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A STUDY ON FINANCIAL PERFORMANCE OF COCHIN SHIPYARD LIMITED

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ABSTRACT :

This study examines the financial performance of Cochin Shipyard Limited over a specified period, focusing on key financial indicators such as profitability, liquidity, solvency, and efficiency ratios. Using data from the company's annual reports and financial statements, the analysis highlights trends in revenue growth, net profit margins, return on capital employed, and asset utilization. The study aims to assess the overall financial health and operational efficiency of the company, providing insights into its financial stability and growth potential. The findings are intended to support stakeholders in making informed decisions regarding investment and strategic planning.

INTRODUCTION

This study examines the financial performance of cochin shipyard limited a leading player in india's maritime industry .over recent fiscal years ,CSL has recorded robust revenue growth and significant improvements in profitability ,driven by strategic investments and enhanced operational efficiencies. By analysing key financial metrics such as turnover net profit, operating profit margins ,and earnings per share the project aims to provide a comprehensive assessment of CSL's financial health and sustainability.

1.2OBJECTIVES OF THE STUDY

1. Analyse the company's financial statements (Balance Sheet, comparative balance sheet to assess profitability, liquidity, and solvency
2. Study financial performance over the past five years for (April 1 2019 to 31 March 2024) identify growth patterns and potential risks.
3. Use financial ratios like profitability ratios, liquidity ratios (Current Ratio, Quick Ratio), and solvency ratios (Debt-to-Equity) to assess financial stability.
4. Benchmark Cochin Shipyard Ltd.'s performance against other shipbuilding and defence sector companies
5. To identify risks and opportunities for future growth.

1.3 .RESEARCH METHODOLOGY

The research methodology for studying Cochin Shipyard Ltd. Involves quantitative approaches. Data will be collected through secondary sources like financial reports, market analysis, and academic publications. Statistical tools will be used to analyse financial performance, operational efficiency, and market trends. The study will also involve case studies and comparisons with competitors in the shipbuilding sector.

1.5. SCOPE OF THE STUDY

The scope of the study for Cochin Shipyard Ltd. Includes analysing financial performance, market position, technological advancements, operational efficiency, regulatory compliance, and sustainability efforts. It also covers competitive analysis, strategic initiatives, and future growth prospects, aiming to assess the company's impact, challenges, and opportunities in the shipbuilding industry.

1.6 .LIMITATIONS OF THE STUDY

Limited access to internal data and proprietary financial information may affect the depth of analysis. The study's timeframe may not allow for comprehensive long-term trend analysis or in- depth data collection. Unpredictable market conditions and global economic factors may influence the shipbuilding industry during the study period. Rapid advancements in technology could lead to changes in industry practices not fully captured in the study Political, regulatory, and environmental changes could affect the shipyard's operations and strategic decisions during the study.

RESEARCH TOOLS

1. **Profitability ratios**
    - Operating Profit ratio
    - Return On Capital Employed Ratio
2. **Liquidity ratios**
    - Current Ratio
    - Quick Ratio
    - Cash Ratio
3. **Solvency ratio**
    - Debt Equity Ratio
4. **Turnover ratio**
    - Inventory turnover ratio
    - Trade payable ratio
    - Trade Receivable ratio
5. **Working Capital**
6. **Comparative Balance Sheet**

REVIEW OF LITERATURE

1. **Ramachandran (2024)** – The financial stability of Cochin Shipyard Ltd remains robust, with consistent revenue growth. Capital expenditure has been strategically managed to enhance infrastructure. Liquidity ratios indicate a sound financial position, supporting expansion plans. Future projections highlight sustainability despite fluctuating demand.
2. **Merlin (2024)** – Cochin Shipyard Ltd has demonstrated prudent financial management. The company's profit margins reflect efficient cost control. Debt levels remain manageable, ensuring long-term sustainability. Investment in R&D is a key driver for growth.
3. **Franklin (2024)** – Fiscal policies have strengthened the shipyard's balance sheet. Revenue generation aligns with industry trends, ensuring steady cash flow. Cost management strategies contribute to maintaining profitability. Expansion into defence contracts provides a long-term growth trajectory.

