MARCH 10, 2016

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	800	CARE AA+ (Double A Plus)	Reaffirmed
Short-term Bank Facilities	600	CARE A1+ (A One Plus)	Reaffirmed
Long-term / Short-term Bank Facilities	1900	CARE AA+ / CARE A1+ (Double A Plus / A One Plus)	Reaffirmed
Total Facilities	**3,300 (Rupees Three Thousand Three Hundred crore only)**		
Long-term Bond Issue-I	100	CARE AA+ (Double A Plus)	Reaffirmed
Long-term Bond Issue-II	150	CARE AA+ (Double A Plus)	Reaffirmed

CARE has adopted its rating methodology for manufacturing companies for assessing Cochin Shipyard Limited.

Rating Rationale

The above 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 continuous improvement in financial performance of the company during FY15 (refers to the period April 1 to March 31).

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.

In view of continuing downtrend in the shipbuilding industry for a longer period, the ability of CSL to improve its order book position and timely implementation of envisaged projects within estimated cost while maintaining its comfortable capital structure are 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

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

commenced the shipbuilding operations in 1978 and the company is a Category I Mini Ratna (since July 2008).

CSL reported a PAT of Rs.235 crore on a total operating income of Rs.1,939 crore in FY15 and PAT of Rs.136 crore on a total operating income of Rs.716 crore in H1FY16.

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

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.

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