



Garden Reach Shipbuilders & Engineers Ltd

17th NOVEMBER, 2022

INX
SSET

India's Best Performing and Most Customer Centric PMS

Garden Reach Shipbuilders & Engineers Ltd, a publicly listed company, is a Pioneer Shipbuilding Company In India under the administrative control of the Ministry of Defence (MOD), primarily catering to the shipbuilding requirements of the Indian Navy and the Indian Coast Guard. GRSE is a diversified, profit-making, and the first Shipyard in the country to export warships and deliver 100 warships to the Indian Navy and Indian Coast Guard. Among the defence PSUs, Garden Reach Ship Builders has the highest revenue visibility, close to 23583 Cr which is 12 times its annual revenue. Moreover, it continues to deliver strong growth in revenue and earnings on the back of these orders. Besides the Strong order book, the company's robust balance sheet, cash flows, superior return ratios and margins and capabilities to execute critical defence equipment and warships with high entry barriers make it a high-quality contender.

Investment rationale

• Strong growth in revenue supported by orders in hand:

On a cumulative basis, GRSE is sitting on an order book of 23583 Cr, which is almost 12 times its revenue which is placed at 2033 Cr. Growth Momentum is expected to continue in the coming quarters. The Company is currently working on seven projects comprising 15 ships for the Navy, Coast guard and Others.

• **Improving execution has led to revenue spike:** Post COVID-19, companies in the defence have seen a significant recovery. They have faced labour issue because of the travelling restrictions and critical equipment's were unavailable because of the logistics issues. While a large part of this can also be attributed to strong focus on faster execution of order in hand. As against the initial apprehensions about execution delays, Garden Reach Ship Builders & Engineers (GRSE) has crossed its historical levels in terms of growth.

• **Defence remains a big area of focus area because of its excessive reliance on imports:** After "Make In India", new slogans such as self-reliance and "Vocal For Local" are gaining prominence. The government initiative of import restriction on certain equipment and setting up of a separate budget for domestic procurement will further lead to a reduction in the import bill, which gives domestic companies an opportunity.

• **Margins maintained despite higher input cost with the help of scale:** The company can pass through the cost, but a sudden spike in the commodity price like steel and energy can increase the profitability by increasing the input cost, but thanks to better execution, the increase in the input costs were largely absorbed and profitability was much better than expected.

Stock Data

CMP	₹ 463
52 Week High/Low	₹ 540/199
Face value	₹ 10
Market Cap (In Cr)	₹ 5889
NSE	GRSE
BSE	542011
Bloomberg	GRSE IN
Sector	Defence

Shareholding Pattern %

	JUN-22	SEPT-22
Promoter	74.5	74.5
FII	1.76	1.95
DII	9.16	8.36
Public	14.58	15.2

Price Performance (%)

(%)	1M	6M	1YR
GRSE	13.41	86.74	97.66
Nifty 50	5.4	11.54	0.77

Key Ratios

P/E	26.8
P/B	4.60
Debt To Equity	0
ROCE	20.5%
Dividend Yield	1.12%

Industry

Global Defence Shipbuilding: Beijing's aggression in the South China Sea has grabbed sizeable attention on maritime security of South East Asian Countries, Japan & Taiwan. China's state-owned shipyards have built 83 ships in just eight years with unprecedented speed. China has its own independent maritime missile defence and naval combat system. The military ship building segment will be exhibiting healthy growth owing to the rise in global conflicts, displacement of population, and terrorist attacks, which foster naval developments.

Country	Aircraft Carriers	Destroyers	Frigates	Corvettes	Submarines	Patrol Vessel	Total Fleet
United States	11	92	0	22	68	10	484
China	2	41	49	70	79	152	777
Russia	1	15	11	86	70	59	605
India	2	10	13	22	17	128	295
Japan	0	36	4	6	21	6	155
South Korea	0	12	18	11	22	111	234
UK	2	6	12	26	0	26	75

Indian Defence Shipbuilding: Defence shipbuilding in India is emerging as an area of focus for public and private sector shipyards alike. While the public sector shipyards such as Garden Reach Shipbuilders & Engineers Limited (GRSE), Mazagon Dock Shipbuilders Limited (MDL), Goa Shipyard Limited (GSL) and Cochin Shipyard Limited (CSL) are the frontrunners in the defence shipbuilding space, increasing number of private shipyards are undertaking specific measures to enhance competence and modify their existing shipbuilding repair facilities to suit the needs of the Indian Navy and the Indian Coast Guard.

The Indian Navy fleet includes mainly three categories of vessels/combat platforms:

