

Price: 3,058

Recommendation: Buy

Industry: Ship Building Allied

Sector: Industrials

Report Date: 01-May-2025

Mazagon Dock Shipbuilders Limited (MDL) is India's premier defense shipyard, specializing in constructing warships and submarines. With a robust order book of 34,787 crores as of December 2024, MDL focuses on high-value projects like the P-75(I) submarines and Next Generation Corvettes. Strategic CAPEX, exports, and indigenization efforts drive its growth and leadership in the defense sector.

Sales		Profit & Loss		Profitability Matrix	
Current Year	11361 Cr	Operating Profit(Year)	2494 Cr	Operating Profit Margin	22.0 %
Previous Year	7827 Cr	Operating Profit(Quarter)	817 Cr	EBITDA Margin	22.46 %
Current Quarter	3144 Cr	PAT (Year)	1844 Cr	Net Profit Margin	19.5 %
Previous Quarter	2757 Cr	PAT (Quarter)	768 Cr	EPS	65.8
Revenue (QYoY)	2362 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	46.5	Sales Growth	34.6 %	Sales Growth	14.04 %
PEG Ratio	1.61	PAT Growth	72.01 %	Sales Growth QYoY	33.11 %
EV/EBITDA	29.7	EPS Growth	43.67 %	PAT Growth	36.17 %
P/B	18.8	Dividend Yield	0.48	PAT Growth QYoY	29.73 %
Capital Allocation		Holdings		Leverage	
RoE	37.8 %	Promoter	84.8 %	Debt/Equity	0.01
RoA	6.39 %	FII	2.26 %	Debt	36.2 Cr
RoCE	50.6 %	DII	1.69 %	Market Cap	123337 Cr
RoIC	46.2 %	Public	11.2 %	Enterprise value	109780 Cr
		No of Shares	40.3 Cr	Cash Equivalents	13594 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

Mazagon Dock Shipbuilders Limited (MDL) showcased robust performance in Q3 FY25, driven by efficient execution of existing orders and strategic planning for future growth. The management emphasized its focus on delivering high-value projects, including submarines and warships, while maintaining healthy margins. MDL is actively pursuing large-scale orders such as the P-75(I) submarine project, additional P-75 submarines, and Next Generation Corvettes (NGC). The company expects the P-75(I) order to materialize in FY26, with deliveries commencing six years post-contract signing. MDL is also optimistic about securing refit orders for Scorpene submarines and additional projects like the follow-on of Project 17 Alpha and next-generation destroyers, which could fructify in the next 2-3 years. These initiatives reflect MDL's commitment to strengthening its order book and sustaining growth momentum.

The company is undertaking significant capital expenditure (CAPEX) programs to enhance its infrastructure and production capabilities. MDL plans to develop adjacent land with a graving dry dock and establish a full-fledged shipyard at Nhava Sheva, supported by marine consultants and environmental clearances. The CAPEX for FY26 is estimated at approximately 500 crores, with 350 crores allocated for completing the floating dry dock. These investments aim to bolster MDL's capacity to execute larger and more complex projects, ensuring readiness for future orders. Additionally, MDL is advancing indigenization efforts, which, while requiring initial investments, are expected to align with long-term cost efficiencies and technological self-reliance.

MDL's strategic focus on exports and international collaborations is evident from its engagement with foreign delegations and ongoing support for Malaysia's submarines. While export orders require time to materialize due to bilateral and regulatory complexities, MDL remains committed to pursuing these opportunities. The management highlighted that budgetary constraints are not a concern, as the government consistently supports firmed-up proposals. This assurance, coupled with MDL's proactive approach to securing domestic and international orders, positions the company for sustained revenue growth and profitability.

Looking ahead, MDL anticipates healthy margins in FY26, supported by existing high-margin orders and potential reversals of liquidated damages (LDs). The normalized PBT margin for the industry is projected at 12-15%, though current margins are expected to remain strong due to ongoing projects. With a robust order book of 34,787 crores as of December 2024 and promising prospects for new orders, MDL is well-positioned to achieve steady growth. The company's strategic initiatives, infrastructure expansion, and focus on indigenization and exports underscore its vision to scale operations and maintain leadership in the defense shipbuilding sector.