INDUSTRY OVERVIEW

3.1 Core Operations: Shipbuilding, Ship Repair, and Maintenance

Modern shipyards typically operate as multifaceted facilities that integrate three core operational areas:

A. Ship Building

Shipbuilding is the heart of many shipyards. It involves the complete design, engineering, and construction of new vessels. Shipyards dedicated to building ships are equipped with extensive facilities, including large slipways or dry docks, heavy cranes, fabrication shops, and specialized assembly areas. Over the decades, shipbuilding has evolved from manual riveting and welding processes to highly automated systems that employ robotics, computer-aided design (CAD), and advanced materials.

B. Ship Repair

Ship repair is a crucial operation that ensures the longevity and safe operation of vessels. Unlike shipbuilding, which is focused on new construction, repair operations address wear and tear, damage, and the need for modernization. Shipyards that specialize in repair work are often equipped with extensive dry docks, where vessels can be brought in for periodic maintenance, emergency repairs, and retrofitting.

C. Maintenance

Maintenance encompasses the routine upkeep and periodic overhauls that keep vessels in optimal condition. It involves scheduled inspections, cleaning, painting, and system upgrades that prevent minor issues from becoming major problems. Modern maintenance operations in shipyards now integrate predictive maintenance techniques, leveraging data analytics and sensor technologies. This approach helps to monitor vessel health in real time, thereby reducing downtime and unexpected failures

KEY MILESTONES FOR COCHIN SHIPYARD LTD (CSL) FROM IT'S INCEPTION TO THE PRESET

1972 – Establishment

Cochin Shipyard Limited (CSL) was incorporated as a government-owned shipbuilding and maintenance facility in Kochi, Kerala.

1978 – First Dry Dock Completion

India's largest shipbuilding dry dock (at the time) was completed, enabling CSL to build large vessels.

1981 – First Ship Launch

Launched its first vessel, MV Rani Padmini.

1982 – Entry into Ship Repairs

Started ship repair services, catering to commercial vessels, the Indian Navy, and the Coast Guard.

1991 – Delivered India's First Double-Hull Tanker

Built and delivered India's first double-hull tanker, MT Desh Shanti, for the Shipping Corporation of India.

2001 – Expanded into Offshore Vessel Construction

Entered the offshore sector byconstructing Platform Supply Vessels (PSVs) and Anchor Handling Tugs (AHTs) for global clients.

2009 – Built India's Largest Tankers

Delivered two A framax tankers of 95,000 DWT, the largest tankers built in India at the time.

2012 – Indigenous Aircraft Carrier Project

Started construction of INS Vikrant, India's first indigenous aircraft carrier, for the Indian Navy.

2017 – IPO and Stock Market Listing

Conducted a successful Initial Public Offering (IPO) and listed on the BSE and NSE.

The IPO was oversubscribed 76 times, making it one of the most successful in India's history.

2018 – Expansion into Inland Waterways

Signed contracts to build vessels for India's inland waterways, contributing to the government's "Make in India" initiative.

2019 – Major Shipbuilding and Repair Expansion

Opened International Ship Repair Facility (ISRF) at Willingdon Island, Kochi, expanding ship repair capacity.Signed contracts for autonomous electric vessels and eco-friendly ships.

2022 – Commissioning of INS Vikrant

INS Vikrant, India's first indigenous aircraft carrier, was commissioned into the Indian Navy after successful trials.

2023 – Expansion into Green Energy & Defence Sector

Entered the green shipbuilding sector, focusing on LNG-fuelled and hydrogen-fuelled vessels. Secured multiple defence contracts for next-generation warships and vessels.

2024 – Strategic Partnerships & Global Expansion

Collaborated with international firms for advanced shipbuilding technology. Expanded ship repair and maintenance services globally. Cochin Shipyard Ltd has grown into India's premier shipbuilding and repair facility, playing a crucial role in the maritime and defence sectors.

ANALYSIS AND INTERPRETATION

4.1 CURRENT RATIO

The current ratio is a liquidity ratio that measures a company's ability to pay its short-Term liabilities with its short-term assets. It is calculated by dividing a company's current Assets by its current liabilities. A higher current ratio indicates a better ability to cover short Term obligations. However, an excessively high ratio may suggest that the company is not Efficiently utilizing its assets.
Formula

Current Ratio = Current Assets /Current Liabilities

TABLE. 4.1.1 CURRENT RATIO

Thia table showing the current ratio of cochin shipyard limited

S. No	Year	Current Assets	Current liabilities	Current Ratio
1	2020-2019	2804	2659	1.05
2	2021-2020	584081	345270	1.69
3	2022-2021	713662	512103	1.39
4	2023-2022	7648	6087	1.26
5	2023-2024	17131	13689	1.25

