

Goa Shipyard Limited

September 27, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	100.00	CARE AAA; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	7,900.00 (Enhanced from 5,900.00)	CARE AAA; Stable / CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation in ratings for the bank facilities of Goa Shipyard Limited (GSL), continues to derive strength from GSL's well-established operations and longstanding track record of about six decades, majority ownership held by Government of India (GoI; directly and indirectly holds about 91.13% stake as on March 31, 2024) and strategic importance of GSL in strengthening the country's defence capabilities. The company is viewed as strategically important for executing and strengthening India's defence capabilities, considering that a large share of revenue is derived from Indian Navy and Coast guard with largest order in the orderbook (~outstanding ₹10,000 crore as on June 30, 2024), for two stealth frigates, received on nomination basis from the government. The defence segment is expected to continue as the largest revenue contributor. GSL is also likely to get benefit from increased GoI's focus on 'Make-in-India' initiative and favourable industry outlook.

The ratings are also factor in the comfortable order book position, providing long-term revenue visibility. GSL's order book size continues to be robust at ₹18,441 crore as on June 30, 2024 (₹19,374 crore as on November 30, 2023). The financial performance has been satisfactory in FY24 (FY refers to the period between April 1 to March 31) with revenue registering growth of 98% and GCA at ₹337 crore (PY: ₹221 crore) during the year. While profit margin before interest, lease rentals, depreciation and taxes (PBILDT margin) has moderated to 4.19% in FY24 due to higher cost of materials consumed during initial stage of project execution, the same stands improved at around 6.72% during Q1FY25. CARE Ratings expects PBILDT margins to be range bound (at 7-9%) in the near term on the back of milestone-based billing.

Ratings also factor in the robust leverage and coverage with no external debt, minimal reliance on working capital lines, receipt of milestone advances from defence entities for executing orders, and the large cash built-up. On an overall basis, CARE Ratings expects the company's profitability and financial and liquidity positions to remain robust.

Other than the rating strengths, the company remains exposed to fluctuation in profitability with majority orders fixed price contracts and cyclical nature of the shipbuilding industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

Not applicable

Negative factors

- GoI stake substantially declining.
- The company's order book position significantly declining on a continuous basis.
- Significant changes in policies of the GoI, increasing competition in the shipbuilding industry, decreasing GSL's strategic importance.

Analytical approach: Standalone

CARE Ratings has adopted the standalone approach while factoring linkages with the parent, the GoI.

Outlook: Stable

CARE Ratings expects GSL's robust business and financial risk profiles to persist over the medium term due to its strategic importance for GoI and healthy order book position.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Detailed description of key rating drivers:

Key strengths

Majority ownership by the GoI and strategic importance

GSL is a central public sector enterprise (CPSE) Miniratna Category-I company, with majority ownership (51.09% directly and 40.05% via Mazagon Dock Shipbuilders Limited as on March 31, 2024) of the GoI, operating under the administrative control of the Ministry of Defence. GSL's board of directors has nominee directors from the GoI. The GoI has nominated GSL to build two missile frigates. GSL had also received grants from the GoI for shipyard modernising, thus boosting GSL's strategic importance.

Established operations and strong track record

GSL, with a proven track record of more than six decades, has built a variety of ships for the Navy, Coast Guard, and other departments. Its product range mainly includes warships for defence needs, such as frigates, corvettes, missile crafts, offshore patrol vessels, fast patrol vessels, fast attack crafts, and hovercrafts, among others. GSL is capable of constructing vessels up to 125 m in length. The company has expertise in shipbuilding, including design, engineering, fabrication, and testing. As on March 31, 2024, GSL has built and delivered 230 ships and 171 glass reinforced plastic (GRP) boats. Apart from shipbuilding, GSL also offers a range of services, including ship repairs, refits, and modernisation.

Healthy order book position

As on June 30, 2024 GSL had an order book of ₹18,441 crore, providing revenue visibility for the next seven to eight years. About 78% of the orderbook pertains towards orders from the Indian Navy, among others. The orderbook of GSL comprise of orders received on nomination as well as competitive bidding basis. The company also extends its services to foreign nations both by way of competitive bidding as well as nominations received from the foreign ministry.

