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Upcoming large contracts to provide long-term visibility...

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 ₹ 18482 crore as of Dec-25 end

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 (FY21-25), as most of the key contracts are undergoing through a maximum revenue recognition phase. Moreover, 9MFY26 revenue is also up 42.2% YoY. Management guides a 25-30% revenue and profitability growth, supported by healthy execution of the current order backlog going ahead. We also believe that execution will remain strong over FY26E-27E, considering the final phase of two large contracts (P-17A and ASW-SWC). The order backlog stands at ₹ 18482 crore (2.8x TTM revenue), covering 42 platforms across 10 projects. Key programs such as P-17A frigates, ASW-SWCs and NGOPVs are progressing into peak execution phases, with the majority of the order book is expected to be executed over the next 2-3 years (till FY29E)
- Order pipeline remains strong; timely awarding and execution critical for sustainable growth post FY27E:** Company in FY24 had increased its capacity from 20 to 24 ships then by 28 in FY26E and now plans to expand up to 35 by Q3FY27E. Concurrently, it is also building 3 brownfield and 2 greenfield capacities outside Kolkata. Management has also signed MoU's with shipyards for collaboration in bidding for upcoming opportunities. Company's long-term growth visibility remains robust, backed by approved AoN's aggregating ~Rs. 1.52 lakh crore, including NGC's (~₹25,000-30,000 crore), P-17 Bravo, MCMV's, LPD's and FICV's. Management expects the order book to cross ~Rs 50,000 and potentially ~₹75,000 crore by FY26E and FY27E respectively. We believe that timely awarding and execution remains a key for sustainable growth post FY27E, particularly during the expected revenue plateau in FY28-29E

Rating and Target Price

- Over FY25-28E, we estimate revenue CAGR at ~20% as the execution expected to remain healthy over FY26E-27E. EBITDA is expected at ~24% CAGR during the same period, led by sustainable margins at 9%+
- We believe that sustainable execution and timely awarding of NGC and other large platforms would be key trigger for long-term growth. We maintain our rating to HOLD on GRSE with a TP of ₹ 2670 (based on 35x P/E on FY28E)



Garden Reach Shipbuilders & Engineers Ltd

Particulars

Particular	Amount (Rs crore)
Market Capitalisation	28,443
FY25 Gross Debt	0
FY25 Cash	3,732
EV	24,711
52 Week H/L	3538 / 1180
Equity Capital	114.6
Face Value	10.0

Shareholding pattern

	Mar-25	Jun-25	Sep-25	Dec-25
Promoter	74.5	74.5	74.5	74.5
FII	3.9	5.3	3.3	3.0
DII	1.9	1.8	2.0	1.6
Others	19.8	18.4	20.3	20.9

Price Chart



Key risks

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

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Key Financial Summary

(Rs crore)	FY22	FY23	FY24	FY25	3 Year CAGR (FY22-25)	FY26E	FY27E	FY28E	3 Year CAGR (FY25-28E)
Revenues	1,758	2,562	3,593	5,076	42%	6,852	8,360	8,778	20%
EBITDA	141	149	234	421	44%	650	769	810	24%
EBITDA margin (%)	8.0	5.8	6.5	8.3		9.5	9.2	9.2	
Net Profit	190	228	357	527	41%	683	806	874	18%
EPS	16.5	19.9	31.2	46.0		59.6	70.4	76.3	
P/E (x)	146.2	125.1	79.9	54.1		41.8	35.4	32.6	
EV/EBITDA (x)	183.2	162.9	106.2	58.9		36.5	29.3	26.9	
RoCE (%)	21.1	18.2	28.5	34.3		35.4	33.5	30.0	
RoE (%)	15.5	16.1	21.3	25.4		26.1	24.8	22.2	

Source: Company, ICICI Direct Research

Q3 and 9MFY26 Result Summary

- Operational performance was led by healthy execution which was largely in-line with expectations. Revenue increased by 49.1% YoY (+13% QoQ) to ₹ 1896 crore
- EBITDA margin improved to 9.1% (+315 bps YoY, flattish QoQ) on positive operating leverage. Subsequently, EBITDA stood at ₹172 crore (+128.3% YoY and +10.1% QoQ) while PAT came in at ₹171 crore (+73.9% YoY and +11.0% QoQ)
- For 9MFY26, revenue stood at ₹4,883 crore (+42.2% YoY), with EBITDA margin remained flattish at ~9.0%. PAT for the period rose 57.1% YoY to ₹ 445 crore.

