Cochin Shipyard Limited

September 04, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	2,280.00	CARE AAA; Stable	Reaffirmed
Long-term / Short-term bank facilities	11,905.00	CARE AAA; Stable / CARE A1+	Reaffirmed
Short-term bank facilities	1,055.00	CARE A1+	Reaffirmed
Bonds	150.00	CARE AAA; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation in ratings assigned to the bank facilities and debt instruments of Cochin Shipyard Limited (CSL) continues to factor in its well-established operations and long-standing track record of around four decades in the industry, majority ownership by the Government of India (GoI; 67.91% stake as on June 30, 2025), and strategic importance to the government in strengthening the country's defence capabilities.

CSL is the largest central public sector enterprise (CPSE) shipyard in terms of capacity, and its capability is demonstrated by the nomination received from GoI to build India's first indigenous aircraft carrier – INS Vikrant. With a large share of revenue derived from defence entities in India, CSL is viewed as strategically important for executing and strengthening India's defence capabilities. CARE Ratings Limited (CareEdge Ratings) expects this strategic importance to continue in the long term, supporting business operations.

Ratings factor in consistent strong financial performance in FY25 (FY refers to April 01 to March 31) and Q1FY26 (Q1 refers to April 01 to June 30). On a consolidated basis, CSL reported 25% growth in revenue from ₹3,857 crore in FY24 to ₹4,846 crore in FY25. While the profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin moderated to 19.03% in FY25 (from 23.70% in FY24) due to completion of the IAC construction order, it remains robust compared to industry standards. Margins have remained on the higher side due to a moderate mix of shipbuilding and ship repair revenue. This trend continued in Q1FY26, with the company reporting 39% growth in operating income (to ₹1,069 crore from ₹771 crore in Q1FY25) and PBILDT margin at 22.59%. Going forward, margins are expected to moderate, and CareEdge Ratings expects the blended margin to remain at an average of ~18%.

Ratings also derive strength from the robust order book of ~₹21,100 crore as on June 30, 2025 (on a consolidated basis), which provides strong revenue visibility in the medium term. CSL has received orders from European and domestic markets for commercial shipbuilding, in line with its endeavour to increase exposure in the commercial market segment. Orders from the Indian Navy comprise ~66% of the overall order book, and this dominance is expected to continue.

CSL has also invested in subsidiaries, Udupi Cochin Shipyard Limited (UCSL, rated CARE AA; Stable/CARE A1+) and Hooghly Cochin Shipyard Limited (HCSL), to tap the mid-sized commercial shipbuilding segment.

Ratings also consider the completion of capacity augmentation initiatives across CSL's shipbuilding and ship-repair segments, which will support business growth and enable revenue diversification across both segments. These state-of-the-art facilities are expected to strengthen CSL's export competitiveness and drive steady growth in the ship-repair order book.

Ratings further factor in robust leverage and coverage metrics, with minimal external debt, receipt of milestone advances from defence entities for order execution, and large cash build-up. CareEdge Ratings expects coverage metrics and liquidity profile to remain strong.

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

However, the rating strengths are tempered by exposure to forex risk, the cyclical nature of the shipbuilding industry, and working capital intensive operations.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors
Not applicable

Negative factors

- Decline in the GoI's stake with shareholding reducing below 51%
- Significant decline in the order book position and the PBILDT margin of the company on a continued basis.
- Any significant changes in the policies of the GoI, resulting in an increased competition in the shipbuilding industry, leading to a decrease in the strategic importance of CSL.

Analytical approach

CareEdge Ratings has adopted the consolidated approach while factoring in the linkages with the parent – GoI.

Subsidiaries that have been consolidated are listed under Annexure-6

Outlook: Stable

CSL's business and financial risk profile are expected to remain robust, given its strategic importance to the GoI and its healthy order book position.

Detailed description of key rating drivers

Key strengths

Majority ownership by GoI and strategic importance:

CSL is a CPSE, with majority ownership (67.91% holding as on June 30, 2025) of the GoI, operating under the administrative control of the Ministry of Ports, Shipping and Waterways. CSL was granted 'Miniratna' status in 2013, and its board of directors includes nominee directors from both GoI and the Government of Kerala (GoK).

