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February 15, 2024

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Exchange Plaza  
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Mumbai – 400 051**

**Scrip Code/Symbol: 540678/COCHINSHIP**

Dear Sir/Madam,

**Subject: Transcript of Investor/ Analyst Conference Call to discuss the financial results of the Company for the quarter ended December 31, 2023**

1. Further to our communication with respect to the conference call to discuss the financial results of the Company for the quarter ended December 31, 2023, please find attached herewith the transcript of the said conference call conducted on Thursday, February 08, 2024 at 04.00 PM IST.
2. The above is for your information and record please.

**For Cochin Shipyard Limited**

**“Cochin Shipyard Limited  
Q3 FY’24 Results Conference Call”**

**February 08, 2024**

**MANAGEMENT:** **MR. MADHU S NAIR – CHAIRMAN AND MANAGING DIRECTOR – COCHIN SHIPYARD LIMITED**  
**MR. JOSE V J – DIRECTOR FINANCE – COCHIN SHIPYARD LIMITED**  
**MR. RAJESH GOPALAKRISHNAN – CHIEF GENERAL MANAGER, SHIP REPAIR – COCHIN SHIPYARD LIMITED**  
**MR. HARIKRISHNAN S – CHIEF GENERAL MANAGER, SHIPBUILDING – COCHIN SHIPYARD LIMITED**  
**MR. SHIBU JOHN – GENERAL MANAGER, FINANCE – COCHIN SHIPYARD LIMITED**  
**MR. SYAMKAMAL N – COMPANY SECRETARY – COCHIN SHIPYARD LIMITED**

**MODERATOR:** **MS. CHANDNI CHANDE – KIRIN ADVISORS**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Q3 FY '24 Results Conference Call of Cochin Shipyard Limited hosted by Kirin Advisors. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Chandni Chande from Kirin Advisors. Thank you, and over to you, ma'am.

**Chandni Chande:** Thank you. On behalf of Kirin Advisors, I welcome you all to the conference call of Cochin Shipyard Limited. From management side, we have Mr. Madhu S Nair, Chairman and Managing Director; Mr. Jose V J, Director of Finance; Mr. Rajesh Gopalakrishnan, Chief General Manager of Ship Repair; Mr. Harikrishnan, Chief General Manager, Shipbuilding; Mr. Shibu General Manager of Finance; Mr. Syamkamal, who is Company Secretary.

Now I hand over the call to Mr. Madhu S Nair. Over to you, sir.

**Madhu S Nair:** Good evening to all present in this conference call. I Madhu S Nair, Chairman and Managing Director of Cochin Shipyard Limited, I would like to extend a warm welcome to all the participants who are joining us today. I'm joined by Sri Jose V J, our Director of Finance; Sri Rajesh Gopalakrishnan, Chief General Manager, Ship Repair; Sri Harikrishnan S., Chief General Manager, Shipbuilding; Sri Shibu John, General Manager, Finance; and Shri Syamkamal N, our Company Secretary.

I would like to bring to your attention, operational achievements in the third quarter of FY '24. Two major defence projects stood out during this period. Firstly, INS Vikrant, the Indigenous Aircraft Carrier commissioned in September 2022 by the Honourable Prime Minister. This project played a significant role in generating revenue for both Shipbuilding and Ship Repair during this quarter.

The second noteworthy project involved the construction of ASW SWC for the Indian Navy with an estimated overall value of about INR 6,300 crores. The progress on this project has been good and we are happy to inform you that 3 vessels were simultaneously launched on 30<sup>th</sup> November 2023, which is probably a first for such projects of the Indian Navy. Currently, on these 3 vessels which have been launched, the machinery outfitting works are underway.

Additionally, 2 more vessels, that's vessel number 4 and 5 in the series had their keel laid on 8<sup>th</sup> December 2023, and currently hull block erection is in progress. The remaining 3 vessels, that's vessel number 6, 7 and 8 are also in the advanced stages of block fabrication.

On the commercial front, of the Multi-Purpose Vessel projects, 8 numbers which we are executing for European clients, also contributed during this quarter. With respect to new orders, CSL has received several important orders in the third quarter until this date.

