Business Analysis & Valuation

Mazagon Dock Shipbuilders Ltd.

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Company Overview

Introduction

Mazagon Dock Shipbuilders Limited (MDL) is India's leading Defence Public Sector Undertaking (PSU) shipyard under the Ministry of Defence. The dockyard's origins date back to 1774, while the company was incorporated in 1934 and acquired by the Government of India in 1960. MDL is the only Indian shipyard to have built both destroyers and conventional submarines for the Indian Navy. In June 2024, it was conferred Navratna status, becoming the first government-owned shipyard to receive this classification.

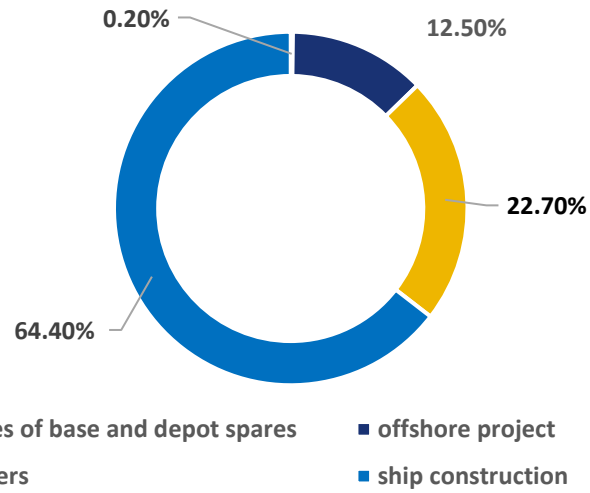
Business Presence

Mazagon Dock Shipbuilders Limited (MDL) is headquartered in Mumbai, Maharashtra, and operates primarily from its main shipyard at Dockyard Road, Mazagon, along with additional facilities at Nhava. These locations house specialised infrastructure including dry docks, wet basins, fabrication shops, submarine assembly lines, and shore integration facilities, enabling the concurrent construction of warships and submarines.

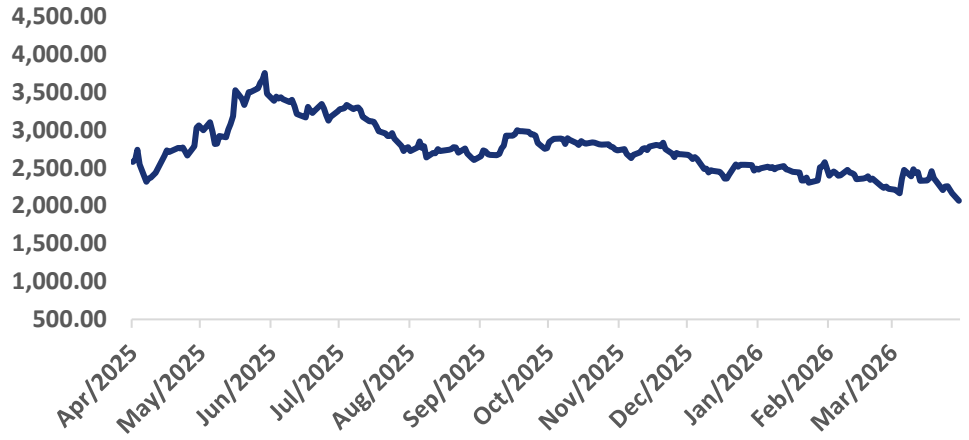
Key Product / Brand

Mazagon Dock Shipbuilders Limited (MDL) is primarily engaged in the construction of warships, submarines and specialised vessels for the Indian Navy and Coast Guard. Its key products include Project 15B Destroyers, Project 17A Stealth Frigates and Project 75 Kalvari-class Submarines. The company also undertakes submarine refits, offshore platforms and specialised vessels, while expanding into AIP systems, commercial shipbuilding and international projects.

Product Wise Revenue Breakup



Share Price Performance

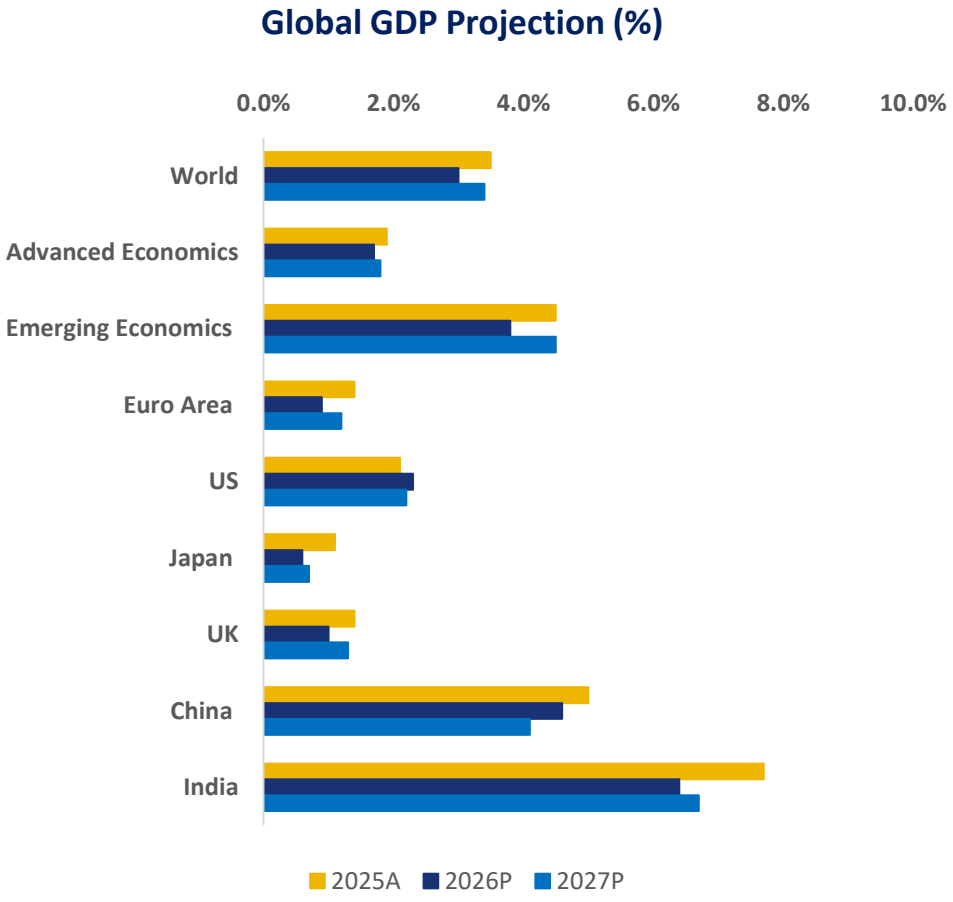


Global Economy Overview

The global economy continues to face geopolitical tensions, inflationary pressures and trade-related uncertainty. According to the IMF, global growth is projected at 3.0% in 2026 and 3.4% in 2027, while global headline inflation is expected at 4.7% in 2026 before moderating to 3.9% in 2027. The pace of global disinflation has moderated, while renewed conflicts and trade fragmentation remain key downside risks.

Global trade growth is projected to slow from 5.0% in 2025 to 3.5% in 2026, before recovering to 4.3% in 2027. Continued trade fragmentation and geopolitical disruptions could create supply-chain bottlenecks and increase commodity-price volatility.

Geopolitical tensions and the ongoing Middle East conflict remain important risks to energy markets, trade routes and global economic activity. At the same time, higher defence spending in some economies is providing additional support to defence-related demand.



Source: IMF WEO

Source: IMF WEO , Company Analysis

Indian Economy Overview

Growth Momentum

India remains one of the fastest-growing major economies, supported by resilient domestic demand, private consumption, services activity and investment. The IMF projects real GDP growth of 6.4% in FY2026–27 and 6.7% in FY2027–28, maintaining India's position among the fastest-growing major economies.

Domestic Growth Drivers

India's growth momentum remains supported by domestic demand, manufacturing, services and investment. Recent official data showed real GDP growth of 7.8% in Q1 FY2026–27, indicating continued strength in economic activity. The IMF also notes that recent high-frequency indicators have shown resilience in overall economic activity.

