Garden Reach Shipbuilders and Engineers (GARREA)

CMP: ₹ 2600 | Target ₹ 2850 (10%) | Target Period: 12 months | **HOLD**

August 7, 2026

Healthy execution continues; awaiting order book replenishment

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 ₹ 13,596 crore as of Jun-26

Investment Rationale:

- **Robust execution to continue through FY27; NGC to drive the next phase of growth:** GRSE continues to demonstrate strong execution with Q1FY27 revenue and PAT growing ~39% and ~44% YoY, respectively, supported by timely execution across P-17A frigates, ASW SWCs, NGOPVs and commercial vessels. The order book stands at ₹13,596 crore (1.8x TTM revenue, marking the first time in over the last 4-5 years that backlog has almost halved from FY23 level of Rs 25111 crore, which signifies lower order inflows over this period. The current execution momentum is set to sustain through FY27E, with delivery of the final P-17A frigate and remaining ASW SWCs. As per the management, the NGC contract (GRSE share worth ~Rs 33000 crore) is expected to be signed by Sept 2026. Revenue contribution from NGC is likely to commence from FY28E through design activities before scaling materially over its long execution cycle, providing the next leg of growth beyond the current order book.
- **Defence and commercial order pipeline, coupled with capacity expansion, strengthens long-term visibility:** The company remains well positioned to capitalise on one of the strongest order pipelines in the domestic shipbuilding industry. Apart from the expected NGC order, live naval opportunities exceed ₹80,000 crore, including P-17B frigates, Fast Interceptor Crafts, Follow-on FACs, NGOPVs and interceptor boats, while Mine Counter Measure Vessels and Landing Platform Dock projects (~₹71,000 crore combined) are expected to enter the tendering stage during CY26. Simultaneously, commercial opportunities through Government-led demand aggregation (MR tankers, VLGCs, container ships and offshore vessels) provide an incremental growth avenue. To support this opportunity pipeline, GRSE is expanding capacity through brownfield modernisation and greenfield facilities in West Bengal and Gujarat, which will significantly enhance its capability to execute larger commercial vessels, ship repairs and green ship recycling, supporting sustained long-term growth.

Rating and Target Price:

- We have trimmed our estimates for FY27E/FY28E, factoring in lower-than-expected order inflows. We believe that timely placement of large contracts (including NGC this year) would be a key trigger for long-term growth
- We maintain our rating of HOLD on GRSE with a TP of ₹ 2850 (based on 35x P/E on FY28E)

Garden Reach Shipbuilders & Engineers Ltd

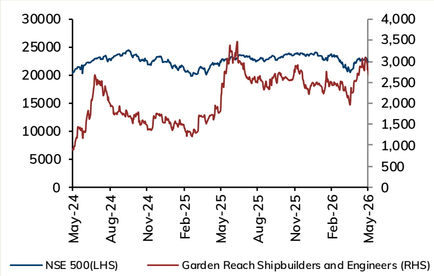
Particulars

Particulars	Amount
Market Capitalisation (₹ Crore)	29,784
FY26 Gross Debt (₹ Crore)	0
FY26 Cash (₹ Crore)	3,388
EV (₹ Crore)	26,395
52 Week H/L (₹)	3339 / 1964
Equity Capital	114.6
Face Value	10.0

Shareholding pattern

	Sep-25	Dec-25	Mar-26	Jun-26
Promoter	74.5	74.5	74.5	74.5
FII	3.3	3.0	3.5	3.2
DII	2.0	1.6	1.7	1.9
Others	20.3	20.9	20.3	20.4

Price Chart



Key risks

i. Dependent on govt contracts

ii. High working capital requirement

iii. Availability of key raw materials

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Result Update

ICICI Securities – Retail Equity Research

Key Financial Summary

Key Financials (₹ Crore)	FY24	FY25	FY26	2 Year CAGR (FY24-26)	FY27E	FY28E	2 Year CAGR (FY26-28E)
Revenues	3,593	5,076	7,002	40%	8,403	8,445	10%
EBITDA	234	421	795	84%	923	930	8%
EBITDA margin (%)	6.5	8.3	11.4		11.0	11.0	
Net Profit	357	527	748	45%	880	931	12%
EPS	31.2	46.0	65.3		76.9	81.3	
P/E (x)	83.4	56.5	39.8		33.8	32.0	
EV/EBITDA (x)	111.6	61.8	33.2		27.0	26.0	
RoCE (%)	28.5	34.3	38.9		35.3	30.6	
RoE (%)	21.3	25.4	28.5		26.0	22.5	

Source: Company, ICICI Direct Research

Q1FY27 result summary

- Revenue increased by increased by 38.5% YoY (-14.4% QoQ) to ₹1,815 crore in Q1FY27, driven by healthy execution across key shipbuilding programmes
- EBITDA increased 33.3% YoY (-58.0% QoQ) to ₹149 crore, while EBITDA margin stood at 8.2% (-32 bps YoY, -854 bps QoQ), impacted by the execution mix during the quarter
- PAT increased 43.8% YoY (-43.0% QoQ) to ₹173 crore

