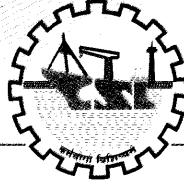


कोचीन शिपयार्ड लिमिटेड

(भारत सरकार की श्रेणी-1 मिनिरात्न कंपनी, पोत परिवहन मंत्रालय)



COCHIN SHIPYARD LIMITED

(A Government of India Category-1 Miniratna Company, Ministry of Shipping)

SEC/48/2017-63

July 03, 2020

To The Manager, Compliance Department, BSE Limited, Phiroze Jeejeebhoy Tower, Dalal Street, Mumbai – 400 001. Scrip Code/Symbol: 540678/COCHINSHIP	To The Manager, Compliance Department, The National Stock Exchange of India Ltd., Exchange Plaza, Bandra - Kurla Complex, Bandra (East) Mumbai – 400 051. Scrip Symbol: COCHINSHIP
---	---

Dear Sir/Madam,

Subject: Transcript of conference call

1. Please find enclosed transcript of conference call held on Wednesday, June 24, 2020 at 15:00 hrs. to discuss on company's Q4 & FY20 results and the road ahead.
2. Kindly take the same on record.

For Cochin Shipyard Ltd

Syamkamal N
Company Secretary &
Compliance Officer



पंजीकृत कार्यालय : प्रशासनिक भवन, पी.ओ.बैग सं 1653, पेरुमानूर पी. ओ., कोच्ची - 682 015
Registered Office : Administrative Building, P.O. Bag No. 1653, Perumanoor P.O., Kochi - 682 015
फोन / Phone : +91(484) 2361181 / 2501200 फाक्स / Fax : +91 (484) 2370897 / 2383902
वेबसाइट / Website : www.cochinshipyard.com, सीआईएन / CIN: L63032KL1972GOI002414



COCHIN SHIPYARD LIMITED

A GOVERNMENT OF INDIA ENTERPRISE

A MINI RATNA COMPANY UNDER THE MINISTRY OF SHIPPING

“Cochin Shipyard Limited Q4 & FY20 Earnings Conference Call”

June 24, 2020

MANAGEMENT: MR. JOSE V J – DIRECTOR (FINANCE), COCHIN SHIPYARD LIMITED

MR. RAJESH GOPALAKRISHNAN – GENERAL MANAGER (BUSINESS DEVELOPMENT & NEW PROJECTS), COCHIN SHIPYARD LIMITED

MR. SHIBU JOHN – DGM (FINANCE), COCHIN SHIPYARD LIMITED

MR. SYAMKAMAL N – COMPANY SECRETARY, COCHIN SHIPYARD LIMITED

MODERATOR: MR. UMESH RAUT – YES SECURITIES

Moderator: Ladies and gentlemen, good day and welcome to the Cochin Shipyard Limited Q4 FY20 Earning Conference Call hosted by Yes Securities. 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 * then 0 on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Umesh Raut from Yes Securities. Thank you and over to you, Mr. Umesh Raut.

Umesh Raut: Thank you, Janice. Good afternoon, everyone. On behalf of Yes Securities, I would like to welcome you to Q4 FY20 earnings conference call of Cochin Shipyard Limited. I have the management today being represented by Mr. Jose VJ - Director (Finance), Mr. Rajesh Gopalakrishnan - General Manager (Business Development & New Projects) Mr. Shibu John - DGM Finance. I will now handover the call to management for opening remarks, post which we will open up the floor for Q&A session. Over to you, sir.

Jose V J: Good afternoon. My name is Jose, Director (Finance). I have with me Mr. Rajesh, General Manager (Business Development) and Mr. Shibu John, he is DGM (Finance) and Company Secretary, Mr. Syamkamal. I, welcome to the conference call of Cochin Shipyard.

I will just give a brief snapshot of the financial results. The turnover is at Rs. 3,422 crores, up by around 15% on a year-on-year basis. PBT is Rs. 863 crores up by 15% on a year-to-year and PAT is at Rs. 638 crores, up by 33% on year-on-year and quarter-to-quarter it is 44%. And if you take a composition of the turnover, shipbuilding constitutes around 69% and ship repair around 31%. And on the operational front, IAC basin trial which was scheduled for April 20 has been rescheduled to Sep 20 mainly because of the COVID. . So correspondingly, there will be some delay in the delivery of the ship also which was scheduled for February 21. And in other shipbuilding front, out of the total Ro-Ro vessels of 10 numbers, we have already delivered 8 and remaining 2 are almost in the delivery stage. And out of the 16 fishing vessels, we have already delivered 14 and 2 is remaining and construction work on the FBOP and then Kochi Metro vessels are in progress and we will be starting fabrication of the ASW vessels later part of this year.