Inflation & Economic Risks

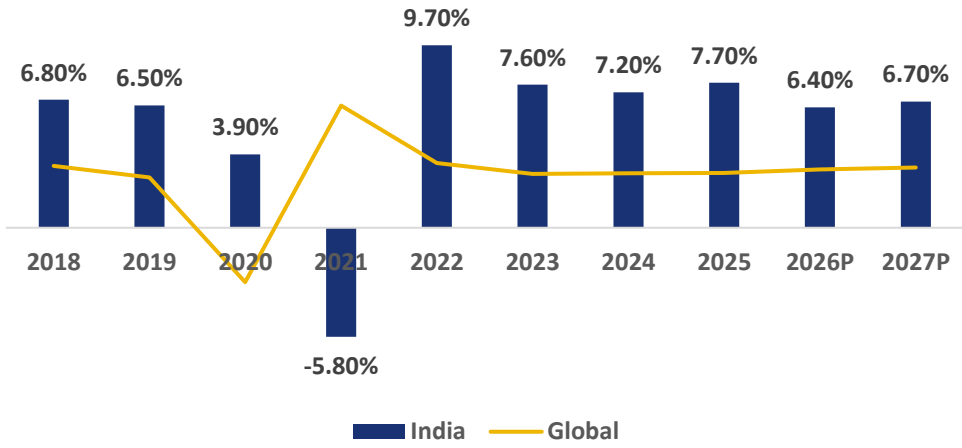
Inflation remains an important macroeconomic variable. The IMF projects India's consumer price inflation at 4.7% in 2026, while higher energy prices remain a key source of upside pressure. Geopolitical developments and global trade uncertainty also remain important external risks.

Economic Outlook

The economic outlook remains subject to both domestic and external risks. Higher energy prices, geopolitical developments and global trade uncertainty can affect inflation and economic activity, while stronger domestic demand and investment provide important support to growth. The IMF expects India's growth to strengthen to 6.7% in 2027 as the recent energy shock dissipates.

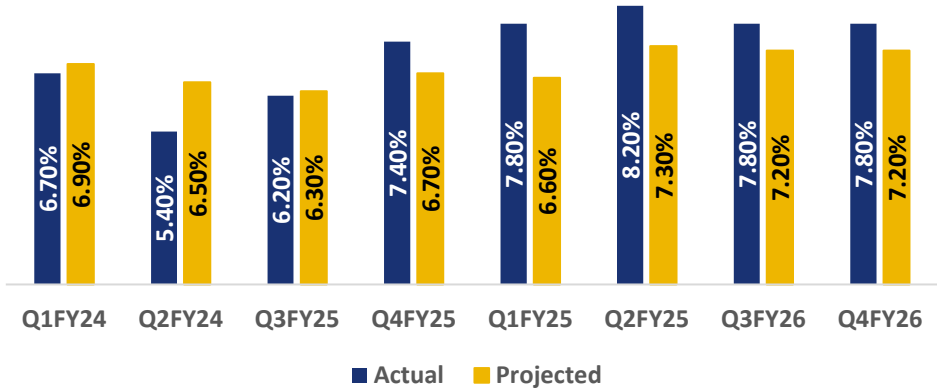
Source: IMF WEO , Official GOI Data

India vs Global GDP Growth (%)



Source: IMF , macrotrends.net

Indian GDP Quartely Growth - Actual vs Projected



Source: Investing.com

Sector Overview

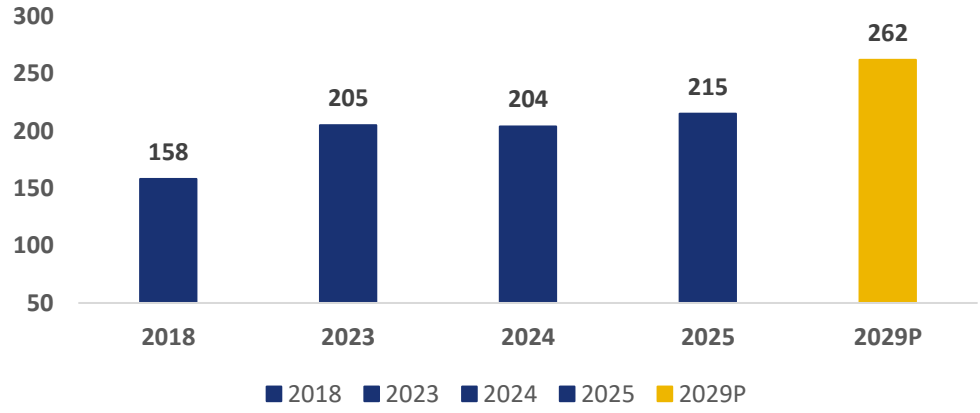
India's shipbuilding industry is a small player going big — around 0.3% of the global orderbook by CGT in 2024, but targeting 4.5 million GT of annual capacity and a top-10 global position by 2030. The global shipbuilding market is estimated at ~US$215 billion in 2025, growing to ~US$262 billion by 2029 (~5.1% CAGR).

The demand engine is geopolitics. Nations are strengthening naval capabilities to secure sea lines of communication and strategic interests, driving orders for warships, submarines, support vessels and lifecycle support. India's reassessed 11,098.81 km coastline and position on major international shipping routes put it at the centre of this build-up.

Policy is the accelerant: Aatmanirbhar Bharat, Make in India, the Defence Acquisition Procedure, positive indigenisation lists and the Indian Naval Indigenisation Plan are pushing procurement domestic. The ₹69,725 crore shipbuilding package adds financing and capacity support.

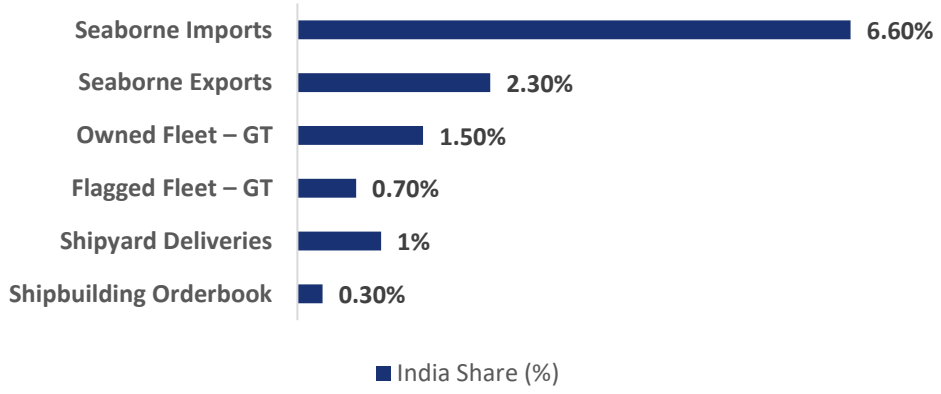
The industry spans defence vessels, commercial ships, offshore, passenger vessels and repair, with strong forward and backward linkages into steel, heavy engineering and electronics. India has 61 shipyards with 517 vessels on order (FY24–25). The watch-outs: global competition, pricing pressure, dependence on foreign OEMs for specialised systems, long execution cycles and supply-chain risk.

Global Shipbuilding Market Size (US$ Bn)



Source: dgma.gov.in

India's Share of Global Maritime Indicators (%) – 2024



Source: Clarksons Research

Mazagon Dock Shipbuilders Ltd – Growth Story

Demand and Order Book

Project 75I: the flagship opportunity

MDL has begun negotiations with the Indian Navy for Project 75I, a six submarine programme to be built with Germany's Thyssenkrupp Marine Systems. The latest broker note now pegs the programme at ₹90,000+ crore, up from earlier estimates of ₹70,000 crore, with the agreement likely to be signed shortly.

Additional Scorpene submarines

Commercial negotiations for three additional Scorpene submarines are complete and the contract, valued at ₹30,000 to ₹40,000 crore, is awaiting government sanction.

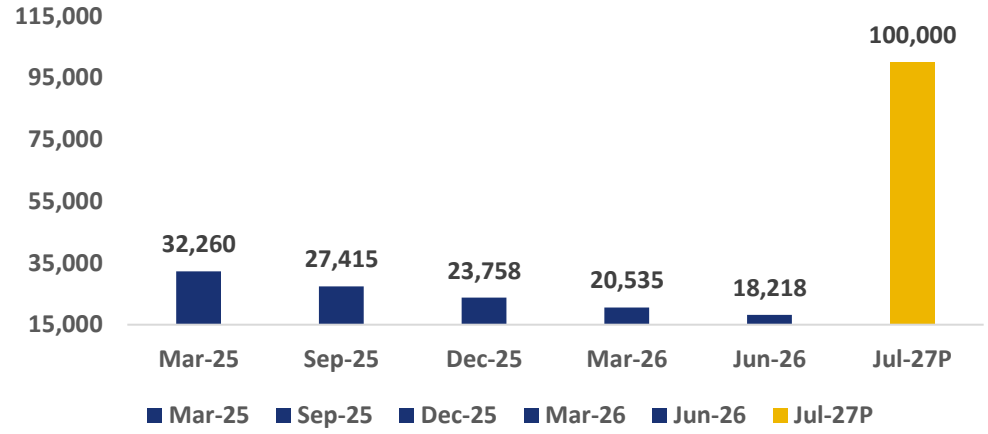
Order book trajectory

The order book was ₹32,260 crore in March 2025, about ₹27,415 crore in September 2025, ₹23,758 crore in December 2025, ₹20,535 crore in March 2026 and ₹18,218 crore in June 2026, roughly 1.4 times FY26 revenue. Management guides the book to cross ₹1 lakh crore by FY27 if the submarine contracts are signed, which would secure revenue visibility for close to a decade.