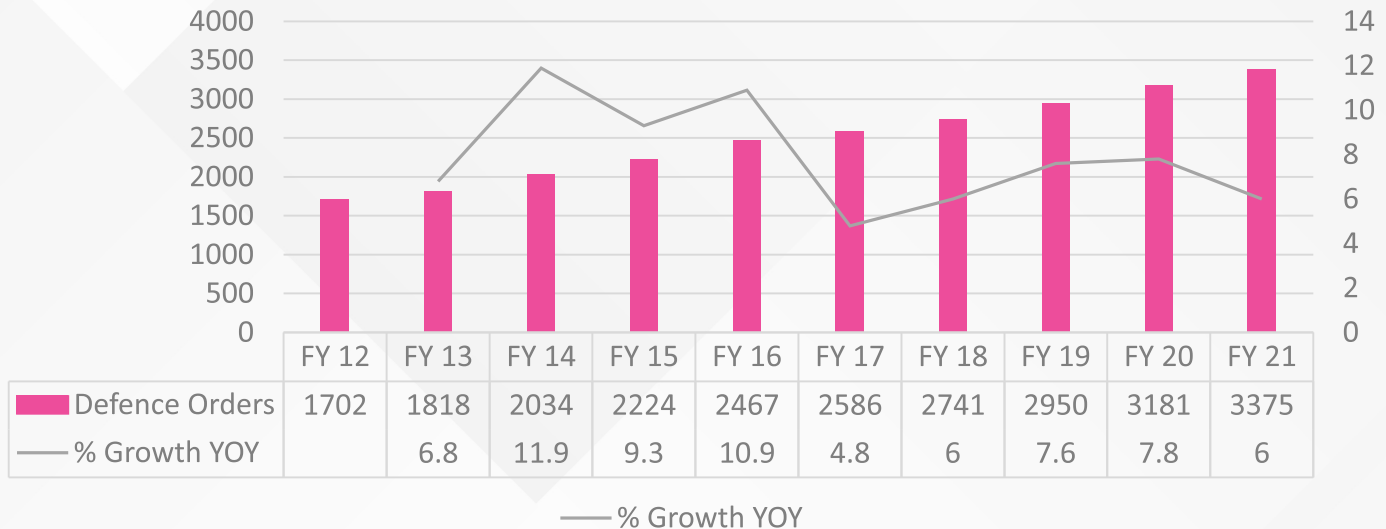
- Surface ships
- Naval aviation
- Sub-surface vessels/submarines

Prime Minister Narendra Modi on Oct 19 in Jammu laid emphasis on the importance of maritime security and space technology. He added that the maritime security has emerged as a global priority.

Chinese Strategic Scenario: China recognizes that geography gives India a special position in the Indian Ocean, but it has warned that the ocean is not India's backyard and is not India's Ocean. Since 2015, China's defence Papers have linked its national security and development interests. Throughout China joined Indian Ocean Region (IOR) with its Belt and Road Initiatives, China's naval strength in the Indian Ocean is greater than India's. The People's Liberation Army Navy (PLAN) is bigger than the Indian Navy, and can deploy more sea-based aircraft. India is safeguarding its interests in the Indian Ocean Region. So, the Indian Navy has to significantly increase its deployment of warships, submarines and other assets in the Indian Ocean Region to send a message to China.

Indian Defence Budget: In the Union Budget for 2021-22, the defence sector has been allocated Rs 4.78 lakh crore, including an outlay for the payment of pensions, against last year's Rs 4.71 lakh crore. The total amount includes capital expenditure of Rs 1.35 lakh crore to purchase new weapons, aircraft, warships and other military hardware against the capital outlay of Rs.1.31 lakh crore during 2020-21. Last year, the jump in the revised expenditure for 2020-21 of the Navy and Air Force was much more.

Budgetary Allocation For Defence Sector (₹ Billion)



Company Background

GRSE is a shipbuilding company in India under the administrative control of the MoD and primarily adheres to the shipbuilding requirements of the Indian Navy and the Indian Coast Guard. In addition to its ship and warship-building capabilities, it is engaged in engineering and engine production activities. As a part of its engineering division, it manufactures deck machinery items, pre-fabricated portable steel bridges and marine pumps. Its shipbuilding division contributes a significant majority of its revenue from operations, about 94% of its revenues. GRSE's shipbuilding product line spans from technologically sophisticated Frigates and Corvettes to Fast Patrol Vessels. In the last five decades, it has built and delivered ships ranging from small to large and advanced vessels, including frigates, antisubmarine warfare corvettes, missile corvettes, landing ship tanks, landing craft utilities, survey vessels, fleet replenishment tankers, fast patrol vessels, offshore patrol vessels, inshore patrol vessels, WJ-FAC, hover crafts and fast interceptor boats to the Indian Navy, Indian Coast Guard, MHA and Governments of other countries. In addition, it has built and supplied more than seven hundred fifty vessels to carry men and materials and surveillance of the coastline.

GRSE has three separate facilities for shipbuilding, all of which are located in close vicinity of each other in Kolkata and interconnected. It builds its ships at the Main Works Unit and the Rajabagan Dockyard. Its third facility, the FOJ Unit, is primarily used to fit out and repair ships. In addition, the company's Engineering segment is engaged in the manufacturing and fabricating portable steel bridges, ships' deck machinery, and marine pumps.

At this juncture, a strong order book for constructing 16 warships concurrently for Indian Armed Forces holds exciting times ahead for the GRSE. Recent policy announcement by Raksha Mantri declaring 'Initial Negative List of 101 items followed by 2nd positive Indigenization list of 108 items in the negative list of imports over the next five years in the defence segment provides huge opportunities to Indian Industry as part of the larger objective of 'Atmanirbhar Bharat Abhiyan'. GRSE's capabilities for designing, developing and manufacturing several such designated items have also been conveyed to the Ministry of Defence (MoD). The defence shipbuilding segment continues to look promising on account of the ambitious acquisition plan of the Indian Navy and Indian Coast Guard, which is quite encouraging for the Indian Shipbuilders and the entire ecosystem. The MoD has floated several Requests for Proposals (RFPs) for various shipbuilding projects during the last year, and some more are expected to come out soon. Further, the Ministry of defence's plan to increase the export of defence products to 3.59 Billion USD by the end of 2024-25 augurs well for GRSE

Product Portfolio

Frigates: Frigates manufactured by GRSE are indigenously designed and has a tonnage of 3,650 tones. It has supplied three (3) P-16A Brahmaputra Class frigates to the Indian Navy having names INS Brahmaputra, INS Betwa and INS Beas.



Anti Submarine Warfare Corvette: Kamorta Class Ships are designed as the super-sophisticated frontline warships with Stealth features. The ship is having Anti-Submarine Warfare Capability with a low signature of radiated underwater noise. The ship is equipped with Super Rapid Gun Mounting, Anti-Aircraft Guns, Torpedo Launcher, Rocket Launcher and Chaff Launcher as well as early Warning, Navigation, Fire Control Radars and Under Water Sensors. It is also equipped with Integrated Communication System and Electronic Warfare System.