CSL built India's first indigenous aircraft carrier (IAC) for the Indian Navy, becoming the only Indian shipyard with such a distinction. CSL was nominated to build the IAC among six GoI-owned shipyards, as it is the only one with the capability to construct such large vessels. CSL also has the ability to repair defence ships, and its facilities are routinely used for repair and maintenance of defence vessels. In the past, CSL has undertaken repair and re-fitting activities for the INS Viraat and INS Vikramaditya aircraft carriers of the Indian Navy. Defence entities comprise ~66% of the order book, underscoring CSL's strategic importance to GoI.

With GoI's increased focus on indigenisation and the 'Make in India' initiative, CSL is expected to receive orders on a continuous basis, providing sustained revenue visibility.

Well-proven operational capabilities and reputed clientele:

CSL has built various types of commercial ships for both international and domestic clients, as well as strategically important vessels for the Indian Navy, Indian Coast Guard, and other government departments. The company has built and repaired some of the largest ships in India, including the prestigious IAC for the Indian Navy.

CSL has built and delivered 180 vessels, comprising 21 large vessels, 31 defence vessels, 35 offshore support vessels, and 93 small and medium vessels. Apart from catering to government requirements, CSL also serves the commercial segment, which has witnessed increased business traction under CSL and its two wholly owned subsidiaries. The company has successfully completed major capacity expansion projects - the new dry dock and the International Ship Repair Facility (ISRF) - at a total cost of ~₹2,770 crore, which is expected to augment business growth.

Strong order book position

As on June 30, 2025, CSL had an order book of ~₹21,100 crore, providing strong revenue visibility in the medium term. While majority of the order book is skewed towards defence orders, the company has diversified its portfolio with orders from Europe. The share of defence orders reduced from ~88% to ~66%, while commercial shipbuilding accounted for 27% of the order book as on June 30, 2025. CSL has also forayed into the small and mid-sized commercial vessel segment through its wholly owned subsidiaries, UCSL and HCSL. UCSL has secured large-sized orders post its acquisition by CSL, with an order book of ₹2,139 crore as on June 30, 2025.

Strong financial performance in FY25 and Q1FY26

Order execution accelerated in FY25, driving a 25% growth in revenue to ₹4,846 crore compared to ₹3,857 crore in FY24. With the completion of the IAC project, operating margins moderated to 19.03% in FY25 from 23.70% in FY24 (FY23: 11.93%). However, the ship-repair division, known for its strong profitability, registered significant growth, partially offsetting the moderation in shipbuilding margins. Given the anticipated robust order execution in ship repairs post the ISRF becoming operational, the company is expected to sustain healthy operating margins relative to other public sector shipyards.

Revenue in Q1FY26 (Q1 refers to April 01 to June 30) increased by 39% to ₹1,069 crore from ₹771 crore in Q1FY25. The profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin remained broadly stable at ~23% in Q1FY26.

Robust financial and liquidity position

CSL's capital structure remains comfortable, with overall gearing at 0.14x as on March 31, 2025. The company receives interest-free milestone-based advance payments, such as 10% of the contract value on signing, 5% on submission of design, and 10% at the time of ordering major raw materials. These advances support working capital requirements. Fund-based working capital utilisation was nil for the 12 months ended July 31, 2025. Although there are borrowing plans at the subsidiary level, no term debt is proposed; only working capital limits will be availed by subsidiaries.

Favourable industry outlook

The Indian Navy's large spending plan is expected to drive the order books of Indian shipbuilding companies, particularly central public sector shipyards. This is reflected in the increased allocation to the defence sector. In the FY26 budget, the Government of India allocated ~₹6.81 lakh crore to the Ministry of Defence, a 9.5% increase over the previous year, of which the Navy received ₹97,149.80 crore. The rising allocation and focus on indigenisation have led to high order books for Indian public sector shipyards. The Government also plans to float a new shipping entity with 1,000 ships, which is expected to support the order books of Indian shipping companies. With large-sized capital expenditure plans by the Government, the order book of CSL and other shipyards is expected to remain strong.

