EQUITY RESEARCH REPORT

Mazagon Dock Shipbuilders Limited (MDL)

A comprehensive analysis of business fundamentals, financial performance, valuation, and investment outlook

Prepared by
Synergy – The FinTech & Corporate Cell

Mazagon Dock Shipbuilders Ltd

Bloomberg Code: MAZDOCKS:IN
NSE Code: MAZDOCK
BSE Code: 543237

Industry: Shipbuilding & defense industry.
CMP: 2,506
12m TP: 2,557

EQUITY RESEARCH REPORT

EXECUTIVE SUMMARY

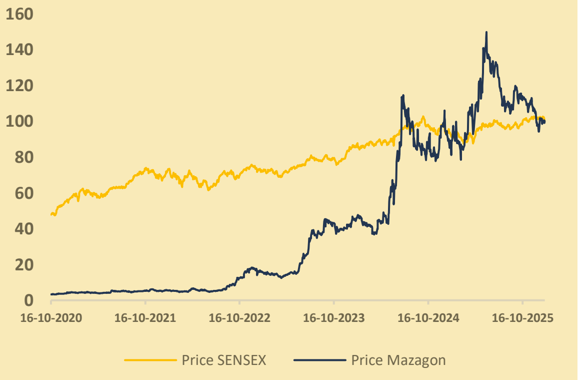
Company Data	
Market Cap (Rs.cr)	1,00,865.0
52 Week High Low (Rs.)	3,778 / 1,918
Enterprise Value (Rs. cr)	87,984.0
Outstanding Shares (cr)	40.3
Free Float (%)	0.1
Dividend Yield (%)	0.0
Beta	(0.1)
Face value (Rs.)	5.0
Avg Daily Range (3m)	638.9

Fiscal Year	**FY2021**	**FY2022**	**FY2023**	**FY2024**	**FY2025**
Sales (Rs.cr)	4,047.8	5,733.3	7,827.2	9,466.6	11,431.9
EBIT (Rs.cr)	226.3	441.2	800.6	1,415.8	2,065.9
margin (%)	*5.6*	*7.7*	*10.2*	*15.0*	*18.1*
PAT (Rs.cr)	513.9	610.8	1,119.0	1,937.0	2,413.5
EPS (Rs.)	12.7	15.1	27.7	48.0	59.8
RoCE (%)	0.2	0.2	0.3	0.4	0.4

Shareholding (%)	**Q4FY25**	**Q1FY26**	**Q2FY26**
Promoters	84.8%	81.2%	81.2%
FIIs	2.3%	2.6%	2.0%
DIIs	1.7%	5.2%	5.7%
Public	11.2%	11.0%	11.2%
No. of Shareholders	6,76,957	7,19,743	7,41,680

MDSL Stock Price vs SENSEX

Price Performance	**3M**	**6M**	**1Y**
Absolute Stock Return	-11.6%	-19.7%	12.5%
Absolute SENSEX Return	2.4%	0.8%	8.5%
Relative Return	-14.0%	-20.5%	4.0%



Parameter	Assessment
Business Quality	Strong
Revenue Visibility	High
Competitive Position	Dominant in niche
Near-term Growth	Moderate
Analyst View	HOLD

We initiate coverage on Mazagon Dock Shipbuilders Ltd. (NSE:MAZDOCK) with a **hold** recommendation **12-month price target of Rs 2557.** This represents a **1.58% upside** from the close price of **Rs 2516** as of **January 29, 2026**. The target price is solely based on DCF valuation and triangulated using comparable multiples. MDSL stands out as India's top defense shipyard and works under the Ministry of defense. Based in Mumbai, MDL became a Navratna PSU in 2024 and is listed on both the NSE and BSE. The company is a key player in building ships and submarines for the Indian Navy.

3 Reasons to hold the stock:

1. Strong Order Visibility (₹30,000+ Cr Pipeline)
Mazagon's ₹30,000 Cr pipeline, driven by P-75I submarines and Next-Gen Corvettes, ensures revenue visibility till FY32+, thus enabling a 16-18% CAGR with minimal execution risk.

2. Net-Cash Balance Sheet (₹13,594 Cr)
With no debt and cash of ₹20,000+ Cr, Mazagon derives approx. ₹1,200 Cr of annual interest income, thus having more than sufficient execution and capex funding without dilution.

3. Submarine Moat Driving Margin Expansion
With Mazagon being the leader in submarine construction in India, it has high entry barriers and pricing power. A submarine-driven order mix could thus push Mazagon's margins from ~12-14% to 22-25% by FY30.

Major Risks to MDSL

Delays or uncertainty in large defense programs (P-75I submarines, destroyers, frigates) could weaken growth visibility and trigger valuation de-rating. Cost overruns in fixed-price contracts, driven by inflation in steel, electronics and imported systems, may compress margins and increase earnings volatility. Any shift in defense budget priorities away from naval platforms could structurally impact MDL's long-term order pipeline. Rising competition from private shipyards may reduce pricing power and order win rates, affecting return ratios. Macroeconomic factors such as inflation, rupee depreciation and commodity volatility pose asymmetric downside risks due to limited pass-through. Easing geopolitical tensions and PSU valuation sentiment risks could lead to stock corrections despite stable underlying operations.
Overall, while MDL's business fundamentals remain strong, these risks limit near-term earnings re-rating and introduce valuation sensitivity to execution and policy outcomes. As a result, risk-reward appears balanced at current levels, warranting a cautious stance.

Risk Reward Assessment

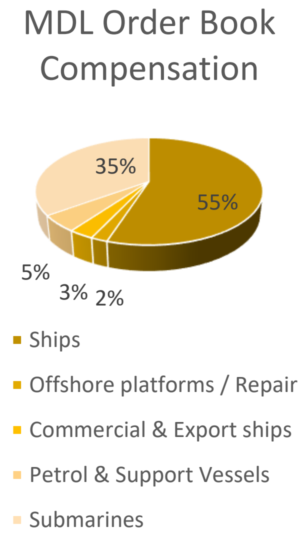
Low Risk High Return

"Risk-reward appears balanced at current levels, supporting a HOLD recommendation."

BUSINESS DESCRIPTION

Mazagaon Dock Shipbuilders Ltd (MDL) is India's top defense shipyard and works under the Ministry of Defense. Based in Mumbai, MDL became a Navratna PSU in 2024 and is listed on both the NSE and BSE. The company is a key player in building ships and submarines for the Indian Navy.