Corvette Missile: The Kora Class Corvette is a frontline warship armed with SRGM Gun, Surface-to-Surface and Surface-to-Air-Missiles and Anti-Aircraft Guns. GRSE's missile corvettes are indigenously designed having a tonnage of 1,370T. We have delivered five P-25 and P-25A class missile corvettes to the Indian Navy named as INS Kirpan, INS Khanjar, INS Kora, INS Kulish and INS Karmuk



Landing Ship Tank: The Landing Ship Tank (Large) is a vehicle and troop carrier, capable of handling vehicles in beach gradient of 1 in 40 or steeper. It can accommodate 1 Sea King Helicopter and 4 Landing Craft Assistants. GRSE has supplied five large ship tanks to the Indian Navy, INS Magar, INS Ghariyal, INS Shardul, INS Kesari and Airavat



Landing Craft Utility: "LCU Mark IV" is a GRSE in-house designed product. It is the Largest LCU in the world fitted with a wide bow ramp and can attain max speed of 15 knots speed at a very shallow draft. The LCU's serves towards transportation, deployment and recovery of troops and equipment from ship to shore and vice versa. It is also capable of assisting in search and rescue, provision and consumable supply and replenishment to other vessel in sea and human relief operation. The vessel can carry and deploy military lift of 145 T that includes 165 troops, combat equipment and tank's Endurance (nm) 4000 at 16 kts.



Survey Vessel: Indigenously designed and built by GRSE, the modern Oceanographic Research – Cum – Hydrographic Survey Vessel is capable of all types of hydrographical research and oceanographic survey work. Such ships are in service with the Chief Hydrographer, Indian Navy and have also executed overseas assignments in the Middle East. It can carry 01 Helicopter in its Hangar.



Fleet Tanker: Primarily designed as a Fleet Support Ship, the Fleet Replenishment Tanker replenishes warships at sea with all kinds of fuel (Including aviation fuel), ammunition, fresh water provisions, hospital facilities etc. It is capable of transferring 2 T load and fuel 04 ships simultaneously. It can carry a Helicopter in its Hangar. GRSE has supplied one fleet replenishment tanker to the Indian Navy named INS Aditya.



Offshore Petrol Vehicle: The Ship is capable of carrying out multi-purpose roles, Anti-Piracy Operation, Search & Rescue Operation, Anti – Smuggling & Anti-drug Surveillance, Anti – Pre Operation of EEZ including Fisheries Protection, Logistic Support Operation including Transportation of Dry Cargo, Fuel Oil & Fresh Water and Refrigerated Fresh Food, Transportation of Small Detachment of Troops/ Personnel, Helicopter Operations, Pollution Response Operation, External Fire fighting. In 2011, the company became the first Indian shipyard, to have received an export order for a warship from the Government of Mauritius for the construction of an Offshore Patrol Vessel and on December 20, 2014 they became the first Indian company to have built and exported—CGS Barracuda—to the Mauritian National Coast Guard.



Hovercraft: GRSE's hover crafts are suitable for amphibious operations. GRSE has delivered a total of six hover crafts to the Indian Coast Guard. Due to inadequate demand for hover crafts in the Indian market GRSE decided to discontinue with further efforts to indigenize hover craft building. However, the company has been providing assistance to Indian Coast Guard for repair and maintenance of these hovercrafts (through annual maintenance contracts), to keep them operational.



Inshore Patrol Vessels and Fast Patrol Vessels: Inshore Patrol Vessels are cost effective platform suited for Marine Surveillance and Rescue Operations as well as Combat Capability by addition of suitable firepower. Fast Patrol Vessel for Indian Coast Guard is designed to offer high speed and is capable of enhancing maritime security of the nation. The primary role of vessels are to perform Fisheries Protection, monitor foreign-chartered trawlers, EEZ and Coastal Patrol, Anti-Smuggling and Search and Rescue Operations. It can also serve to provide communication link and Escort Coastal Convoys during hostilities and wartime. The ship is fitted with Rolls Royce water jets. GRSE has delivered eight inshore patrol vessels and seventeen fast patrol vessels to Indian Coast Guard. In addition, GRSE has also delivered twenty Fast Patrol Vessels to Indian Navy.



Water Jet Fast Attack Craft: Water Jet Fast Attack Craft promises to transform Naval shoreline operations by packing a powerhouse punch of agility and speed. These WJFACs are ideally suited for interception of fast moving surface craft and will perform Anti-Smugglin, Fishery Protection and Search & Rescue Operations. The ship is fitted with Hamilton Water jets. GRSE has delivered fourteen WJFACs to the Indian Navy.



Fast interceptor Boat: GRSE has supplied 88 Fast Interceptor Boats to Ministry of Home Affairs. These boats have been deployed in the states of Andhra Pradesh, Tamil Nadu, Odisha, West Bengal and Union Territories of Puducherry & Andaman & Nicobar. Day/Night Surveillance-cum-investigation Vessels operating in shallow waters for Coastal Policing, Anti-Smuggling, Fishery Protection and Search & Rescue Operations.