Key weakness

Foreign exchange risk

CSL's shipbuilding and ship-repair businesses cater to international clients, and a large portion of components and raw materials are imported, exposing the company to significant foreign currency risk. CSL has incorporated a foreign exchange rate fluctuation clause in agreements with select clients, where fluctuations are passed on to customers. The company has a board-approved Forex Risk Management Policy and hedges exposures depending on market conditions. Forward cover is opted for based on requirements.

Working capital intensive operations

CSL's operations remain working capital-intensive, primarily due to substantial upfront procurement of materials and advances extended. This is reflected in the high gross current asset (GCA) period of 483 days in FY25 compared to 435 days in the previous year. GCA days are likely to remain high, considering the long project execution cycle inherent to the industry.

Liquidity: Strong

CSL's liquidity profile remains comfortable, supported by sufficient cash accruals, absence of debt repayment obligations, and a healthy cash and bank balance of ₹3,110 crore as on March 31, 2025. In FY25 and Q1FY26, CSL reported gross cash accruals of ₹926 crore and ₹227 crore, respectively, and is expected to report strong accruals going forward.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks

Environmental: CSL faces environmental risks associated with marine pollution, energy consumption, and greenhouse gas emissions. It is actively mitigating these through green initiatives such as developing India's first hydrogen fuel-cell vessel and delivering hybrid- and electric-powered catamaran hulls for urban waterways. The company has deployed wind-solar hybrid power infrastructure capable of generating 40 million units of clean energy annually, with the aim of fully powering operations through renewables. CSL has also reduced water consumption from over one million kilolitres to ~609,744 kilolitres and improved hazardous waste disposal and recycling of plastics and e-waste.

Social: CSL's social risk management focuses on workforce welfare, health, safety, and community outreach. It maintains ISO 45001:2018-certified occupational health and safety systems and ensures 100% coverage of permanent employees under health and accident insurance schemes.

Governance: CSL demonstrates robust governance and ethical practices. The company adheres to a stringent code of conduct, operates a transparent grievance redressal system, and reported nil incidents of corruption, bribery, or related ethical violations in FY24 (FY refers to April 01 to March 31). Its governance framework includes comprehensive internal financial controls reviewed and validated by external auditors, and implementation of an SAP S/4HANA ERP system to enhance operational efficiency and internal oversight.

Applicable criteria

Consolidation
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

Incorporated in 1972, CSL operates a shipyard designed and constructed under technical collaboration with Mitsubishi Heavy Industries, Japan. The yard commenced shipbuilding operations in 1978 and ship-repair operations in 1981. CSL has a shipbuilding dry dock capable of handling ships up to 1,10,000 deadweight tonne (DWT) and a ship-repair dry dock that can handle ships up to 1,25,000 DWT. Completion of the new stepped dry dock and the International Ship Repair Facility (ISRF) has further enhanced CSL's capacity. CSL is a Government of India (GoI)-owned Miniratna central public sector enterprise (CPSE) under the administrative control of the Ministry of Ports, Shipping and Waterways.

Brief Financials (Consolidated): **(₹ crore)**

Particulars	March 31, 2024 (A)	March 31, 2025 (A)	Q1FY26 (UA)
Total operating income	3,857	4,846	1,069
PBILDT	914	922	241
PAT	783	827	188
Overall gearing (times)	0.12	0.14	NA
Interest coverage (times)	19.78	16.71	19.84

A: Audited UA: Unaudited; NA: Not Available; 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
Bonds	INE704P07030	28-Mar-2014	8.72%	March 28, 2029	150.00	CARE AAA; Stable
Fund-based - ST-Bank Overdraft		-	-	-	25.00	CARE A1+
Fund-based - ST-Line of Credit		-	-	-	50.00	CARE A1+
Fund-based - ST-PC/Bill Discounting		-	-	-	200.00	CARE A1+
Non-fund-based - LT-Bank Guarantee		-	-	-	2280.00	CARE AAA; Stable
Non-fund-based - ST-Credit Exposure Limit		-	-	-	80.00	CARE A1+
Non-fund-based - ST-Forward Contract		-	-	-	200.00	CARE A1+

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
Non-fund-based - ST-Letter of credit		-	-	-	500.00	CARE A1+
Non-fund-based-LT/ST		-	-	-	11905.00	CARE AAA; Stable / CARE A1+

*₹127 crore proposed.