In October 2023, the Ministry of Defence entered into a contract with CSL for a mid-life upgrade and repowering of a Naval platform at a cost of INR313.42 crores. This project is expected to

be completed in 24 months and involves the modernization and upgradation of various systems and the equipment on-board the ship to enhance its operational capability. We consider this as a significant order win because this could set the context for such projects into the future.

Furthermore, in December 2023, CSL signed a contract, again with the Ministry of Defence for a value of INR488.25 crores. This contract entails the repair and maintenance of equipment and systems onboard INS Vikrant. The full work is expected to be completed by the first quarter of FY '25.

Additionally, on the shipbuilding front, in January 2024, CSL secured orders from a European client for the design and construction of 1 Hybrid SOV, Service Operation Vessel, the project cost for this firm order is estimated to be approximately INR500 crores with the vessel scheduled to be delivered in 2026.

The vessel is designed and built to cater to the service, maintenance and operational needs of the offshore wind farm industry in the European market where sustainable energy solutions are in high demand. It is significant again from the point that this again is a hybrid SOV.

In early February 2024, we have signed ship repair contracts for undertaking medium refit of 2 India Naval vessels. This is called a multiple refit contract because it's 2 vessels together, so this multiple refit contracts valued at around INR150 crores include drydocking, refits, as well as upgradation of equipment on board the ships.

Now I would like to go through other achievements during the period, which I also consider worth mentioning here. CSL successfully delivered 2 Electric Hybrid 100 Pax vessels to the Cochin Water Metro project, a venture which has had considerable significance and visibility nationwide.

The replication of this project in various regions is underway and the contract for 8 vessels with similar configuration has been awarded by the Inland Waterways Authority of India to Cochin Shipyard Limited and two of them have already been delivered in January and has presently been positioned, 1 each at Ayodhya and Varanasi.

We started the fabrication of steel-cutting and fabrication of the Trailer Suction Hopper Dredger being built by CSL for Dredging Corporation of India. Our subsidiary company, Udupi Cochin Shipyard Limited, UCSL has delivered the first 62-ton Bollard Pull Tug to Ocean Sparkle Limited, which is now part of the Adani Group, which is the leading tug operator in India.

Also, the keel has been laid for the second 70-ton Bollard Pull Tug for Polestar Maritime Limited. Members may be aware that UCSL has contracted to build 2 numbers 62-Ton Bollard Pull Tug for Ocean Sparkle and 2 numbers, 70 Ton Bollard Pull Tug for Polestar.

Also, at UCSL, fabrication has commenced for 2 numbers, 3,800 ton dry cargo vessels being constructed for Wilson Shipowning AS, Norway, which is part of a 6-vessel series. This showcase of UCSL venture into the global shipbuilding arena.

It's worthwhile and we take pride in informing that CSL, the main unit, Cochin Shipyard Limited has been upgraded to the GreenCo – CII GreenCo Gold rating. We were earlier rated at CII GreenCo Silver by the Confederation of the Indian Industry under the GreenCo framework. So this upgradation from GreenCo Silver to GreenCo Gold, is in line with the efforts being put by CSL to upgrade its green and environmental footprint.

The confidence that our greening efforts will establish us, as a benchmark for shipbuilding and repair yards in India and also give confidence to various ship-owners looking to build green ships in the country is encouraging for Cochin Shipyard Limited.

Moving on to the financials, I would like to mention that our financial results for the third quarter were indicative of positive growth. These results were uploaded on 30<sup>th</sup> January 2024, and I'm sure that all of you have gone through it in detail.

I would request Mr. Jose VJ, Director, Finance, to briefly touch upon the results for the third quarter of FY '24.

**Jose VJ:**

Yes. Good evening, everyone. The financial performance of the company during the period were in line with our expectations. In the third quarter of FY '24, the company witnessed a significant increase in turnover, reaching INR1,021.45 crores compared to INR631 crores in the third quarter of FY '23, demonstrating a growth rate of 62 percentage. Similarly, the profit before tax for the third quarter of FY '24 also showed remarkable improvement with INR345 crores as opposed to INR151 crores in Q3 of FY '23, indicating a growth rate of 129 percentage.