In the ship repair front, we have clocked around Rs. 570 crores turnover last year, out of that from Mumbai we got around Rs. 51 crores. So all together, we have repaired around 30 vessels in CMSRU, and out of that 24 vessels were repaired during FY20. In CKSRU, the Calcutta Ship Repair Unit, we have repaired 4 vessels so far and the turnover for that unit was around Rs. 4 crores.

In the CAPEX front, as you are aware there are two major CAPEX, the ISRF and Dry Dock. Both were running in full swing, but the projects have been impacted heavily due to COVID, because all the migrant labors have left the site and they have not returned to the site so far. And also most of the manufacturers/suppliers of the CAPEX equipment have already invoked

the force majeure clause available in the contract. So, we are expecting delays in both the projects.

As regards the impact of COVID, as you are aware, the impact on the FY20 was very minimal because we lost only 7 days. But, the major impact will be in the Q1 of FY21, but we expect to ramp up the operation from the remaining quarters. That is the snap shot of the activities, now we can take the queries.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. We take the first question from the line of Jonas Bhutta from Phillip Capital. Please go ahead.

Jonas Bhutta: I have a couple of questions, sir, a) something related to the quarter. So in the ship repair segment, despite a revenue decline, we have seen margins expand very sharply. I know Q4 last year was a loss quarter, but nonetheless still margins upwards of 27%. Any particular one-off that was captured in this quarter that led to such high margin?

Jose V J: There were some vessel in which we had some better margin, but as I always say Jonas, you should measure the performance year-on-year. Because of the specific nature of the industry in which we operate, we may not get a proper picture of what is our earning guideline if you take quarter to quarter. But if you take on year-on-year, full year basis, ship repair segment is around 25% which is in line with our expectations.

Jonas Bhutta: Got it. My second question was on the revenue expectations for FY21. You have a handle now that what kind of delays are expected in the IAC and you already know the kind of quarter that you lost in Mumbai, have you worked out on the tentative revenue expectations for the fiscal FY21 sir and if you can share that.

Jose V J: Yeah. Jonas, we were always guiding around 12% growth every year. But, this year FY21 because of the COVID, we lost almost the entire Q1, so we may not be able to show a 12% growth this year. But, we are putting all efforts to be around last year atleast despite various constraints.

Jonas Bhutta: And within that sir, ship repair will see growth or because I remember you were expecting almost Rs.100 plus crores out of Bombay which look difficult in the current scenario. So basically just wanted to know the mix between ship repair and ship building. So will ship repair decline and ship building still stay flat?

Jose V J: Ship repair will be around 550 level in the current financial year also It will be around Rs.75 to Rs.80 crores from Mumbai. So the total w from the ship repair would be around Rs.550 crores including Mumbai.

Jonas Bhutta: And my last question sir was on ASW. At the time of bidding for this project, what was the expected import content in the project and over the last 1.5-2 years when you have been

working on it, have you been able to sort of then bring down that expected import content and the question is more because currency has further depreciated. So if you remember around a year ago, we were talking to you about 70 levels and at that time you had mentioned that the margins itself will be single digit. Now from there, currency has further depreciated another 5%-7%. How should one look at that particular project now?

Rajesh Gopalakrishnan: Jonas, I think we have discussed this earlier and I think our responses by and large, it remains the same. If you remember, what we had conveyed earlier also was like if you take new build projects around say, if you say 65% is what is the material component and in that if you pull out and say of the material component if say another 60% to 65% is import. And within that, the comfort level that we had on ASW all along was that our major or almost close to entire import component was broadly on the Europe front, which really has not moved much and that is where we feel we should be able to manage, of course hard bargains with the OEMs going on like maybe I think last time we had also mentioned about us trying to work out a larger package to leverage more on during the negotiation time and so we are just setting up a slightly different model to maximize that thing here.

Jose V J: Jonas, we have already ordered the steel, which is a major procurement for the ASW project and that has been ordered on an Indian party. So there, we do not have any exchange variation risk.

Jonas Bhutta: So 35% still remains the import content, but that is skewed towards Europe, not so much of a risk that we have as of now?