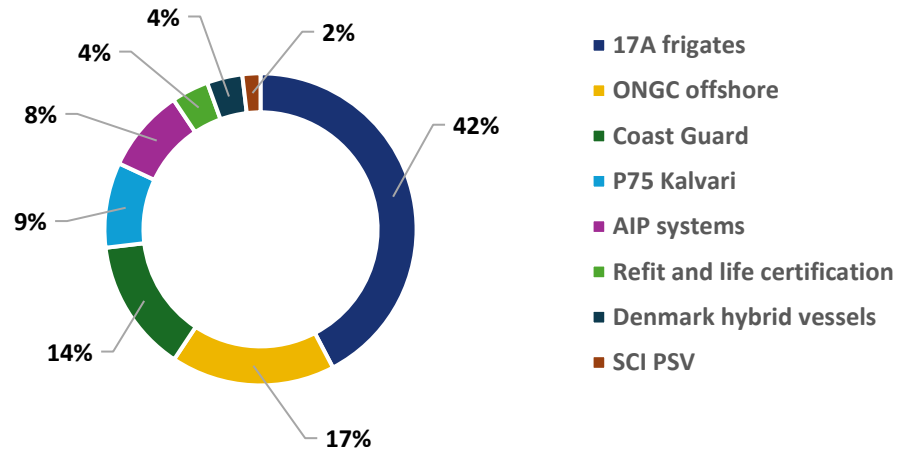
Order book composition, March 2026

The balance order book of ₹20,535 crore as of March 2026 is led by Project 17A stealth frigates at ₹8,257 crore, followed by ONGC offshore projects at ₹3,320 crore, Coast Guard programmes at ₹2,690 crore, Project 75 Kalvari submarines at ₹1,722 crore, Air Independent Propulsion systems at ₹1,687 crore, medium refit and life certification at ₹754 crore, the Denmark hybrid vessels at ₹717 crore and a Shipping Corporation of India platform supply vessel at ₹365 crore.

Order book trend (Rs crore)



Order book composition, Mar 2026 (Rs cr)



Mazagon Dock Shipbuilders Ltd – Growth Story

Policy tailwind: defence budget 2026 to 27

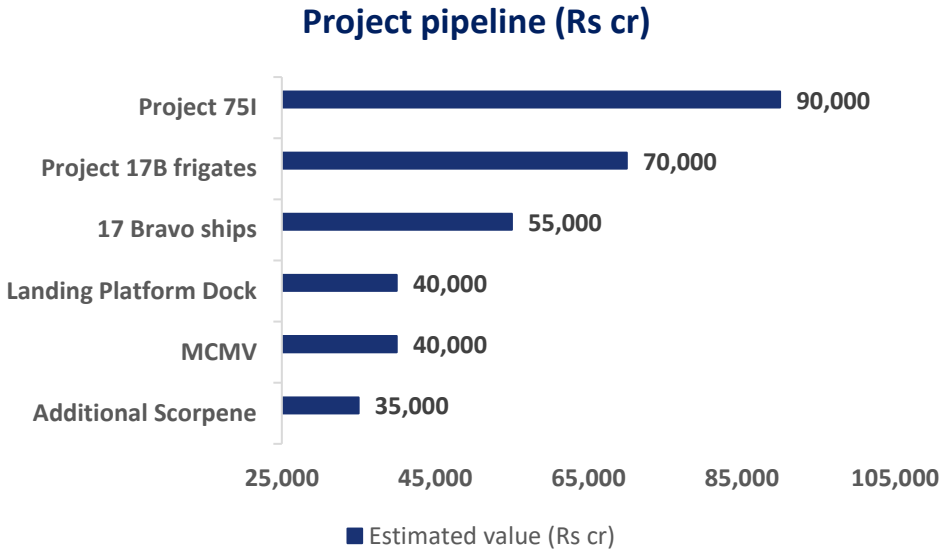
The Union Budget for 2026 to 27 has raised the defence allocation to a record ₹7.85 lakh crore, up about 15 percent year on year and close to 2 percent of GDP. The capital head is ₹2.19 lakh crore, up about 24 percent, with ₹1.85 lakh crore for capital acquisition. About ₹1.39 lakh crore, or 75 percent of the acquisition budget, is reserved for domestic industry. The higher outlay follows Operation Sindoor, after which the ministry concluded contracts worth ₹2.10 lakh crore in FY26 and accorded approvals of over ₹3.50 lakh crore.

Wider naval pipeline

Beyond submarines, the pipeline includes the Project 17B next generation frigate RFP worth about ₹70,000 crore for which MDL plans to bid, additional destroyers expected this financial year, the MCMV project, 17 Bravo ships worth ₹50,000 to ₹60,000 crore, and a ₹40,000 crore Landing Platform Dock bid through an exclusive MoU with Swan Shipyard.

Sector pipeline and management outlook

Sector pipeline and management outlook: The broader sector pipeline is estimated at ₹2.3 trillion. Management expects considerable improvement in revenue and profits once the submarine projects kick in, and does not expect any major reversal or further increase in provisions going ahead.



Source: ET, CNBC TV18, ICICI Direct, InvestyWise, Zerodha Chatter, PIB, DD India, Financial Express, Trade Brains, Mint, MDL Annual Report 2024 to 25

Mazagon Dock Shipbuilders Ltd – Growth Story

Growth Story: Capacity and New Growth Legs

Nhava expansion: doubling capacity

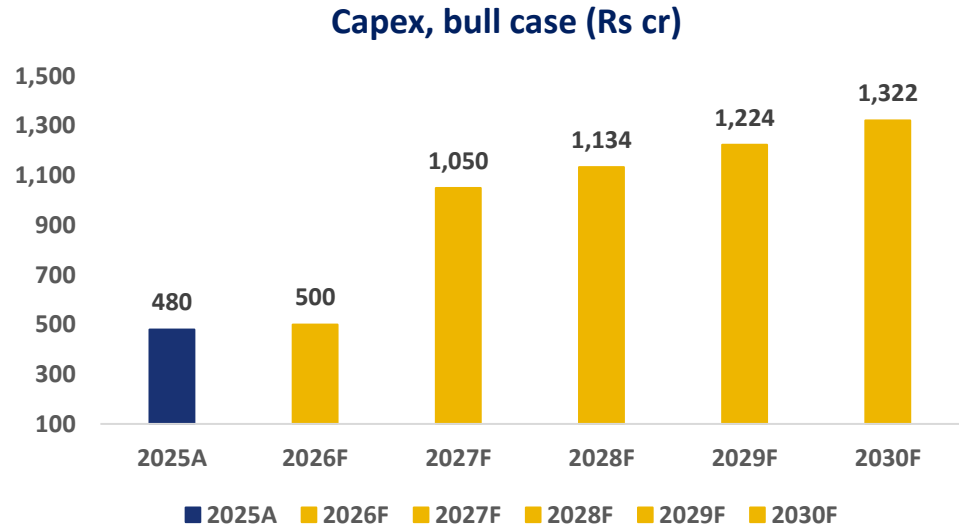
MDL is executing a capex programme of about ₹6,400 crore anchored by a 40 acre greenfield yard at Nhava, which will double yard capacity over three to four years. Infrastructure is already in place to build 11 submarines and 10 warships at the same time.

Greenfield pivot: Tuticorin to Maharashtra

MDL had signed an MoU in September 2025 for a ₹15,000 crore commercial shipyard at Tuticorin in Tamil Nadu, with phase 1 of ₹5,000 crore able to build ships up to 300,000 tons. After Tamil Nadu awarded its anchor slot to Korea's HD Hyundai, MDL pivoted and has now signed an MoU as the anchor shipyard for a greenfield shipbuilding cluster in Maharashtra of similar scale, around ₹15,000 crore, targeting a 15 to 17 percent return over 5 to 7 years, and is also evaluating Andhra Pradesh.

Capex funded internally

This expansion is funded from internal accruals by a debt free company. Capex in the model rises from ₹500 crore in FY26 to ₹2,043 crore by FY30, running at about 10 percent of revenue from FY27. Net worth strengthened from ₹7,181 crore in March 2025 to ₹8,843 crore in March 2026.



Mazagon Dock Shipbuilders Ltd – Growth Story

Exports and commercial diversification

MDL is executing a ₹715 crore order for six hybrid multi purpose vessels for a Denmark based client, has acquired a 51 percent stake in Colombo Dockyard in Sri Lanka, and is bidding for defence projects worth over ₹3 lakh crore. The Sagarmala programme, the Shipbuilding Financial Assistance Policy of ₹4,000 crore, and the newly approved deepwater and offshore oil exploration scheme, which will drive demand for offshore patrol vessels, research vessels and rigs, support the commercial leg.

