

**Price:** 2,765

**Recommendation:** Buy

**Industry:** Ship Building Allied

**Sector:** Industrials

**Report Date:** 21-Apr-2025

Mazagon Dock Shipbuilders Limited (MDL) is enhancing its capabilities through a comprehensive CAPEX program, including a new shipyard at Nhava Sheva. The company is pursuing large orders for submarines and destroyers, aiming for a 12-15% PBT margin. MDL is exploring exports and integrating Air Independent Propulsion systems into submarines. With a robust order book, MDL is optimistic about growth, focusing on efficient execution and securing new contracts.

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	42.0	Sales Growth	34.6 %	Sales Growth	14.04 %
PEG Ratio	1.45	PAT Growth	72.01 %	Sales Growth QYoY	33.11 %
EV/EBITDA	26.5	EPS Growth	43.67 %	PAT Growth	36.17 %
P/B	17.0	Dividend Yield	0.54	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	1.70 %	Market Cap	111541 Cr
RoIC	46.2 %	Public	11.2 %	Enterprise value	97983 Cr
		No of Shares	40.3 Cr	Cash Equivalents	13594 Cr

source : Company filings

## Company's Overview Based on Recent Concall and Performance:

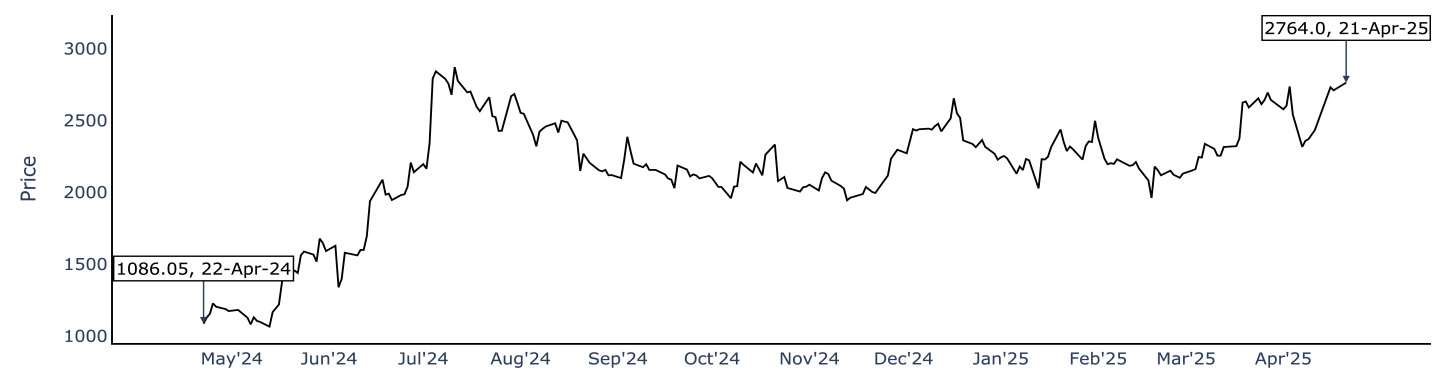
Mazagon Dock Shipbuilders Limited (MDL) has outlined several new initiatives and strategies in their recent earnings call. The company is focusing on expanding its capabilities with a comprehensive capital expenditure (CAPEX) program, which includes developing adjacent land with a graving dry dock and establishing a full-fledged shipyard at Nhava Sheva. This initiative is expected to enhance their shipbuilding capacity significantly. The company is also actively pursuing large orders, including additional submarines and next-generation destroyers, which are anticipated to materialize in the next two to three years. "We are quite hopeful that if the process goes as per the normal pace, next financial year the order should be in place," stated Sanjeev Singhal, indicating confidence in securing these orders.

MDL's business strategy includes a focus on maintaining healthy margins despite changing order profiles. The company has indicated that while current margins are higher due to legacy orders, a sustainable margin for the industry would be around 12% to 15% at the PBT level. This strategic shift is aimed at aligning with industry norms while ensuring profitability. Additionally, MDL is exploring export opportunities, with ongoing efforts to convert foreign delegations' visits into export orders. "These visits by the foreign nationals are steps towards converting them into exports," noted Vasudev Puranik, highlighting the potential for international expansion.

In terms of diversification, MDL is working on integrating Air Independent Propulsion (AIP) systems into its submarines, which will enhance their operational capabilities. The company is also involved in the mid-life upgrade of existing Scorpene-Kalvari class submarines, which includes the installation of AIP systems. This move is part of MDL's strategy to offer advanced and competitive products in the defense sector. The company is also considering indigenization efforts, although it does not expect significant immediate impacts on margins. "Indigenization is not likely to have an impact on the overall margins," stated Singhal, indicating a balanced approach to this initiative.