Figure 1.1



BUSINESS MODEL

Mazagaon Dock Shipbuilders Limited (MDL) operates on a contract-based shipbuilding and repair business model, largely driven by long-term government defense orders. Its core activity is the design, construction, and maintenance of complex naval platforms such as destroyers, frigates, submarines, and patrol vessels, mainly for the Indian Navy and Indian Coast Guard, which form the bulk of its revenue. These projects are multi-year, milestone-based contracts, often with advance payments, providing strong revenue visibility and stable cash flows. Alongside defense shipbuilding, MDL earns additional income from commercial shipbuilding and ship repair/refit services, which add recurring revenue and reduce cyclicality. The company relies on a wide vendor and partner ecosystem for components and technology while retaining high-value integration and project management in-house. Overall, MDL's business model is anchored in government-backed demand, strategic national importance, cost-plus or protected contracts, and a strong order backlog, making it relatively stable compared to typical cyclical manufacturing businesses.

Design & Build Phase	**5 – 10 years window** →	**Delivery & Recurring Revenue**
defense contract award (MoD / Navy)		Sea trials & acceptance testing
Ship & submarine design & engineering		Delivery to Indian Navy / Coast Guard
Steel cutting & hull fabrication		Refits, repairs & upgrades (MRO)
Modular construction		After-sales technical support

MOAT (COMPETITIVE ADVANTAGES)

- **Exclusive defense supplier:** MDL is one of the few shipyards in India capable of building complex warships and conventional submarines, giving it a near-monopolistic role in key naval defense projects

- **Long-term government contracts:** Revenue is largely driven by multi-year orders from the Indian Navy/Ministry of defense, with payments tied to construction milestones rather than short product cycles.

- **Indigenisation & expertise:** The company has transferred and developed domestic capabilities in submarine and destroyer construction (e.g., Scorpene class & Nilgiri-class frigates), enhancing cost efficiency and reducing reliance onimports.

- **Strategic positioning & geopolitical relevance:** As India expands its naval modernization (including Project75/I submarines), MDL stands to benefit from ongoing defense prioritization and potential export opportunities.

- **High entry barrier:** Shipbuilding business requires huge capital investment and large free cash flow security clearance .

FACILITIES & CAPACITY

Facilities

•MDL's core shipyards are located in Mazagaon and Nhava (Mumbai), Maharashtra with additional leased facilities for repair and construction.

•The company operates multiple dry docks, wet basins, slipways, modern assembly shops, a 300-tonne Goliath crane, fabrication and module workshops, submarine dry docks, and shore integration facilities.

Capacity

•Current capacity allows simultaneous construction of 11 submarines and 10 warships.

•The shipyard can handle vessels up to approximately 30,000–40,000 deadweight tons (DWT) and is expanding capacity with new floating dry docks and additional land reclamation to boost output and support larger shipbuilding projects.

•Company's track record is extremely good comparing to its peers. Company has delivered 806+ vessels, 31+Warships (destroyers and frigates), 8+ Submarines since **1960** modern operational illustrating company's consistent operational capabilities.

TOTAL OPERATIONAL YARDS

North Yard & South Yard

•These are the primary shipbuilding and outfitting yards located on the Mazagaon peninsula in Mumbai.

•They handle major combatant vessel construction including frigates, destroyers, OPVs, and support vessels.

Nhava Yard (Near Mumbai Port)

•A key inland site being developed and expanded (40-acre facility) across the channel from the main island yard.

•Set up for larger warship and commercial hull fabrication, dry docking, and repair with large fabrication shops/Future aircraft carrier capacity.

South Yard Annex (Leased Repair Yard) (under expansion)

•A wet basin + drydock facility leased from Mumbai Port Authority for ship repair, smaller builds, and modular assembly.

~(Forms part of the ongoing integration into an expanded mega-shipyard together with Nhava).

East Yard (Submarine Yard)

•A dedicated submarine construction yard where MDL builds and integrates Scorpène-class submarines and other under-water platforms.

•Includes specialized shore integration facilities, assembly shops and dry docks for under water platforms.

Anik Yard & Alcock Yard

•Ancillary yards supporting heavy engineering, fabrication, outfitting modules, and offshore platforms.

•Alcock Yard also has repair and offshore rig fabrication capacity (jack-up rigs ,well heads).

The yards have the operational capacity to simultaneously construct up to 10 warships and 11 submarines, reflecting its ability to manage large, parallel defense programme effectively. This scale is supported by modern shore-integrations systems that improve build efficiency and shorten project cycles, and additional 15-acre leadership building/repair facility has recommenced operations to boost efficiency.

Capt. JAGMOHAN (Retd.)
Chairman & Managing Director

He is appointed as the Chairman & Director of the Company & Managing Director of the company w.e.f. 21 April 2025. He is a Naval Architect from Cochin University of Science & Technology. He has also done post-graduation & M.tech in Naval Construction & Ocean Engineering from IIT Delhi and IIT Kharagpur, respectively. He served for over 25 years with the Indian Navy during which he held several important assignments in the Directorate of Naval Design and at Naval Dockyard, Mumbai. Prior to joining MDL he was Director of Operations and ADDL. Charge at Goa shipyard ltd. Kolkata as Chief General Manager (Design). As Head of Design at GRSE, he was responsible for the execution and management of design of various complex warship projects such as Advanced Stealth Frigate, P28 ASW Corvette, Survey Vessel, ASW Shallowater Craft and Fast Patrol Vessels for the Indian Navy & Indian Coast Guard, working in these mega projects and gaining expertise form them is the major strength of them.

Shri. RAJEEV PRAKASH
Government Nominee

He is appointed as Government Nominee Director on the Board of the company w.e.f. 10.12.2024. He is a 1995 batch Indian Post & Telecommunication Accounts and Finance Service officer. He has completed B.A. Honours in English from St. Stephen's College, University of Delhi, and M.A. in Development Studies from the Institute of Social Studies Erasmus University ,the Hague Netherlands. He has been working as joint Secretary (Naval Systems) .He has vast experience in the fields of Telecommunications and has held various important positions in the government of India. He has been working as Joint Secretary (naval systems) in the Department of Defense, Government of India since June 2022. He deals with all financial, administrative & operational matters of the Defense Public Sector Undertaking Shipyards. He is also responsible for indigenisation of technologies and exports pertaining to the shipyards and other Government companies.