Jose V J: Approximately 65% of the total cost is material out of which around 65% is import component.

Moderator: Thank you. We take the next question from the line of Sandeep Tulsian from JM Financial. Please go ahead.

Sandeep Tulsian: Sir, firstly if you could share the revenue breakup that you provide every quarter between IAC and non-IAC within ship building and also the fixed price versus cost plus within the IAC?

Jose V J: I will do that. Before that, Sandeep, I would like to make a correction in the opening statement I mentioned that ship building was 69% of the total turnover, but actually if you see, 83% is ship building and 17% is ship repair. And coming to your question, now you want to know break up year-on-year or quarter?

Sandeep Tulsian: During the quarter and full year, if you can share the numbers in rupees crores terms?

Jose V J: So the full year, the IAC is Rs.2377 crores. Out of that, cost plus is Rs.1483 crores and fixed price is Rs.894 crores. So total Rs.2377 crores. And other ship building other than IAC is Rs.476 crores. So total is Rs.2854 crores ship building and ship repair is Rs.570 crores, total is Rs.3424 crores.

- Sandeep Tulsian:** And within this fixed price Rs.894 crores, this Phase-II has been completed and no revenues spending there yet?
- Jose V J:** Around Rs.20 crores is spending for FY21 from Phase II. So out of that Rs. 893 crores, Phase-II is Rs.235 crores and Phase-III is Rs.658 crores. And for the Q4, IAC total is Rs.609 crores and cost plus is Rs.354 crores and fixed price is Rs.256 crores, so total is Rs.609 crores and other ship building is Rs.104 crores. So total is Rs.713 crores. And ship repair is Rs.104 crores.
- Sandeep Tulsian:** And secondly sir, in the previous call we had shared a pipeline of orders where you had also mentioned that the bids for next generation missile vessels have been submitted, if you could share what is the update on all of those orders or the timelines pushed due to COVID-19 or by when can we see some of these orders getting materialized for Cochin Shipyard?
- Rajesh Gopalakrishnan:** Sandeep, the bid for the NGMV is already in, but typically you are aware that Navy will take a little time evaluating it and due to this lockdown, it could probably take slightly longer than that. But having said that, we have also seen some activity during the lockdown period also, probably people are still working in the establishment. So we are still waiting for the results of that and as we speak, there are two bids which are opened in the meantime. One was the floating docks which we had bid to the Navy, that again we were L3 and that L1 was HSL and there were two pollution control vessels that was for the coastguard. Again, we missed it, we were L3, I believe there as well.
- Sandeep Tulsian:** And who was L1 there?
- Rajesh Gopalakrishnan:** That was Goa Shipyard. So otherwise, there are upcoming orders, there is a new generation offshore patrol vessel, NGOPV, which the Indian Navy has come out with RFP which is under the bidding stage and MPV, that is multipurpose vessel for the Navy, again it is under RFP stage. So these are the two immediate major tenders that are coming up from the Navy and of course, we are bidding for that.
- Sandeep Tulsian:** Lastly, two more questions on numbers, if you could share since our facilities are getting delayed a bit in terms of commissioning due to unavailability of labor, what is the kind of CAPEX that we have planned for FY21 combining the two facilities. And secondly, we have also mentioned in our presentation about the impact of liquidated damages getting reduced. So has there been a forecast on how much these revenues would be and have you made any provisions towards that?
- Jose V J:** Sandeep, see the CAPEX target, we have revised downwards to around Rs 290 crs due to COVID in the current financial year. Out of that, ISRF will be around Rs.120 and the remaining is dry dock.
- Sandeep Tulsian:** And on the LD?

