Indian ship owners who actually bring in vessels. We do handle a lot of private ship repairs also, but the money is elsewhere and because if it is a navy or a coast guard or a Shipping Corporation of India or a Dredging Corporation of India, they all have a particular method of planned repairs and they spent money in that particular thing. What a private ship owner does is he comes into a yard like Cochin Shipyard only to do what he can't do elsewhere. He will actually get it done in our dock for underwater work till what they will do with us and then they take it and then ports they use this local workshops and their superintend will handle it themselves and they do it at the lowest ever price, so that is a model for most private ship owners. So, they restrict our part to the say underwater or the critical work, but if it is a navy or coast guard, they do the full package and we are more keen to do it that way, but as we move forward and we build up our new ISRF and the new dry dock, we will go for larger level private from the export market, from the international market. They handle things a little bit differently. Indian ship owners, the private ship owners generally most people are with second hand vessels, they don't want to spend too much on those vessels.

Kaushik Poddar: And lastly, this Dry Dock facility you are putting up, will that make different kind of vessels or is different say higher dead weight?

Madhu S. Nair: No, it is a much larger one.

Kaushik Poddar: And do you think, you said this year the margin is 19%, next year also you see that FY24 also you see the margin at that level or will it come down?

Madhu S. Nair: We are not exactly planning this out, but then 18-19% EBIT levels, think we should be able to hold.

Kaushik Poddar: That is the steady state you are thinking out?

Madhu S. Nair: Correct.

Kaushik Poddar: And irrespective of this raw material price rise and all those things, how do you plan to tackle this variation in raw material prices?

Madhu S. Nair: Raw material price, if we are getting in commercial orders of larger ships, we will have to block the raw material because then the steel costs are a very major factor over there. Today, the vessels we are handling out the mid-sized segment and, let us say, the German vessels, these has got steel, but then it is all happening within a very short time and we have already factored it in and we have actually, there is a little bit of a passthrough kind of a clause which we are building up with them, up or down 5% on either side, nobody talks, but beyond that people chip in, that kind of things which we are trying to do, but on large contracts, we will have to be more cautious. That is where we are.

Kaushik Poddar: So, this 18-19% guidance you are giving, so that should take care of this volatility for FY24-25, beyond that probably?

Madhu S. Nair: It should, we are today like picking orders which were already delivered other than the two large naval orders, anything we are looking at is actually around 24, it won't go beyond that and later part of this year, we will start picking up orders for execution in 24 and beyond and by that time we would have factored in this volatility, so we would have factored in the higher steel cost and the markets will also be ready because the market, say if it is a German client or a Norwegian client, he is also looking at pricing which he is getting from elsewhere and they would have also factored in this cost.

Kaushik Poddar: And lastly, it is a question with longer time frame, last year, I think you have been given an extension for 5 years, how do you see your company that is Cochin Shipyard at the end of your term, where do you see it, what is the destination here?

Madhu S. Nair: The destination we are aiming for is spelt out in our CRUISE 2030, we have, let us say, 2030 target and 2030 roughly internally we have coined about $2 billion company now, even if we fall short, I would be happy if we cross Rs. 10,000 crores by 2030. So, I will leave here early 2026, so by which time, I should admit that COVID and its impact over the last year and a half it has impacted us badly, but then with the large orders which we have, the Rs. 15,000 crores naval orders, certain things which we are seeing in Europe, ship repair is going well, we should do fairly well, we should by the time I leave I think we should be 6,000 and that is the long term direction and let us be clear this is not going to come just from ship building and ship repair, so we will have to be something new also and that is why we have set up this new division called the CSL Strategic and Advanced Solutions. We expect something to come in for that. We expect our two of the subsidiaries to chip in from Udupi and from Kolkata. I would be happy when I leave if I see Rs. 6,000-Rs. 6,500 crores, I think I should be happy.

Kaushik Poddar: And the margin around the same level, right?

Madhu S. Nair: I think these margins we should be able to sustain because without these margins, there is no point doing this business. Ship building, we need to get a particular EBIT levels and ship repair with the challenges and the risks we take, we need to always see 21 to 23% EBIT levels in ship repair. So, we do that blended, we should fall around 18-19%. This is the hope and this is the direction which we are taking.

Kaushik Poddar: Sir, this 21% you are talking off from ship building side, right?

Madhu S. Nair: No, ship repair, 21 to 23% and ship building will be lower, but blended 18 to 19%.

Kaushik Poddar: Thank you. All the best for your remaining term.

Moderator: Thank you. We have the next question from the line of Dixit Doshi from Whitestone Financial. Please go ahead.

Dixit Doshi: My question was, you mentioned that this year we had some one-off income and other income also, so for the full year how much would it be?

Jose V.J: That one-off is around Rs. 86 crores.

Dixit Doshi: 86 for the full year?

Jose V.J: Full year.

Moderator: Thank you. That was the last question. I now hand it to Vastupal Shah for the closing comments.

Vastupal Shah: Thank you. Thanks everyone for joining the conference call of Cochin Shipyard Limited. If you have any queries, you can write us at vastupal@kirinadvisors.com and once more many thanks to management team and all the participants. Thank you.

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