Repair and refit upside

The order book already includes ₹754 crore of medium refit and life certification work. MDL also holds a ship repair agreement with the US Navy, but today lacks the infrastructure for large ships, which is exactly the gap the Nhava expansion and the new greenfield yards are meant to close.

Technology edge: Air Independent Propulsion

MDL is building Air Independent Propulsion capability for submarines, with ₹1,687 crore of AIP systems already in the order book. This is the technology that lets conventional submarines stay submerged longer, and it deepens MDL's moat in the submarine segment beyond hull construction.

Source: MDL Annual Report 2024 to 25, The Hindu, Swarajya, CNBC TV18, ICICI Direct, Angel One, Financial Express, Mint.

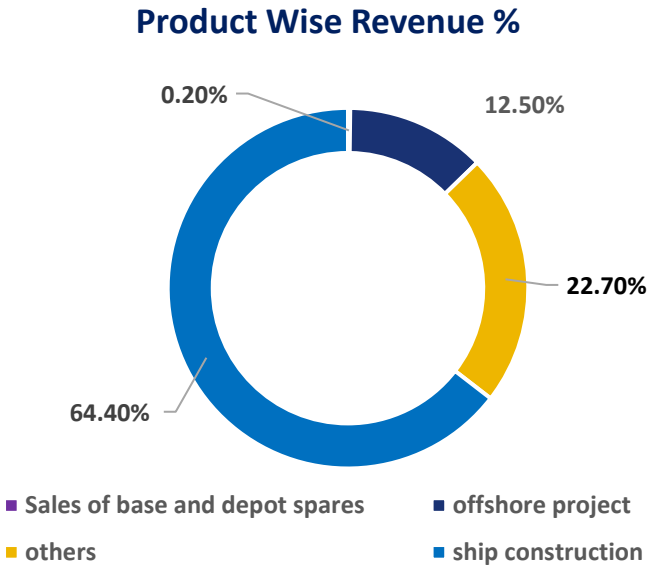
Financials

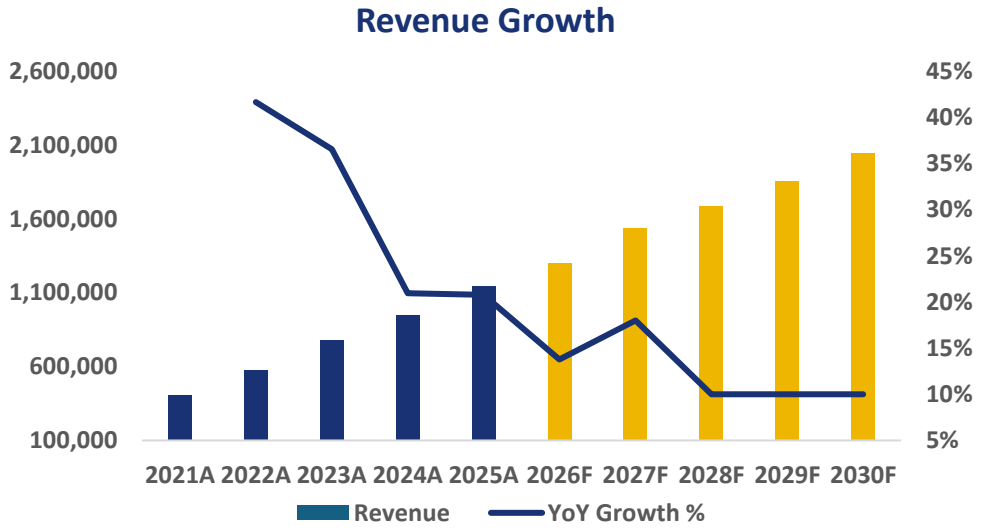
Revenue

The company posted revenue from operations of ₹11,432 crore in FY25 (actual), up 20.8% year on year from ₹9,467 crore in FY24 (actual). Growth was driven by steady execution of the Project 17A stealth frigates and the P75 Kalvari-class submarines.

ICICI Direct's consensus is ₹14,827 crore for FY27E and ₹17,106 crore for FY28E (analyst estimates). The Bull case runs above the street for FY27 (₹15,347 crore vs ₹14,827 crore) - this is the optimistic scenario, driven by faster execution of the existing order book.

The monitorable is the order book, down to ₹18,218 crore as of June 2026 (actual) - about 1.4 times FY26 revenue. Management targets the book crossing ₹1 lakh crore by FY27 (target), contingent on signing Project 75I (₹90,000+ crore) and three additional Scorpene submarines (₹30,000–40,000 crore). Both are unsigned opportunities, not forecasts.





Source: MDL Annual Report 2024-25, MDL Q1 FY27 results (30 July 2026), MDL three-statement model, bull case; ICICI Direct.

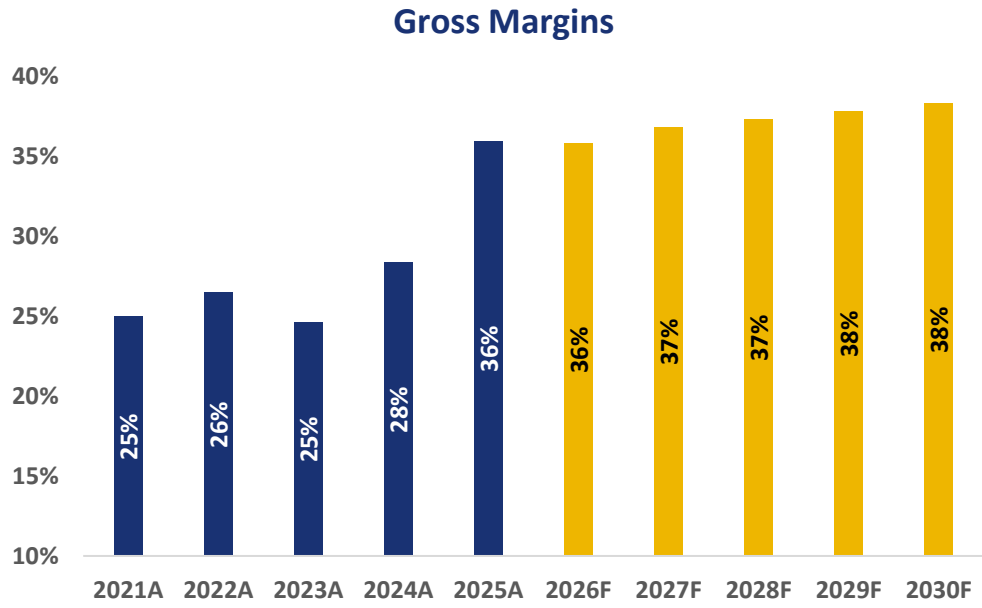
Gross Margins

An integral part of MDL's strategy is maximizing cost efficiency through indigenization. The company has set up a dedicated Make in India department and indigenized equipment including sonar domes, main batteries for the Kalvari submarines, and remote-controlled valves. Indigenization has reached 75% plus, with import content in capital warships down to 20–25%, delivering cost saving, quality improvement, and better after-sales support.

Gross margin expanded from 28.3% in FY24 (actual) to 35.9% in FY25 (actual). The expansion came as revenue grew 20.8% while the cost of materials consumed actually declined, and employee costs fell from about 15% of revenue toward 9.5%.

On peers, the comparison needs a definitional caution: reported gross margins for Indian defence shipyards are computed inconsistently across sources. Equitymaster's numbers put Garden Reach at 8.4% and Cochin Shipyard at 18.6% for FY25, but these use different cost line groupings than the model - so treat them as directional, not precise. MDL's margin sits above both on a like-for-like execution mix, reflecting the submarine-heavy order book.

Raw material - primarily steel and equipment - was 53.7% of revenue in FY24 (actual), falling to 39.6% in FY25 (actual), while indigenization of subsystems continued. With import content in capital warships down to 20–25% and indigenization still rising, exposure to imported input inflation keeps shrinking The model takes material cost to ~43% of revenue in FY26 (estimate). In the Bull case, gross margin holds at 35.8% in FY26 and expands to 38.3% by FY30, as higher volumes and operating leverage compound.