Cdr. VASUDEV PURANIK,IN(Retd.)
Director(Corporate Planning & Personnel)

He is appointed as Directorate (corporate planning & personnel) of the company w.e.f. 09.06.2022. He has been associated with the company since June 2010. He is an alumnus of INS Shivaji ,he holds a B.Tech (Mechanical) degree from JNU (New Delhi). He has also completed masters in engineering from Pune University. He has served in Indian Navy for over 22 years and has held several assignments afloat and onboard such as INS Rana, INS Nishank, INS Mysore and various appointments in Directorate of Naval Dockyard, Mumbai. He received commendations from the Flag Officer Commanding Officer in Chief, Western Naval Command. Prior to the appointment, he was the Project Superintendent of the prestigious P-75 scorpene submarine construction program at MDL.

Shri BIJU GEORGE
Director(Shipbuilding)

He is appointed as the Director (shipbuilding) of the company w.e.f. 27.01.2021. Apart from construction of Naval ships, he is also heading Refits of Naval and Coast Guard ships, Exports, R&D innovation and AI projects. He graduated in Engineering from NSS College of Engineering and Naval Architecture from The Indian Institute of Technology, Kharagpur. He joined MDL in November 1991 as Management Trainee . Prior to his appointment as Director, he was the project Superintendent of the prestigious P17A Frigate Program for the Indian Navy. Under his guidance and leadership MDL has delivered four Destroyer class vessels ahead of their schedule , delivered two stealth frigates, launched four major surface combatants (01 Destroyer and 03 Frigates) for the Indian Navy.

Economy Analysis and Effects

Global Economy

The global shipbuilding industry is in a modernization up-cycle, driven by geopolitical realignments and strict environmental mandates.

Market Valuation: The global shipbuilding market is estimated to reach ₹19,74,350 crore in 2026, growing at a CAGR of 5.3%.
Naval Recapitalization: Total global naval budgets for 2026 are projected at approximately ₹20,83,800 crore. With over 1,000 naval vessels worldwide requiring replacement, export opportunities for high-end frigates and submarines are reaching a decadal high.
Green Transition: Stricter IMO (International Maritime Organization) emission norms starting in 2026 are forcing a pivot toward dual-fuel and hybrid-electric drive. This favors shipyards like MDL with advanced technical R&D.
Energy Security: Increased offshore energy exploration is driving demand for Offshore Support Vessels (OSVs), a secondary but high-margin segment.

Fig: Global GDP Projections

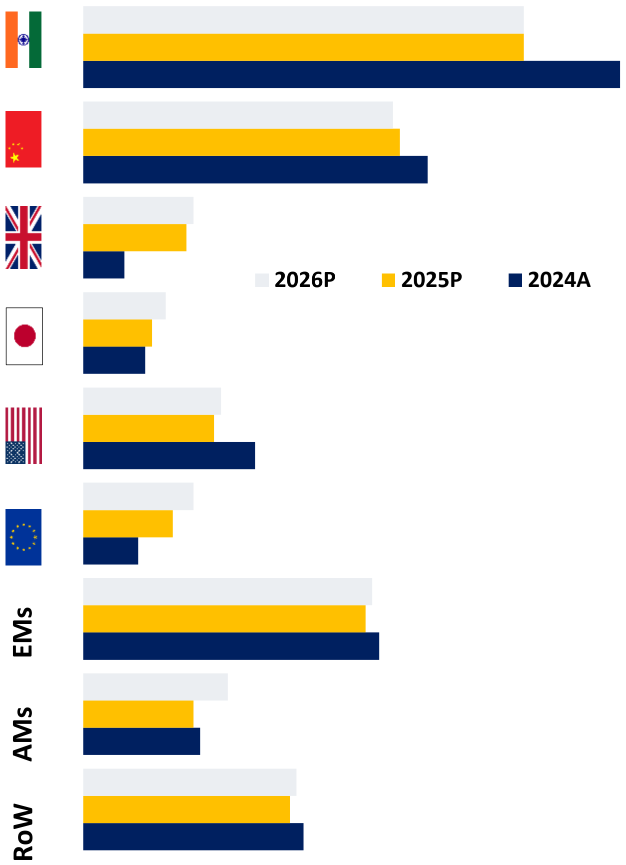


Fig: India VS Global GDP Growth Rates

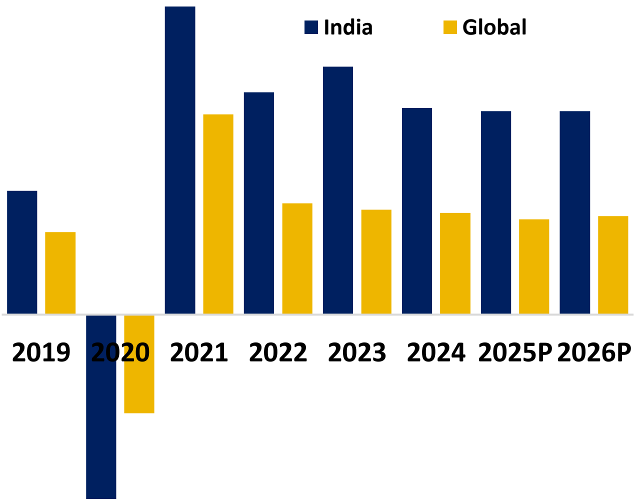
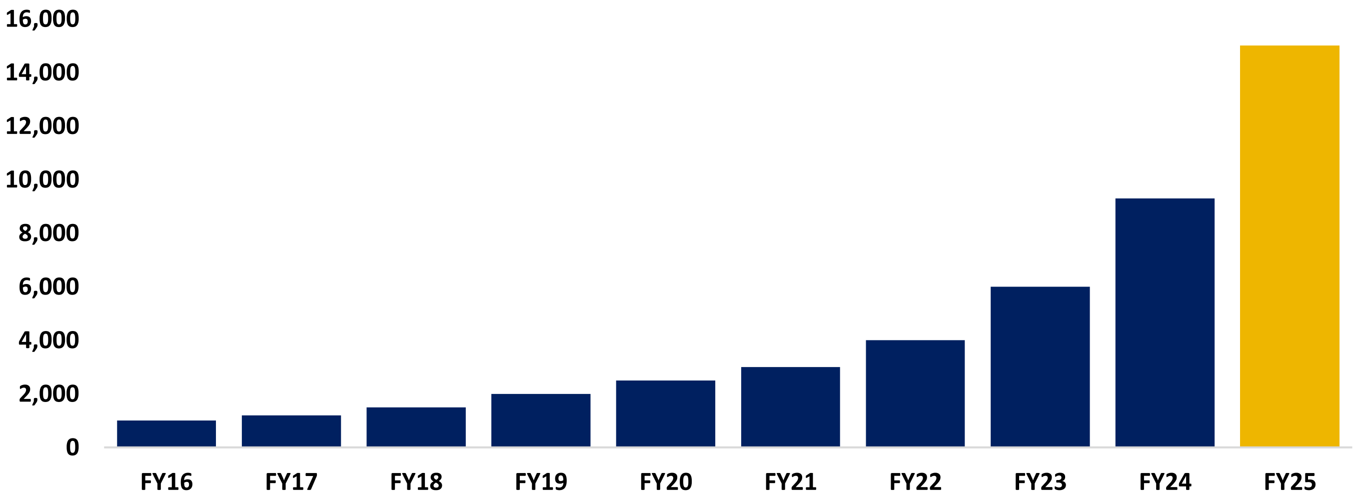


Fig: Shipbuilders GDP contribution



Indian Economy

India's **"Atmanirbhar Bharat"** initiative has shifted from assembly to full-scale indigenization, supported by record fiscal allocations.

