



RESEARCH REPORT MAZDOCK LTD



PREPARED BY:

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About

Mazagon Dock Shipbuilders Limited (MDL), Mumbai, established in 1774, is a prominent shipyard in India. Initially a small dry dock, MDL has evolved into a renowned shipbuilding company. It has constructed 801 vessels since 1960, including warships, submarines, cargo/passenger ships, and offshore platforms.

Key Business

- Ship construction
- Ship repair

Synopsis of Financials

Financial Performance:

- Margins increased dramatically from 15% to 26% in the quarter.
- No LD (Liquidated Damages) refunds this quarter; however, potential LD refunds for two submarines expected in future quarters.
- Release of excess provisions related to destroyer deliveries contributing to improved margins.
- Current order book stands at approximately ₹40,400 crores.
- Revenue targets for FY25 expected to exceed previous year's performance.
- Q4 FY24 results indicate a strong financial performance, with a notable liquidated damages (LD) write back of approximately ₹141 crores in the quarter.
- Total liquidated damages write back for FY24 is approximately ₹300 crores, primarily from two submarines.

Stock data (as 28th Aug 2024)

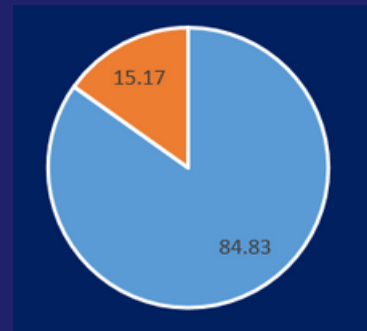
Nifty Price	: 25,002.45
52 week High (in Rs.)	: 5,860
52 week Low (in Rs.)	: 1,742
Market Cap. (in Crore)	: 87,029 Cr.
NSE Code	: MAZDOCK

Stock data



-NIFTY50
-MAZDOCK

Shareholding Pattern (March 2024)



-PUBLIC GROUP
-PROMOTER GROUP

Financial Summary

Particulars	March 2022	March 2023	March 2024
Sales	5,733	7,827	9,467
Sales Growth %	41.64%	36.52%	20.94%
Expenses	5,292	7,027	8,055
Operating Profit	441	801	1,412
OPM %	8%	10%	15%
Net Profit	611	1,119	1,937
EPS in Rs	30.29	55.48	96.04

Quarterly Results

Particular	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Sales	1,702	1,816	2,079	2,173	1,828	2,362	3,104
Expenses	1,585	1,520	1,868	2,001	1,651	1,823	2,580
Operating Profit	118	296	211	172	177	539	524
OPM %	7%	16%	10%	8%	10%	23%	17%
Other Income	164	176	211	233	251	269	349
Interest	1	1	2	1	1	1	1
Depreciation	18	18	20	20	20	20	23
Profit before tax	261	452	400	383	407	786	849
Tax %	25%	25%	26%	25%	25%	25%	26%
Net Profit	214	354	326	314	333	627	663

Source: Screener

Key Ratios

Sr No.	Particulars	Year Ended		% change to preceding year	Explanation for change in the Ratio by more than 25% as Compared to preceding year
		Audited March 31, 2023	Audited March 31, 2022		
a.	Current Ratio (in times) (Current Assets / Current Liabilities)	1.08	1.05	2.58%	-
b.	Debt - Equity Ratio (in times) (Total long - term debt / Shareholder's funds)	N.A	N.A	N.A	-
d.	Return on Equity Ratio (%) (Net Earnings / Average Shareholder's Equity)	28.61%	18.80%	52.21%	Change is due to increase in Net Profit as compared to previous year.
e.	Inventory Turnover Ratio (in times) (Cost of Goods sold / Average Inventory)	0.94	0.79	19.34%	-
f.	Trade Receivables turnover Ratio (in times) (Credit sales / Average Account Receivables)	7.66	5.72	33.92%	Change is due to increase in Revenue from operation by 36.52% as compared to previous year.
g.	Trade Payables turnover Ratio (in times) (Credit Purchases / Average Account Payables)	0.77	0.72	7.46%	-
h.	Net capital turnover Ratio (%) (Net Sales / Average Net Working Capital)	4.76	4.34	9.54%	-
i.	Net profit Ratio (%) (NPAT / Net sales)	13.71%	10.23%	33.98%	Change is due to increase in Revenue from operation and Other Income resulting in higher net profit.
j.	Return on Capital Employed (%) (EBIT / Capital Employed)	34.37%	23.90%	43.79%	Change is due to increase in earnings as compared to previous year.
k.	Return on Investment (%) (Income on Invested Funds / Average Invested Funds)	5.46%	3.91%	39.55%	Change is due to increase in amount of fixed deposits and increase in rate of interest on FDR and dividend received.

Source: Annual Report

Yearly Results

Particulars	March 2022	March 2023	March 2024
Equity Capital	202	202	202
Reserves	3,656	4,558	6,042
Borrowings	12	6	1
Other Liabilities	25,904	24,709	23,204
Total Liabilities	29,773	29,476	29,449
Fixed Assets	965	1,024	841
CWIP	87	62	68
Investments	542	589	679
Other Assets	28,179	27,801	27,860
Total Assets	29,773	29,476	29,449

Synopsis Quarter Results

Con-Call Aug 24: Key Highlights

Management Overview:

- Sanjeev Singhal, Chairman and Managing Director, expressed satisfaction with the company's performance and results for Q1 FY25.
- Highlighted the company's consistent strong performance and expectations to maintain this trend in future quarters.

Project Updates:

P75 and P75I Submarine Projects:

- Submitted prices for P75 additional Scorpene submarines; two assessment rounds by the costing committee completed, nearing finalization.
- Successful field evaluation trials reported for P75I in collaboration with TKMS; awaiting further technical discussions from the navy side.