Engineering

Portable Bridges

- Steel Suspension Bridges
- Single Lane Portable Steel Bridge
- Portable Steel Bridge

Deck Machinery Item

- Windlass
- LCA Davit
- Underslung Anchor Capstan
- Helicopter Traversing System
- Rail-less and rail-based helo traversing system
- Steering Gears
- Electro Hydraulic Deck Crane
- Designed and built to meet customer specific requirement to support individual vessel



Engines & Pump

- Diesel Engines
- Engine Part



FY 22 Key Highlights

- MOU with Border Roads Organization (BRO): MOU for the fabrication, supply, erection and launching of first-of-its-kind, 27 nos. double-lane Class 70 modular steel bridges in border areas.
- Thrust on ship repairs: GRSE has carried out refits of total four (4) ships including CGS Barracuda for the government of Mauritius
- Won Twin Awards at ICC PSE Excellence Awards 2021: GRSE was conferred with two major awards in the categories of 'CSR and Sustainability (Winner)' & 'Corporate Governance' (Runner up) at a virtual ceremony of 11th ICC PSE Excellence Awards.
- Sandhayak Launched: Launched the first Survey Vessel, in the series of four ships under the Survey Vessel (Large) project for the Indian Navy. Upholding the maritime traditions, the ship was named "Sandhayak"
- Agreement with SMP Kolkata: For development & utilization of three existing dry docks of Khidderpore, Kolkata towards exploring new business opportunities in Ship repair & refit of defence & commercial segments.
- MOU with Naval Group France: GRSE signed a MOU with Naval Group France, a leader in European Naval Defence Industry to Collaborate in the field of Design and Construction of advanced warships.
- Vessel for Republic of Guyana: The Keel laid for the Ocean-Going Vessel for Republic of Guyana. The ship has been fully designed by the GRSE design teams and can accommodate 294 passengers (including 14 crew members) along with 14 cars, 02 trucks, and 14 containers & cargo.

Comprehensive Investment Rationale

Colossal order book gives a long and strong visibility of expansion in revenue and profitability: The company recorded the highest-ever turnover of 1,748 crores for FY 2021-22, reflecting a YoY growth of 54%. Despite being a labor-intensive industry, the company effectively managed the challenges posed by the COVID-19 pandemic and progressed operations, continuously improving internal efficiencies. GRSE has also declared an interim dividend of ₹4.95 per equity share of ₹10 for FY 21-22 against ₹3.85 in FY 20-21, reflecting a remarkable increase of 28.57 %. The shipyard is also a zero-debt company and retains the highest credit rating from M/s Brickwork. It has a mammoth order book of 24,000 Cr, giving us revenue visibility up to 2027.

Make In India Defence Companies	Order Book (In Cr)	Trailing Revenue (In Cr)	Order Book/ Revenue (X)
Astra Microwave Products Ltd	1650	783.73	2
Bharat Dynamics Limited	13000	3383.61	4
Bharat Electronics Limited	55450	16860.12	3
Cochin Shipyard Limited	20000	3302.37	6
Garden Reach Shipbuilders & Engineers Limited	23583	2033.1	12
Hindustan Aeronautics Limited	54800	26626.65	3
Mazagaon Shipbuilders Limited	43500	6749.36	6
Mtar Technologies Limited	766	358.98	2
Total	242749	60097.93	4

Companies like GRSE and Hindustan Aeronautics have the highest visibility. Many of their big projects have now started. This means revenue and profitability would be much higher in the current and next fiscal, considering their revenue recognition cycle. The peak in revenue and profitability could be seen in fiscal 2024.

• Ship Building – Domestic Order Position (As On 31/12/2022)

Project	Customer	Nos
Advanced Frigates (P 17A)	Indian Navy	3
Survey Vessel Large	Indian Navy	4
Anti Submarine Warfare Shallow Water Craft (ASWSWC)	Indian Navy	8
Fast Petrol Vessel	Indian Coast Guard	1
Total		16

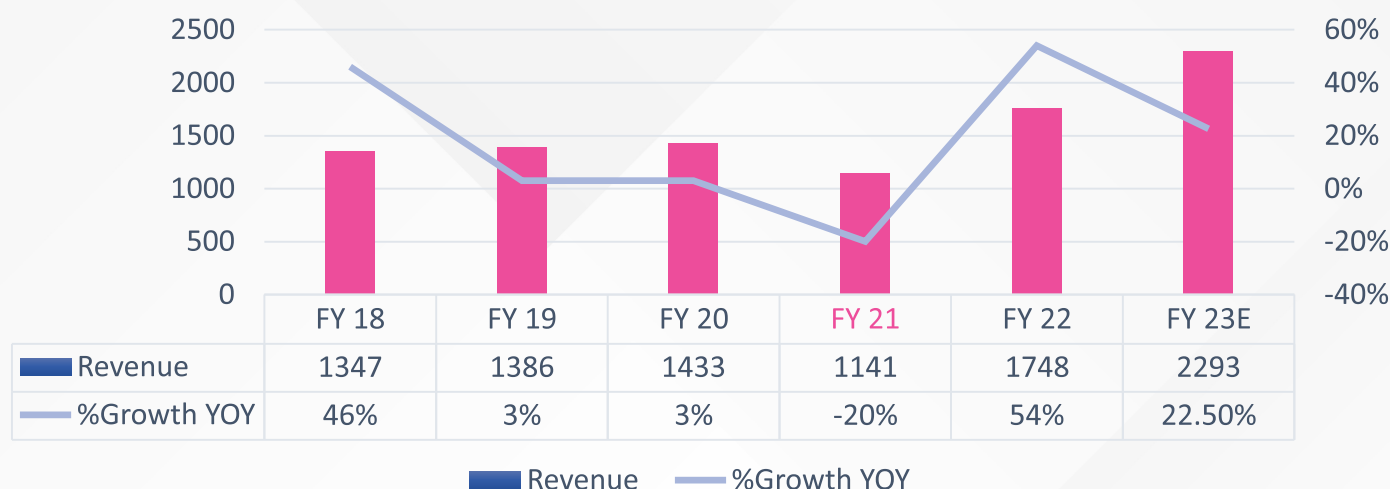
• Ship Building – Export Order Position (As on 31/12/2022)