Fiscal Commitment: The Union Budget 2026–27 allocated a record ₹7,85,000 crore to the Ministry of defense, a 15.2% increase Year-over-Year
Capital Outlay Expansion: Defense capital expenditure reached ₹2,19,000 crore, specifically prioritizing the modernization of the Blue Water Navy.
Policy Support: The creation of a ₹25,000 crore Maritime Development Fund provides long-term, low-cost financing, making Indian shipyards more competitive against Chinese and South Korean peers.
Strategic Focus: Heightened focus on Undersea Warfare following recent maritime security shifts directly benefits MDL as India's premier submarine builder.

Figure 1.2

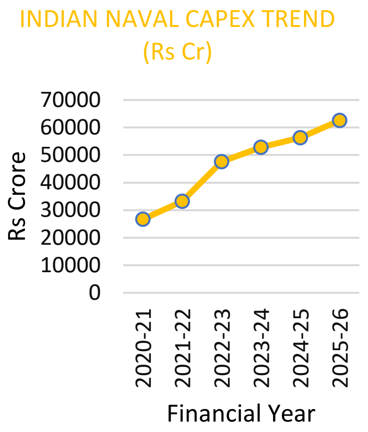
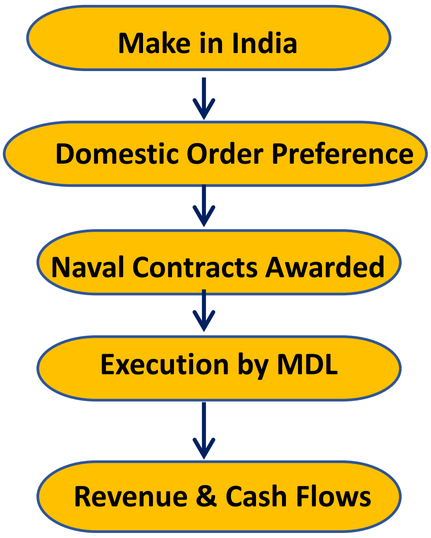
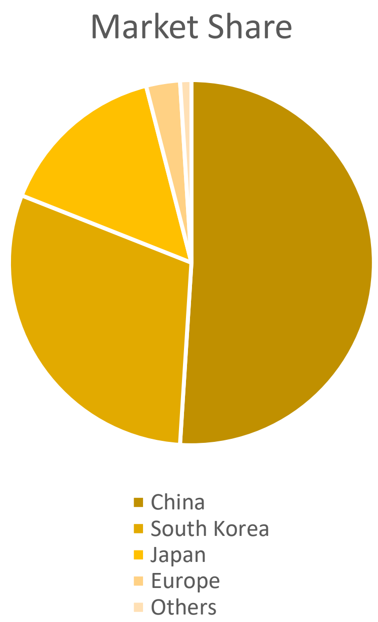


Figure 1.3



BEFORE MDF	AFTER MDF
High Financing Cost	Easier long-term funding
Limited private participation	Ecosystem Growth
Capacity constraints	Capacity expansion

Figure 1.4



INDUSTRY KEY DRIVERS

Indian shipbuilding is primarily driven by defense spending, especially the Indian Navy's long-term fleet expansion plans. India has one of the largest maritime security requirements due to its long coastline, strategic sea lanes, and increasing geopolitical presence in the Indian Ocean Region (IOR).

The Navy is undergoing a modernisation and indigenisation phase, with sustained allocations towards ~ Destroyers, Frigates ,Conventional & Scorpene-class submarines ,Next-generation surface combatants.

A significant portion of naval capex is domestically routed, benefitting public sector shipyards. As India's leading warship and submarine builder, Mazagon Dock is a direct beneficiary of rising naval capex, with long execution visibility due to multi-year defense contracts.

MAKE IN INDIA

Government initiatives such as Make-in-India, Atmanirbhar Bharat, and the Defense Acquisition Procedure (DAP) strongly promote domestic manufacturing over imports within the Indian defense ecosystem. Policy measures including import embargoes on select defense platforms, preferential procurement under the "Buy (Indian-IDDM)" category, and mandatory indigenisation and local sourcing requirements have significantly strengthened the position of domestic shipyards. These initiatives create high entry barriers for foreign competitors while ensuring long-term order visibility and revenue stability for established Indian players. With proven execution capabilities and decades of experience in building complex naval platforms, Mazagon Dock Shipbuilders Ltd is structurally well-positioned to benefit from this favourable policy environment.

MARITIME DEVELOPMENT FUND

The proposed Maritime Development Fund (MDF) is intended to enhance the availability of long-term financing for shipbuilding, ship repair, and maritime infrastructure projects in India. By reducing funding constraints associated with capital-intensive shipbuilding activities, the fund is expected to encourage greater private sector participation and support capacity expansion across the maritime value chain. Improved access to financing will facilitate industry-wide capacity creation, strengthen the domestic shipbuilding ecosystem, and enhance supply chain capabilities, which is particularly beneficial for large and complex naval platforms. In this context, established shipyards such as Mazagon Dock Shipbuilders Ltd stand to benefit from a more robust and financially supported maritime infrastructure environment.

GLOBAL SHIPBUILDING CYCLE

The global shipbuilding industry is inherently cyclical and is influenced by factors such as global trade volumes, freight rates, fleet replacement cycles, and evolving environmental regulations related to fuel efficiency and emission norms. Although India currently holds a relatively small share in global commercial shipbuilding, an upcycle in global shipping activity supports higher demand for ship repair and maintenance services, increased technology upgrades, and emerging export opportunities for defense and specialized vessels. Mazagon Dock Shipbuilders Ltd, despite being predominantly focused on defense shipbuilding, is expected to benefit indirectly from a favorable global cycle through ship repair and refit contracts as well as potential export orders over the medium to long term.