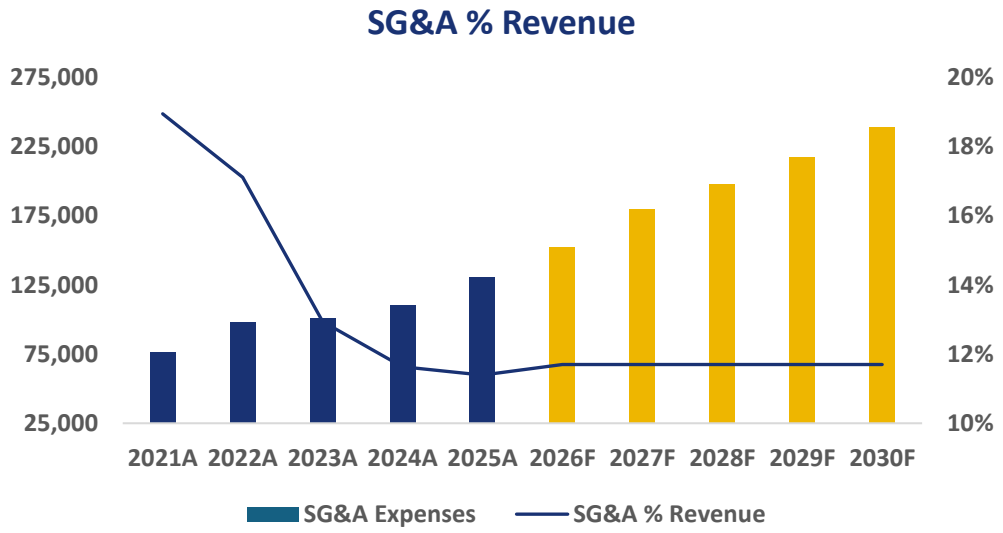
Source: MDL three-statement model , bull case, MDL investor call transcripts, MDL investor presentation, Equitymaster/Accord Fintech.

SG&A Expenses

MDL's SG&A is employee-heavy — employee benefit expenses make up about three-quarters of it, with the rest in other operating expenses. Total SG&A was ₹1,101 crore in FY24 (11.6% of revenue) and ₹1,303 crore in FY25 (11.4% of revenue). The ratio has held steady even as revenue grew 20.8%, which is operating leverage at work: the same yard and workforce executing more.

Management disclosed on the earnings call that employee costs have fallen from about 15% of revenue toward 9.5% over recent years. In absolute terms the wage bill still rises - ₹897 crore in FY24, ₹979 crore in FY25 - as MDL hires for upcoming programmes, but revenue is growing faster.

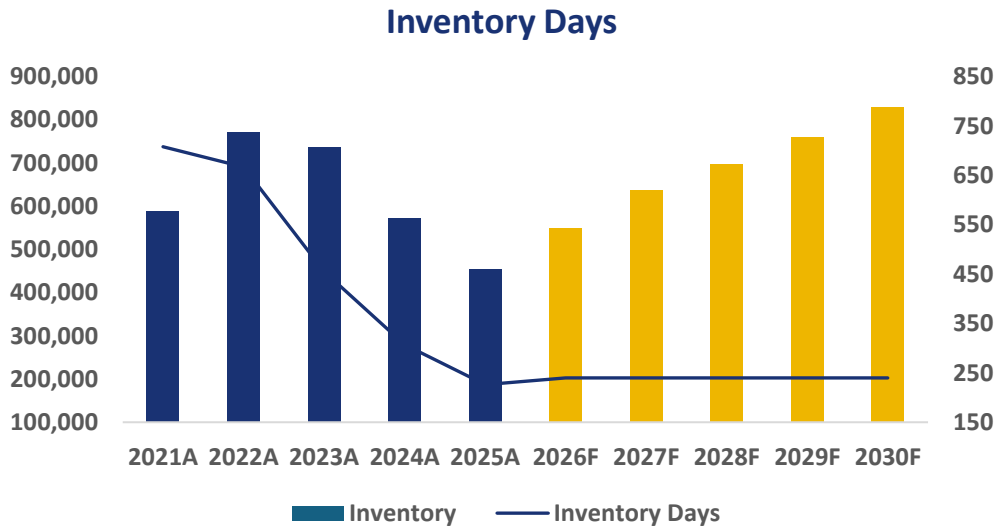
The Bull case holds SG&A flat at 11.7% of revenue - ₹1,522 crore in FY26, rising to ₹2,390 crore by FY30. No uptick: in the optimistic scenario, revenue growth fully absorbs the hiring.



Inventory

For a shipyard, inventory is mostly work-in-progress - ships and submarines under construction - plus steel and equipment. It stood at ₹5,713 crore in FY24 (actual), fell to ₹4,537 crore in FY25 (actual), and the Bull case builds it to ₹5,490 crore in FY26 (estimate).

The FY25 drop is the delivery story: as submarines and destroyers were handed over, work-in-progress converted into revenue - inventory days fell from 307 to 226. The FY26 rebuild to 240 days reflects frigates in full execution and material stocking for the submarine pipeline.



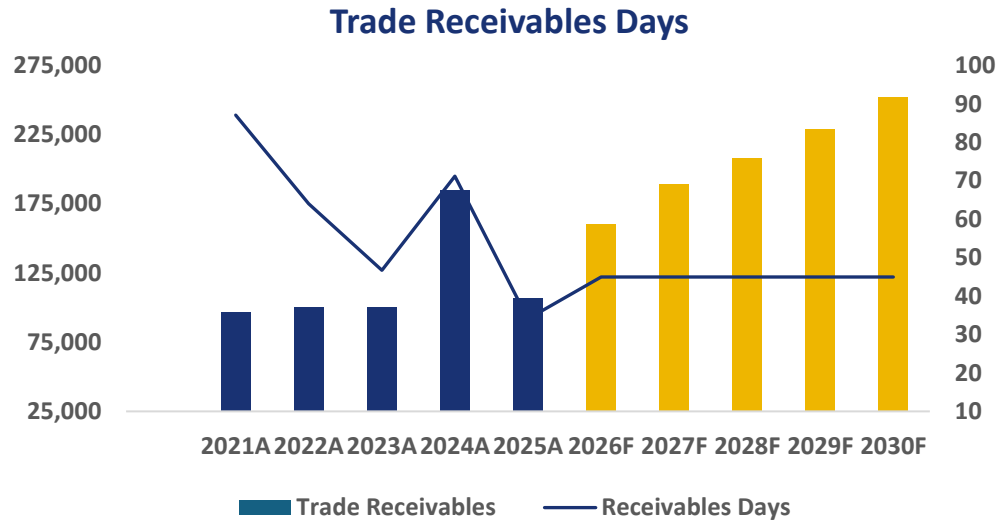
Source: MDL three-statement model , bull case; MDL earnings call transcripts.

Trade Receivables

MDL's customers are mostly the Indian Navy and Coast Guard - sovereign buyers, so collection risk is low. Receivables move with milestone billing: they build up as work is executed and get collected when milestones are certified and ships are delivered.

Trade receivables stood at ₹1,847 crore in FY24 (actual), fell to ₹1,067 crore in FY25 (actual), and the Bull case takes them to ₹1,603 crore in FY26 (estimate). In days terms: 71 days in FY24, down to 34 days in FY25, then 45 days in FY26 and flat at 45 days through FY30.

The FY25 drop is the collection story - milestone payments came in as submarines and destroyers were delivered, the same deliveries that pulled inventory down. The model's 45-day assumption from FY26 is a normalization: higher than FY25's unusually clean 34 days, but well below FY24's 71.

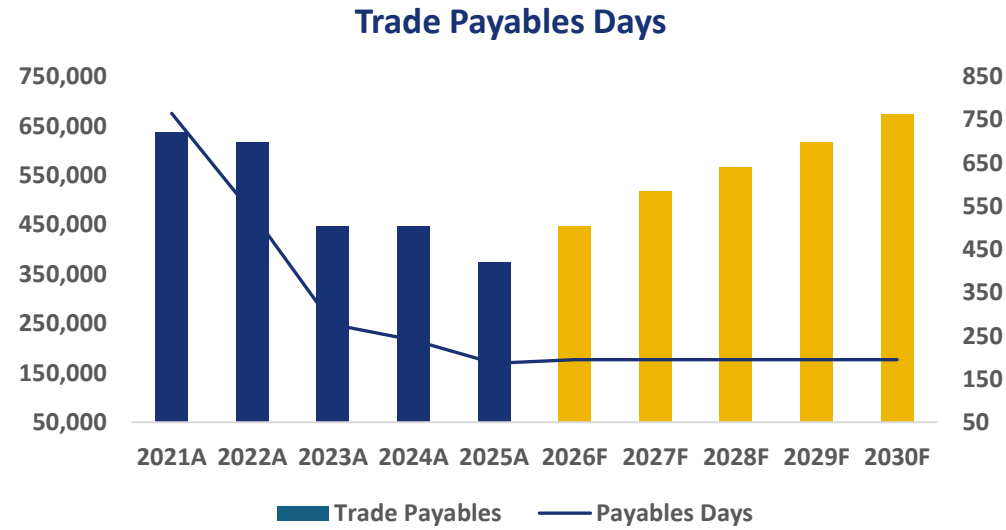


Trade Payables

Trade payables are what MDL owes its suppliers - steel mills, equipment vendors, subcontractors. For a shipyard they run large, because material is bought well ahead of milestone billing. MDL discloses them split between MSME and other vendors.