Project	Customer	Nos
Passenger Ferry	Government Of Guyana.	1
Electrical Petrol Boat	Government Of Bangladesh	6
Total		7

Improving Execution Has Led To Strong Growth In Revenue

Overall, higher revenue and better profitability would support strong earnings growth and cashflows and strengthen their balance sheet even further. With an order book of 24,000 Cr GRSE will see a rising trend in execution pattern. Work in hand has to be completed by FY 27E, which means, Average execution has to be 4800 Cr every year. GRSE's execution pattern, thereby, over the next few years, will remain robust. Operationally, GRSE's missile frigates, large survey vessels and ASW shallow watercraft will contribute majorly over the next few years. Note, in FY22. The company reported 1748 Cr, up 54% YoY. For FY23E, revenue growth guidance is 20-25%, which in our view, is conservative.

Revenues and Growth Rates



Defence remains a big area of focus area because of its excessive reliance on imports:

GRSE is primarily dependent on Government defence spending and security policy. The government's Atmanirbhar Policy is likely to create more opportunities in the ship-building and other business of the segments. Several Requests for Proposals for various ship-building projects have been floated during the last couple of years, and more are expected to be rolled out in future. GRSE developed strategies to compete in the bidding process for new projects and procurements of equipment. GRSE has developed in-house capabilities to design & build the most modern warships in the country.

Furthermore, following Government of India guidelines, GRSE has implemented multiple measures to support the domestic defence industry for indigenization of defence manufacturing such as 'Make in India', 'Make - II', TReDS, GeM, MSME Sambandh, MSME Samadhan, Online Vendor Registration, E-Procurement, effective utilization of assorted Industry Clusters and 'Atmanirbhar Bharat' for overall self-reliance.

Significant Indigenization under the Make In India Initiative with focus on R&D to improve product portfolio:

GRSE spends on R&D activities, thus enhancing indigenization, design capability and operational improvements in the form of reduced wastage and re-work in ship construction. The Company has an advantage over global shipyards in securing contracts to build vessels for the Indian Navy and Indian Coast Guard because it qualifies for the 'Make in India' initiative under the Defense Procurement Procedure (DPP). The 'Make in India' initiative grants indigenous manufacturers a competitive advantage when supplying to the domestic market. The MoD has prioritized Indigenously Designed, Developed, and Manufactured ("IDDM") products for capital procurement. The Indian Navy and Indian Coast Guard are the repeat customers of the Company, and these constitute part of the domestic market. Therefore, the Company receives preference over global shipyards in certain circumstances.

GRSE has achieved over 90% indigenization for Landing Craft Utility Ships and over 85% indigenization for Anti Submarine Warfare, which is a major step towards achieving self-reliance in state-of-the-art warship design and construction. GRSE also has a five-year Indigenization Plan aimed towards 'Aatma Nirbhar Bharat' for presently imported equipment which is primarily project-specific and is also planned for incorporation & utilization.

Hovercraft: At present, Hovercraft technology is not available with any of the Indian firms. Various requirements of Indian Coast Guard/ Indian Army etc. are met by Indian Shipyards through licensed production of foreign OEMs design involving royalty payment in foreign exchange. GRSE in past had built Hovercraft for Indian Coast Guard in collaboration with M/s Griffon Hovercraft, UK. Presently, GRSE is in the process of working towards Hovercraft requirement of Indian Armed Forces and Coast Guard.



Next Generation Electric Ferry: GRSE has developed a concept design for full electric battery operated ferry for transportation of passengers in the inland waters. This 24m long aluminum vessel shall have a max speed of 8 Knots and a capacity of carrying 145 passengers. This will be pioneering effort in promoting Green technologies in the Inland Water transportation sector in the country as replacing the conventional inland ferries. This is a step to replace the diesel ferries that cause environmental pollution as they ply over the Hooghly river. GRSE is now building a vessel for Government of West Bengal as a pilot project.



Export Initiatives:

Ministry of Defense's plan to increase the export of defence products to 3.59 Billion USD by the end of 2024-25 augurs well for GRSE. GRSE is actively pursuing all possibilities to engage Marketing Representatives to increase geo-strategic reach for exports to friendly countries. Exports continue to be a thrust area of GRSE, with it focusing on Europe, SAARC, ASEAN, African and Latin American countries such as Seychelles, Bangladesh, Vietnam, Philippines, Myanmar, Guyana, Mauritius etc., as areas of focus where GRSE is deploying aggressive business development & marketing strategies to pursue export opportunities.

GRSE was the first Indian Shipyard to export a warship, an Offshore Patrol Vessel, to Mauritius in 2014. GRSE also exported a Fast Patrol Vessel 'SCG PS Zoroaster' to the Government of Seychelles and completed its Guarantee Refit & Dry Docking (GRDD) on 31 March 2022. The Shipyard also won a 1.82 Million USD contract for the construction and delivery of Six Patrol Boats for the Government of Bangladesh, the first export order from Bangladesh through global competitive bidding, with participants from other shipyards, including from the Netherlands, South Korea, Finland and UAE. It has also exported 14 Bailey-type Portable Steel Bridges (**Ten Bridges to Bhutan and Four Bridges to Nepal**) During FY 2021-22, GRSE has generated revenue of 60.94 crore from export orders which includes 53.87 crore from Shipbuilding & Ship Repairs and 7.07 crore from Bailey Bridge.