EXPORT OPPORTUNITIES

India is increasingly positioning itself as a defense exporter, including naval platforms for friendly foreign nations, supported by a competitive cost advantage, government-to-government defense agreements, and the proven execution capabilities of domestic shipyards.

This strategic push is strengthening India's presence in the global defense market and expanding export opportunities for specialised naval platforms. Mazagon Dock Shipbuilders Ltd's extensive experience in constructing complex assets such as destroyers and submarines enhances its credibility with international clients, thereby opening up long-term export opportunities, although the pace of execution is expected to be gradual.

RISING SHIP REPAIR & MAINTENANCE DEMAND

India's geographic proximity to major global shipping routes provides significant potential for growth in ship repair and MRO (Maintenance, Repair and Overhaul) services. This opportunity is driven by the expanding size of the Indian naval fleet, increasing commercial vessel traffic, and a preference for faster turnaround times compared to overseas repair docks. Expansion of ship repair capabilities enables shipyards to generate stable, annuity-like revenue streams, thereby reducing dependence on lumpy and long-gestation shipbuilding contracts and improving overall earnings visibility.

Revenue and Product Mix

	Revenue Mix By Segment	
Segment	**Revenue (Rs cr)**	**% of Total Revenue**
Destroyers	3350	29
Frigates	3150	28
Submarines	3500	31
FPVs	600	5
Offshore Platfroms	180	2
MRO Services	650	6
Total	11430	100

Product Segement	Revenue (USD)	% of Total	YoY growth
Destroyers	$404.0M	29	19%
Frigates	$379.5M	28	19%
Submarines	$421.7M	31	17%
FPVs	$72.3M	5	9%
Offshore Platfroms	$21.7M	2	6%
MRO Services	$78.3M	6	8%
Total	$1.3B	100	21%

Order Book & Project Pipeline Table

Project Code	Product Segment	Client	Total Order value (Rs Cr)
P-15B	Destroyer	Govt. of India	28,734
P-17A	Frigates	Govt. of India	27,120
P-75	Submarines	Govt. of India	29,277
SS-001	Submarines	Govt. of India	1,758
OP-22	ICGS	Indian Coast G.	2,849
MRO-2024	Heavy Refits	ONGC	6,524
Total			96262

Project Code	Revenue Booked	Pending Value	Delivery Timeline	Status
P-15B	25901	2,833	BY FY25	4 ships (deliveries on going)
P-17A	14777	12,343	BY FY26-FY28	4 ships (deliveries partly done)
P-75	26727	2,550	BY FY26	6 submarines (under execution)
SS-001	NA	NA	BY FY27	Services & upgrades
OP-22	31	2,818	BY FY27-FY30	21 ICGS/ PATROL UNITS
MRO-2024	1419	5,105		Ongoing refit
Total	68855	25649		

INVESTMENT THESIS

Order book poised for exponential growth :While the current order book stands at ~Rs 27,415 crore, primarily comprising P-15B destroyers and P-17A frigates, we believe the outlook for new contract awards is exceptionally strong. Management targets an order book exceeding Rs 1 lakh crore by FY26-end. Key triggers include the six P-75I submarines (~Rs 70,000 crore), three additional Kalvari-class submarines (~Rs 35,000 crore), and the Next-Gen Frigates (P-17B) valued at ~Rs 70,000 crore. These large-scale defense procurements under the "Atmanirbhar Bharat" initiative provide structural visibility for the next decade.

EBITDA Margin outlook remains resilient :We foresee MDL's EBITDA margins stabilizing in the 15-18% range as the company transitions from old, low-margin contracts to more complex, high-value projects. While H1FY26 margins saw volatility due to one-time provisions on onerous contracts, the increasing share of indigenous content and higher efficiency in repeat orders (like the follow-on Scorpene submarines) are expected to drive margin expansion. Furthermore, the company's focus on ship repair , aiming to grow revenue from Rs 1,000 crore to Rs 1,500 crore via the Colombo Dockyard acquisition provides a high-margin revenue stream that offsets the cyclicality of new builds.

Strategic Capex focused on Greenfield & Submarine capabilities MDL is de-risking its execution capabilities by investing Rs 5,000 crore in a new greenfield commercial shipyard in Thoothukudi. This facility, capable of handling ships up to 300,000 tons, will allow MDL to aggressively bid for both defense and large commercial export orders without bottlenecking its Mumbai facility. Additionally, specialized Capex of ~Rs 1,000 crore for P-75I infrastructure ensures MDL remains the only domestic shipyard capable of building 11 submarines concurrently. This massive capacity expansion supports our forecast of a 12-14% revenue CAGR over FY25-28E.

The provided investment thesis follows the Base Case, as it is built on the management's realistic target of a ₹1 lakh crore order book and a steady 22% upside. It balances high-value contract expectations like the P-75I with standard execution timelines and moderate margin stability.

Key Financials

ITEMS	3/31/2022	3/31/2023	3/31/2024
Revenue	₹57,176,100	₹78,271,800	₹94,665,800
% Growth	-	36.9%	20.9%
Cost of Goods Sold	40,535,300	55,941,500	66,337,700
Gross Profit	16,640,800	22,330,300	28,328,100
% Margin	29.1%	28.5%	29.9%
R&D Expenses	752,400	753,200	897,500
G&A Expenses	890,600	8,512,100	959,200
SG&A Expenses	918,400	8,587,400	1,028,400
Sales & Mktg Exp.	27,800	75,300	69,200
Other Operating Expenses	11,288,900	(6,873,600)	844,800
Operating Expenses	12,959,700	2,467,000	2,770,700
Operating Income	3,773,300	7,771,600	13,729,100
% Margin	6.6%	9.9%	14.5%
Other Income/Exp. Net	4,191,100	6,984,800	11,800,100
Pre-Tax Income	7,970,600	14,756,400	25,529,200
Tax Expense	1,862,200	3,566,100	6,159,500
Net Income	6,108,400	11,190,300	19,369,700
% Margin	10.7%	14.3%	20.5%
EPS	15.15	27.74	48.02
% Growth	-	83.1%	73.1%
EPS Diluted	15.15	27.74	48.02
Weighted Avg Shares Out	403,380	403,380	403,380
Weighted Avg Shares Out Dil	403,380	403,380	403,380
Supplemental Information	-	-	-
Interest Income	3,516,800	6,067,400	9,919,500
Interest Expense	134,800	91,800	76,300
Depreciation & Amortization	745,100	755,800	831,300
EBITDA	4,518,400	14,872,800	25,172,900
% Margin	7.9%	19.0%	26.6%

