Goa Shipyard Ltd

Business Overview

Goa Shipyard Ltd (GSL) stands as a prominent shipyard renowned for its expertise in constructing medium-sized, sophisticated vessels. Serving the Indian Navy, Indian Coast Guard, and other clients, GSL is strategically located at Vasco da Gama, Goa, on the southern bank of the Zuari River.

GSL operates as a Central Public Sector Enterprise (CPSE) under the administrative control of the Ministry of Defence, Department of Defence Production, with the Government of India holding a 98.3% stake in the company. The company's in-house R&D unit, equipped with cutting-edge CAD/CAM facilities and utilizing world-class AVEVA Marine and FORAN software, is recognized by the Department of Scientific and Industrial Research (DSIR), Ministry of Science & Technology, Government of India.

Recent Share Price Performance

The company's share price experienced a remarkable increase, soaring from ₹955 to ₹1600 within just one month. This surge is attributed to several significant developments within the company.

Reasons Behind the Increase in Share Price

There are four primary reasons for the increase in GSL's share price:

Production Growth: Goa Shipyard Limited secured a significant contract worth ₹5,965 crore to manufacture seven Offshore Patrol Vessels for the Indian Coast Guard last year. The company has started production of these offshore patrol vessels, highlighting its strategic growth and pivotal role in enhancing national maritime security capabilities.

Sizable Order Book Value: Goa Shipyard Limited boasts a substantial order book valued at ₹20,000 crore. This impressive figure underscores the company's robust market demand and operational excellence, positioning it as a significant player in the shipbuilding industry. The sizable order book not only reflects Goa Shipyard's strong business performance but also indicates its promising growth trajectory and capacity to deliver large-scale projects efficiently.

Financial Performance: In FY23, the company distinguished itself from its peers through exceptional potential revenue growth, net income margin, valuation, and other key metrics. These impressive achievements have bolstered investor confidence in the company's financial performance.

Revenue in (Rs. Cr)	**2021**	**2022**	**2023**	**2024**
Mazagon Dock Shipbuilders (MDL)	4,048	5,733	7,827	9,467
Garden Reach Shipbuilders & Engineers (GRSE)	1,141	1,754	2,561	3,593
Cochin Shipyard (CSL)	2,819	3,190	2,330	3,645

EBIT Margin%	**2021**	**2022**	**2023**	**2024**
MDL	15.1%	13.3%	18%	25.6%
GRSE	19%	14.7%	12.2%	13.6%
CSL	30.7%	26.5%	21%	30.8%

PAT Margin%	**2021**	**2022**	**2023**	**2024**
MDL	12.6%	10.6%	14.2%	20.4%
GRSE	13.4%	10.8%	8.9%	9.9%
CSL	21.6%	18.4%	14.3%	22.3%

Performance of Industry Peers: GSL's listed peers, including Cochin Shipyard Limited (CSL), have been performing exceptionally well on the stock exchange, with CSL's share price rallying from ₹900 to ₹2000 in approximately two months. This positive performance of industry peers has encouraged dealers and holders of Goa Shipyard to increase their prices similarly.

Catalysts for Growth

In FY24, GSL commenced production on a substantial contract worth ₹5,965 crore to construct seven Next Generation Offshore Patrol Vessels for the Indian Navy. This contract has propelled the company's order book to an unprecedented value exceeding ₹20,000 crore, slated for execution over the next 6-7 years. This robust order book has significantly driven the demand for GSL's shares.

Conclusion

A comprehensive analysis of various factors, including industry growth, peer comparison, and ratio analysis, indicates a potential for substantial revenue growth in the coming year as pending orders are fulfilled. This fulfilment is likely to boost net profits and margins.

Currently, GSL is trading at a PE ratio of 120x, which is considerably higher than the industry average PE of 67x, suggesting that the stock may be overvalued at present. However, considering the future growth potential driven by the execution of the order book over the next 6-8 years and the company's strides towards technology integration, including the use of artificial intelligence, GSL presents a compelling investment opportunity for the future.