Trade payables stood at ₹4,466 crore in FY24 (actual), fell to ₹3,738 crore in FY25 (actual), and the Bull case takes them to ₹4,461 crore in FY26 (estimate). In days of COGS: 240 days in FY24, down to 186 days in FY25, then 195 days from FY26 flat through FY30.

The FY25 drop mirrors receivables - as deliveries went out, MDL collected from the Navy and paid down its own vendors. The 195-day assumption from FY26 is the steady state: payables roughly match the working-capital cycle, and in the Bull case the absolute number keeps rising with execution (₹6,733 crore by FY30) even as the ratio to revenue gently falls.



Debt

MDL has no debt. Zero borrowings — no term loans, no working-capital facilities, no bonds, current or non-current. The balance sheet simply has no borrowings line.

inance cost runs ₹4–6 crore a year. With no borrowings on the balance sheet, this is not interest on loans - there are no loans to pay interest on.

This isn't new. MDL has operated debt-free for years, funding working capital through Navy advances rather than lenders. The model keeps it that way: borrowings stay at zero through FY30 in every scenario.

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Valuation

Objective

The objective is to reach at the intrinsic value of MDL's stock. The analysis aims to assess the company's worth basis its ability to generate cash flows, future growth and risk associated with the business. We have carefully considered management's guidance while performing this analysis.

Valuation Methodology

There are primarily three approaches in Valuation (viz., Cost Approach, Market Approach, and Income Approach).

For any valuation, all the approaches may not be relevant and therefore will not give a fair estimate of value. Hence, the approach most suitable for specific business/company must be applied in the valuation exercise based on common practices.

The three approaches generally adopted in valuation are as under:

- Market Approach: Comparable Companies Method and Comparable Transaction Method.
- Income Approach: Discounted Cash Flow Method.
- Asset Approach: Net Asset Value method.

Market Approach

Under this approach, we measure the value of business of the company by applying the market multiples of listed companies which trade actively and possess attributes similar and comparable with the target company. This methodology is based on the principle that such market pricing taking place between informed buyers and informed sellers while taking into account all the relevant factors.

Not all multiples are applicable to every company. Therefore, the relevant multiples should be chosen carefully and adjusted for differences between the comparable. For the purpose of valuation of MDL, we have chosen EV/EBITDA multiple.

Asset Approach

Under this approach, the value of the business is derived basis difference between the value of assets and liabilities. This approach focusses on determining the value of net assets from the perspective of equity valuation. The value of net assets can be determined as follows; Net assets = Total Assets - Total External Liabilities. The value of net assets is also known as Total Equity.

Income Approach

Under this approach, the value of business is derived by considering free cash flows, future growth and weighted average cost of capital which signifies risk.

There are four major steps in Income Approach.

- Forecasting future cash flows for explicit growth period.
- Discounting these cash flows to present value at the rate of return which depicts the risk in realizing the future cash flows and expected growth.
- Calculation of terminal value of free cash flows post explicit growth period.
- Addition of present value of terminal cash flows and free cash flows during explicit forecast period.

DCF Valuation

IN INR Lakhs unless stated otherwise	Actual			Explicit Forecast Period					Maturity Period				
	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034	FY2035
Free Cash Flow to Firm													
EBITDA	₹ 79,780	₹ 141,161	₹ 206,002	₹ 280,931	₹ 346,845	₹ 389,971	₹ 438,253	₹ 492,292	₹ 541,521	₹ 595,673	₹ 655,240	₹ 720,764	₹ 792,841
Less: Depreciation & Amortization	(₹ 7,558)	(₹ 8,313)	(₹ 11,519)	(₹ 14,614)	(₹ 17,506)	(₹ 29,654)	(₹ 43,443)	(₹ 57,518)	(₹ 72,017)	(₹ 78,487)	(₹ 84,149)	(₹ 90,586)	(₹ 97,853)
EBIT	**₹ 72,222**	**₹ 132,848**	**₹ 194,483**	**₹ 266,316**	**₹ 329,339**	**₹ 360,317**	**₹ 394,810**	**₹ 434,773**	**₹ 469,503**	**₹ 517,186**	**₹ 571,091**	**₹ 630,179**	**₹ 694,987**
Less: Operating Tax (EBIT x Tax Rate)	(₹ 18,056)	(₹ 33,212)	(₹ 48,621)	(₹ 66,579)	(₹ 82,335)	(₹ 90,079)	(₹ 98,702)	(₹ 108,693)	(₹ 117,376)	(₹ 129,297)	(₹ 142,773)	(₹ 157,545)	(₹ 173,747)
EBIT (1-T)	**₹ 54,167**	**₹ 99,636**	**₹ 145,862**	**₹ 199,737**	**₹ 247,004**	**₹ 270,238**	**₹ 296,107**	**₹ 326,080**	**₹ 352,128**	**₹ 387,890**	**₹ 428,319**	**₹ 472,634**	**₹ 521,240**
Add: Depreciation & Amortization	₹ 7,558	₹ 8,313	₹ 11,519	₹ 14,614	₹ 17,506	₹ 29,654	₹ 43,443	₹ 57,518	₹ 72,017	₹ 78,487	₹ 84,149	₹ 90,586	₹ 97,853
Cash NOPAT	**₹ 61,725**	**₹ 107,949**	**₹ 157,381**	**₹ 214,352**	**₹ 264,511**	**₹ 299,892**	**₹ 339,550**	**₹ 383,598**	**₹ 424,145**	**₹ 466,376**	**₹ 512,467**	**₹ 563,220**	**₹ 619,094**
Less: Reinvestments													
Change in Working Capital	0	0	0	₹ 6,585	(₹ 220,494)	(₹ 144,536)	(₹ 159,093)	(₹ 175,117)	(₹ 305,319)	(₹ 221,901)	(₹ 244,091)	(₹ 268,501)	(₹ 295,351)
Capex During the Year	0	0	0	(₹ 50,000)	(₹ 153,471)	(₹ 168,819)	(₹ 185,700)	(₹ 204,270)	(₹ 123,584)	(₹ 135,942)	(₹ 149,536)	(₹ 164,490)	(₹ 328,980)
Free Cash Flow to Firm	**₹ 61,725**	**₹ 107,949**	**₹ 157,381**	**₹ 170,937**	**(₹ 109,455)**	**(₹ 13,463)**	**(₹ 5,243)**	**₹ 4,211**	**(₹ 4,757)**	**₹ 108,533**	**₹ 118,840**	**₹ 130,229**	**(₹ 5,236)**
Discount Period (Years) (Mid Year ? Yes)	1.5	2.5	3.5	0.5	1.5	2.5	3.5	4.5	5.5	6.5	7.5	8.5	9.5
Discount Rate (WACC) 11.881%													
Present Value Factor	0.845	0.755	0.675	0.945	0.845	0.755	0.675	0.603	0.539	0.482	0.431	0.385	0.344
Present Value of Free Cash Flow to Firm	**₹ 52,158**	**₹ 81,531**	**₹ 106,243**	**₹ 161,605**	**(₹ 92,491)**	**(₹ 10,168)**	**(₹ 3,539)**	**₹ 2,541**	**(₹ 2,566)**	**₹ 52,316**	**₹ 51,201**	**₹ 50,150**	**(₹ 1,802)**

DCF Calculation - Perpetuity Growth

Perpetual Growth Rate	4.00%
Terminal Year FCFF x (1+PGR)	(₹ 5,446)
Terminal Value	**₹ 4,585,424**
Present Value of Terminal Value	₹ 1,578,270
Present Value of F`CFFs	₹ 207,247
Enterprise Value	**₹ 1,785,517**
Implied Exit Multiple	*2.3x*
Implied EV/EBITDA	*2.3x*
Less: Lease liabilities	(₹ 2,033)
Add: Cash	₹ 1,614,961
Less: Minority Interest	-
Add: Value of Holdings	
Add: Non Operating Asset	₹ 18,971
Equity Value	**₹ 3,417,416**
Less: Value of Options	-
Equity Value for Shareholders	**₹ 3,417,416**

DCF Calculation - Exit Multiple

Exit Multiple	6.0x
Terminal Year EBITDA	₹ 792,841
Terminal Value	**₹ 4,757,044**
Present Value of Terminal Value	₹ 1,637,341
Present Value of FCFFs	₹ 207,247
Enterprise Value	**₹ 1,844,588**
Implied Exit Multiple	2.3x
Implied EV/EBITDA	2.3x
Less: Lease liabilities	(₹ 2,033)
Add: Cash	₹ 1,614,961
Less: Minority Interest	-
Add: Non Operating Asset	₹ 18,971
Equity Value	**₹ 3,476,487**