Ratio Analysis

PROFITABILITY EXCELLENCE		
EBITDA Margin Expansion	7.9% (FY22) → 26.6% (FY24)	Exceptional operational leverage - 236% improvement
PAT Margin Growth	10.7% (FY22) → 20.5% (FY24)	Bottom-line profitability nearly doubled in 2 years
ROE Trajectory	15.8% → 35.2% (FY24)	Among best-in-class returns for shipbuilding sector
GROWTH DYNAMICS		
Revenue CAGR	28.7% (FY22-24)	Double-digit growth well above GDP; sustained momentum
EBITDA CAGR	74.6% (FY22-24)	Disproportionately high - operational scaling evident
PAT CAGR	77.8% (FY22-24)	Strong earnings leverage to top-line growth
EPS Growth	77.8% CAGR	Consistent accretion to shareholder value
BALANCE SHEET FORTRESS		
Net Cash Position	₹3,523 Cr (FY24)	Fortress balance sheet with zero debt risk
Interest Coverage	180,001x (FY24)	Exceptional ability to service any debt obligations
DSCR	2.7M x (FY24)	Debt service is non-issue; net cash generation strong
Liquidity Ratios	CR 1.14x, QR 0.89x	Healthy short-term liquidity without strain
WORKING CAPITAL MANAGEMENT		
Inventory Optimization	689 → 358 days (FY22-24)	59% reduction; indicating improved production scheduling
Cash Conversion Cycle	236 → 179 days	Meaningful improvement in cash flow dynamics
DSO Improvement	99 → 66 days	Faster customer collections; good credit management
OPERATIONAL EFFICIENCY		
Asset Turnover	0.192x → 0.321x	Better asset utilization as revenue scales
Fixed Asset Turnover	5.48x → 10.65x	Exceptional PP&E productivity improvement
Return on Assets	2.05% → 6.58%	Strong improvement in asset productivity
VALUATION ASSESSMENT		
Current P/E Multiple	47.93x (FY24 EPS)	Premium pricing reflects growth expectations
PEG Ratio	0.41x	P/E to growth < 1.0 suggests attractive valuation
EV/EBITDA	25.9x (FY24)	Reasonable for a high-growth, capital-light business
Price-to-Book	14.87x	Trading well above book value; reflects quality premium
REVENUE VISIBILITY & DE-RISKING		
Order Backlog	₹40,000 Cr	Represents multi-year revenue pipeline
Orderbook/TTM Revenue	42.25x	~42 years of revenue visibility - exceptional
Contract Mix	defense-heavy	Government contracts with stable timelines
Execution Risk	Low	Proven track record with PSU/Ministry contracts
INVESTMENT HIGHLIGHTS (BULL CASE)		
1. Structural Growth	28.7% revenue CAGR sustainable	defense spending priority + order book de-risks
2. Margin Expansion	EBITDA 26.6% target achievable	Operating leverage from scale + capacity utilization
3. Fortress Balance	Net cash ₹3,523 Cr	No financial constraints; can invest/return capital
4. Efficiency Gains	CCC declining, inventory down 59%	WC management improving = more cash available
5. Visibility	42+ years of order book	Reduces demand risk; enables confident investment
6. Quality Return	ROE 35.2%, ROA 6.6%	Best-in-class returns generating shareholder value
RISK CONSIDERATIONS		
Execution Risk	Multi-year projects	Delays in ship deliveries could impact timelines
Capex Requirements	Capital intensity increasing	Future growth may require significant investment
Valuation Premium	P/E 47.93x elevated	High expectations priced in; limited downside tolerance
Sector Cyclicality	defense spending discretionary	Government budget cycles could affect order flow
Commodity Exposure	Steel/material costs	Input cost inflation could compress margins
CONCLUSION		
Investment Rating	HIGH QUALITY GROWTH COMPANY	
Key Strengths	Growth (29% CAGR) + Quality (35% ROE) + Safety (Net Cash)	Rare combination in Indian market
Best For	Growth investors with 3-5 year horizon	Order book provides de-risked revenue visibility
Valuation View	Fair at current multiples given growth	Quality premium justified by track record
Downside Protection	Strong balance sheet acts as safety net	Can weather industry cycles without stress

Valuation

Free Cash Flow Calculation

Income Statement Items (Rs Cr)										
Fiscal Year	2016A	2017A	2018A	2019A	2020A	2021A	2022A	2023A	2024A	2025A
Sales	4,094.4	3,504.8	4,457.2	4,614.0	4,904.8	4,047.8	5,733.3	7,827.2	9,466.6	11,431.9
% Growth	-	*(14.4%)*	*27.2%*	*3.5%*	*6.3%*	*(17.5%)*	*41.6%*	*36.5%*	*20.9%*	*20.8%*
COGS	3,582.4	3,007.9	4,062.7	4,097.9	4,390.7	3,541.5	5,057.3	6,727.9	7,743.0	8,361.2
% of Sales	*87.5%*	*85.8%*	*91.1%*	*88.8%*	*89.5%*	*87.5%*	*88.2%*	*86.0%*	*81.8%*	*73.1%*
Gross Profit	**512.0**	**496.9**	**394.6**	**516.1**	**514.1**	**506.4**	**676.0**	**1,099.2**	**1,723.6**	**3,070.7**
% Gross Profit Margin	*12.5%*	*14.2%*	*8.9%*	*11.2%*	*10.5%*	*12.5%*	*11.8%*	*14.0%*	*18.2%*	*26.9%*
Selling and General Expenses	268.2	229.4	185.8	122.9	184.5	232.7	112.0	151.7	105.4	172.4
% of Sales	*6.6%*	*6.5%*	*4.2%*	*2.7%*	*3.8%*	*5.7%*	*2.0%*	*1.9%*	*1.1%*	*1.5%*
EBITDA	**243.8**	**267.6**	**208.7**	**393.3**	**329.6**	**273.7**	**564.0**	**947.5**	**1,618.2**	**2,898.3**
% EBITDA margin	*6.0%*	*7.6%*	*4.7%*	*8.5%*	*6.7%*	*6.8%*	*9.8%*	*12.1%*	*17.1%*	*25.4%*
Depriciation	43.8	39.4	52.5	64.3	68.8	59.7	74.5	75.6	83.1	115.2
% of Sales	*1.1%*	*1.1%*	*1.2%*	*1.4%*	*1.4%*	*1.5%*	*1.3%*	*1.0%*	*0.9%*	*1.0%*
EBIT (Operating Profit)	**200.0**	**228.2**	**156.2**	**328.9**	**260.8**	**214.1**	**489.5**	**872.0**	**1,535.1**	**2,783.1**
% Operating Profit Margin	*4.9%*	*6.5%*	*3.5%*	*7.1%*	*5.3%*	*5.3%*	*8.5%*	*11.1%*	*16.2%*	*24.3%*
Operating Tax	70.0	79.9	54.7	115.1	91.3	53.5	122.4	218.0	383.8	695.8
% Tax Rate	*35%*	*35%*	*35%*	*35%*	*35%*	*25%*	*25%*	*25%*	*25%*	*25%*
NOPAT	**130.0**	**148.3**	**101.5**	**213.8**	**169.5**	**160.5**	**367.2**	**654.0**	**1,151.3**	**2,087.3**