GRSE is presently executing the following Export Orders:

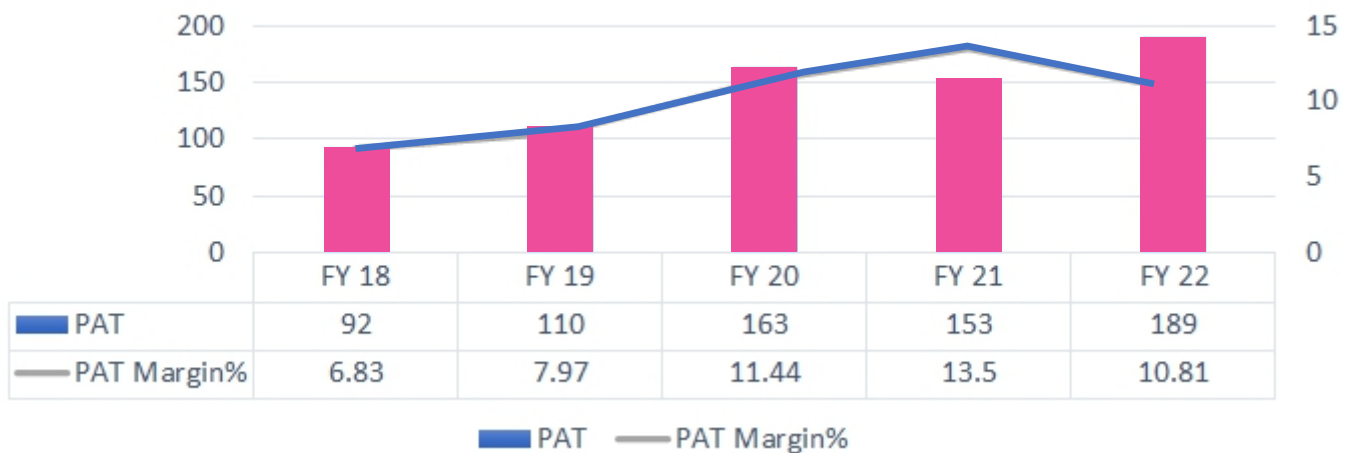
- Export order of 12.73 Million USD for supply of 01 Ocean Going Vessel (OGV) to Republic of Guyana.
- Supply of 06 Patrol/ Surveillance Boats for Government of Bangladesh for a value of 1.82 Million USD.
- Maintenance/ Afloat Support for 03 years for 01 Fast Patrol Vessel of the Govt. of Seychelles which was constructed and delivered to Govt. of Seychelles by GRSE.

Modern Manufacturing Platform and Integrated Shipbuilding Facilities to deliver quality products

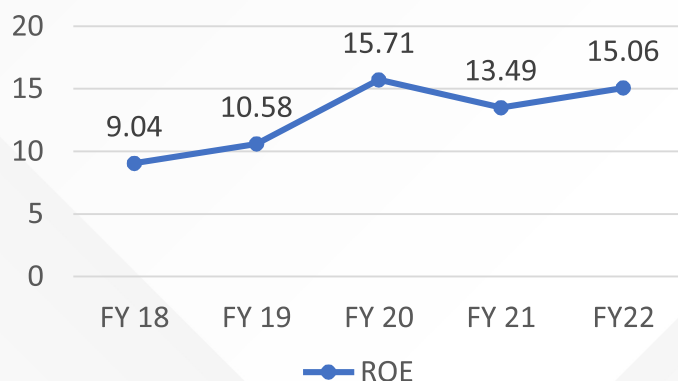
GRSE's state-of-the-art facilities with vast technical expertise gives the Company a significant edge over other domestic defence shipyards. Over the years, the Company has significantly improved its manufacturing and other functional processes by modernization of its facilities and adoption of Information Technology. The Company can simultaneously produce eight large ships and twelve medium/ small ships in its facilities. In addition, the Company has constructed new hull shop, module shop for mega block integration, dry dock and building berth. GRSE has been continuously modernising its infrastructure/ facilities to be in tune with the changing needs of the technology/ products. During the year 2021-22, the Company has spent ~42 crore as a part of CAPEX investment towards modernisation of Infrastructure, Technology, Plant & Machinery etc.

Margins maintained despite higher input cost with the help of scale: With a robust order book and strong focus on faster execution the revenues are much ahead of pre-covid levels. There is significant jump in the cost of materials consumed but it is getting absorbed by efficiency in execution. GRSE has been able to manage the PAT Margin above 10% despite of increase in input cost. Company registered an improvement in Revenue from Operation by 54%, registering 1,757 crore against 1,141 crore in the previous year. During the year, the Company has registered growth in EBITDA and PAT by 24%. PAT for FY22 stood at 190Cr as against 153Cr in FY 22.

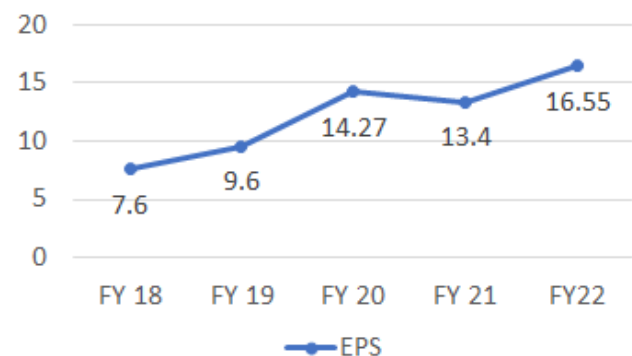
PAT & PAT MARGINS (In Cr)



Return On Capital Employed (ROE)

