

## **We expect 11% CAGR for next couple of years, Says Madhu S Nair**

Cochin Shipyard Ltd, which made a stellar market debut last year with its initial public offering subscribed 76 times, is in the process of expanding capacity. Its chairman and managing director **Madhu S Nair**, in an interview with Ateeq Shaikh, talks about the market, various opportunities, projects, and plans, among other things.

**What is the size of shipbuilding and ship repair sector in India? What is Cochin Shipyard's market share?**

Based on the types of ships built, the Indian shipbuilding industry can be broadly categorised as: Large ocean-going vessels catering to overseas as well as coastal trade; medium-sized specialised vessels such as port crafts, fishing trawlers, offshore vessels, inland and other smaller crafts; and defence/naval crafts and vessels for the coast guard. It is difficult to quantify the size of the sector, especially in the commercial shipbuilding sector, as it would depend on various factors such as the state of the global economy and trade, government of India policies, etc. Presently, the company has shipbuilding order book of roughly Rs 8,000 crore (without considering the phase-III construction of indigenous aircraft carrier). In the ship repair sector, the total potential market size in India as per some published report is about Rs 2,500 to Rs 3,000 crore. Of this, the repair market which is presently tapped is in the range of Rs 1,000 to Rs 1,500 crore. Cochin Shipyards's present ship repair order book is about Rs 800 crore.

**According to you, what is more important for business - shipbuilding or ship repair?**

Though shipbuilding and ship repairing businesses are by nature very different from the approach and work content point of view, both are complementary and create synergy. Shipbuilding gives the volumes for use of the infrastructure whereas ship repair gives the margins to sustain. Therefore, we believe both shipbuilding and ship repairing are equally important to the company to maintain the performance levels.

**In the next few years, what would the ratio or mix between shipbuilding and ship repair?**

At present, the revenue mix is 82% shipbuilding and around 16% of ship repair. The company is in the process of setting up additional shipbuilding and ship repair capacity by way of a new dry dock and also International Ship Repair Facility (ISRF) at the Cochin Port Trust area. The dry dock with dimensions of 310 metre in length and 60/75 metre in width is being set up to augment CSL's shipbuilding/ship repair capacity required to tap the market potential of building/repairing specialised and technologically-advanced large vessels such as liquefied natural gas (LNG) vessels, indigenous aircraft carriers of higher capacity, jack-up rigs, drill ships, large dredgers and repairing of offshore platforms and larger vessels. The ISRF envisages the construction of a ship lift for vessels, a transfer system, six workstations, approximately eight afloat berths (depending on the availability and size of vessels for repair), jetties, administrative buildings and allied facilities and upgradation of the existing workshops. The envisaged ship lift would be designed for vessels up to a length of 130 metre with a lifting capacity of 6,000 tonne. Additionally, the company is in the process of setting up ship repair facilities at Mumbai Port and Kolkata Port. All these capacity additions would improve the overall volume of operations both in shipbuilding and ship repair. However, the component of shipbuilding and ship repair in the overall revenue is by and large expected to remain similar for few upcoming years.

**Will Cochin Shipyard continue to rely on business from government and defence sector or will you try and increase business from the commercial segment?**

The company strategy would depend on the opportunities available in the various segments and the industry prospects. Our company has the capability to tap opportunities in both commercial (public sector and private) as well as defence segments.

**Going forward, in which countries will you look to increase your commercial business share?**

Cochin Shipyard has, in the past, worked with owners based out of different regions such as Bahamas, Germany, the USA, Netherlands, Norway, Saudi Arabia, etc. Therefore, depending on the availability of opportunities, CSL will be looking to work with owners from all over the globe.

**Cochin Shipyard has been building and repairing defence and cargo vessels. Any plans to venture into other segments of shipbuilding?**

CSL has built varied types of vessels in the past, that is, oil tankers, bulk carriers, offshore support vessels, tugs, etc. With the creation of the additional dry-dock, the company will be looking for opportunities of building larger ships in the commercial and defence segment.

**What kind of growth is the company looking at in the next couple of years?**

We expect a compounded annual growth rate of around 11% in the next couple of years.

**Other than Mumbai and Kolkata, is there any other location Cochin Shipyard is contemplating for expansion?**

We are also examining the possibility of ship repair operations at Andaman and Nicobar Islands.

**What is the order book position?**

We have an order book in shipbuilding of around Rs 8,000 crore including ASW corvette for the Indian Navy and the Coastal Security Boat for Ministry of Home Affairs, in which CSL has emerged L1 (lowest bidder) but the order is yet to be executed. This does not include the Phase-III contract of the indigenous aircraft carrier (IAC).

**By when will INS Vikrant get commissioned? What stage of construction is it at?**

INS Vikrant is in the outfitting stage and is to be delivered by CSL to the Indian Navy by the end of 2020.

**Any other projects that the CSL is working on?**

Apart from IAC, Cochin Shipyard is working on the following shipbuilding projects - one technology demonstration vessel for DRDO (Defence Research and Development Organisation), two 500 PAX cum 150 tonne cargo vessels and two 1200 PAX cum 1000 tonne cargo vessels for A&N Administration. Other small vessel projects include 10 inland water vessels, three marine boat ambulances and 16 fishing vessels.

**What are the capital expenditure plans? What is the existing capex?**

Total capital expenditure outlay planned for the next year is Rs 495 crore. This will be expended on modernisation of the existing infrastructure and also for investing in the new dry dock and ISRF facility. The company's capital expenditure plans are generally on schedule. Over the next three years, the total capital expenditure will be above Rs 3,000 crore.

**Will we see any more fundraising? If yes, how much would it be, when would the funds be raised and for what projects?**

Currently, there are no such plans.

<http://www.dnaindia.com/business/interview-we-expect-11-cagr-for-next-couple-of-years-says-madhu-s-nair-2626440>