Moreover, the profit after tax for Q3 of FY '24 stood at INR248 crores, a substantial increase from INR118 crores in Q3 of FY '23, reflecting a growth rate of 109 percentage. When considering the year-to-date performance, the company experienced overall growth in turnover and profitability.

The year-to-date turnover of FY '24 amounted to INR2,420 crores, making a 38% increase compared to the previous year turnover of INR1,753crores. Additionally, the year-to-date profit before tax reached INR748 crores, showcasing a marked improvement from previous year's INR390 crores, representing a growth rate of 92 percentage.

Similarly, the year-to-date profit after tax was recorded at INR548 crores, indicating a growth rate of 91 percentage when compared to the previous year of INR287 crores. Furthermore, the company redeemed its tax-free infrastructure bonds amounting to INR100 crores in December 2023, which reduced the total debt to just INR23 crores as of current date.

As a result, the company has practically become a debt-free company. In terms of the financial indicators, the company achieved a strong EBITDA margin of 34 percentage for the 9-month period ended December '24. The margin includes other income also.

Additionally, the profit after tax, the PAT margin achieved during the same period was 23 percentage, further emphasizing the company's financial success. That's all from my side.

**Madhu S Nair:**

Thank you. The Board of Directors of the company, at the meeting held on 7<sup>th</sup> November 2023, had approved split of equity shares having face value of INR10, each fully paid up into two equity shares of the face value of INR5 each fully paid up. Shareholders approved the proposal on 13<sup>th</sup> December 2023, and the split of equity shares were effective from 10<sup>th</sup> January 2024.

Also, the company's Board at the recent meeting held on 30<sup>th</sup> January '24, have declared second income dividend of INR3.50 per equity share of face value of INR5 each post-split for FY '23, '24, which is repaid by end of this month. This is in addition to the first interim dividend of INR8 per equity share of the face value of INR10 each, which is pre-split, which was declared by the Board at its meeting held on 7<sup>th</sup> November '23. The total payout to the shareholders on account of these two interim dividends is INR197 crores.

Moving on to the status of various vessels under construction. For the ASW-SWC Corvettes project for the Indian Navy, a total of eight vessels is being constructed at a cost of about INR6,300 crores. The status has already been covered earlier in my talk. Regarding the Hybrid Electric Catamaran Hull vessels for Kochi Water Metro, a total of 23 vessels are contracted. Out of these 12 vessels, they have already been delivered, remaining 11 are at various stages of construction.

For the 7K Multipurpose Vessel project for European clients, a total of 8 vessels are being constructed. Vessels 1 and 2 are currently undergoing hull block erection and outfitting. The vessels 3 to 8 are at various stages of construction.

Regarding the Commissioning Service Operations Vessels project, CSOV project, two vessels are being constructed. Plate cutting for the vessels was done on September 1<sup>st</sup>, 2023, and fabrication is currently in progress. The fabrication for one number, 12,000 cubic meter Trailing Suction Hopper Dredger being constructed by CSL for DCI started on the 11<sup>th</sup> of December 2023. The pilot project of one number Hydrogen Fuel cell vessel, equipment commissioning has been completed and the vessel is in advanced stages of testing and sea trial at this moment.

Eight number Hybrid Electric Catamaran Passenger Vessels from IWAI at a cost of about INR129 crores. Two of them have already been delivered in January as was mentioned earlier. And the balancing process are at various stages of construction at our subsidiary, Hooghly Cochin Shipyard Limited.

Coming to the two major expansion projects being undertaken by CSL, namely the new dry dock project at a cost of INR1,799 crores, and the International Ship Repair Facility, ISRF project costing INR970 crores. The civil work for both the projects have been completed and the projects were inaugurated by the Honourable Prime Minister Shri Narendra Modi on 17<sup>th</sup> January 2024.