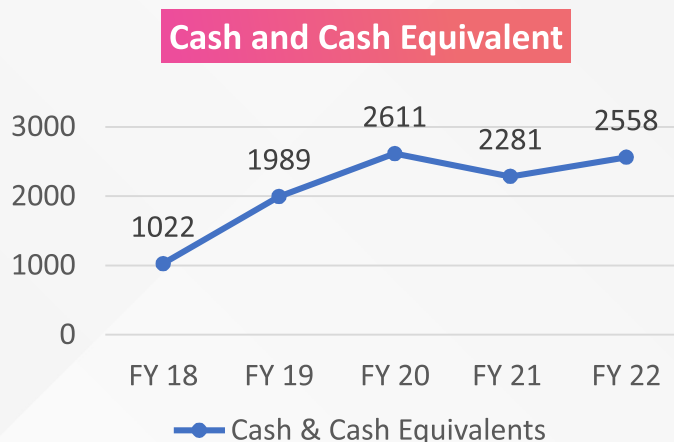
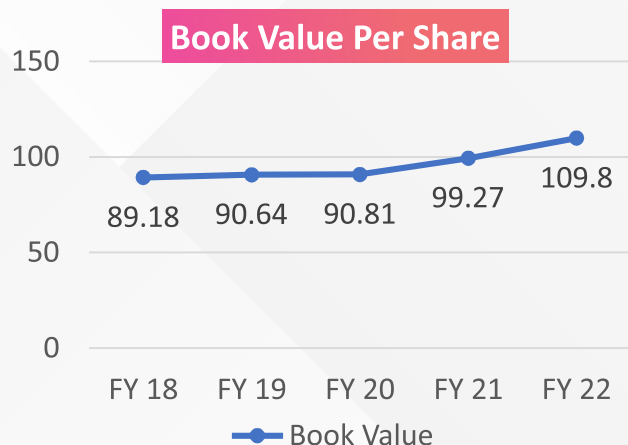


Earnings Per share (EPS)



Healthy balance sheet, minimal debt, strong cash flow, expansion in book value:

GRSE produced strong cash flows of 2558 Cr (including cash and cash equivalent) in FY22, which has zoomed up from 2281 Cr in FY21. Further, as compared to its private sector shipyard peers like Reliance Defence, ABG shipyard and Bharti Shipyard, which have huge debt liability, GRSE is a zero debt company. As we advance, with substantial government backing and massive order inflows resulting in sizeable stage payments, balance sheet strength will further increase, leading to a negative working capital cycle. GRSE has over years invested billions of rupees for the modernization of existing ship building facilities, mainly at Rajabagan Dockyard, replacement of the damaged Goliath cranes, maintenance CAPEX and modification of specific capabilities of ships constructions, block fabrication etc. Given its strong balance sheet, funding its CAPEX programs is never an issue with GRSE.



Quarter 2 Result Analysis

Particulars	Q2 FY22	Q1 FY21	Q2 FY21	Q-O-Q	Y-O-Y
Net Revenue	682 Cr	580 Cr	422 Cr	18%	61%
EBITDA	89 Cr	74 Cr	82 Cr	20%	8.5%
PBT	79 Cr	64 Cr	82 Cr	23%	-3.65%
PAT	59 Cr	50 Cr	59 Cr	17%	0%
EPS	5.13	4.38	5.13	17%	0%

• GRSE has also been conferred with the coveted Green Channel Certification for the Supply of Bailey Type Portable Bridges. Further, being the only PSU Shipyard to receive the Raksha Mantri's Award 2022 for Excellence in Defence & Aerospace Sector at Defense Expo 2022 has been a great motivator. Continuous focus & thrust on maintaining timelines and quality, along with clear strategies to improve internal efficiencies at the shipyard, gives us the confidence to achieve greater heights, both in terms of physical & financial performance, in times to come.

• Commenting on the results, Cmde Hari PR, IN (Retd) Chairman and Managing Director, Garden Reach Shipbuilders & Engineers Limited, said, "H1 of FY 23 has been upbeat with the Revenue from Operations soaring with an increase of 74% over H1 last year. Major production milestones have been achieved over the previous six months with mega-ship launches, including the 2nd P17A Advanced Frigate Dunagiri.

• The company signed an MoU with Naval Group (NG), France to collaborate in the field of surface shipbuilding