Looking ahead, MDL is optimistic about its growth and scaling prospects. The company expects to maintain a steady revenue stream with potential marginal growth, supported by a robust order book and strategic initiatives. "We are not envisaging a decline next year," Singhal assured, reflecting confidence in the company's future performance. However, the company acknowledges the challenges of executing large orders and the potential for slower revenue growth in the short term. The focus remains on executing existing orders efficiently while securing new contracts to sustain long-term growth. Overall, MDL's strategic initiatives and diversification efforts position it well for future success, though continued vigilance and adaptability will be crucial in navigating industry dynamics.

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	746.66	51.60	9.27%	-11.36%	20.40%	7.58%	76.00%
Cochin Shipyard	39121.45	47.69	17.21%	-2.47%	4.74%	-4.55%	-25.70%
Garden Reach Sh.	19935.54	50.61	22.21%	10.24%	37.69%	0.43%	11.26%
Zen Technologies	13326.44	62.73	33.01%	-37.06%	52.94%	-36.62%	33.07%
Mazagon Dock	111540.64	42.05	37.84%	14.03%	33.06%	36.27%	29.87%

Aspect	Commentary
Revenue	The company shows strong revenue growth with a 34.6% YoY increase, indicating robust sales performance. The quarterly growth of 14.04% further supports a positive trend. This consistent growth suggests effective market strategies and product demand, positioning the company well for future expansion.
Profit & Loss	Operating profit margins are healthy at 22%, with a significant PAT growth of 72.01% YoY. This indicates efficient cost management and strong bottom-line performance. The quarterly PAT growth of 36.17% further highlights the company's profitability and operational efficiency.
Profitability Matrix	The company maintains a solid profitability profile with an operating profit margin of 22% and a net profit margin of 19.5%. The EPS of 65.8 reflects strong earnings performance, supporting investor confidence and potential for future dividend payouts.
Valuation Matrix	The valuation metrics show a trailing P/E of 42, indicating high market expectations. The PEG ratio of 1.45 suggests growth is priced in. EV/EBITDA at 26.5 and P/B at 17 highlight a premium valuation, reflecting investor optimism about future growth prospects.
Growth (YoY)	The company exhibits impressive YoY growth with sales up by 34.6% and PAT by 72.01%. This robust growth trajectory underscores effective strategic initiatives and market positioning, enhancing shareholder value and competitive advantage.
Growth (QoQ)	Quarterly growth metrics are strong, with sales increasing by 14.04% and PAT by 36.17%. This consistent growth pattern indicates effective short-term strategies and operational execution, supporting sustained financial performance.
Capital Allocation	The company demonstrates efficient capital allocation with a RoE of 37.8% and RoCE of 50.6%. These metrics reflect strong returns on investment and effective use of capital, enhancing shareholder value and financial stability.
Holdings	Promoter holding is high at 84.8%, indicating strong confidence in the company's prospects. FII and DII holdings are relatively low, suggesting potential for increased institutional interest. Public holding at 11.2% provides liquidity in the market.
Leverage	The company maintains a conservative leverage position with a debt/equity ratio of 0.01, indicating low financial risk. The substantial cash equivalents of 13594 Cr provide a strong liquidity buffer, supporting financial flexibility and strategic initiatives.

**Analyst viewpoint:** Mazagon Dock Shipbuilders Limited (MDL) is well-positioned for robust growth over the short to mid-term, underpinned by impressive financial metrics and strategic initiatives. Their quarterly sales and PAT growth of 14.04% and 36.17% respectively highlight strong operational efficiency and profitability. The company's comprehensive CAPEX program, including the development of a full-fledged shipyard at Nhava Sheva, positions them to capture substantial and promising orders, particularly in submarines and destroyers, which provides a clear trajectory for revenue enhancement. With a healthy return on equity at 37.8% and a minimal debt-to-equity ratio of 0.01, MDL's capital allocation strategy reflects financial prudence, which, coupled with a high promoter holding of 84.8%, signals a high level of internal confidence and stability.

While the valuation metrics, such as a trailing P/E of 42 and EV/EBITDA of 26.5, indicate a premium positioning, the company's focus on maintaining profitable margins of 12-15% aligns with sustainable growth expectations. Importantly, strategic efforts to advance indigenous production capabilities and penetrate international markets through potential export orders fortify MDL's competitive position. However, it should be noted that despite these positives, the execution of large-scale orders could present challenges, potentially affecting short-term revenue growth if not managed efficiently. Nonetheless, MDL's strategic initiatives and solid financial base make it a compelling investment choice for those looking at sectoral growth.

Please read detailed disclosure on next page.

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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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