

CMP: ₹ 2520

Target: ₹ 2645 (+5%)

Target Period: 12 months

August 25, 2025

## Order inflow a key monitorable factor for growth...

**About the stock:** Garden Reach Shipbuilders & Engineers (GRSE) is a shipbuilding company in India under the administrative control of the Ministry of Defence (MoD). The company's extensive product range spans from 'Warships to Weapons', including Commercial ships, various Deck Machinery, Marine Diesel Engines, Naval Surface Guns, and Bailey-type Portal Steel Bridges

- Company's order backlog stood at Rs 21700 crore as of Jun-25 end, of which ~84% is contributed by defence ship-building segment

## Investment Rationale:

- Execution expected to remain strong over FY26E-27E:** The Company's revenue growth has been significantly strong at 40%+ CAGR over the last 4 years, as most of the key contracts are undergoing through a maximum revenue recognition phase. We believe that execution will remain strong over FY26E-27E, considering the final phase of two large contracts (P-17A and ASW-SWC), which constitutes ~70% of order-book. The order backlog stands at Rs 21700 crore (4x TTM revenue), of which majority is expected to be executed over the next 2-3 years. Management states that, two remaining P-17A stealth frigates, four Anti-Submarine Shallow Water Crafts (ASW-SWC) and final Large Survey Vessels (SVL) are scheduled to be delivered in the next 12 months. The remainder of these key contracts, Next-Generation Offshore Patrol Vessel (NGOPV), & various research vessels are also seeing healthy execution and will be delivered by FY29E. Increasing indigenisation level of warships will also help the company towards improvement in overall execution
- Order pipeline remains strong; timely awarding and execution remains a key for sustainable growth post FY27E:** Company in FY24 had increased its capacity from 20 to 24 ships and now plans to extend it further to 28 by FY26E with future plans to expand up to 32. Concurrently, it is also looking for expanding operational capacity outside Kolkata. Order pipeline also remains strong for the company, considering the opportunities from defence segment. Contracts like Next-Generation Corvettes (expected order size ~Rs 25000 crore for GRSE) has already been cleared from govt and expected to be placed with the company by FY26E end. Moreover, company expects to participate in seven P-17B destroyers tender (total expected value ~Rs 70000 crore will be divided between two shipyards), RFP expected by CY26E end. Though these large projects provide longer term order inflow visibility for GRSE, we believe that timely awarding and execution remains a key for sustainable growth post FY27E

## Rating and Target Price

- Over FY25-27E, we estimate revenue CAGR at ~35% as the execution expected to remain healthy. EBITDA & PAT are expected at ~40% & ~28% CAGR respectively as margins are also expected to remain stable
- We believe that large part of current order backlog will be executed over FY26-27E. However, timely awarding and execution remains a key for sustainable growth post FY27E. We recommend Hold on GRSE with a TP of ₹ 2645 (based on 35x P/E on FY27E)

## Key Financial Summary

(Rs crore)	FY21	FY22	FY23	FY24	FY25	3 Year CAGR (FY22-25)	FY26E	FY27E	2 Year CAGR (FY25-27E)
Revenues	1,141	1,758	2,562	3,593	5,076	42.4	6,839	9,228	34.8
EBITDA	72	141	149	234	421	44.1	596	830	40.4
EBITDA margin (%)	6.3	8.0	5.8	6.5	8.3		8.7	9.0	
Net Profit	153	190	228	357	527	40.7	671	866	28.1
EPS	13.4	16.5	19.9	31.2	46.0		58.6	75.6	
P/E (x)	171.0	147.9	126.5	80.8	54.7		43.0	33.3	
EV/EBITDA (x)	358.2	185.5	165.1	107.6	59.7		39.4	25.9	
RoCE (%)	20.1	21.1	18.2	28.5	34.3		35.0	35.5	
RoE (%)	14.8	15.5	16.1	21.3	25.4		25.5	26.0	