Q3FY26 call highlights

- Management guides revenue and profitability of 25-30% to sustain, driven by healthy execution of current order backlog, while revenue is expected to peak in FY27E
- During 9MFY26 the company has delivered 5 ships and the orders book now stands at ~₹ 18482 crores as of Dec-25, covering 10 shipbuilding projects (42 platforms) of which 8 warships are of Indian navy (1 P-17A, 3 ASW-SWCs, 4 NGOPVs), 2 projects from exports (12 Multi-Purpose vessels for Germany, 1 training ship for Bangladesh), 13 hybrid ferries for government of West Bengal, specialised vessels (Ocean Research Vessels, Coastal Research Vessels, Acoustic Research Ship), and other divisions (Naval guns, portable steel bridges, deck machinery, diesel engines)
- Overall defence forms 77% (₹ ~14000 crore) of the order book followed by non-defence 18% and exports at 5%. These projects are in various different stages of completion and the management expects to fulfil majority value of these orders by FY29E
- In P-17A frigates, 1st ship and 2nd ship have been delivered ahead of schedule, while the 3rd ship is eyeing a mid-2027 delivery. The four ships under NGOPV are in development stages with the first two to launch in early FY27E.
- The 13 hybrid vessels for the government of West Bengal would see two deliveries in early FY27E with completion by FY29E. The research vessels (ORVs, CRVs) would witness deliveries in FY28-29E while the 12 German Multi-Purpose Vessels (MPVs) would see deliveries through FY29E
- Regarding 30mm naval gun system, the company has currently 17 guns on order (4 delivered and installed, remaining to be completed by H1FY28E). The management is also in discussions with Indian Coast Guard (ICG) for 49 more such systems and expects an order by H1FY27E
- The company also expects RFPs from now approved Acceptance of Necessity (AoN) of P-17 Bravo (7 ships), Mine Counter Measure Vessels (12 MCMVs), Fast Interceptor Crafts (120 FICs), Fast Interceptor Boats (18 FIBs), Waterjet Fast Attack Crafts (31 WFACs), Landing Platform Docks (4 LPDs), and Next-Generation Ocean Patrol Vessels (5 NGOPVs) which have a total value of ~ ₹ 1,52,000 crore. Apart from NGC order, management expects a minimum of 20% order value (~₹ 82,000 crore) to be placed with the company
- The management also expects signing of contract in FY26E for Next-Generation Corvettes (NGCs) with expected contract value at ~₹ 25000 - 30000 crore and revenue from this contract to start reflecting in FY28E
- Regarding P-17 Bravo, the management expects an RFP to float by Apr-26 followed by contract signing by Q4FY27E. This contract would be executable over 8-10 years post awarding
- The order book is expected to cross ~₹ 50000 crore by FY26E and could potentially exceed ~₹ 75000 crore with P-17 Bravo in FY27E

- Regarding non-defence orders, management visions a ~₹ 1,00,000 crore pipeline over the next few years compiling all small, medium and large projects and targets a minimum of 20% order booking from this opportunity
- During YTD FY26 the company has also witnessed commercial and export markets gaining traction and have signed Memorandum of Understandings (MoUs) with European clients for MPVs, Swan Defence for bidding and executing large commercial ship orders (250m+), and Hindustan Shipyard (HSL) for bidding in Landing Platform Deck (LPD)
- In terms of capacity, the company has been expanding since 2024 from 20 to 24 ships and now have extended up to 28 with further plans to expand to 35 by CY26
- Regarding expansion plans, management plans of 3 brownfield expansion pockets in Syama Prasad Mookerjee port (West Bengal). 2 of these ports would start production by CY26 while the 3rd would enter production stage in 2 years
- Management also plans in setting up a 2 green field shipyard projects in Gujarat and have a conservative estimate of 3 years till they enter into production. This would further add in capacity for 12 large ships in 3-5 years
- Regarding the capability to build LPD and Very Large Gas Container (VLGC's), the management would seek Transfer of Technology (ToT) from foreign companies for the first vessel, then onwards indigenise for the remaining vessels post contract awarding
- The management is cautious of a plateau phase in revenue for two years from FY28E until the NGCs revenue scale. However, they are diversifying into commercial shipbuilding and naval guns to support margins

Exhibit 1: Q3 and 9MFY26 result snapshot

	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Comments	9MFY26	9MFY25	YoY(%)
Operating Income	1,895.7	1,271.0	49.1	1,677.4	13.0	Healthy execution in-line with estimates	4,882.95	3,433.65	42.2
Other income	62.0	72.1		68.7			203.23	220.90	
Total Revenue	1,957.7	1,343.1		1,746.1			5,086.18	3,654.55	
Raw materials cost:	1,405.5	914.7		869.7			3,024.41	2,428.92	
Employees Expense	101.4	90.8		93.5			300.85	263.57	
Other Expenses	216.9	190.2		558.0			1,117.69	540.88	
Total Expenditure	1,723.8	1,195.7		1,521.2			4,442.95	3,233.37	37.4
EBITDA	171.9	75.3	128.3	156.2	10.1		440.00	200.29	119.7
EBITDA margins (%)	9.1	5.9	315 bps	9.3	-24 bps	Margins improved through positive operating leverage	9.0	5.8	318 bps
Interest	3.8	2.3		3.6			13.50	8.97	
Depreciation	12.4	11.3		11.9			35.89	32.48	
Tax	47.0	35.6		55.6			149.11	96.58	
PAT	170.8	98.2	73.9	153.8	11.0		444.74	283.15	57.1