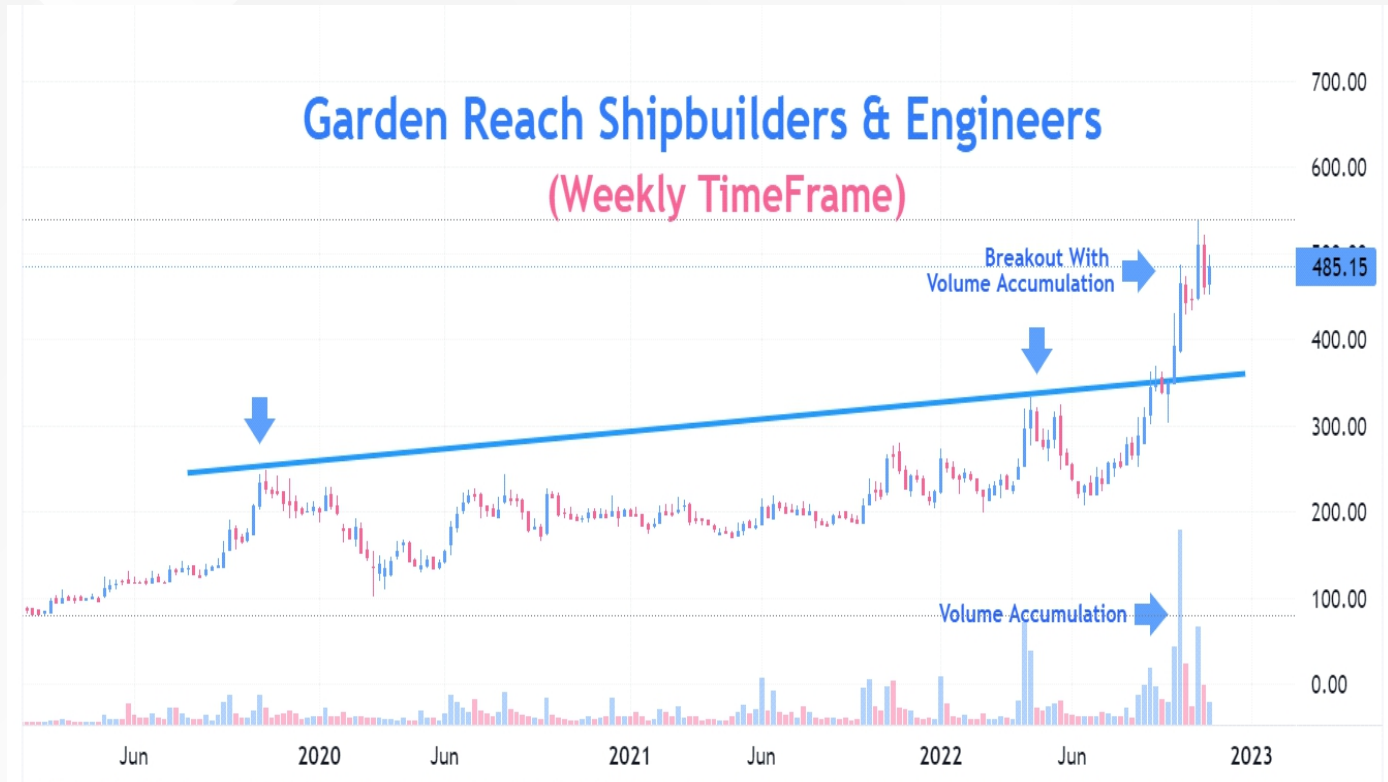
Key Risks and Concerns

- Contingent liabilities of Rs.4,646 Cr.
- Competition in the defence shipbuilding sector has increased as it has been opened for private sector.
- Any unplanned, unscheduled changes may result in missing the target.
- Any delay in execution may result in higher Liquidity Damages (LD) provisions and lower than expected revenues.
- Change in government policy regarding bidding or payment mode may impact the financials.
- Constraints of a riverine shipyard due to limitations in the depth and width of navigable channel with effects of silting in river
- Location of the Company in thickly populated residential areas having narrow roads.
- Weak shipbuilding eco-system in eastern part of India.

Peer Comparison

Particulars	GRSE	Cochin Shipyard	Mazagaon Dock	Knowledge Marine
CMP (14/11)	463	666	797	832
Price/Earnings	25.42	15.21	21.80	43.95
Price/Book	4.03	2.01	4.48	18.89
Price/Sales	2.42	2.71	2.46	14.64
Enterprise Value	1872.36 Cr	6610.83 Cr	4967.43 Cr	898.76 Cr
MarketCap/Sales	2.51	7.46	2.46	28.84
ROCE	20.47	18	25.49	51.80
ROE	15.13	14.07	19.10	54.75
ROA	2.51	7.46	2.21	28.84
Debt To Equity	0.01	0.12	0	0.56
Promoter Holding	74.50%	72.86%	84.83%	72.30%
FII Holding	1.95%	3.68%	3.05%	0.09
DII Holding	8.36%	4.96%	0.76%	0
Book Value	118.76	340.39	185.46	46.28
Dividend Yield	1.20%	2.52%	1.08%	0

Technical Outlook



Garden Reach Shipbuilders & Engineering has given a massive breakout from the flag with heavy volume accumulation. Currently, it is consolidating in a tight range once it gives a breakout from its all-time high of 540. On the upper side, doors open for sequential targets of 700 & 850.

On the lower side, weakness kicks in below 400 levels. Once 400 is taken down on the lower side, we can see further selling, pushing GRSE to 350 levels.

Financial Snapshot

Particulars	FY 18	FY 19	FY 20	FY 21	FY 22
Financial Position					
Equity Share Capital	114.5	114.5	114.5	114.5	114.5
Reserve & Surplus	906.98	923.76	925.68	1022.57	1143.34
Net Worth	1021.54	1038.31	1040.23	1137.12	1257.89
Capital Employed	1021.54	1038.31	1040.23	1137.12	1257.89
Gross Block	472.33	399.59	430.81	496.14	687.03
Net Fixed Assets	389.17	302.25	303.69	340.20	500.65
Working Capital	602.49	684.76	561	542.98	569.65
Operating Results					
Sales	233.90	146.77	217.84	515.73	215.68
Value Of Production	1345.52	1378.77	1424.70	1132.76	1748.35
Value Added	419.23	442.17	455.78	466.41	550.53
Profit/(Loss) Before Tax	127.75	178.96	223.87	207.12	257.24
Provision For Tax	35.35	69.02	60.39	53.65	67.71
Profit/(Loss) After Tax	92.40	109.94	163.48	153.47	189.53
Appropriation					
CSR Reserve	-	-	-	-	-
General Reserve	95.54	-	-	-	-
Proposed Dividend On Equity	50.80	79.61	81.79	57.28	66.44
Tax On Proposed Dividend	10.34	16.36	13.52	-	-
Ratios					
Gross Profit/ Capital Employed	0.13	0.17	0.22	0.18	0.28
PBT/ Production (VOP)	0.10	0.13	0.16	0.18	0.15
Production (VOP)/ Capital Employed	1.32	1.33	1.37	1.00	1.39
Value Added/ Production (VOP)	0.31	0.32	0.32	0.41	0.31
No. of Employees	2214	2100	1973	1900	1790
ROE	9.04	10.58	15.71	13.49	15.06
Debt To Equity	0	0	0	0	0

**This research has been done by the
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