Source: Company, ICICI Direct Research

HOLD



Garden Reach Shipbuilders &amp; Engineers Ltd

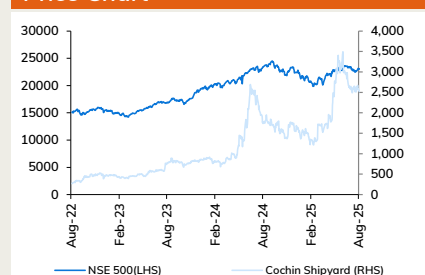
## Particulars

Particular	Amount (Rs Crore)
Market Capitalisation	30,302
FY25 Debt	-
FY25 Cash	3,732
EV	26,570
52 Week H/L	3778 / 1918
Equity Capital	115
Face Value	5

## Shareholding pattern

	Sep-24	Dec-24	Mar-25	Jun-25
Promoter	74.5	74.5	74.5	74.5
FII	3.7	3.7	3.9	5.3
DII	1.9	1.9	1.9	1.8
Others	20.0	19.9	19.8	18.4

## Price Chart



## Key risks

- Dependent on govt contracts
- High working capital requirement
- Availability of key raw materials

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## Recent earnings call highlights

- Management guides revenue and profitability growth in FY26E & FY27E on similar lines as achieved in FY25, driven by healthy execution of current order backlog
- Orders book stands at ~Rs. 21700 crores as of Jun-25, of which majority of orders, (~98%) are from shipbuilding sector comprising of ~86% in defence while non-defence ~14% (constitutes ~9% of research ships and ~5% of exports). Regarding the ~2% of ship repair backlog the management expects such orders to continue steadily
- The order book comprises of 10 projects from 40 marine platforms (4 projects from navy, 13 hybrid vessels for Gov. of West Bengal, 8 multi-purpose vessels from a German client, 2 geology vessel, 1 each from oceanographic research, acoustic vessel and Gov. of Bangladesh)
- These projects are in various different stages of completion and the management expects to fulfil majority value of these orders in the next 2 years
- The remaining of two P-17A frigates are scheduled to be completed by Aug-26, with each have been completed 80% and 56% respectively
- The first of Anti-Submarine Shallow Watercrafts (ASW) has been delivered with the second planned to be delivered by the next month, further two by the FY26 and the remaining by CY26
- The four ships under NGOPV are in development stages with the first two completing 60% and the remaining 48%. These ships are scheduled to be delivered on time by CY28/ FY29
- The last Survey Vessel Large is 82% completed and is expected to be delivered by CY26E
- The oceanographic research vessel, hybrid ferries, and Bangladesh dredger are all progressing well while the acoustic research ship and coastal vessel are in pre-production phase
- The management expects a follow-on order of 4 multi-purpose vessel from the German client in the next 1-2 months. While the Next-generation Corvette (NGC) order (~Rs 25000 crore value for GRSE) is in discussion and is expected to be received by FY26
- The company has submitted bids for 2 projects by Navy (five Next-Generation Survey Vessels) and Indian Coast Guard (eighteen Next-Generation Fast Patrol Vessels) and expects finalisation for them by CY26
- The company also expects Request for Proposal (RFP) from Navy for two multi-purpose vessels (~Rs 1000-1100 crore) and 31 new water jet fast attack crafts by FY26. Further RFP from Indian Coast Guard for six next-generation ocean patrol vessel and 22 interceptor craft and from Navy for 120 fast interceptor is expected in the next 18 months
- The management also expects an RFP for P-17 Bravo (~Rs 70000 crore) to float in by CY26 in which 2 shipyards would be chosen through L1 and L2
- During the quarter the company has also completed pre-acceptance trial of 1<sup>st</sup> indigenous 30 mm gun a refit for 2 naval ships and is currently executing a refit for an exported ship developed by the company earlier
- In terms of capacity, the company has been expanding since 2024 from 20 to 24 ships and now have extended up to 28 in FY26 with further intent to expand to 32. The management is also in final discussion with acquiring an additional drydock in Kolkata.
- Recently, successful tests were concluded for a prototype of unmanned underwater vessel by MoD and the company is now working on the final platform. Regarding the unmanned surface vessel similar progress in being made as per specifications