Q1FY27 call highlights

- Management guided for continued healthy execution in FY27E, supported by strong progress across ongoing naval and commercial shipbuilding projects. The current execution momentum is expected to sustain over the coming quarters despite a declining order book due to faster deliveries.
- Order book stood at ₹13,596 crore as of Jun-26, reflecting strong execution rather than weak demand. The order book includes 11 projects with 44 marine platform comprising of nine Indian Navy warships and multiple commercial/export vessels.
- The order book mix is dominant by shipbuilding (~95%) vertical comprising of Survey Vessel Large (SVL) (₹ 4,519 crore), ASW Shallow Watercraft (₹ 1,815 crore), NGOPV (₹ 3075 crore), Ocean Research Vessel (₹ 740 crore), Acoustic Research Ship (₹ 450 crore), Coastal Research Vessel (₹ 458 crore), Ferry (₹ 203 crore), Multi-purpose vessels + Dredger (₹ 1,055 crore), Residual on SVL project (₹ 225 crore)
- Execution across key naval programmes remains on track. The final P-17A frigate (~85% complete) is expected to be delivered by Nov-26, while the remaining four Anti-Submarine Shallow Watercraft (ASW SWC) vessels are scheduled for delivery during FY27E.
- The first Next Generation Offshore Patrol Vessel (NGOPV) has already been launched, while the second vessel is scheduled for launch in Jul-26. Remaining two vessels are expected to be launched during FY27E, with deliveries commencing from H2FY28E and continuing through H2FY29E.
- Construction has commenced across all research vessel programmes, with Ocean Research Vessel (~20% progress), Acoustic Research Ship (~12%) and Coastal Research Vessels (~5%) progressing as planned. The Bangladesh dredger and German Multi-Purpose Vessel (MPV) export projects are also progressing in line with schedule.
- Management reiterated that the company remains L1 for the Next Generation Corvette (NGC) programme and expects contract signing during the current quarter. Revenue recognition is expected to commence from FY28 through design and engineering activities, while meaningful execution will ramp up gradually over the eight-year project lifecycle.
- Regarding order inflows, the management foresees an opportunity of over ₹80,000 crore, including 7 P-17B frigates (~₹70,000 crore), 120 Fast Interceptor Crafts (~₹3,500 crore), 31 Follow-on FACs (~₹3,500 crore), six NGOPVs (~₹2,500 crore) and 22 interceptor boats (~₹1,200-1,300 crore). Management also expects RFPs for Mine Counter Measure Vessels (₹36,000 crore) and Landing Platform Docks (₹35,000 crore) during CY26.
- Commercial shipbuilding opportunities remain favourable following the Government's demand aggregation initiative. The company has already secured LOIs for ONGC Platform Support Vessels and a Green Tug project, while evaluating opportunities in MR tankers, VLGCs and container ships through partnerships with domestic and international shipyards.
- Capacity expansion remains a key strategic priority, as company is increasing shipbuilding capacity from 28 to 32 platforms within its existing facilities by CY26, while pursuing greenfield shipyards in West Bengal

(~₹2,200 crore) and Gujarat (~₹2,000 crore), which will enable construction of larger commercial vessels, ship repair and green ship recycling capabilities.

- The company highlighted strong preparedness in autonomous naval platforms, having already developed and demonstrated indigenous unmanned surface and underwater vessels. Management expects autonomous platforms to emerge as an important future opportunity under the Indian Navy's Make programmes.
- Overall indigenisation across recent naval projects has reached over 80% by value, supported by increasing localisation of weapons, sensors and platform systems. Management expects indigenisation levels to improve further over the next 5-10 years as domestic propulsion and marine engine capabilities mature

Exhibit 1: Q1FY27 consolidated result overview (₹ crore)

Particulars	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)	Comments
Operating Income	1,814.6	1,309.9	38.5	2,119.2	-14.4	Healthy execution in-line with management guidance
Other income	99.6	72.5		71.2		
Total Revenue	1,914.2	1,382.4		2,190.4		
Raw materials costs	1,372.0	749.2		1,035.3		
Employees Expenses	101.3	105.9		112.0		
Other Expenses	192.1	342.8		616.6		
Total Expenditure	1,665.4	1,198.0		1,763.9		
EBITDA	149.2	111.9	33.3	355.3	-58.0	Margin muted in-line with guidance
EBITDA margins (%)	8.2	8.5	-32 bps	16.8	-854 bps	
Interest	3.8	6.1		2.6		
Depreciation	13.5	11.7		13.0		
Tax	58.7	46.5		107.7		
PAT	172.8	120.2	43.8	303.2	-43.0	