Cash Flow Items (Rs Cr)										
Net Operating Profit After Tax (NOPAT)	130.0	148.3	101.5	213.8	169.5	160.5	367.2	654.0	1,151.3	2,087.3
(+) Depriciation and Amortization	43.8	39.4	52.5	64.3	68.8	59.7	74.5	75.6	83.1	115.2
(-) Capital Expenditure	107.0	217.0	193.0	172.0	110.0	42.0	33.0	140.0	326.0	418.0
(-) Change in NWC	-	617.0	829.0	(7.0)	1,445.0	(1,834.0)	(3,234.0)	(990.0)	657.0	(1,014.0)
NWC	(7,022.0)	(6,405.0)	(5,576.0)	(5,583.0)	(4,138.0)	(5,972.0)	(9,206.0)	(10,196.0)	(9,539.0)	(10,553.0)
Current Assets	9,364.0	9,961.0	10,964.0	12,050.0	13,745.0	15,707.0	16,698.0	14,514.0	13,665.0	10,291.0
Current Liabilities	16,386.0	16,366.0	16,540.0	17,633.0	17,883.0	21,679.0	25,904.0	24,710.0	23,204.0	20,844.0
Unlevered Free Cash Flow	**66.8**	**(646.3)**	**(868.0)**	**113.1**	**(1,316.7)**	**2,012.2**	**3,642.7**	**1,579.6**	**251.5**	**2,798.5**

Income Statement Items (Rs Cr)	10	11	12	13	14
Fiscal Year	2026E	2027E	2028E	2029E	2030E
Sales	13,718.3	16,187.5	18,777.5	21,406.4	23,975.2
% Growth	*20.0%*	*18.0%*	*16.0%*	*14.0%*	*12.0%*
COGS	11,789.3	13,886.1	16,107.2	18,247.3	20,351.3
% of Sales	*85.9%*	*85.8%*	*85.8%*	*85.2%*	*84.9%*
Gross Profit	**1,929.0**	**2,301.4**	**2,670.4**	**3,159.1**	**3,623.9**
% Gross Profit Margin	*14.1%*	*14.2%*	*14.2%*	*14.8%*	*15.1%*
Selling and General Expenses	223.3	250.4	272.1	328.1	369.0
% of Sales	*1.6%*	*1.5%*	*1.4%*	*1.5%*	*1.5%*
EBITDA	**1,705.7**	**2,051.0**	**2,398.3**	**2,831.0**	**3,254.9**
% EBITDA margin	*12.4%*	*12.7%*	*12.8%*	*13.2%*	*13.6%*
Depriciation	161.8	192.6	224.7	256.6	282.7
% of Sales	*1.2%*	*1.2%*	*1.2%*	*1.2%*	*1.2%*
EBIT (Operating Profit)	**1,543.9**	**1,858.4**	**2,173.6**	**2,574.4**	**2,972.2**
% Operating Profit Margin	*11.3%*	*11.5%*	*11.6%*	*12.0%*	*12.4%*
Operating Tax	386.0	464.6	543.4	643.6	743.0
% Tax Rate	*25%*	*25%*	*25%*	*25%*	*25%*
NOPAT	**1,157.9**	**1,393.8**	**1,630.2**	**1,930.8**	**2,229.1**

Cash Flow Items (Rs Cr)					
Net Operating Profit After Tax (NOPAT)	1,157.9	1,393.8	1,630.2	1,930.8	2,229.1
(+) Depriciation and Amortization	161.8	192.6	224.7	256.6	282.7
(-) Capital Expenditure	161.8	192.6	224.7	256.6	282.7
(-) Change in NWC	(7,502.5)	(2,604.3)	(2,270.5)	(3,146.4)	(3,148.8)
NWC	(18,055.5)	(20,659.9)	(22,930.4)	(26,076.8)	(29,225.6)
Current Assets					
Current Liabilities					
Unlevered Free Cash Flow	**8,660.5**	**3,998.1**	**3,900.7**	**5,077.2**	**5,377.9**

Weighted Average Cost of Capital

Weighted Average cost of capital (WACC)	
Equity (cr)	₹ 94,794.0
Debt (cr)	₹ 20.3
Interest Expense (cr)	₹ 9.6
Cost of Debt	47.2%
Tax Rate	25.0%
D/(D+E)	0.02%
After Tax Cost of Debt	35.4%
Risk Free Rate (10Y GoI yield)	6.6%
Expected Market Return	13.6%
Market Risk Premium	7.0%
Levered Beta	0.8
E/(D+E)	99.98%
Cost of Equity	12.2%
WACC	**12.2%**

Discounted Cash Flow

Discounted Cash Flow										
Fiscal Year	2016A	2017A	2018A	2019A	2020A	2021A	2022A	2023A	2024A	2025A
Unlevered Free Cash Flow	**66.80**	**(646.31)**	**(867.97)**	**113.13**	**(1,316.70)**	**2,012.19**	**3,642.67**	**1,579.55**	**251.45**	**2,798.52**
Projection Year										
Present Value of Free Cash Flow										

Discounted Cash Flow					
Fiscal Year	2026E	2027E	2028E	2029E	2030E
Unlevered Free Cash Flow	**8,660.47**	**3,998.12**	**3,900.71**	**5,077.18**	**5,377.89**
Projection Year	1	2	3	4	5
Present Value of Free Cash Flow	7,718.43	3,175.64	2,761.26	3,203.13	3,023.79