- The management had made provisions for Rs 430 crore in the previous year, going forward 50% of the amount would be reversed from Q3FY26 in the year and the remaining amount would be added in FY27E
- The sub-contracting expenses would also continue to be at ~15% of revenue in the coming quarters as the company is going through maximum revenue phase
- Also plans to setting up a green field shipyard on either the east or west coast of India are in place with identification of suitable areas completed. The discussions and deliberations are currently in progress and within a year are expected to finalise

**Exhibit 1: Order book breakup as on Mar-25 end**

Projects(₹ crore)	Customer	Order Backlog
P-17A Frigates	Indian Navy	11,435
ASW-SWC	Indian Navy	3,946
Survey Vessels Large	Indian Navy	530
Next-Generation Ocean Patrol Vessels	Indian Navy	3,327
Fast Patrol Vessels	Indian Coast Guard	236
Multipurpose Vessel project	German Client	918
30 mm Gun Project	Indian Navy	200
Acoustic Research Vessel	NPOL (DRDO)	490
Oceanographic Research Vessel	Ministry of Earth Sciences	840
Hybrid Ferries	Government of West Bengal	226
Others		532
<b>Total</b>		<b>22,680</b>

Source: Company, ICICI Direct Research

**Exhibit 2: Order Inflows over next 2-3 years**

Projects	Estimated value (₹ crore)
Next Generation Corvette (NGC)*	25,000
P-17 Bravo*	35000 - 43000
Next Generation Survey Vessel	3,500
Next -Generation Fast Patrol Vessels (NGFPV)	3,000
OPV	2,500
Multipurpose Vessel	1,200
Water Jet FAC project	3,000
Fast Intercepted Craft Vesse	1,800
Mine Counter measure Vessels project	32,000
<b>Total</b>	<b>115000+</b>

*\*These orders would be divided among two shipyards*

Source: Company, ICICI Direct Research

## Financial Summary

### Exhibit 3: Profit and loss statement

₹ crore

(Year-end March)	FY23	FY24	FY25	FY26E	FY27E
Net Sales	2,562	3,593	5,076	6,839	9,228
Other operating income	-	-	-	-	-
Revenue	2,562	3,593	5,076	6,839	9,228
% Growth	45.8	40.2	41.3	34.7	34.9
Other income	201.8	299.6	334.8	368.3	405.2
Total Revenue	2,562	3,593	5,076	6,839	9,228
% Growth	45.8	40.2	41.3	34.7	34.9
Total Raw Material Costs	1,612	2,251	3,535	4,446	5,989
Employee Expenses	317	349	361	433	498
other expenses	484	758	758	1,365	1,911
Total Operating Expendit	2,413	3,359	4,654	6,243	8,397
Operating Profit (EBITDA)	149	234	421	596	830
% Growth	5.9	57.1	79.9	41.5	39.3
Interest	6	11	10	12	12
PBDT	344	522	746	952	1,223
Depreciation	39	41	42	46	54
PBT before Exceptional It	305	481	703	907	1,170
Total Tax	77	124	176	236	304
PAT before MI	228	357	527	671	866
Minority Interest	-	-	-	-	-
PAT	228	357	527	671	866
% Growth	20.4	56.6	47.6	27.2	29.1
EPS	19.9	31.2	46.0	58.6	75.6