P-77 Project:

- No current updates available on involvement with DRDO for the P-77 project.

Future Guidance:

- Management anticipates maintaining similar margins for existing projects barring any unforeseen liabilities.
- The company is targeting three significant deliveries this fiscal year, including one destroyer, one frigate, and one submarine.

Corporate Developments:

Navratna Status:

- Navratna status provides enhanced powers for quicker decision-making and increased financial exposure for joint ventures and collaborations.
- Advantageous for foreign customers, improving the company's standing.

Capex Plans:

- Planned capital expenditure of ₹4,000 to ₹5,000 crores over the next 4-5 years for infrastructure development, including land acquisition and facility upgrades.
- Current expenditure of ₹800 crores already incurred for long-term land leases.

Operational Insights:

Indigenization:

- Achieved a 75% indigenization level, with 20-25% of components still imported, translating to ₹12,000-₹13,000 crores in imported content for the destroyers project.

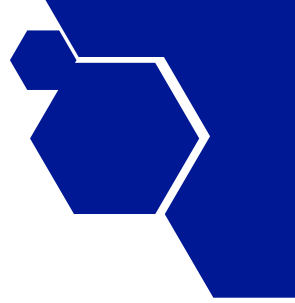
Employee Costs:

- Employee costs reduced from an average of 15% to approximately 9.5% of sales, expected to remain stable as sales increase without significant manpower expansion.

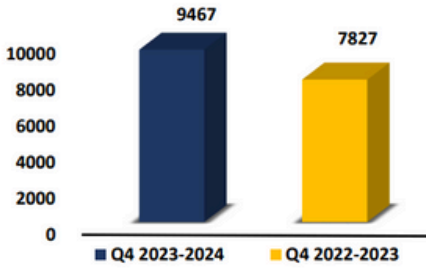
Challenges and Risks:

- Management acknowledged the long gestation period of projects (10-15 years) which could pose risks related to liabilities accruing post-delivery.
- Future contracts may require competitive bidding, potentially impacting margins.

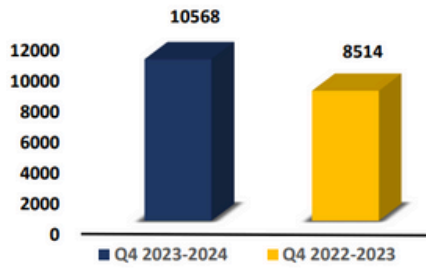
Revenue Highlights



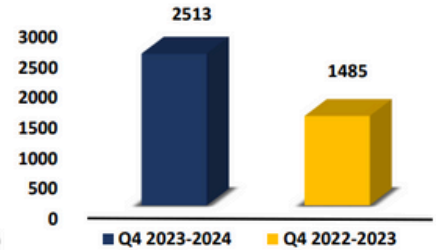
Revenue from Operation (₹ in Cr)



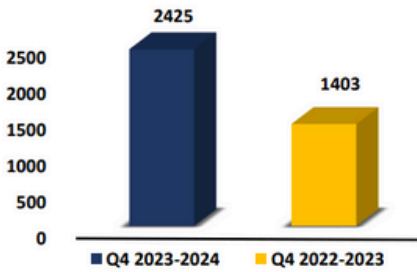
Total Income (₹ in Cr)



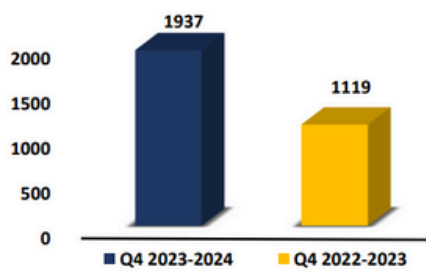
EBITDA (₹ in Cr)



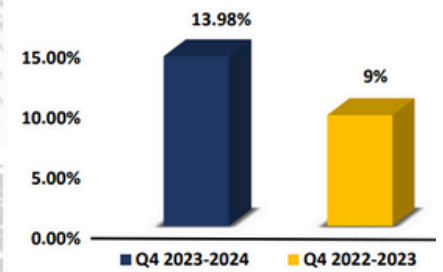
PBT (₹ in Cr)



PAT (₹ in Cr)



Operating Margin (in %)



Peer Comparison



Peer Stock Performance (5Y) Indexed



Source: Trading View

Peer Financial Performance

Name	CMP Rs.	P/E	Mar Cap Rs.Cr.	Div Yld %	NP Qtr Rs.Cr.	Qtr Profit Var %	Sales Qtr Rs.Cr.	Qtr Sales Var %	ROCE %
Mazagon Dock	4300.30	37.42	86732.76	0.36	696.10	121.45	2357.02	8.48	44.14
Garden Reach Sh.	1787.00	55.67	20470.48	0.45	87.19	13.71	1009.72	33.58	28.42

Source: Screener

Final Outlook

MAZDOCK : BUY | LTP: 4314

India's only shipyard to have built Destroyers, conventional Submarines for the Indian Navy & manufacture Corvettes in India.

2802 Vessels Delivered from 1960: 28 Warships from advanced Destroyer to Missile Boats, & 7 Submarines.

Dependence on imports has been reduced.

Only Public Sector Defence Shipyard Constructing Destroyers & Submarines.

Mazdock shows profitability ratio that reflects how much profit a company generates from shareholders' equity. Mazagon Dock Shipyard has ROE of 35.21% which is Very much good

ROCE Of Mazdock is also way too impressive and P/E Ratio is also fine.

Company has a order book of Rs.38,000 Crores+,

With Good Opportunities in its Defence Business i.e Construction of Warships, Submarines, Tugs, etc

It is can also be seen that in the upcoming years Revenue will increase at an unexpected speed.

I will Give **Buy** recommendation for this stock