Source: Company, ICICI Direct Research

Financial summary

Exhibit 2: Profit and loss statement ₹ crore

(₹Crore)	FY25	FY26	FY27E	FY28E
Revenue	5,076	7,002	8,403	8,445
% Growth	41.3	38.0	20.0	0.5
Other income	334.8	274.4	329.3	395.1
Total Revenue	5,076	7,002	8,403	8,445
% Growth	41.3	38.0	20.0	0.5
Total RM Costs	3,535	4,060	5,235	5,193
Employee Expenses	361	413	458	504
other expenses	758	1,734	1,786	1,817
Total Operating Exp.	4,654	6,207	7,479	7,514
EBITDA	421	795	923	930
% Growth	79.9	88.8	16.1	0.8
Interest	10	16	12	12
PBDT	746	1,054	1,240	1,313
Depreciation	42	49	57	62
PBT before Excp. Items	703	1,005	1,183	1,252
Total Tax	176	257	303	320
PAT before MI	527	748	880	931
Minority Interest	-	-	-	-
PAT	527	748	880	931
% Growth	47.6	41.8	17.7	5.8

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement ₹ crore

(₹Crore)	FY25	FY26	FY27E	FY28E
Profit after Tax	527	748	880	931
Depreciation	42	49	57	62
Interest	10	16	12	12
Cash Flow before WC chg	580	813	950	1,005
Changes in inventory	432	150	(2,123)	(28)
Changes in debtors	(65)	(961)	760	(2)
Changes in loans & Advances	-	-	-	-
Changes in other CA	(451)	224	(549)	(11)
Net Incr in Current Assets	(67)	(507)	(2,002)	(40)
Changes in creditors	159	676	244	10
Changes in provisions	16	159	(6)	1
Net Inc in Current Liabilities	(252)	(290)	2,860	54
Net CF from Op activities	262	16	1,808	1,019
Chg in deferred tax assets	6	74	(74)	(1)
(Pur)/Sale of Fixed Assets	(68)	(106)	(100)	(100)
Net CF from Inv activities	(63)	(142)	(222)	(101)
Dividend and Dividend Tax	(122)	(143)	(178)	(183)
Net CF from Fin Activities	(187)	(217)	(132)	(195)
Net Cash flow	12	(344)	1,455	722
Opening Cash/Cash Eq	3,720	3,732	3,388	4,843
Closing Cash/ Cash Eq	3,732	3,388	4,843	5,566

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet ₹ crore

(₹ Crore)	FY25	FY26	FY27E	FY28E
Equity Capital	114.6	114.6	114.6	114.6
Reserve and Surplus	1,965	2,512	3,272	4,020
Total Sh. funds	2,079	2,626	3,387	4,135
Other Non-Curr. Liab.	-	-	-	-
Total Debt	-	-	-	-
Total Liabilities	2,205	2,777	3,513	4,262
Gross Block	727	778	950	1,050
Acc: Depreciation	279	327	385	446
Net Block	499	557	566	604
Capital WIP	21	16	50	50
Total Fixed Assets	543	600	643	681
Non-Current Assets	287	349	445	447
Inventory	3,552	3,402	5,525	5,553
Debtors	259	1,221	460	463
Loans and Advances	-	-	-	-
Other Current Assets	1,776	1,551	2,101	2,111
Cash	3,732	3,388	4,843	5,566
Total Current Assets	9,524	9,688	13,144	13,907
Current Liabilities	1,151	1,828	2,072	2,082
Provisions	90	91	92	93
Total Curr. Liab.	8,149	7,859	10,720	10,774
Net Current Assets	1,375	1,828	2,425	3,133
Total Assets	2,205	2,777	3,513	4,262

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
EPS	46.0	65.3	76.9	81.3
Cash per Share	325.8	295.8	422.8	485.9
BV	181.5	229.3	295.7	361.0
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	11.4	11.0	11.0
PAT Margin	10.4	10.7	10.5	11.0
RoE	25.4	28.5	26.0	22.5
RoCE	34.3	38.9	35.3	30.6
RoIC	(22.9)	(98.0)	(59.5)	(60.7)
EV / EBITDA	61.8	33.2	27.0	26.0
P/E	56.5	39.8	33.8	32.0
EV / Net Sales	5.1	3.8	3.0	2.9
Sales / Equity	2.4	2.7	2.5	2.0
Market Cap / Sales	5.9	4.3	3.5	3.5
Price to Book Value	14.3	11.3	8.8	7.2
Asset turnover	2.4	2.7	2.5	2.0
Debtors Turnover Ratio	22.4	9.5	10.0	18.3
Creditors Turnover Ratio	4.7	4.7	4.3	4.1
Debt / Equity	-	-	-	-
Current Ratio	4.5	3.0	3.5	3.5
Quick Ratio	1.6	1.3	1.1	1.1

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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