- Jose V J:** In the case of LD, because in all our contracts, there is a force majeure clause and the COVID has been declared by the Ministry of Finance as a force majeure event, so we have claimed force majeure for all the contracts. So to that extent, the lost production days on account of COVID will not impact the additional LD for the project. Whatever LD which we are envisaging based on the expected delivery date, has been provided in the accounts.
- Sandeep Tulsyan:** How much was that if I can ask?
- Jose V J:** I do not have the details right now with me, but I will try to give you during the course of the call.
- Moderator:** Thank you. We take the next question from the line of Keshav Garg from GPIPL. Please go ahead.
- Keshav Garg:** Sir, I wanted to understand that in the first quarter sir, will we be breakeven at the profit level?
- Jose V J:** I do not have any idea now because we have not taken an assessment of the Q1 so far. Even during the COVID, we have paid the entire salary and incurred other fixed overhead expenses.
- Keshav Garg:** And sir for the full year, sir like you mentioned that the sale turnover we will be able to maintain and sir what about the bottom-line?
- Jose V J:** Bottomline may not be at this level because PAT will come down because of lower operating margin and reduction in other income due to CAPEX. Second thing, the interest rate in the bank also has come down. Now we are getting only 5.5% only for one year. So PAT will definitely come down and operational margin will also come down a bit, but I cannot guide you exactly what will be the exact level.
- Keshav Garg:** Sir, and once this IAC order gets over, are you expecting a degrowth in our topline or sir, you think that other order will be able to make up for that dip. Because, IAC was around 60% of our annual turnover.
- Jose V J:** Yeah, definitely but turnover from IAC will be there in the topline till FY24. So before that we need to take a big order, like ASW. We are actively bidding for many projects, some will click, we cannot expect that company will not strike any orders for the next 3 years.
- Keshav Garg:** And sir, also sir if you see last year's annual report sir, there is a provision for unanticipated losses and expenditure of Rs.72 crores and which was Rs.58 crores year before. Sir, I am referring to note #38 on page #158 of the annual report. And sir basically the breakup is doubtful debt and advances of Rs.66 crores. So this is the major component. So sir, doubtful debt is it, like I think we are dealing with the government. So sir, is it like doubtful debt or advances. So basically where did we lose this money?

- Jose V J:** No, it is actually not a doubtful debt but we expect undue delay in collection. As per our accounting policy if the debtors is outstanding for more than one year, we provide 5% of that total amount and if it is more than 2 years, we provide cumulative 15% and if it is more than 3 year, we provide 100%. Our major customer is Navy. Now because of the defense budget cut , there is a delay in getting the money, it range upto 3 years in some cases. But definitely we will get the money, but as per the accounting policy we need to provide fully.
- Keshav Garg:** Okay, sir and lastly wanted to understand sir that, it was mentioned in the annual report that the annual ship repair market is Rs.2,600 crores in India. Sir, so we are able to capture sir barely a fifth of it and sir I understand that there is no other ship repairing company other than ours. So where else is this Rs.2000 crores market going?
- Rajesh Gopalakrishnan:** See this Rs.2400 or Rs.2500 market which is being worked out, is basically the total ship repair happening on Indian flagged vessels. Now, these vessels are vessels which are applying all over the world and many of the commercial vessels probably get repaired in other countries as well. So the thing is, the challenge of course is how do we capture this market back into India. Now from a CSL point of view, as you rightly said, CSL is probably the key ship repair player in India and we are doing vast majority of the ship repairs that are happening in India, but again currently where we are, we are actually unable to squeeze in anymore. We are actually doing much more than we can actually chew even now. So that is precisely why we are going in for these CAPEX projects, the ISRF which is the International Ship Repair Facility and the new Dry Dock. And once these two are in place, we get more infrastructure available so we can take more ship. So that percentage will increase further and again keeping in view the potential for ship repair in India that CSL has over the last 1-1.5 years opened up ship repair units in Bombay. We have started operating in Calcutta and we are also starting to operate in, we have actually commenced our Andaman & Port Blair operations, but because of COVID we could not really move fast on that front because this agreement was signed just prior to that. So it is because of this potential that we see and the fact that there are no other real competitors in India and in the region that we are moving forward in this direction. So hopefully once the extra infrastructure comes up and once the situation also normalizes, we can actually try to garner more percentage of this total available business.
- Moderator:** Thank you. We take the next question from the line of Sagar Gandhi from Future Generali. Please go ahead.
- Sagar Gandhi:** Sir, my first question is, till date how much have we spent on the new dry dock facility and the ISRF?
- Jose V J:** Good afternoon, Sagar Gandhi. In the dry dock we have so far spent Rs.555 crores and ISRF Rs.436 crore. So total Rs.991 crore.
- Sagar Gandhi:** Sir, do we envisage any kind of cost overruns in either of the two facilities?
- Jose V J:** No, we don't expect any cost overrun, but there can be time overrun.