Sensitivity Analysis

Terminal Growth \ WACC	9%	10%	12%	12%	13%	14%
4.0%	₹ 5,123,540	₹ 4,293,493	**₹ 3,417,537**	₹ 3,377,339	₹ 3,086,704	₹ 2,861,958
4.5%	₹ 5,280,857	₹ 4,360,822	₹ 3,426,724	₹ 3,384,739	₹ 3,083,459	₹ 2,853,201
5.0%	₹ 5,475,762	₹ 4,439,861	₹ 3,436,159	₹ 3,392,140	₹ 3,078,958	₹ 2,842,775
5.5%	₹ 5,724,697	₹ 4,534,512	₹ 3,445,901	₹ 3,399,540	₹ 3,072,951	₹ 2,830,388
6.0%	₹ 6,055,331	₹ 4,650,630	₹ 3,456,029	₹ 3,406,940	₹ 3,065,113	₹ 2,815,670

Exit Multiple \ WACC	10%	11%	12%	13%	14%	15%
3.0x	₹ 2,830,912	₹ 2,740,339	₹ 2,657,816	₹ 2,582,566	₹ 2,513,892	₹ 2,451,166
4.0x	₹ 3,154,810	₹ 3,037,526	₹ 2,930,707	₹ 2,833,336	₹ 2,744,506	₹ 2,663,401
5.0x	₹ 3,478,708	₹ 3,334,713	₹ 3,203,597	₹ 3,084,106	₹ 2,975,120	₹ 2,875,635
6.0x	₹ 3,802,606	₹ 3,631,900	**₹ 3,476,487**	₹ 3,334,876	₹ 3,205,734	₹ 3,087,869
7.0x	₹ 4,126,504	₹ 3,929,088	₹ 3,749,377	₹ 3,585,645	₹ 3,436,349	₹ 3,300,103

Weighted Average Cost of Capital (WACC)

WACC Inputs	
Country	India
Local Currency 10Y Government Bond Yield	6.95%
India's Moodys Sovereign Rating	Baa3
Credit default Spread as per Dr Damodaran	1.87%
Implied US Equity Risk Premium	4.28%
Asset Beta	0.63
Asset Beta Variation (+/-)	0.10
Debt to Equity	5.00%
Debt to Capital (Gearing)	0.28%
Marginal Tax Rate	25%
Company Credit Rating Available?	No
Company is Large Firm or Small Firm?	L
Provide Credit Rating	Aaa/AAA
Interest Coverage Ratio	442.01 x
ICR Based Corporate Default Spread	0.40%
Small Size Premium	3.10%
Asset Specific Risk Premium	

Particulars	Low	Mid	High
Risk Free Rate	5.08%	5.08%	5.08%
Equity Risk Premium	6.15%	6.15%	6.15%
Asset Beta	0.53	0.63	0.73
D/E Ratio	5.00%	5.00%	5.00%
Equity Beta	0.55	0.65	0.76
CAPM Cost of Equity	**8.46%**	**9.10%**	**9.74%**
Small Size Premium	3.10%	3.10%	3.10%
Asset Specific Premium	0.00%	0.00%	0.00%
Modified Cost of Equity	**11.56%**	**12.20%**	**12.84%**
Pre Tax Cost of Debt	7.35%	7.35%	7.35%
Marginal Tax Rate	25%	25%	25%
Post Tax Cost of Debt	**5.51%**	**5.51%**	**5.51%**
Capital Gearing (D/D+E)	4.76%	4.76%	4.76%
Weighted Average Cost of Capital	11.27%	11.88%	12.49%
Weighted Average Cost of Capital (Rounded)	**12.00%**	**12.00%**	**13.00%**

Risk Free Rate

We have considered 5.08% as the risk free rate in estimation of cost of equity of 9.10%.The risk free rate of India is calculated by considering local currency 10 Years government bond yield adjusted for default spread of India.

Asset Beta

We have estimated an asset beta range of 0.53 to 0.73,with a mid point of 0.63 based on observed median of 5 year monthly asset beta of benchmark listed companies adjusted for blume effect.

Equity Risk Premium (ERP)

An ERP of 6.15% has been adopted based on US Implied equity risk premium, relative equity volatility of ICE BoFA Public Sector Issues Emerging Mkts Index, S&P Emerging BMI Index and country risk premium of India.

Cost of Debt

For the Purpose of assessing the cost of debt , we have used country's risk free rate, country's default spread and corporate default spread based on company's debt rating and interest coverage ratio.

Small Size Premium

Emperically small sized assets have exceeded the returns as compared to large sized assets. We have used the study on size premium conducted by Incwert which is based on difference between actual returns and CAPM expected returns arranged in decile basis market capitalization of Indian Companies.

Asset Specific Premium

Emperically small sized assets have exceeded the returns as compared to large sized assets. We have used the study on size premium conducted by Incwert which is based on difference between actual returns and CAPM expected returns arranged in decile basis market capitalization of Indian Companies.

Beta Analysis

Beta Analysis - 2 Years Weekly

Comparable Company	Ticker	No. of Weekly Observations	Market Cap (Cr)	Asset Beta	2 Years avg D/E	Equity Beta	2 Years avg D/D+E	Considered?	Narrow Set
								Y	TRUE
Cochin Shipyard Ltd	COCHINSHIP	104	39,000	0.50	20.0%	0.580	17.0%	Y	TRUE
Garden Reach Shipbuilders (GRSE)	GRSE	104	30,000	0.76	2.0%	0.770	2.0%	Y	TRUE
Median - Broad Set				**0.63**	**11.0%**	**0.675**	**9.50%**		
Average - Broad Set				0.63	11.0%	0.675	9.50%		
Median - Considered Set				**0.63**	**11.0%**	**0.675**	**9.50%**		
Average - Considered Set				0.63	0.11	0.675	9.50%		

Beta Analysis - 5 Years Monthly

Comparable Company	Ticker	No. of Monthly Observations	Market Cap (Cr)	Asset Beta	5 Years avg D/E	Equity Beta	5 Years avg D/D+E	Considered?	Narrow Set
								Y	TRUE
Cochin Shipyard Ltd	COCHINSHIP	60	39,000	0.50	20.0%	0.580	17.0%	Y	TRUE
Garden Reach Shipbuilders (GRSE)	GRSE	60	30,000	0.76	1.5%	0.770	1.5%	Y	TRUE
Median - Broad Set				**0.63**	**10.8%**	**0.675**	**9.25%**		
Average - Broad Set				0.63	10.8%	0.675	9.25%		
Median - Considered Set				**0.63**	**10.8%**	**0.675**	**9.25%**		
Average - Considered Set				0.63	10.8%	0.675	9.25%		

Blume Beta Analysis - 5 Years Monthly

Comparable Company	Ticker	No. of Monthly Observations	Market Cap (Cr)	Asset Beta	5 Years avg D/E	Equity Beta	5 Years avg D/D+E	Considered?	Narrow Set
								Y	TRUE
Cochin Shipyard Ltd	COCHINSHIP	60	39,000	0.63	20.0%	0.720	17.0%	Y	TRUE
Garden Reach Shipbuilders (GRSE)	GRSE	60	30,000	0.84	1.5%	0.847	1.5%	Y	TRUE
Median - Broad Set				**0.73**	**10.8%**	**0.783**	**9.25%**		
Average - Broad Set				0.73	10.8%	0.783	9.25%		
Median - Considered Set				**0.73**	**10.8%**	**0.783**	**9.25%**		
Average - Considered Set				0.73	10.8%	0.783	9.25%		