The ceremony was also attended by the Governor of Kerala, the Chief Minister of Kerala, the Unit Minister of Port Shipping and Waterway and other high-level dignitaries. For the dry dock project, all the civil works have been completed and we are now awaiting the installation of the large 600-ton gantry crane delivered to us by M/s. Hyundai Samho Heavy Industries, South Korea. And once the crane is operational, it is expected that the project will be fully functional by mid-2024.

Regarding the ISRF project, the civil works have been fully completed. The Ship lift system and two workstations are ready for operation. The project also includes the addition of four more workstations, which are expected to be completed by mid-2024.

I am happy to inform you that our order book currently stands at about INR21,500 crores. For ship repair, we have an order book of about INR800 plus crores. We normally guide a little bit lower, but we have about INR800 plus crores in ship repair.

I would like to conclude now and would be happy to take questions. Thank you all for your patient hearing.

**Moderator:** Should we start for the Q&A session?

**Rajesh Gopalakrishnan:** Yes.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Rohit from Antique. Please go ahead, sir.

**Rohit:** Congratulations on a good set of numbers. Sir, if you could just help me with the order backlog position, including the IAC work, both in Shipbuilding and Ship Repair?

**Madhu S Nair:** What was it, the order backlog?

**Jose VJ:** Got INR21,500 crores mentioned by the CMD only the order backlog. Out of that, IAC in INR1,047 crores. And ASW SWC is INR5,215 crores. NGMV, that is Next Generation Missile Vessels is INR9,802. For total from defence is around INR16,064 crores. And on the commercial front the 1,200 passenger vessels INR286 crores, then the KMRL INR32 crores, IWAI 6 vessels INR73 crores and dredger for DCI around INR869 crores. So that comes to around INR1,260. That is on the domestic front.

Then the export order, the 7,000 multipurpose vessel INR734 crores. CSOV for a European client is INR955 crores and zero-emission feeder container vessel, two numbers again to another European client is INR547 crores. And SOV for another European client is INR452 crores, which we recently signed the contract. So the total export order is around INR2,688 crores. Then subsidiaries, we have a total order book of around INR700 crores. For ship repair, we have an order book of about INR800 plus crores. So totally INR21,500.

**Rohit:** Thanks, sir. From the context of the EBITDA margin front, how sustainable is this about 20% kind of EBITDA margin as we conclude this IAC?

**Jose VJ:** The EBITDA margin of this level may not be sustainable. But after IAC, we may be around 19 to 20 level EBITDA, excluding other income.

**Rohit:** Even in ASW, you mean to say the EBITDA margin can be or even NGMV can give you 19% to 20%?

**Madhu S Nair:** We would not like to discuss exact project wise, but largely, the guidance would be 19% level.

**Jose VJ:** On a blended level.

- Madhu S Nair:** On a blended level. Because we operate different businesses actually. Ship repair, ship building, different businesses. On both sides, commercial and defence are different businesses. So we would probably desist from getting into a specific project. And that kind of detail we would desist. Because it is a little bit too complex.
- Rohit:** Got it, sir. From an order inflow perspective, especially on INS Vishal, would you want to make any remarks? As in any conversation about it, it will be really helpful, sir?
- Madhu S Nair:** We probably are not in a position to make any comment in this regard.
- Rohit:** Any other order inflows in pipeline like next projects we have been hearing for a long time. Any colour on those aspects? Any additional [AON]?
- Madhu S Nair:** Not yet, not yet.
- Rohit:** No, that means in terms of the conventional defence order inflow, it looks big, right?
- Madhu S Nair:** The RFP issued as of now is -- there is RFP for INR1,600 crores for defence projects. But there are expectations, which I may not be able to discuss, but over this year, within 2024 calendar year, we are expecting further RFPs to come in.
- Moderator:** And the next question is from the line of Deepak Krishnan from Kotak Institutional Equities. Please go ahead.
- Deepak Krishnan:** Sir just wanted to understand this change in margin guidance. Because I think last quarter, you had indicated that, ship repair would be somewhere at segmental level is 13%-14%. Sorry, ship repair is 19%, ship building is 13%-14%. So, on a blended basis, we make 16%-17%. Like, any particular reason for this sharp sort of, increasing guidance and in addition, any one-off factors...
- Madhu S Nair:** We're probably not getting you very clear on the line because there's too much of a booming voice coming in. Can you repeat that question one again?
- Deepak Krishnan:** Is it better now?
- Madhu S Nair:** Just go ahead. Let me see.
- Deepak Krishnan:** Yes, just wanted to understand the 200 bps improvement in margin. So, you had last quarter indicated that ship building does 13%-14% and ship repair does 18%-19%, blended basis was 17%?
- Madhu S Nair:** Yes. This quarter, as was mentioned earlier, we had the aircraft carrier, both on the Shipbuilding side and the Ship Repair side, which has helped us a little bit more on the margins.
- Deepak Krishnan:** Sir, I am talking about long-term steady state. Like, we are saying 19% we will do. Just wanted to understand the factors, like, which is higher than 16%, 17% which you normally indicated?
- Jose VJ:** The 19% indicated was post IAC period, post aircraft carrier period.