Implied Share Price Calculation	
Sum of PV of FCF	19,882.25
Growth Rate	4.0%
WACC	12.2%
Terminal Value	68,166.01
PV of Terminal Value	38,327.21
Enterprise Value	58,209.46
(+) Cash	16,149.39
(-) Debt	20.33
(-) Minority Interest	-
Equity Value	74,338.52
Equity Share Capital	7,939.88
Face Value	5.00
Diluted Shares Outstanding (mm)	40.34
Implied Share Price	**1,842.89**

Sensitivity Table

		Growth Rate				
	1,842.89	3.00%	3.50%	4.00%	4.50%	5.00%
WACC	11.20%	1,888.17	1,957.11	2,035.63	2,125.86	2,230.63
	11.70%	1,805.34	1,865.29	1,933.01	2,010.13	2,098.75
	12.20%	1,731.53	1,784.01	**1,842.89**	1,909.41	1,985.17
	12.70%	1,665.32	1,711.57	1,763.12	1,820.97	1,886.32
	13.20%	1,605.61	1,646.59	1,692.02	1,742.68	1,799.50

Comparables Valuation

Comparable Company Valuation *Amount in Crores*

		Market Data					
Company	Ticker	Share price	Shares Outstanding	Equity value	Net debt	Enterprise Value	ROE
Mazagon Dock	MAZDOCK	2,302	40.34	76,707	-16,148	60,559	26,096
Cochin Shipyard	COCHINSHIP	1,488	26.31	37,186	-1,974	35,213	5,894
Swan Defence	SWANDEF	1,749	5.27	11,800	2,585	14,385	-5,465
Laxmipati Engg	LAXMIPATI	310	0.58	200	20	219	244
Hariyana Ship	HRYNSHP	103	0.62	79	15	94	1

Financials			Valuation		
Revenue	EBITDA	Net Income	EV/Revenue	EV/EBITDA	P/E
11,873	2065.92	2,334	5.1x	25.8x	32.9x
4,650	82	758	7.6x	32.3x	49.1x
46	-47	-126	312.3x	-221.4x	-93.3x
55	11	9	4.0x	14.8x	21.5x
1	-1	4	72.0x	9.3x	20.7x

	Valuation		
	EV/Revenue	EV/EBITDA	P/E
High	312.3x	312.3x	49.1x
75th Percentile	72.0x	72.0x	32.9x
Average	**80.2x**	**80.2x**	**6.1x**
Median	**7.6x**	**7.6x**	**21.5x**
25th Percentile	4.0x	4.0x	-93.3x
Low	4.0x	4.0x	-93.3x

Mazagon Comparable Valuation	EV/Revenue	EV/EBITDA	P/E
Implied Enterprise Value	89,914	15,645	34,001
Net Debt	-16,148	-16,148	-16,148
Implied Market Value	1,06,062	31,793	50,149
Shares Outstanding	40.34	40.34	40.34
Implied Value Share	**2,629.2**	**788.1**	**1,243.2**
	Undervalued	Overvalued	Overvalued

Source : Screener.in

Mazagon Dock Shipbuilders Ltd. – Investment View (Hold)

Mazagon Dock looks strong with very healthy current profitability, good 2-to-5-year visibility and a more uncertain, capex heavy long term expansion story. **In the short term, growth is driven mainly by execution of P17A frigates, Coast Guard vessels, 27 smaller ships including exports and the large cost plus ONGC DSF II offshore project that should largely complete by May 2026, with some spillover.** FY26 revenue guidance is about ₹12,500 crore with around 5% growth in FY27, but **management clearly states that today's 25 - 30% margins are exceptional due to project mix and provision reversals, and that new work should earn a more normal 12-15 % margin**. Cash flow is temporarily weak because of advance consumption, not an underlying profit problem, and large loss provisions on Coast Guard and MPV contracts were taken upfront in Q4 FY25 and Q1 FY26, which supports management credibility.

Medium term performance depends on converting a rich pipeline into orders and executing sensibly. The current order book is about ₹27,400 crore and management targets more than ₹1 lakh crore by FY27, anchored in follow on P75 submarines, P75I, new frigate, destroyer and mine counter measure programs, plus a roughly ₹35,000 to 40,000 crore LPD program where MDL has tied up with Swan Shipyard and believes it is very well placed. Around ₹2,500 crore of capex is planned over the next 2 - 3 years on docks and submarine infrastructure to support this growth, which can sustain mid-teens revenue growth if orders and execution come through as guided. The main risk in this phase is timing and competitive outcomes, if large submarine and surface ship orders are delayed further, current high margin projects will taper before the next wave ramps, creating a revenue and earnings air pocket.

The long-term story is more transformational and also riskier. MDL plans to spend about ₹5,000 crore over 4 to 5 years on a greenfield mega yard at Tuticorin with a foreign partner, targeting both future Indian naval platforms, such as a potential third aircraft carrier if timings align, and commercial vessels that the Ministry of Shipping wants built in India. Alongside this, MDL is acquiring Colombo Dockyard, a commercial and repair yard that management believes can grow from roughly ₹1,000 crore to ₹1,500 crore revenue with mid-teens margins by routing more work and leveraging its design and customer base, and it is pursuing submarine export opportunities with Naval Group.

If policy support for Atmanirbhar defense and Indian commercial shipbuilding holds, these moves could create a second secular earnings leg, but they also add material capex, integration and cyclical risk and returns will depend on disciplined execution and capital allocation. Overall, the call supports viewing Mazagon Dock as a high quality, technically strong and reasonably candid PSU with powerful structural tailwinds. As an investment, the key is not to overpay for temporarily elevated margins and to underwrite the story on normalized 12 - 15 %margins, lumpy order timing and the higher risk return profile of its long-term expansion.

THE ARCHITECTS OF THIS EQUITY RESEARCH

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TEAM LEAD

Ashutosh Singh, Corporate Head

"Our aim was to move beyond surface-level numbers and build a research framework grounded in fundamentals, discipline, and long-term value creation."

Saksham Bakshi, Corporate Head

"This report structured financial modelling with critical thinking to translate data into meaningful investment insights."

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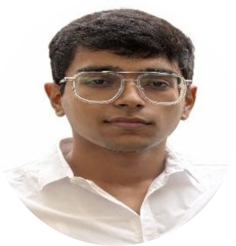
Financial Analysis And Data Interpretation



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Business Overview & Market Research Analysis

"At Synergy – The FinTech & Corporate Cell, we strive to promote analytical rigour and practical learning through research-driven initiatives. We thank our readers for their time and interest, and hope this report offers meaningful insights and clarity."

Synergy – The Fintech & Corporate Cell

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