JANUARY 22, 2015

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES AND BOND ISSUE OF COCHIN SHIPYARD LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities	650	CARE AA+ (Double A Plus)	Reaffirmed
Short-term Bank Facilities	500	CARE A1+ (A One Plus)	Reaffirmed
Long / Short-term Bank Facilities	1,385	CARE AA+ / CARE A1+ (Double A Plus / A One Plus)	Reaffirmed
Total Facilities	**2,535**		
Long-term Bond Issue-I	100	CARE AA+ (Double A Plus)	Reaffirmed
Long-term Bond Issue-II	150	CARE AA+ (Double A Plus)	Reaffirmed

Rating Rationale

The ratings continue to factor in the well-established operations and long-standing track-record of more than three decades of Cochin Shipyard Ltd (CSL), strength from 100% Government of India (GoI) ownership, comfortable capital structure, diversified revenue stream to an extent and the potential for CSL to acquire strategic importance on completion of the Indigenous Aircraft Carrier project. The ratings also take note of the consistent strong financial performance of the company over the past few years ended March 2014.

The above ratings, however, continue to be constrained by the operational risk on account of the complex nature of operations due to simultaneous execution of multiple vessels and activities, exposure of CSL to foreign exchange fluctuation risk and cyclical nature of the shipbuilding industry.

Change in the government ownership, any large debt-funded expansion in the future and maintenance of its comfortable capital structure and order book position are the key rating sensitivities.

Background

Incorporated in 1972, CSL is wholly-owned by the GoI and operates a shipyard designed and constructed under technical collaboration with M/s Mitsubishi Heavy Industries, Japan. The yard commenced the shipbuilding operations in 1978 and the company is a Category I Mini Ratna (since July 2008).

CSL posted a PAT of Rs.194 crore on a total income of Rs.1,695 crore in FY14 (refers to the period April 1 to March 31) as against a PAT of Rs.185 crore on a total income of Rs.1,634 crore in FY13. As per the provisional results for H1FY15, CSL has posted a PAT of Rs.123 crore on a total income of Rs.894 crore.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Disclaimer: CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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