- Deepak Krishnan:** Yes, yes.
- Madhu S Nair:** Just a minute, just a minute.
- Deepak Krishnan:** Sir, can you hear me fine now?
- Madhu S Nair:** See when you're talking the margin level, like it's -- you mentioned that we have conveyed earlier 17%, 18% kind of level, and we are now talking 19% kind of level. Is this what you said?
- Deepak Krishnan:** Yes, yes.
- Madhu S Nair:** Yes. That is actually coming through when we say 17%, 18% and what we are trying to project into the future, it is a little bit a percentage here and there will always happen. But when we are talking, you would have also seen that on the Ship Repair side, we said we are sitting on a slightly more higher firm order book. So we know that Ship Repair is going to contribute a little bit more over the next few years as we move forward. There is a higher level of confidence the kind of large projects, the multi refit contracts that come in the midlife upgrade contracts that come in.
- We are getting signals that this could all be sort of sustainable into the future. These are -- these could be the method that's sustainable into the future. So don't hold us too hard on to whether it's 18% or 19%, it's somewhere around that level. That is all we would like to say, yes.
- Deepak Krishnan:** Sure, sir. Maybe just on the 2 new facilities. Do we have any work in hand for the ship repair under new dry-dock? Or would that be something that comes up over time?
- Madhu S Nair:** The shipbuilding dock, the new dock, the current orders, the dredger will actually be built in the new docks. And then there are further vessels already scheduled and planned into the new dock. For ship repair, we expect to go and secure orders as we move forward. We don't think that it will be too much of a difficulty to get the orders for our ISRF facility, which is for ships below 130 meters long. We are firmly entrenched in that segment. There's quite some volumes available.
- Moderator:** Thank you. The next question is from the line of Raj Rishi from DCPL. Please go ahead, sir.
- Raj Rishi:** Just wanted your comments on how big this Ship Repair can become for you. I believe the increase in capacity is, what, 25% of India ship repair capacity.
- Madhu S Nair:** By numbers.
- Raj Rishi:** Okay. And I also read that you had mentioned in a recent interview that you're looking at a cluster in Maharashtra region also for Ship Repair. So being such a labour-intensive sector, the Ship Repair, what's the edge which you would have, say, internationally to get international orders also?
- Madhu S Nair:** So there are 2 parts to the question. The first one you asked was what could be the size of the business from whatever we currently have. There is the unit we have right now in Cochin, the new ISRF and the units in Mumbai, Kolkata and Port Blair. That's what we currently have. So that is something which I'm not sure whether we have said this earlier, but then we should be

seeing INR1,200 crores very shortly and scaling it up to a INR1,500 crores kind of level in a few years. So that is a picture which we have painted on Ship Repair.

Now what we have talked about a new cluster on the West Coast, it's something which we are in discussion. And that would be actually to try and tap larger ships. Whatever we have built till now, the new ISRF and the 3 units which we have is all for medium size ship. The only large facility is actually at Cochin Shipyard Limited, the main unit. If all goes well and final assessments are clear, then if we do something in the West Coast, that would be for slightly more larger type of vessels trying to tap the international market.