- Sagar Gandhi:** No, but sir, given that ISRF is almost 68% complete and our scheduled timeline is December 2021, I mean to my assessment there shouldn't be any. What gives you that, I mean, there can be a time overrun?
- Rajesh Gopalakrishnan:** See, actually what happens in such infraprojects Mr. Gandhi is that, like you said now it is nearing the 70% mark that is actually once you cross the initial 25%-30%, then momentum picks up and then there is we actually gain peak, the performance peak and it is during that time that this COVID has also struck and what has happened is typically in such an industry or such a construction environment especially in a state like Kerala, majority of the workers would be migrant laborers from other states and immediately after the railways started putting trains, all of them naturally they wanted to go back home and meet their families. So a lot of people have left. So, again now putting it back on track and again ramping up to that momentum, it is not only those two months that we lost in lockdown, cumulative effect will be little more than that. So right now as we speak a lot of people have expressed willingness to come back, again coming back, then they have put into a 14-day quarantine. So if you see the total effect, the net effect is much more than these two months. That is why you know our contractors or the turnkey contractors have also invoked this force majeure clause and naturally. So that is the impact. That is why we are telling that there would be a time overrun.
- Sagar Gandhi:** Sir, any broad number that you can tell us, this next generation missile vessel, multipurpose vessel and offshore patrol vessels. So all this three put together, what will be the rough size of opportunity?
- Rajesh Gopalakrishnan:** Both together could add up to around Rs.4000-4500 crores.
- Sagar Gandhi:** And sir, our current assets are close to Rs.1500 crores. Of this Rs.1500 crores, how much of it will be...?
- Rajesh Gopalakrishnan:** Sorry, I got it wrong. Put together this could be around; it could be above Rs.10,000 crores. I took the wrong lane.
- Sagar Gandhi:** So sir, I am again clarifying. It is next generation missile vessels, multipurpose vessels, plus offshore patrol vessels.
- Rajesh Gopalakrishnan:** Okay, all the three would be above Rs.12,000-13,000 crores. It will be between Rs.13000 and 15000 crores.
- Sagar Gandhi:** Sir, apart from our cash balance of approximately Rs.2000 crores, there is another Rs.1500 crores of other current assets. Sir, this Rs.1500 crores of other current assets, can you throw some more light, how much of it is liquid able cash?
- Jose VJ :** That is around Rs.2000 crores in total

- Sagar Gandhi:** Sir, that is cash and bank balances? In addition to that, there is also something called as other current assets.
- Jose VJ :** I will come back to you, let me take that full set of Balance Sheet.. I will come back to you.
- Moderator:** Thank you. We take the next question from the line of Aditya Mongia from Kotak Securities. Please go ahead.
- Aditya Mongia:** Sir, the first question that I had was on cash flows. You mentioned that there is some kind of stressed assets building up. If you could provide some more color in terms of the split of dues between more than one year, 2 years and beyond and general expectation of how difficult FY21 can be for the company from a cash flow perspective?
- Jose V J:** The total debtors as of 31st March is around Rs.288 crores. Out of that, around Rs.250 crores will be from the government.
- Aditya Mongia:** So let me just kind of phrase it differently. Do you think that the flow of money from Navy which is a key customer in FY21 could be something which will be very different from FY20, given the situation at their end?
- Jose V J:** Now the government's priority is more to the MSME and other small players. So now, they have taken a strategy that PSUs will be paid only the next level. the priority is given to MSME, . So this year, we have not received any collection so far..
- Aditya Mongia:** Sir, when do you think the situation will normalize for you? Will it take more than 1-2 quarters?
- Jose V J:** We expect to improve the position beginning from Q2.
- Aditya Mongia:** And the second thing was just to get a sense, you acquired another shipyard in the month of March, so the thought process behind that in terms of challenges that may lay ahead and opportunity that will come from that kind of an acquisition?
- Rajesh Gopalakrishnan:** That was the Tebma Shipyard at Malpe. That was a specific buy because CSL has actually been working on a strategy roadmap for 2030 and one specific segment that came out very strongly in the strategy report was the small vessel and the fishing vessel segment as well as the inland water segment. For the inland water segment is where what we are actually, you are already aware we have a new yard at Calcutta for the CSL which is already coming up. But for the fishing vessel segment, we have identified this Malpe facility. And fishing vessels, why we have gone ahead and wanted a separate facility is we have already moved into this segment and we have delivered around 14-15 vessels already, but what we have realized is that building these small, these are really small vessels, the frontline fishing vessels. Of course, we are coming up with higher end versions of it, the designs are complete. But then getting these built alongside the big vessels in the current yard is becoming a challenge because the focus

normally gets at the production front goes to the bigger vessels and then the strategy and the execution models are all entirely different, even the project management is of different nature. So we wanted a dedicated facility for this and there is market potential. We have got a feasibility report and a market study report already done and we have tested the market and the feedbacks on the initial set of vessels that were delivered have been very encouraging. So we are ready to move, the only hitch here was 2 months of thing which really did not allow us to actually take off, so we are ready with that facility and to get going.