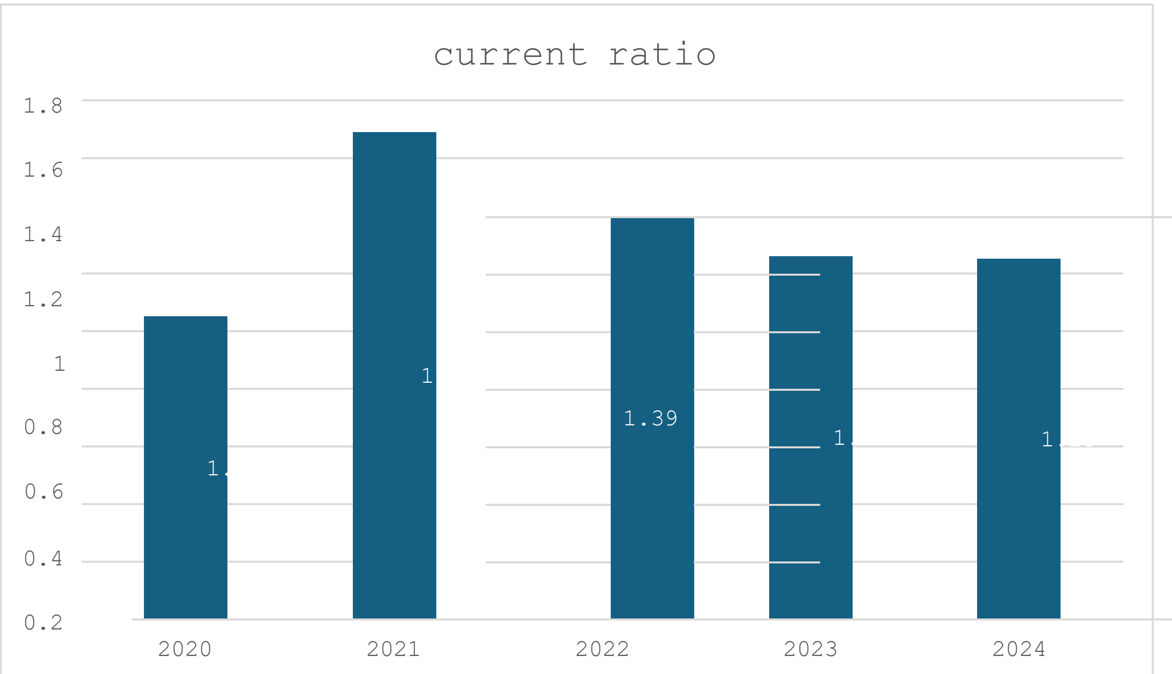
(source : Secondary data)

INTERPRETATION

2020, 1.06 – Very close to 1, indicating that the company barely had enough short-term assets
to cover its short-term liabilities. This suggests potential liquidity risks.2021, 1.69 – A strong improvement, showing better liquidity and a safer financial position.

GRAPH 4.2.1

This graph showing the Current Ratio of Coming Shipyard Limited



INFERENCE

If 1.69 was the highest current ratio for Cochin Shipyard Limited in 2021, it indicates that the company had its strongest liquidity position that year, reflecting efficient working capital management and a solid ability to cover short-term liabilities.

4.2.QUICK RATIO

The quick ratio, also known as the acid-test ratio, is a liquidity ratio that measures a Company's ability to pay its short-term liabilities using its most liquid assets. It is calculated By subtracting inventories from current assets and then dividing the result by current Liabilities. The quick ratio provides a more conservative measure of liquidity compared to the Current ratio because it excludes inventories, which may not be easily convertible to cash in The short term. A higher quick ratio indicates a stronger ability to meet short-term obligations without relying on the sale of inventory.

Formula

Quick Ratio or Acid Test Ratio = Quick Assets/Current Liabilities Quick Assets = Current Assets – Inventories

TABLE -4. 1.2 QUICK RATIO

This table showing quick Ratio of Cochin shipyard ltd

S.NO	**year**	**Quick assets**	**Current liabilities**	**Quick ratio**
1	2019-2020	2629	2659	0.99
2	2021-2020	554245	345270	1.60
3	2022-2021	676363	512103	1.32
4	2023-2022	5578	6087	0.91
5	2024-2023	11233	13689	0.82