Satisfactory financial performance

The company reported a sharp revenue growth over the last three years followed by the two new large sized orders received between FY22-FY24. The TOI almost doubled during FY24 on the back of execution of the orderbook and the efficiencies from the modernisation capex incurred during FY23. The profit margins, however, moderated in FY24 with PBILDT margin at 4.19% in FY24 due to higher cost of materials consumed during initial stage of execution. The same stands improved at around 6.72% during Q1FY25. CARE Ratings expects profit margins to be moderate in the near term on the back of milestone-based billing. The revenue growth continued during current fiscal with TOI for Q1FY25 reporting a 60% increase from Q1FY24 at ₹390 crore (Q1FY24: ₹245 crore).

Strong solvency and liquidity position

GSL's capital structure is robust, with no term debt and minimal reliance on working capital. It receives milestone-stage payments on completing milestones such as signing contracts, submitting designs, procuring materials and achieving milestones, among others. Majority of such stage payments are also not backed by bank guarantee (BG), aiding GSL in meeting its working capital requirements. The fund-based working capital utilisation was nil in the last 12 months ended June 30, 2024. Receiving stage-wise payments has also resulted in large liquidity built-up, with liquid funds aggregating to ₹4,391 crore as on March 31, 2024.

Favourable industry outlook

The large spending plan by the Indian Navy is expected to drive the order book of the Indian shipbuilding companies and more so for CPSU shipyards. Indian Navy's capital budget has been forecasted at about ₹4.5 lakh crore (until 2027), which comprises a mix of vessel categories, including submarines (₹2.2 lakh crore), destroyers and frigates (around ₹90,000 crore), aircraft carriers (around ₹45,000 crore), corvettes, and landing platforms, among others. Besides this, a capex of ₹32,000 crore is estimated for the Indian Coast Guard. The defence ministry also announced the plan to approve ₹70,000 crore contracts for the construction of new stealth warships in July 2024. With large-sized capex plans by the government, the order book of CSL and other shipyards is expected to remain strong.

Key weakness

Fixed-price contracts with fluctuating margins

The work contracts are mostly fixed price in nature thereby resulting in profitability susceptible to any unprecedented input price increase. While the company builds in sufficient contingencies to mitigate the impact of any input price rise, there exists risk associated with volatility in the profit margins.

Liquidity: Strong

GSL has a cash and bank balance of ₹4,391 crore as on March 31, 2024 (₹3,696 crore as on March 31, 2023), most of which is due to milestone stage payments received for executing projects. The company has zero external term debt, with cash accruals above ₹300-350 crore annually to aid the liquidity in the medium term.

Assumptions/Covenants

Not applicable

Environment, social, and governance (ESG) risks

Not applicable

Applicable criteria

[Definition of Default](#)

[Factoring Linkages Government Support](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

About the company and industry**Industry classification**

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital Goods	Industrial Manufacturing	Ship Building & Allied Services

GSL, a CPSE under the administrative control of the Ministry of Defence, is located at Vasco-da-Gama, Goa, on the southern bank of river Zuari. The shipyard was established by the Portuguese on November 26, 1957, as 'Estaleiros Navais de Goa'. It started functioning under its own board of directors on September 26, 1967. GSL is a Miniratna, Category-I company. Over the past six decades, the company has grown exponentially in diverse fronts involving ship design and construction.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	Q1FY25(UA)
Total operating income	869	1,723	390
PBILDT	91	72	26
PAT	155	271	64
Overall gearing (times)	0.00	0.00	0.00
Interest coverage (times)	151.70	106.46	217.58

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA:

Not applicable

Any other information:

Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based-Long Term	NA	-	-	-	100.00	CARE AAA; Stable
Fund-based/Non-fund-based-LT/ST	NA	-	-	-	33.80	CARE AAA; Stable / CARE A1+
Non-fund-based-LT/ST	NA	-	-	-	7866.20	CARE AAA; Stable / CARE A1+

NA: Not applicable

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Non-fund-based-LT/ST	LT/ST	7866.20	CARE AAA; Stable / CARE A1+	-	1)CARE AAA; Stable / CARE A1+ (27-Feb-24) 2)CARE AAA; Stable / CARE A1+ (04-Apr-23)	-	-
2	Fund-based/Non-fund-based-LT/ST	LT/ST	33.80	CARE AAA; Stable / CARE A1+	-	1)CARE AAA; Stable / CARE A1+ (27-Feb-24) 2)CARE AAA; Stable / CARE A1+ (04-Apr-23)	-	-
3	Fund-based-Long Term	LT	100.00	CARE AAA; Stable	-	1)CARE AAA; Stable (27-Feb-24) 2)CARE AAA; Stable (04-Apr-23)	-	-

LT: Long term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based-Long Term	Simple
2	Fund-based/Non-fund-based-LT/ST	Simple
3	Non-fund-based-LT/ST	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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