And you are asking a very pertinent question. With the kind of labour-intensive work, we need to actually work with best around or next to best around turnaround times in the world to attract business. The confidence is there, the plans are yet to evolve.

**Raj Rishi:** And sir, what's the labour arbitrage, say, if an international ship comes here versus some other country, what's the labour arbitrage? What's the advantage which India would offer?

**Madhu S Nair:** I don't think the labour arbitrage is the most important part here. It is actually the skill sets and the capability to drive. See, world-over ship repair happens in pockets and clusters. For some time, there will be labour arbitrage, that is for sure. But we would not want to do anything into the long term looking at labour arbitrage because that will be gone after some time. So it will all be best-in-class turnaround time worldwide and best-in-class capabilities, which is the confidence level.

So it may not be the arbitrage on the labour, but it is trying to actually plug into the global ship repair ecosystem.

**Raj Rishi:** And I also read an interview which you had mentioned that the size of the -- this global ship repair industry is like massive. And I think India is, what, 1% or something. What would be your reasonable vision as to what kind of percentage can it go to?

**Madhu S Nair:** I may not be able to talk on that total percentage from a country perspective. But as we say, from a CSL perspective, I said INR1,500 crores in a not faraway future. But then maybe you should add another INR1,000 crores to it from Cochin Shipyard point of view over the next 10 years or so, something like that.

**Raj Rishi:** And sir, just regards to green shipping, I think you had mentioned in the earlier call that around 2,500 ships are ready for their life – end of life. So do you think most of them will go for green shipping or it will be just like fossil fuel?

**Madhu S Nair:** No, they will all go for some sort of green. All these vessels will have some green part in it. So it may not be fully green but it will all have some part of it green. That is for sure.

**Raj Rishi:** And sir, these 2,500 ships which you had mentioned, in how many years would it be like all of them would have to go for like some new ships have to...

**Madhu S Nair:** The general take is in about 10 years' time.

- Raj Rishi:** In 10 years. And you would expect very, very good business from there, like?
- Madhu S Nair:** It is actually about our execution capabilities. We have now contracted eight ships in Cochin Shipyard from German clients, another six in our Udupi subsidiary. It will really be -- once we deliver these vessels from a quality perspective, time perspective and how beneficial it's been for the clients, that will decide how things will move into the future. But as we're speaking, we feel confident, we feel good.
- Raj Rishi:** Okay. And sir, recent news item, you mentioned some African country delegation, which had come to Cochin Shipyard?
- Madhu S Nair:** A very, very preliminary reach out. It's also got governmental angles to it, but there has been nascent MOU that has been signed. But right now, we are not sensing any business on that at this stage. But we will take it forward. We will see where it goes.
- Moderator:** Thank you. And the next question is from the line of Rohit from Antique. Please go ahead sir.
- Rohit:** My question will be more to do with the capacity augmentation that we have had in the -- with the latest edition. What is the peak shipbuilding venue execution you could do theoretically in a given year?
- Madhu S Nair:** That's a very tough call. That depends on the type of projects we are able to garner and the type of the projects that would come up in the market. So because that would be a very difficult question to answer because whether it's a Naval project or whether it's a conventional commercial vessel or whether it's a functional vessel, it will depend on that because that turnover, it also depends. It's not just by execution of the shipbuilding capabilities. It is also the equipment which goes in because the turnover is a sum of the -- not just the execution but the equipment also. So if it's a functionally costly ship, then the turnover could be high. So that could be a question which we would not like to answer straight away.
- Rohit:** Sir, let me put that question in a different way. We have somewhere like 1,10,000 deadweight tons capacity. Is it fair to assume that the correct...
- Madhu S Nair:** We lost you.
- Moderator:** The line for the current participant has been disconnected, so we will take the next question. The next question is from the line of Vignesh from Ksema Wealth. Please go ahead sir.
- Vignesh:** I just want to understand your guidance for FY25 along with EBITDA margins.
- Madhu S Nair:** Director Finance, can you just explain that?
- Jose VJ:** This year, we may achieve the all-time high turnover we achieved pre-COVID period. And next year, we may add another 12% to 15% above that. That is a broad guidance which I can give.
- Vignesh:** Okay. So approximately, it should be INR3,400 crores for the year, and it should be around INR3,700 crores approximately for next year?

