

Price: 2,711

Recommendation: Buy

Industry: Ship Building Allied

Sector: Industrials

Report Date: 19-Apr-2025

Mazagon Dock Shipbuilders Limited (MDL) is advancing its operational capabilities and market presence through strategic initiatives. With a Rs. 5,000 crore CAPEX plan over 4-5 years, MDL aims to develop a graving dry dock and establish the Nhava Yard. The company is optimistic about securing orders for submarines, including three P-75 submarines, and is exploring export opportunities. MDL's focus on indigenization and international markets positions it for future growth.

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	41.2	Sales Growth	34.6 %	Sales Growth	14.04 %
PEG Ratio	1.42	PAT Growth	72.01 %	Sales Growth QYoY	33.11 %
EV/EBITDA	25.9	EPS Growth	43.67 %	PAT Growth	36.17 %
P/B	16.7	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	109340 Cr
RoIC	46.2 %	Public	12.2 %	Enterprise value	95782 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) is embarking on significant new initiatives and business strategies to enhance its operational capabilities and market presence. The company has outlined a comprehensive CAPEX program, with an investment of Rs. 5,000 crore over the next 4-5 years. This includes developing adjacent land with a graving dry dock and establishing the Nhava Yard as a full-fledged shipyard. The company is also focusing on environmental clearances, which are crucial for these projects. MDL is optimistic about securing additional orders, particularly for submarines, with expectations of finalizing orders for three additional P-75 submarines by the end of the financial year. The company is also exploring opportunities in exports, with initial steps taken towards supporting submarines in Malaysia.

MDL's business strategies are centered around maintaining a robust order book and enhancing its production capabilities. The company is confident about its current order pipeline, which includes significant projects like the P-75(I) submarines. The management has indicated that the price bids for these projects have been opened, and discussions are expected to commence soon. MDL is also focusing on indigenization, which, while initially requiring investment, is expected to balance out in terms of cost and efficiency. The company is also looking at potential export opportunities, with foreign delegations visiting its shipyard, indicating a strategic push towards international markets.

The future growth and scaling perspectives for MDL appear promising, with the company expecting healthy margins in the next financial year. The management has projected a sustainable margin range of 12% to 15% at the PBT level, although the current margins are higher due to existing orders. MDL is not anticipating a decline in revenues next year, with expectations of marginal growth. The company is also preparing for the execution of large orders, which could lead to significant revenue growth in the coming years. The focus on expanding yard capacity and securing new orders is expected to drive MDL's growth trajectory.

From a positive perspective, MDL's strategic initiatives and robust order pipeline position it well for future growth. The company's focus on indigenization and export opportunities could further enhance its market presence. However, an even better scenario would involve faster execution of existing orders and securing additional large-scale projects to ensure sustained revenue growth. The company's ability to navigate environmental clearances and integrate advanced technologies like AIP in submarines will be crucial for its long-term success. Overall, MDL's strategic focus and operational initiatives provide a solid foundation for future growth and market expansion.

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	732.12	50.60	9.27%	-11.36%	20.40%	7.58%	76.00%
Cochin Shipyard	38141.45	46.35	17.21%	-2.47%	4.74%	-4.55%	-25.70%
Garden Reach Sh.	19641.09	49.76	22.21%	10.24%	37.69%	0.43%	11.26%
Zen Technologies	13522.79	63.63	33.01%	-37.06%	52.94%	-36.62%	33.07%
Mazagon Dock	109340.18	41.23	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. This indicates robust sales performance and market demand, reflecting effective business strategies and market positioning. The quarterly year-over-year growth further underscores the company's ability to capitalize on market opportunities.
Profit & Loss	The profit and loss statement reveals a healthy operating profit and PAT, both annually and quarterly. This suggests efficient cost management and strong revenue generation. The substantial PAT growth indicates improved profitability, likely driven by increased sales and operational efficiencies.
Profitability Matrix	The profitability matrix highlights strong margins, with an operating profit margin of 22% and a net profit margin of 19.5%. These figures suggest effective cost control and pricing strategies, contributing to the company's overall financial health and competitive advantage in the market.
Valuation Matrix	The valuation metrics, including a trailing P/E of 41.2 and a PEG ratio of 1.42, suggest the company is valued at a premium, reflecting investor confidence in its growth prospects. The EV/EBITDA and P/B ratios further indicate a strong market position and potential for future growth.
Growth (YoY)	Year-over-year growth metrics show impressive sales and PAT growth, indicating the company's successful expansion and market penetration strategies. The EPS growth further reflects the company's ability to enhance shareholder value through effective business operations and strategic initiatives.
Growth (QoQ)	Quarter-over-quarter growth figures demonstrate consistent performance, with notable increases in sales and PAT. This suggests the company's ability to maintain momentum and adapt to market conditions, ensuring sustained growth and profitability over the short term.
Capital Allocation	The capital allocation metrics, including high RoE and RoCE, indicate efficient use of capital and strong returns on investment. This reflects the company's strategic focus on maximizing shareholder value and optimizing its financial resources for growth and expansion.
Holdings	The holdings structure shows a high promoter holding, indicating strong confidence in the company's future prospects. The relatively low public and institutional holdings suggest potential for increased market interest and investment as the company continues to grow and perform well.
Leverage	The leverage metrics reveal a low debt-to-equity ratio, indicating prudent financial management and a strong balance sheet. This positions the company well to capitalize on growth opportunities without significant financial risk, ensuring long-term stability and sustainability.

Analyst viewpoint: Mazagon Dock Shipbuilders Limited (MDL) is poised for robust growth in the short to mid-term, backed by its strategic investments and strong financial performance. The company reported a quarter-over-quarter sales growth of 14.04% and PAT growth of 36.17%, highlighting its ability to capitalize on market opportunities effectively. Valuation metrics, with a trailing P/E of 41.2 and a PEG ratio of 1.42, reflect investor confidence and suggest that MDL is positioned for continued premium valuation. The company's commitment to a comprehensive CAPEX plan of Rs. 5,000 crore over 4-5 years underscores its strategic focus on enhancing operational capabilities and market presence. This includes ambitious projects like the development of a graving dry dock and the establishment of the Nhava Yard, coupled with a strong emphasis on indigenization and export opportunities, positioning MDL as a formidable player in the global market landscape.

Moreover, MDL's performance in peer-to-peer competition demonstrates a competitive edge, with high margins reflected in an operating profit margin of 22% and a net profit margin of 19.5%. The company's impressive RoE of 37.8% and low debt-to-equity ratio highlight efficient capital allocation and financial stability. However, a potential challenge remains with the need for environmental clearances, which the company must navigate to maintain its growth trajectory seamlessly. Despite this, the strategic initiatives and operational strengths present a compelling case for investment, affirming a bullish outlook.

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

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

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