Aditya Mongia: Just a clarification. Can you put in, what is the contract asset number right now as of end of March, if you could clarify that number?

Jose V J: I will clarify that and this will answer to the previous question also, Mr. Gandhi had asked for the breakup of the current assets. So out of that, contract asset is around Rs.916 crores and input tax credit is around Rs.542 crores. Out of Rs.1500 crores, these are the major items. , We will avail the input tax credit only when we deliver the ship. All that GST paid so far is remaining as current asset in as input tax credit and other advances were around Rs.115 crores. These are the major amounts in the current assets.

Aditya Mongia: And the quantum of customer advances?

Jose V J: Customer advances, I will give you the details after a while.

Moderator: Thank you. We take the next question from the line of Nitin Shakhder from Green Capital. Please go ahead.

Nitin Shakhder: My first question pertains to does the management think that there is a steady offtake of new ship building orders versus ship repair orders and how can you sort of estimate where the traction is going to be better on, if you could just throw some light on that?

Rajesh Gopalakrishnan: On the new ship building order front, what we have seen is as there is a bit of an inertia following the recent pandemic because we have seen that certain clients have also indicated that they are putting the brakes on immediate CAPEX, but having said that, there are some streaks of positivity also coming from certain quarters. So there are a few private clients on the coastal shipping line front that we are talking to, which seem to be moving forward quite positively even in under the circumstances. What has happened is places like Europe has slowly opened up and they are also now starting to talk, so there are few bids that we have just put in over the last month into Europe and we are pushing on that front also and hoping some breakthrough will come on that front. But rightly like you actually mentioned, getting the ship building momentum back would be a relatively slow process currently. Ship repair does not have that issue. Even as we speak over the last one month, we have got lot of orders flowing in. Our new facility in Calcutta has actually over the last 1.5 weeks, we have been able to garner 3 orders. So ship repair, the momentum will sustain because vessels are there, it means it has to be repaired and so we do not see any challenge really in this regard on that front

except the fact that the last 2 months of lockdown productivity which we lost is something that is lost, otherwise it is not a matter of order unavailability.

Moderator: Thank you. We take the next question from the line of Viraj Mithani from Jupiter Finance. Please go ahead.

Viraj Mithani: I would like to ask about the CAPEX plan we had, right, Rs.2000 crores of cash. So what part of money is being deploying to the CAPEX?

Jose V J: Out of that, the CAPEX money will be around Rs.1100 crores.

Viraj Mithani: So, will be left with Rs.900 crores after that, is it?

Jose V J: Yes.

Viraj Mithani: And sir, about this Navy dues, you talked about in last concall, is there any further improvement in that or still they are pending?

Jose V J: No. Q4 March we got around Rs.100-150 crores from Navy. But this financial year we have not received anything. Q4, they released some money.

Viraj Mithani: This Rs.1100 crores CAPEX which we are planning to do will start giving us return from when sir? Can you give us some sense on that?

Jose V J: It will be in the next couple of years.

Viraj Mithani: So, more than 2 years for sure?

Jose V J: Yeah. Around 2 years. Before taking the other question, I just want to clarify the previous question. The contract liability is Rs.1133 crores. Basically it is customer advances.

Moderator: Thank you. We take the next question from the line of Hardik Jain from White Stone Financial. Please go ahead.

Hardik Jain: Sir, now these two facilities that we are doing the CAPEX for this ISRF and Dry Dock. I think both these capacities will start operations in FY22. So what is the peak revenue capacity of both these facilities put together?

