

**Price:** 2,735

**Recommendation:** Buy

**Industry:** Ship Building Allied

**Sector:** Industrials

**Report Date:** 03-Apr-2025

Mazagon Dock Shipbuilders Limited (MDL) is enhancing its shipbuilding capabilities through a comprehensive CAPEX program, including developing a graving dry dock and transforming the Nhava Yard. The company is bidding for new projects like the Next Generation Corvette and additional submarines. MDL is focused on maintaining a healthy order book, timely project execution, and exploring export opportunities. They anticipate healthy margins and significant revenue growth from potential large orders.

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	41.5	Sales Growth	34.6 %	Sales Growth	14.04 %
PEG Ratio	1.43	PAT Growth	72.01 %	Sales Growth QYoY	33.11 %
EV/EBITDA	26.2	EPS Growth	43.67 %	PAT Growth	36.17 %
P/B	16.8	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	1.55 %	Debt	36.2 Cr
RoCE	50.6 %	DII	1.46 %	Market Cap	110343 Cr
RoIC	46.2 %	Public	12.2 %	Enterprise value	96785 Cr
		No of Shares	40.3 Cr	Cash Equivalents	13594 Cr

source : Company filings

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

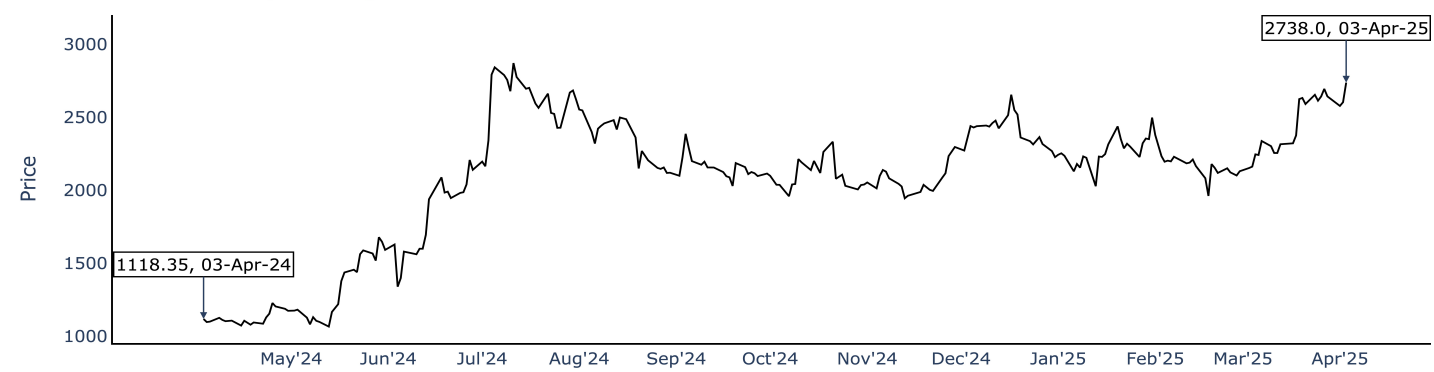
Mazagon Dock Shipbuilders Limited (MDL) has outlined several new initiatives and strategies in their recent earnings call. The company is focusing on expanding its shipbuilding capabilities with a comprehensive CAPEX program, which includes developing adjacent land with a graving dry dock and transforming the Nhava Yard into a full-fledged shipyard. This initiative is expected to enhance their production capacity significantly. The company is also actively participating in bids for new projects, such as the Next Generation Corvette and additional submarines, which are anticipated to materialize in the next financial year. "We are quite hopeful that if the process goes as per the normal pace, next financial year the order should be in place," stated the management, reflecting their optimism about securing these orders.

In terms of business strategies, MDL is focusing on maintaining a healthy order book and ensuring timely execution of existing projects. The company has successfully completed Project 15 Bravo, contributing significantly to the quarter's profits. They are also working on the P-75 and P-75(I) submarine projects, with deliveries scheduled over the next several years. The management highlighted that "six years from the date of placement or receipt of order and then subsequent submarines each one year," indicating a structured delivery timeline. Additionally, MDL is exploring export opportunities, with initial steps taken towards supporting submarines for Malaysia, and potential future orders from countries like Brazil and Indonesia.

Looking ahead, MDL is optimistic about its growth and scaling prospects. The company expects to maintain healthy margins in the next financial year, driven by existing high-margin orders. However, they anticipate a normalization of margins to around 12% to 15% at the PBT level in the longer term. The management emphasized that "we expect healthy margins next financial year also," suggesting confidence in their current order execution. The company is also preparing for potential large orders, which could significantly boost their order book and revenue growth in the coming years.

On the positive side, MDL's strategic focus on expanding capacity and securing new orders positions them well for future growth. The company's proactive approach to exploring export markets and their robust CAPEX plans are commendable. However, an even better scenario would involve faster materialization of large orders and successful integration of indigenization efforts, which could further enhance margins and reduce dependency on external suppliers. The management's cautious optimism about future orders and their commitment to maintaining a strong financial position are key strengths that could drive MDL's success in the competitive shipbuilding industry.