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 2: Profit and loss statement				
	₹ crore			
(Year-end March)	FY25	FY26E	FY27E	FY28E
Revenue	5,076	6,852	8,360	8,778
% Growth	41.3	35.0	22.0	5.0
Other income	334.8	324.8	373.5	429.5
Total Revenue	5,076	6,852	8,360	8,778
% Growth	41.3	35.0	22.0	5.0
Total Raw Material Costs	3,535	4,289	5,200	5,425
Employee Expenses	361	411	469	516
other expenses	758	1,501	1,922	2,027
Total Operating Expendit	4,654	6,202	7,590	7,968
Operating Profit (EBITDA)	421	650	769	810
% Growth	79.9	54.3	18.4	5.3
Interest	10	17	14	14
PBDT	746	958	1,129	1,225
Depreciation	42	48	54	60
PBT before Exceptional It	703	910	1,075	1,166
Total Tax	176	228	269	291
PAT before MI	527	683	806	874
Minority Interest	-	-	-	-
PAT	527	683	806	874
% Growth	47.6	29.4	18.1	8.4
EPS	46.0	59.6	70.4	76.3

Source: Company, IICI Direct Research

Exhibit 3: Cash flow statement				
	₹ crore			
(Year-end March)	FY25	FY26E	FY27E	FY28E
Profit after Tax	527	683	806	874
Depreciation	42	48	54	60
Interest	10	17	14	14
Cash Flow before WC changes	580	747	874	948
Changes in inventory	432	(953)	(991)	(275)
Changes in debtors	(65)	(116)	(83)	(23)
Changes in loans & Advances	-	-	-	-
Changes in other current assets	(451)	(965)	(603)	(167)
Net Increase in Current Assets	(67)	(2,040)	(1,682)	(465)
Changes in creditors	159	632	278	103
Changes in provisions	16	35	14	5
Net Inc in Current Liabilities	(252)	2,669	2,251	653
Net CF from Operating activities	262	1,377	1,444	1,136
Changes in deferred tax assets	6	(1)	-	(1)
(Purchase)/Sale of Fixed Assets	(68)	(75)	(100)	(100)
Net CF from Investing activities	(63)	(118)	(131)	(109)
Dividend and Dividend Tax	(122)	(143)	(178)	(183)
Net CF from Financing Activities	(187)	(160)	(192)	(197)
Net Cash flow	12	1,099	1,121	829
Opening Cash/Cash Equivalent	3,720	3,732	4,831	5,952
Closing Cash/ Cash Equivalent	3,732	4,831	5,952	6,781

Source: Company, IICI Direct Research

Exhibit 4: Balance sheet				
	₹ crore			
(Year-end March)	FY25	FY26E	FY27E	FY28E
Equity Capital	114.6	114.6	114.6	114.6
Reserve and Surplus	1,965	2,504	3,133	3,824
Total Shareholders funds	2,079	2,619	3,248	3,939
Other Non Current Liabilit	-	-	-	-
Total Debt	-	-	-	-
Total Liabilities	2,205	2,744	3,373	4,065
Gross Block	727	834	924	1,024
Acc: Depreciation	279	327	380	440
Net Block	499	507	544	584
Capital WIP	21	40	50	50
Total Fixed Assets	543	570	616	657
Non Current Assets	287	330	360	370
Inventory	3,552	4,506	5,497	5,772
Debtors	259	375	458	481
Loans and Advances	-	-	-	-
Other Current Assets	1,776	2,741	3,344	3,511
Cash	3,732	4,831	5,952	6,781
Total Current Assets	9,524	12,663	15,465	16,759
Current Liabilities	1,151	1,783	2,061	2,164
Provisions	90	91	92	93
Total Current Liabilities	8,149	10,818	13,070	13,722
Net Current Assets	1,375	1,844	2,396	3,037
Total Assets	2,205	2,744	3,373	4,065

Source: Company, IICI Direct Research

Exhibit 5: Key ratios				
(Year-end March)	FY25	FY26E	FY27E	FY28E
EPS	46.0	59.6	70.4	76.3
Cash per Share	325.8	421.7	519.6	591.9
BV	181.5	228.6	283.5	343.8
Dividend per share	10.6	12.5	15.5	16.0
Dividend payout ratio	0.2	0.2	0.2	0.2
EBITDA Margin	8.3	9.5	9.2	9.2
PAT Margin	10.4	10.0	9.6	10.0
RoE	25.4	26.1	24.8	22.2
RoCE	34.3	35.4	33.5	30.0
RoC	(22.9)	(27.2)	(26.5)	(26.4)
EV / EBITDA	58.9	36.5	29.3	26.9
P/E	54.1	41.8	35.4	32.6
EV / Net Sales	4.9	3.5	2.7	2.5
Sales / Equity	2.4	2.6	2.6	2.2
Market Cap / Sales	5.6	4.2	3.4	3.3
Price to Book Value	13.7	10.9	8.8	7.2
Asset turnover	2.4	2.6	2.6	2.2
Debtors Turnover Ratio	22.4	21.6	20.1	18.7
Creditors Turnover Ratio	4.7	4.7	4.3	4.2
Debt / Equity	-	-	-	-
Current Ratio	4.5	4.0	4.2	4.2
Quick Ratio	1.6	1.6	1.7	1.7

Source: Company, IICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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