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 2025-2026	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
1	Non-fund-based - LT-Bank Guarantee	LT	2280.00	CARE AAA; Stable	-	1)CARE AAA; Stable (05-Sep-24)	1)CARE AAA; Stable (07-Sep-23)	1)CARE AAA; Stable (22-Nov-22) 2)CARE AAA; Stable (01-Apr-22)
2	Fund-based - ST-PC/Bill Discounting	ST	200.00	CARE A1+	-	1)CARE A1+ (05-Sep-24)	1)CARE A1+ (07-Sep-23)	1)CARE A1+ (22-Nov-22) 2)CARE A1+ (01-Apr-22)
3	Non-fund-based-LT/ST	LT/ST	11905.00	CARE AAA; Stable / CARE A1+	-	1)CARE AAA; Stable / CARE A1+ (05-Sep-24)	1)CARE AAA; Stable / CARE A1+ (07-Sep-23)	1)CARE AAA; Stable / CARE A1+ (22-Nov-22) 2)CARE AAA; Stable / CARE A1+ (01-Apr-22)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	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
4	Bonds	LT	-	-	-	1)Withdrawn (05-Sep-24)	1)CARE AAA; Stable (07-Sep-23)	1)CARE AAA; Stable (22-Nov-22) 2)CARE AAA; Stable (01-Apr-22)
5	Bonds	LT	150.00	CARE AAA; Stable	-	1)CARE AAA; Stable (05-Sep-24)	1)CARE AAA; Stable (07-Sep-23)	1)CARE AAA; Stable (22-Nov-22) 2)CARE AAA; Stable (01-Apr-22)
6	Fund-based - ST-Line of Credit	ST	50.00	CARE A1+	-	1)CARE A1+ (05-Sep-24)	1)CARE A1+ (07-Sep-23)	1)CARE A1+ (22-Nov-22) 2)CARE A1+ (01-Apr-22)
7	Fund-based - ST-Bank Overdraft	ST	25.00	CARE A1+	-	1)CARE A1+ (05-Sep-24)	1)CARE A1+ (07-Sep-23)	1)CARE A1+ (22-Nov-22) 2)CARE A1+ (01-Apr-22)
8	Non-fund-based - ST-Letter of credit	ST	500.00	CARE A1+	-	1)CARE A1+ (05-Sep-24)	1)CARE A1+ (07-Sep-23)	1)CARE A1+ (22-Nov-22) 2)CARE A1+

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	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
								(01-Apr-22)
9	Non-fund-based - ST-Credit Exposure Limit	ST	80.00	CARE A1+	-	1)CARE A1+ (05-Sep-24)	1)CARE A1+ (07-Sep-23)	1)CARE A1+ (22-Nov-22)
10	Non-fund-based - ST-Forward Contract	ST	200.00	CARE A1+	-	1)CARE A1+ (05-Sep-24)	1)CARE A1+ (07-Sep-23)	-

LT: Long term; ST: Short 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	Bonds	Simple
2	Fund-based - ST-Bank Overdraft	Simple
3	Fund-based - ST-Line of Credit	Simple
4	Fund-based - ST-PC/Bill Discounting	Simple
5	Non-fund-based - LT-Bank Guarantee	Simple
6	Non-fund-based - ST-Credit Exposure Limit	Simple
7	Non-fund-based - ST-Forward Contract	Simple
8	Non-fund-based - ST-Letter of credit	Simple
9	Non-fund-based-LT/ST	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1.	Udupi Cochin Shipyard Limited	Full	Wholly owned subsidiary
2.	Hooghly Cochin Shipyard Limited	Full	Wholly owned subsidiary

Note on complexity levels of rated instruments: CareEdge 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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