MAZDOCK Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Taneja Aerospace	739.52	51.11	9.27%	-11.36%	20.40%	7.58%	76.00%
Cochin Shipyard	41866.68	50.88	17.21%	-2.47%	4.74%	-4.55%	-25.70%
Garden Reach Sh.	21959.62	55.63	22.21%	10.24%	37.69%	0.43%	11.26%
Zen Technologies	12788.73	60.18	33.01%	-37.06%	52.94%	-36.62%	33.07%
Mazagon Dock	123337.47	46.50	37.84%	14.03%	33.06%	36.27%	29.87%

Aspect	Commentary
Revenue	Mazagon Dock's revenue grew significantly, with a 34.6% YoY increase and 14.04% QoQ growth, driven by efficient execution of high-value defense projects. The company's robust order book and strategic focus on large-scale contracts ensure sustained revenue momentum.
Profit & Loss	Operating profit margin remains strong at 22%, with PAT growth of 72.01% YoY and 36.17% QoQ. EPS growth of 43.67% reflects profitability improvements, supported by efficient cost management and high-margin defense contracts.
Profitability Matrix	Mazagon Dock's profitability metrics are robust, with a net profit margin of 19.5% and RoCE at 50.6%. Strong operational efficiency and high-margin projects contribute to sustained profitability, positioning the company as a leader in its sector.
Valuation Matrix	The trailing P/E of 46.5 and PEG ratio of 1.61 indicate growth potential despite premium valuation. EV/EBITDA at 29.7 reflects strong operational performance, while dividend yield of 0.48% suggests moderate shareholder returns.
Growth (YoY)	Mazagon Dock achieved impressive YoY growth, with sales up 34.6% and PAT surging 72.01%. EPS growth of 43.67% highlights profitability improvements, driven by strategic execution of high-value defense contracts and operational efficiency.
Growth (QoQ)	QoQ growth remains strong, with sales increasing 14.04% and PAT up 36.17%. EPS growth of 29.73% reflects consistent profitability improvements, supported by efficient project execution and a robust order pipeline.
Capital Allocation	Mazagon Dock's RoE of 37.8% and RoIC of 46.2% highlight efficient capital utilization. Significant cash equivalents of Rs.13,594 Cr and low debt/equity ratio of 0.01 ensure financial stability and readiness for future CAPEX investments.
Holdings	Promoters hold a majority stake at 84.8%, ensuring stability. FII and DII holdings are modest at 2.26% and 1.69%, respectively, while public ownership stands at 11.2%, reflecting limited market float and concentrated ownership structure.
Leverage	Mazagon Dock maintains a low debt/equity ratio of 0.01, with debt at Rs.36.2 Cr. Strong financial health is supported by significant cash reserves and a market cap of Rs.1,23,337 Cr, ensuring capacity for future growth and CAPEX initiatives.

Analyst viewpoint: Mazagon Dock Shipbuilders Limited (MDL) demonstrates strong growth potential in the short to mid-term, supported by its robust order book of 34,787 crores as of December 2024 and consistent execution of high-value defense projects. The company achieved impressive QoQ revenue growth of 14.04% and PAT growth of 36.17%, reflecting operational efficiency and profitability improvements. Strategic CAPEX initiatives, including the development of a graving dry dock and a new shipyard at Nhava Sheva, position MDL to scale operations and execute larger, more complex projects. Additionally, its focus on indigenization and exports aligns with long-term cost efficiencies and technological self-reliance, while maintaining healthy margins of 22% operating profit and 19.5% net profit. MDL's leadership in the defense shipbuilding sector is further reinforced by its strong RoE of 37.8% and RoCE of 50.6%, showcasing efficient capital utilization and financial stability.

Despite premium valuation metrics, including a trailing P/E of 46.5 and EV/EBITDA of 29.7, MDL's growth trajectory remains compelling, driven by strategic execution and a robust pipeline of domestic and international orders. Peer comparison highlights MDL's superior profitability and growth metrics, with YoY PAT growth of 72.01% and EPS growth of 43.67%, outperforming competitors like Cochin Shipyard and Garden Reach Shipbuilders. While export orders may face regulatory complexities and longer timelines, MDL's proactive approach to securing contracts and its significant cash reserves of 13,594 crores ensure readiness for future opportunities. Investors should note the concentrated ownership structure, with 84.8% promoter holding, which may limit liquidity in the market. Overall, MDL's strategic initiatives, financial health, and leadership in defense shipbuilding make it a compelling buy recommendation for the short to mid-term.

Please read detailed disclosure on next page.

Explanation of Investment Rating*	
Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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