Rajesh Gopalakrishnan: Again, see ISRF, what we are looking at is, once this goes live, we are hoping the initial couple of years would be taken to ramp it up, but in any case ISRF we would be, it is not a total capacity to take around 70 vessels and looking at the current availability of ship repair in India, we don't see a challenge. If we are able to get our act together, we should actually get those vessels. The only thing is once all system is all in place and we get going, the first year probably could be say around approximately we would expect around Rs.200 crores and then it grows from there upto around Rs.1000 crores. Rs.650 crores is what we are looking at say 3

years or 4 years down the line. As far as Dry Dock is concerned, the Dry Dock again as you are aware, it is predominantly we would like to have some big vessel orders because it is a big Dry Dock that we are building and that is where we are looking on the commercial front for bigger vessels. Right now, we are doing some bulk carriers. So we would want similar vessels. So that is another area that we are focusing on. But ship building as you know is currently not at anywhere near its peak worldwide. So what we would there also is we would rope in some additional ship repair orders and conversion orders to keep the dock occupied. So that is why DF was mentioning that once the project is done and commissioned, revenues can start flowing in immediately whereas for ship building, there is a gestation period.

Hardik Jain: So basically ISRF peak capacity or revenue capacity would be around Rs.600 to 650 crores and I was just thinking sir even if we do around say 500 crores turnover and around 30% margin which is around 150 crores of EBITDA and then the depreciation interest and we are putting Rs.1000 crores of CAPEX in it. So what I think then will be ending up with an IRR of around 10%-11% in that range. Is my understanding, correct?

Rajesh Gopalakrishnan: Yeah, you are right. That is what even our financial feasibility report, we work it at around that. Around 11-12 is what we have also worked out.

Hardik Jain: And we are funding both these CAPEX only through internal accruals, we are not seeing any borrowing for this?

Jose V J: No, it is entirely through internal resources.

Hardik Jain: Now, because given the payment issues with the Navy and you have to execute the current orders and simultaneously also do this CAPEX, you don't foresee us taking any loan or short term borrowing, working capital loans or any?

Jose V J: No, we are confident of doing it through internal resources even now.

Moderator: Thank you. We take the next question from the line of Parimal Mithani from Credential Investments. Please go ahead.

Parimal Mithani: Sir, you had given a COVID impact report on the exchange. Just wanted to know how has the ramp up been post, can you open up and what steps have you taken to mitigate incase we have a lockdown, if you can highlight that?

Rajesh Gopalakrishnan: Actually, currently as we speak when compared to the country wide situation, we seem to be the lucky lot because all along Kochi has been relatively a safer spot to be in. And so we actually opened up early May. So we opened up on 4th May, in fact the senior officers started coming in the last week of April itself and what we have done is, we have actually taken all the precautions that are mandated. We have also brought out a detailed in-house SOP which has been diligently followed and including all the norms that we are currently talking of social distancing and all those precautions. And on the workforce what we have done is, we are

operating the entire employees in 2 shifts and there is an intentional gap that we laid between the two shifts so that there is no overlap. So actually as we speak, discussions are on to actually convert it into full shift because we feel the situation is okay, but again it is a bit more of wait and watch because Kerala also, you probably are seeing in the papers that we have lot of people returning from other states and lot of NRIs and the numbers are slightly increasing as well. So it is bit of a wait and watch before we move into the full-fledged, full shift operation. But then we are already planning for that. The question is only when we would want to do that, when we would want to implement that. Otherwise, the two shifts that are operating now are operating in full capacity and again one challenge that we have seen is, on a typical day prior to this COVID situation we would have seen around 6000-7000 footfalls in the company. Today, I think the footfalls would be around 3000-3500 because as I was speaking, replying to an earlier question as well, we have a lot of migrant labor working in Kochi and in the yard. A lot of them are yet to return after they went back home when the trains started running. So that area needs to pick up, but otherwise as of today.....

Parimal Mithani:

Sir, because of the COVID impact, post reopening. How have we been able to ramp up your production in terms of labor wise, in terms of milestone which you may having for the quarter if you can highlight on that?

Rajesh Gopalakrishnan:

Yeah. We actually went into lockdown on actually a day before the nation went on lockdown because it was a Saturday we had decided to switch off on Saturday, the previous Saturday. But then we actually started operations on May 4th. Our senior officers came in during the last week of April and the production started on May 4th. So I was actually explaining to an earlier question as well. So what we have done is we have actually split it into two shifts of 5.5 hours each, so we have split it into two shifts and workforce is coming in two separate shifts. We have kept a deliberate interval between these two shifts so that there is no overlap and it is also part of the detailed SOP that has been drawn out. And to answer your question regarding the ramping up, typically pre-COVID at peak momentum, we would have around 6000 to 7000 footfalls in the company on any given day which is currently standing at around 3500. We are slowly trying to push it up to 4000. So that need to come back to the levels that it was prior to the COVID. But having said that, like I was again mentioning, we have lot of other state and migrant labor workforce. They were actually in Cochin, but when the train started running they all went back home, probably they had to meet their families and now people have started slowly trickling back in and again once they come in, they have to go through the 14-day quarantine and things like that. So it is steadily picking up, but we are only hoping that the situation doesn't get any worse and things don't go back. But otherwise I think over the next one month or so, we should be in very good position.