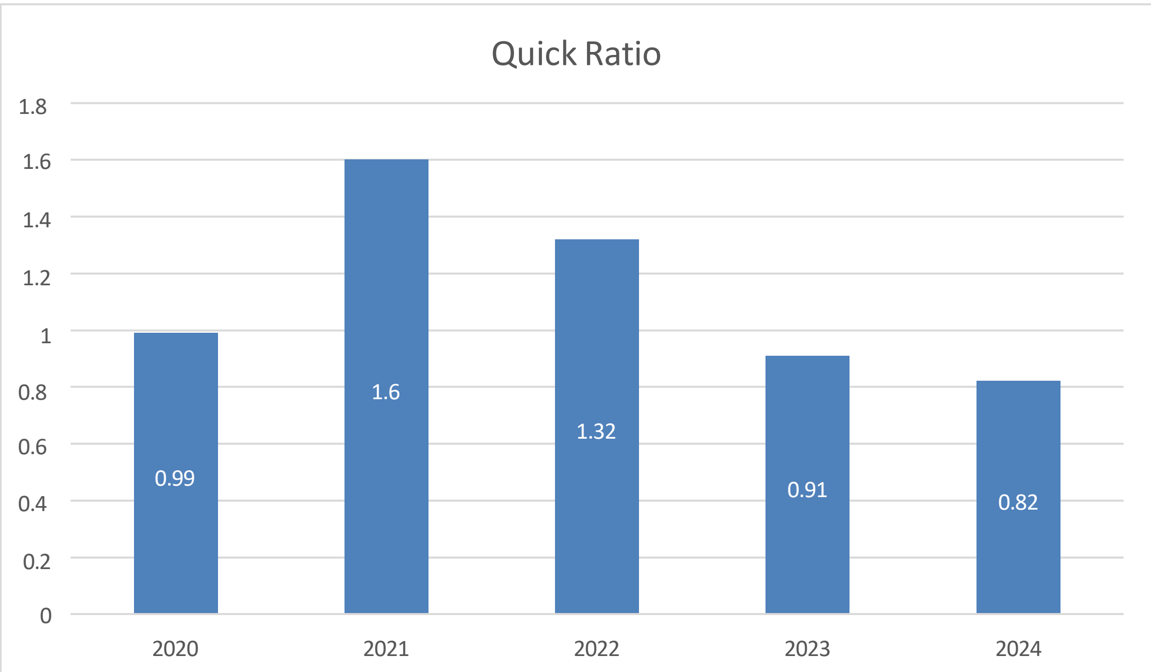
(Source: Secondary data)

INTERPRETATION

2021,1.60 – Significant improvement, indicating strong liquidity and better financial stability.2024, 0.82 – Further decline, increasing liquidity risk and potential difficulty in meeting short-term obligations.

GRAPH 4.2.2

This graph Showing the Quick Ratio of Cochin Shipyard Limited



INFERENCE

If Cochin Shipyard Limited had its highest quick ratio of 1.60 in 2021, it indicates strong liquidity, showing that the company could easily meet its short-term liabilities using its most liquid assets (excluding inventory).
future expansion.

FINDINGS

A. The current Ratio indicating that the company barely had enough short-term assets to cover its short-term liabilities. A strong improvement, showing better liquidity and a safer financial position.
B. Significant improvement, indicating strong liquidity and better financial stability. Further decline, increasing liquidity risk and potential difficulty in meeting short-termobligations.
C. The company had nearly enough cash to cover its short-term liabilities, indicating strong liquidity. A concerning level practically no cash to cover immediate obligations. This could indicate financialdistress, poor cash flow management, or aggressive investment in assets.

SUGGESTIONS

1. CSL has a strong order book from both defence and commercial sectors ,ensuring timely execution of orders while maintaining profitability in capital
2. Investors should monitor order inflow ,execution timelines and margins on these contracts.
3. Expanding this segment ,especially with the international ship repair facility can significantly boost profitability
4. CSL has historically maintained a low debt level . keeping it in check ensures financial stability.
5. Investors should track new contract wins and policy developments in defence shipbuilding.
6. CSL has a track record of paying good dividends due to its stable cash flows.

5.3 CONCLUSION

Cochin Shipyard Limited is well positioned for growth , driven by a strong order book ,expansion in ship repairs and opportunities in defence shipbuilding. Its financial stability ,low debt levels and consistent dividends make it an attractive investment . however investors should closely monitor execution risks , government policies ,and margin sustainability. If CSL continues leveraging its strengths while expanding into high margin sectors, it could deliver steady long term value.