- Jose VJ:** In a broad way.
- Vignesh:** Got it. And EBITDA margin should be around 18% to 19% as you have stated it approximately?
- Jose VJ:** Yes, yes.
- Vignesh:** Okay. And how for the orders from the Europe, sir like hybrid vessel, green, are you seeing positive inquiries coming up for the next year?
- Madhu S Nair:** We are -- there are inquiries. We are hopeful that we will be able to convert a few of those because these are all in various stages of discussion, but there are inquiries. There's no dearth of inquiry.
- Vignesh:** Okay, okay. And other things, any passenger ships kind of thing where in the waterways where our government is focusing on tourism kind of things, are we getting any orders in such a manner there?
- Madhu S Nair:** We are not in a position to discuss orders at this stage. And the smaller vessels, especially for the inland waterways space, there are discussions that would be largely handled by our subsidiary from Kolkata. That is our thinking. HCSL, Hooghly Cochin Shipyard Limited.
- Vignesh:** Okay. So but discussions are going on in...
- Madhu S Nair:** There are discussions happening, yes.
- Moderator:** And the next question is from the line of Viraj from Jupiter Financial. Please go ahead sir.
- Viraj:** Congratulations in outstanding numbers. My question is regarding to the previous participant. Are you guiding 15% growth from the pre-COVID levels? So that should be in the range of [3,000 -- 700 to 800] top line? And what would be the PAT margin, would be in the range of 18%?
- Jose VJ:** PAT margin may not be in the 18% level because next year, we will have the depreciation provision of the new capex which we commissioned. So PAT margin, it may be lower, but EBITDA level, it will be around 18% to 19%, 19% as we guided.
- Viraj:** The PAT margin should be in range of 15% to 16%, then that should be the case.
- Jose VJ:** Yes, because after considering the depreciation of the additional depreciation from the new projects, that's correct.
- Viraj:** Okay. And there was an article in one of the newspapers where Navy said that they would be interested in having two different -- two aircraft carrier. Any comment on that?
- Madhu S Nair:** See, the Navy has gone on record on that matter. But regarding a contract or any further discussions, we would not have any comments.
- Moderator:** The next question is from the line of Raj Rishi from DCPL. Please go ahead, sir.

**Raj Rishi:** Some companies have commented on, like, India's advantage for them because of the geopolitical situation. People are a little averse to China and the political reach, which the present establishment has global south, etcetera, etcetera, is helping their cause in getting business. So how would you comment as far as -- what would you comment on this as far as Cochin Shipyard is concerned?

**Madhu S Nair:** I'd say overall field for India is looking very positive. And we have been a little bit of an early mover in this space, especially in West Europe. And right now, with the geopolitics, we feel it's much better positive vibes coming in. So it's definitely looking good for us.

**Raj Rishi:** Okay. So this -- do you get help from the government to government level also, like you have to solicit business on your own?

**Madhu S Nair:** We do it on our own. Government is not getting involved in the business.

**Moderator:** And the next question is from the line of Vignesh from Ksema Wealth. Please go ahead.

**Vignesh:** Just wanted to understand the opportunity. Apart from Europe, are we targeting any other geographies as such?

**Madhu S Nair:** Not really at this stage.

**Vignesh:** Okay. So basically, we are seeing like execution or the orders are pulled from the Europe side, execution will be a challenge is what we understand, sir?

**Madhu S Nair:** Europe, our strength we have built up is a little bit towards Europe, which is quality of the product, engineering strength of the organization, trust that we have built up over the past 20 years with various clients in Europe, visibility in Europe.