Moderator:

Thank you. The next question is from the line of Anmol Grover from Albatross Capital. Please go ahead.

Anmol Grover:

I just wanted to point out that in your presentation on slide #15, it is mentioned net debt instead of net cash. I believe you are sitting on net cash and it is mentioned net debt of Rs.123 crores. So I just wanted to point it out and justify that?

- Jose V J:** It is net debt, Rs.123 crores.
- Anmol Grover:** So we are sitting on net cash, right? We have around 2000 crores of cash and 123 crores of debt, so it could be net cash instead, just wanted to point that out.
- Jose V J:** On this what we meant was, it is the total long term loan outstanding as on date. Yes, you are correct.
- Moderator:** Thank you. We take the next question from the line of Jonas Bhutta from PhillipCapital. Please go ahead.
- Jonas Bhutta:** Just circling back to this bid that we put in for the next gen missile vessels, just wanted to understand other than GRSE, who else would be our competitors here and given that we have been allowed to put in a bid that clearly, is that an indication that we are technically qualified or that technical qualification only happens after you put in a bid because we have never made these complex weapon heavy ships before, so if you can just elaborate on whether we have been technically qualified?
- Rajesh Gopalakrishnan:** Thanks, Jonas. I will just quickly answer that. In fact in terms of facilities and capabilities, the technical qualification is done and that is why we are permitted to put in a bid. But again for all RFPs that we bid against, the particular bid would be technically evaluated again. So if there is a technical issue with the bid, they would come back to us with clarifications and provided the clarifications are satisfactory, there shouldn't be an issue. And having said that, CSL till date has not faced a technical disqualification issue in any of our bid. Again, this NGOPV, all the DPSUs as well as L&T are also bidding. So it is amongst the major yards in the country.
- Jonas Bhutta:** So, it is GRSE, L&T and you who have actually put in the bid?
- Rajesh Gopalakrishnan:** MDL is also there.
- Jonas Bhutta:** And sir, my second question was on when do you now expect Vikramaditya to come back for repairs. Will it be FY21-22?
- Rajesh Gopalakrishnan:** Looks like earliest would be FY22 because if it was FY21, we would have seen commercial activity commencing now. But nothing probably I don't know whether it is because of the current scenario, but we have not seen any initiation from the Navy side on commercial discussions and preparation of works, scope and things like that. Probably, it is going on inside their system. It is yet to be indicated to us. So may not be FY21 in that case.
- Jonas Bhutta:** Okay. And lastly a clarificatory question. Sir, if you can breakup your current year ship building revenue you did about Rs.2850 odd crores, between defense ship building and commercial ship building?
- Jose V J:** Yeah. Defense will be around 87% and commercial will be 13%, ship building.

- Moderator:** Thank you. We take the next question from the line of Parimal Mithani from Credential Investment. Please go ahead.
- Parimal Mithani:** Sir, my second question was, I got cut down in the line. Sir, since you mentioned that you have close to 4000 employees on the side, is it safe to assume we could achieve a turnover of Q1 numbers like similar to last year?
- Jose V J:** No, Q1, there is an impact due to COVID because the production activity was very minimal during Q1. Because though we started in 6th May, it will take some time to ramp up the operations. So Q1, the topline will be not that good. That is what we are expecting.
- Parimal Mithani:** Sir, do we expect a significant drop in the topline or it will be not that significant, sir?
- Jose V J:** Q1 drop will be there compared to last year Q1, but overall for the year we will ramp up.
- Moderator:** Thank you. Well, ladies and gentlemen, that was the last question for today. I would now like to hand the conference back to the management for closing comments. Over to you, all.
- Jose V J:** Hi, all. On behalf of this management of Cochin Shipyard, I thank each and every one of you for having joined the concall and from the management side, we take all efforts to mitigate or minimize the impact of COVID and we continue to perform well as you expect. Thank you, thank you all.
- Moderator:** Thank you. On behalf of Yes Securities and Concept Investor Relations, that concludes this conference. If you have any further question please write an email to gaurav.g@conceptpr.com. Thank you all for joining. You may now disconnect your lines.