Source: Company, ICICI Direct Research

### Exhibit 4: Cash flow statement

₹ crore

(Year-end March)	FY23	FY24	FY25	FY26E	FY27E
Profit after Tax	228	357	527	671	866
Depreciation	39	41	42	46	54
Interest	6	11	10	12	12
Cash Flow before WC changes	274	410	580	729	931
Changes in inventory	(1,746)	(1,066)	432	(1,170)	(1,598)
Changes in debtors	104	(143)	(65)	(97)	(124)
Changes in loans & Advances	-	-	-	-	-
Changes in other current assets	(580)	876	(451)	(618)	(836)
Net Increase in Current Assets	(2,329)	(321)	(67)	(1,890)	(2,564)
Changes in creditors	762	(181)	159	404	543
Changes in provisions	(137)	9	16	8	22
Net Inc in Current Liabilities	2,680	(539)	(252)	3,081	3,908
Net CF from Operating activities	625	(450)	262	1,921	2,276
Changes in deferred tax assets	(52)	7	6	(1)	-
(Purchase)/Sale of Fixed Assets	(43)	(45)	(68)	(75)	(100)
Net CF from Investing activities	923	197	(63)	(118)	(149)
Dividend and Dividend Tax	(71)	(107)	(103)	(143)	(166)
Net CF from Financing Activities	222	(355)	(187)	(136)	(178)
Net Cash flow	1,770	(607)	12	1,666	1,949
Opening Cash/Cash Equivalent	2,558	4,328	3,720	3,732	5,398
Closing Cash/ Cash Equivalent	4,328	3,720	3,732	5,398	7,348

Source: Company, ICICI Direct Research

### Exhibit 5: Balance sheet

₹ crore

(Year-end March)	FY23	FY24	FY25	FY26E	FY27E
Equity Capital	114.6	114.6	114.6	114.6	114.6
Reserve and Surplus	1,299	1,559	1,965	2,511	3,211
Total Shareholders funds	1,414	1,673	2,079	2,626	3,326
Other Non Current Liabili	-	-	-	-	-
Total Debt	301	56	-	-	-
Total Liabilities	1,836	1,851	2,205	2,752	3,451
Gross Block	710	737	794	850	940
Acc: Depreciation	211	252	295	340	394
Net Block	499	485	499	510	546
Capital WIP	5	12	21	40	50
Total Fixed Assets	514	517	543	572	619
Non Current Assets	296	289	287	330	378
Inventory	2,919	3,984	3,552	4,722	6,320
Debtors	51	194	259	356	480
Loans and Advances	-	-	-	-	-
Other Current Assets	2,201	1,324	1,776	2,394	3,230
Cash	4,328	3,720	3,732	5,398	7,348
Total Current Assets	9,732	9,446	9,524	13,080	17,593
Current Liabilities	1,174	992	1,151	1,555	2,098
Provisions	89	92	90	91	92
Total Current Liabilities	8,940	8,401	8,149	11,231	15,139
Net Current Assets	792	1,045	1,375	1,849	2,454
Total Assets	1,836	1,851	2,205	2,752	3,451

Source: Company, ICICI Direct Research

### Exhibit 6: Key ratios

(Year-end March)	FY23	FY24	FY25	FY26E	FY27E
EPS	19.9	31.2	46.0	58.6	75.6
Cash per Share	398.2	324.8	325.8	471.3	641.4
BV	123.4	146.1	181.5	229.2	290.3
Dividend per share	6.2	9.4	9.0	12.5	14.5
Dividend payout ratio	0.3	0.3	0.2	0.2	0.2
EBITDA Margin	5.8	6.5	8.3	8.7	9.0
PAT Margin	8.9	9.9	10.4	9.8	9.4
RoE	16.1	21.3	25.4	25.5	26.0
RoCE	18.2	28.5	34.3	35.0	35.5
RoIC	(4.2)	(9.7)	(22.9)	(19.8)	(19.3)
EV / EBITDA	165.1	107.6	59.7	39.4	25.9
P/E	126.5	80.8	54.7	43.0	33.3
EV / Net Sales	9.6	7.0	5.0	3.4	2.3
Sales / Equity	1.8	2.1	2.4	2.6	2.8
Market Cap / Sales	11.3	8.0	5.7	4.2	3.1
Price to Book Value	20.4	17.3	13.9	11.0	8.7
Asset turnover	1.5	2.1	2.4	2.6	2.8
Debtors Turnover Ratio	24.9	29.3	22.4	22.2	22.1
Creditors Turnover Ratio	3.2	3.3	4.7	5.1	5.1
Debt / Equity	0.2	0.0	-	-	-
Current Ratio	4.2	5.2	4.5	4.5	4.5
Quick Ratio	1.8	1.4	1.6	1.7	1.7

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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