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	785.92	54.32	9.27%	-11.36%	20.40%	7.58%	76.00%
Cochin Shipyard	38474.25	46.71	17.21%	-2.47%	4.74%	-4.55%	-25.70%
Garden Reach Sh.	19830.04	50.23	22.21%	10.24%	37.69%	0.43%	11.26%
Zen Technologies	13120.55	61.65	33.01%	-37.06%	52.94%	-36.62%	33.07%
Mazagon Dock	110342.54	41.54	37.84%	14.03%	33.06%	36.27%	29.87%

Aspect	Commentary
Revenue	The company shows strong revenue growth with a significant increase from the previous year and quarter, indicating robust sales performance. This growth is driven by strategic initiatives and successful project executions, positioning the company well for future expansion and market competitiveness.
Profit & Loss	The company demonstrates solid profitability with a notable increase in operating profit and PAT both annually and quarterly. This reflects efficient cost management and successful revenue generation, contributing to a strong financial position and shareholder value.
Profitability Matrix	The profitability metrics indicate healthy margins, with strong operating and net profit margins. The EPS is also robust, suggesting effective operational efficiency and profitability, which enhances investor confidence and supports sustainable growth.
Valuation Matrix	The valuation metrics show a high P/E ratio, indicating market optimism about future earnings growth. The PEG ratio suggests reasonable growth expectations, while the EV/EBITDA and P/B ratios reflect the company's strong market position and asset utilization.
Growth (YoY)	Year-over-year growth metrics reveal impressive sales and PAT growth, highlighting the company's successful expansion strategies and market penetration. The EPS growth further underscores the company's ability to enhance shareholder returns through effective operations.
Growth (QoQ)	Quarter-over-quarter growth metrics show consistent sales and PAT growth, reflecting the company's ability to maintain momentum and capitalize on market opportunities. This steady growth trajectory supports the company's long-term strategic objectives.
Capital Allocation	The company exhibits strong capital allocation with high RoE, RoA, and RoCE, indicating efficient use of capital to generate returns. The RoIC further emphasizes the company's ability to invest in profitable projects, enhancing overall financial health.
Holdings	The ownership structure is dominated by promoters, ensuring strategic control and alignment with long-term goals. The presence of institutional investors reflects confidence in the company's prospects, while public holdings provide liquidity and market engagement.
Leverage	The company maintains a low debt-to-equity ratio, indicating prudent financial management and minimal reliance on debt financing. This conservative leverage strategy supports financial stability and flexibility, enabling the company to pursue growth opportunities.

**Analyst viewpoint:** Mazagon Dock Shipbuilders Limited (MDL) presents a compelling investment opportunity, driven by impressive growth metrics and strategic capital allocation. The company has shown a robust quarterly sales growth of 14.04% and profit after tax (PAT) growth of 36.17%, underscoring their effective operations and strategic execution capabilities. With a low debt-to-equity ratio of 0.01, MDL demonstrates financial prudence, ensuring stability while capitalizing on market opportunities. The recent concall emphasizes MDL's ambitious expansion initiatives, such as developing a graving dry dock and transforming the Nhava Yard, which are projected to enhance production capacity and unlock significant revenue streams. Moreover, their valuation metrics, including a P/E ratio of 41.5, reflect market confidence in sustained earnings growth, and the capital efficiency metrics such as Return on Equity (RoE) of 37.8% demonstrate strong financial health and shareholder value creation.

Despite these positive indicators, a mild point of caution is the potential for margin normalization to 12%-15% at the PBT level in the long term, which the management acknowledges may affect profitability levels slightly. Nevertheless, MDL's proactive strategies in bidding for substantial projects like the Next Generation Corvette and exploring export markets position it competitively within the shipbuilding industry. These efforts are bolstered by their commitment to maintaining a healthy order book and executing projects on time, which harnesses their competitive advantage. Overall, MDL stands poised for growth, with well-aligned strategies that are likely to drive sustainable performance and enhance its market position in the short to mid-term horizon.

Please read detailed disclosure on next page.

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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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**Research Analyst Details:**

Name: Robin Arya

Email: [smallcase@goalfi.in](mailto:smallcase@goalfi.in)

Contact: +91-9394306085

GOALZEN CAPITAL SERVICES PRIVATE LIMITED

CIN: U66190TS2023PTC176030

Address: Co ikeva Office 10, Level 3, NSL Centrum, Serene Estate Pvt Ltd, Site No. Phase I and II, Opp KPHB Colony Lane Opp. Forum Mall Kukatpally, HYDERABAD, TELANGANA, 500072

Support Telephone: +91 9063309052, Support Email – [support@goalfi.in](mailto:support@goalfi.in)

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