And especially since Europe is looking at significant vessels to be built, we really see no reason at this stage to check other geographies at this stage. We are aware of what could happen in other places. But right now, we are focused on Europe other than what we are seeing in the country on our defence and whatever is happening within the country.

**Vignesh:** Okay, understood. Just a little bit more on Europe orders. Were we are seeing it is the replacement demand or the new ships, which is being coming up for the orders with us?

**Madhu S Nair:** So Europe, two types of demand is what we are seeing. One is in European short sea vessels, which are various type of cargo, multipurpose vessels plying largely within Europe. These are largely old vessels. Average age of the fleet could be getting close to 20 years. And naturally, they would need replacement. And when they are getting replaced, they will not get replaced by old class design. They will get replaced by newer technologies and lesser emission vessels, so what we call the green or the hybrid vessels. So that is one part of the demand.

The second part of the demand what we are focused on is the wind energy market, which is emerging in Europe and allied requirement for service and support vessels in the wind farm fields. This is expected to peak from 2027 onwards. So right now, there are various agencies

finding it right time to start doing the investment into this segment. And we are getting into that circuit.

**Vignesh:** Sir, just a bit more on the wind energy. Why do these ships come in? How does it work for the wind energy market for ships, just to understand more on that?

**Madhu S Nair:** It's a difficult question. All I can just explain is the wind energy in Europe, being in the tropics, wind energy is going to be dominating the energy transition into the future, and these are largely going to be offshore wind. So it will be offshore field. When you install fixed offshore wind towers or floating wind towers, these days about 10 megawatt each tower and countries are rolling out their own scale.

For example, U.K. is talking about 25 gigawatt. Various other countries are talking about. So once this field come up with multiple thousands of wind towers in the field, all these windmills will need continual maintenance and support. And you need a lot of specialized ships in the field to go ahead and service this market. We are trying to look at that support ship, various types of support ships.

**Moderator:** And the next question is from the line of Deepak Krishnan from Kotak Institutional Equities. Please go ahead, sir.

**Deepak Krishnan:** Just wanted to check because you said that the margin increase and all of that is some sort of large number of ship repair and ship refit contracts. So, when you indicate ship repair, INR1,200 crores for the top line, that also includes these medium refit orders? Or ships are largely booked in shipbuilding and how big a pipeline is this?

**Madhu S Nair:** All the medium refit, all whatever we said, that is all ship repair. All the mid-life upgrades and the multi-refit contracts, it will all be ship repair. And as we move forward, we feel, as you rightly pointed out, the ship repair turnover goes up and we can hold our business tight as we are doing right now. That will be positive for the company as we move forward.

**Deepak Krishnan:** What could be the size of this research market right now or maybe, say, next two, three years, what is the size that Cochin Shipyard is targeting?

**Madhu S Nair:** As I said, these are very, very fluctuating figures. That's why we wouldn't want to stick to exact figures. But right now, visibility could be INR1,200 crores in a year or two, INR1,500 crores in three and three odd years. This would be roughly where we would like to be.

**Deepak Krishnan:** And maybe just sort of understanding if there's any update on IAC-2 potential, anything that you can kind of think that could happen?

**Madhu S Nair:** Not yet. We both are on the same page. Whatever is there in public domain, only we also know.

**Deepak Krishnan:** Okay, sir. Those are my questions. Maybe just one more follow up. Any guidance that you've given for next year? I sort of lost out on the call in between.

**Madhu S Nair:** We just conveyed this a bit.

**Deepak Krishnan:** Sorry, I got dropped off. Could you just repeat that?

**Madhu S Nair:** What we had said is like for this year, we would exceed our all-time best turnover targets. And for the next year, that's for FY'25, we would try to raise it by 12 to 15 percentage on top of that.

**Moderator:** As there are no further questions from the participants, I now hand the conference over to management for closing comments.

**Madhu S Nair:** Thank you, dear participants, and we are happy to have all of you tuning into the company. We continue to have these engagements taking forward, and whenever there is any significant events or developments in the company, we'll appropriately convey it to the market. Thank you. Thanks for your time.

**Moderator:** On behalf of Kirin Advisors, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.