Relative Valuation

In INR lakhs

Relative Valuation	Ticker	Market Data: Share Price	Market Cap	Debt	Enterprise Value	Financials: 2026A Sales	2027F Sales	2028F Sales	2026A EBITDA	2027F EBITDA	2028F EBITDA	2026A Net Profit	2027F Net Profit	2028F Net Profit	Multiples: 2026A EV/Sales	2027F EV/Sales	2028F EV/Sales	2026A EV/EBITDA	2027F EV/EBITDA	2028F EV/EBITDA	2026A P/E	2027F P/E	2028F P/E
Mazagon Dock Shipbuilders Ltd	MAZDOCK	2,630	10,600,000	45,000	9,300,000	1,300,600	1,518,700	1,790,900	226,600	258,600	308,300	258,300	297,700	352,400	7.2x	6.1x	5.2x	41.0x	36.0x	30.2x	41.0x	35.6x	30.1x
Cochin Shipyard Ltd	COCHINSHIP	1,550	4,080,000	170,000	3,920,000	550,200	640,700	760,300	108,200	129,500	159,000	89,800	105,900	131,000	7.1x	6.1x	5.2x	36.2x	30.3x	24.7x	45.4x	38.5x	31.1x
Garden Reach Shipbuilders & Engineers Ltd	GRSE	2,635	3,020,000	4,000	2,650,000	700,200	840,300	865,500	79,500	95,700	100,300	74,800	90,400	98,300	3.8x	3.2x	3.1x	33.3x	27.7x	26.4x	40.4x	33.4x	30.7x
High															7.1x	6.1x	5.2x	36.2x	30.3x	26.4x	45.4x	38.5x	31.1x
75th Percentile															6.3x	5.4x	4.6x	35.5x	29.6x	26.0x	44.2x	37.2x	31.0x
Average															**5.5x**	**4.6x**	**4.1x**	**34.8x**	**29.0x**	**25.5x**	**42.9x**	**36.0x**	**30.9x**
Median															**5.5x**	**4.6x**	**4.1x**	**34.8x**	**29.0x**	**25.5x**	**42.9x**	**36.0x**	**30.9x**
25th Percentile															4.6x	3.9x	3.6x	34.1x	28.3x	25.1x	41.6x	34.7x	30.8x
Low															3.8x	3.2x	3.1x	33.3x	27.7x	24.7x	40.4x	33.4x	30.7x

EV/Sales	
Sales	1,300,600
EBITDA	226,600
Earnings	258,300
Valuation Multiple	EV/Sales
EV/Sales	5.5x
Enterprise Value	7,094,327
Less: Debt	(₹ 2,033)
Add: Cash	1,614,961
Less: Minority Interest	-
Add: Non Operating Asset	18,971
Equity Value	**8,726,226**
Less: Value of Options	-
Equity Value for Shareholders	**8,726,226**

EV/EBITDA	
Sales	1,300,600
EBITDA	226,600
Earnings	258,300
Valuation Multiple	EV/EBITDA
EV/EBITDA	34.8x
Enterprise Value	7,881,436
Less: Debt	(₹ 2,033)
Add: Cash	1,614,961
Less: Minority Interest	-
Add: Non Operating Asset	18,971
Equity Value	**9,513,335**
Less: Value of Options	-
Equity Value for Shareholders	**9,513,335**

Relative Valuation – Benchmarking

As we can see from the business description of MDL's comparable companies, no company is a perfect comparable to Mazagon Dock in India, since it remains the only Indian shipyard to have constructed both destroyers and conventional submarines for the Indian Navy. We have therefore used benchmarked companies from the Indian defence shipbuilding and engineering space which have broadly similar business models to MDL. While selecting the comparable companies, we have chosen to be conservative, and companies with extreme values and outliers have been excluded from the considered set, so that they do not significantly affect the historical average.

Summary

	2021	2022	2023	2024	2025	Historical average
Average Revenue Growth	-19.0%	33.6%	10.1%	51.2%	33.6%	21.9%
Average EBITDA Margin	17.05%	15.45%	10.10%	14.90%	14.80%	14.5%
Average EBIT Margin	15.40%	13.65%	8.00%	13.85%	13.65%	12.9%
Average PAT Margin	17.50%	14.25%	10.90%	15.20%	13.80%	14.3%
Average PBT Margin	23.5%	19.3%	14.8%	20.7%	18.6%	19.4%
Median Revenue Growth	-19.0%	33.6%	10.1%	51.2%	33.6%	21.9%
Median EBITDA Margin	17.05%	15.45%	10.10%	14.90%	14.80%	14.5%
Median EBIT Margin	15.40%	13.65%	8.00%	13.85%	13.65%	12.9%
Median PAT Margin	17.50%	14.25%	10.90%	15.20%	13.80%	14.3%
Median PBT Margin	23.5%	19.3%	14.8%	20.7%	18.6%	19.4%

Revenue Growth

in%	2021	2022	2023	2024	2025
Mazagon Dock Shipbuilders Ltd	-18.70%	41.60%	36.50%	20.90%	20.80%
Cochin Shipyard Ltd	-17.60%	13.20%	-25.90%	62.00%	25.80%
Garden Reach Shipbuilders & Engineers Ltd	-20.40%	54.00%	46.00%	40.30%	41.30%
Mean	-19.0%	33.6%	10.1%	51.2%	33.6%
Median	-19.0%	33.6%	10.1%	51.2%	33.6%

EBITDA Margin

in%	2021	2022	2023	2024	2025
Mazagon Dock Shipbuilders Ltd	5.50%	7.60%	10.20%	14.90%	18.00%
Cochin Shipyard Ltd	27.80%	22.90%	14.40%	23.30%	21.30%
Garden Reach Shipbuilders & Engineers Ltd	6.30%	8.00%	5.80%	6.50%	8.30%
Mean	17.1%	15.5%	10.1%	14.9%	14.8%
Median	17.1%	15.5%	10.1%	14.9%	14.8%

EBIT Margin

in%	2021	2022	2023	2024	2025
Mazagon Dock Shipbuilders Ltd	4.00%	6.30%	9.00%	14.00%	17.00%
Cochin Shipyard Ltd	26.30%	21.30%	11.50%	22.10%	19.80%
Garden Reach Shipbuilders & Engineers Ltd	4.50%	6.00%	4.50%	5.60%	7.50%
Mean	15.4%	13.7%	8.0%	13.9%	13.7%
Median	15.4%	13.7%	8.0%	13.9%	13.7%

PBT Margin

in%	2021	2022	2023	2024	2025
Mazagon Dock Shipbuilders Ltd	14.90%	13.10%	17.90%	25.60%	26.80%
Cochin Shipyard Ltd	28.70%	24.00%	17.70%	28.00%	23.30%
Garden Reach Shipbuilders & Engineers Ltd	18.20%	14.60%	11.90%	13.40%	13.90%
Mean	23.5%	19.3%	14.8%	20.7%	18.6%
Median	23.5%	19.3%	14.8%	20.7%	18.6%

PAT Margin

in%	2021	2022	2023	2024	2025
Mazagon Dock Shipbuilders Ltd	11.80%	10.20%	13.70%	19.50%	20.30%
Cochin Shipyard Ltd	21.60%	17.70%	12.90%	20.50%	17.20%
Garden Reach Shipbuilders & Engineers Ltd	13.40%	10.80%	8.90%	9.90%	10.40%
Mean	17.5%	14.3%	10.9%	15.2%	13.8%
Median	17.5%	14.3%	10.9%	15.2%	13.8%

Comparable Companies Description

Cochin Shipyard Ltd

Largest shipbuilding and ship repair facility in India (Ministry of Ports, Shipping and Waterways). Builds aircraft carriers (INS Vikrant), defence vessels, commercial ships (tankers, bulk carriers, offshore vessels), and provides major ship repair / life-extension services. Strong export presence and diversified between defence and commercial work.

Garden Reach Shipbuilders & Engineers Ltd

Premier Kolkata-based defence shipyard under Ministry of Defence. Designs and builds frigates, corvettes, ASW vessels, survey vessels, patrol vessels and landing craft for Indian Navy & Coast Guard. First Indian shipyard to export a warship. Also manufactures deck machinery, marine diesel engines, portable bridges and naval guns. High indigenous content focus.

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Valuation Summary

Valuation Method	Enterprise Value	Equity Value Available for Shareholders	Value Per Share	Market Price	Discount/ Premium	Discount/ Premium%
Discounted Cashflow - Perpetuity Growth	₹ 1,785,517	₹ 3,417,416	₹ 847	₹ 2,212	₹ 1,365	-61.71%
Discounted Cashflow - Exit Multiple	₹ 1,844,588	₹ 3,476,487	₹ 862	₹ 2,212	₹ 1,350	-61.03%
Relative Valuation - EV/Sales	₹ 7,094,327	₹ 8,726,226	₹ 2,163	₹ 2,212	₹ 49	-2.22%
Relative Valuation - EV/EBITDA	₹ 7,881,436	₹ 9,513,335	₹ 2,358	₹ 2,212	(₹ 146)	6.60%
Relative Valuation - P/E	₹ 11,082,185	₹ 11,082,185	₹ 2,747	₹ 2,212	(₹ 535)	24.19%

The DCF on the Bull case implies an equity value of Rs 34,174 to 34,765 crore, or Rs 847 to 862 per share, at a WACC of 11.88% and 4% perpetual growth, which is well below the market price of Rs 2,213. The peer median P/E of 42.9x implies Rs 2,747 per share, above the market price. The gap between the DCF and the market price reflects value the market attributes to order-book conversion and unsigned opportunities such as P75I that sit outside the explicit forecast. These DCF figures remain provisional pending the provisions review.

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Report prepared by Ramnath Gosavi

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