

CMP: ₹ 2850

Target: ₹ 3000 (+5%)

Target Period: 12 months

HOLD

May 13, 2026

Execution remains healthy; order wins crucial going ahead...

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 ₹ 15,324 crore as of Dec-25 end

Investment Rationale:

- Execution momentum expected to remain healthy through FY27E; NGC to drive next growth cycle:** Execution remained strong in FY26 with revenue growth at ~29% YoY and EBITDA margin improved by 306 bps YoY to 11.4%. Over the period FY22-26, company's revenue grew at 41% CAGR, led by robust execution of projects like P-17A frigates, ASW SWCs, NGOPVs etc. The company has delivered 8 warships/platforms to the Indian Navy and launched 19 platforms, showcasing improved throughput and execution capabilities. Company's order-book has fallen to around ₹15,324 crore as of Mar-2026 (with 39 platforms under execution across 9 projects), which gives medium-term growth visibility
- Robust order pipeline and capacity expansion support long-term growth visibility:** Management remains optimistic on the long-term opportunity pipeline driven by Indian Navy and Coast Guard modernization programs. The company remains L1 in the NGC project, with contract (worth ~₹33,000 crore share for GRSE) signing expected in the near term, while multiple large opportunities including P17-B frigates (~₹70,000 crore), MCMVs (~₹32,000 crore), LPDs (~₹35,000 crore), FICVs and additional NGOPVs are expected over the next few quarters. The company expects cumulative order inflows of ~₹1.5 lakh crore over the next 3-5 years. To support future execution, GRSE has already expanded capacity from 20 ships to 28 ships annually and targets further expansion to ~32 platforms annually by CY26E through ongoing brownfield and greenfield projects in West Bengal and Gujarat. Management also highlighted increasing focus on exports, commercial shipbuilding would further diversify revenue streams over the long term. We believe timely order finalization and execution scale-up remain critical for sustaining growth beyond FY27E, particularly during the transition period before NGC execution ramps up materially.

Rating and Target Price

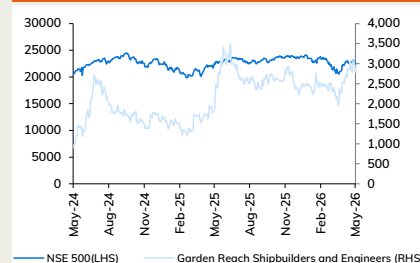
- Over FY26-28E, we estimate revenue CAGR at ~11% as the execution expected to remain healthy over FY27E. EBITDA is expected at ~12% CAGR during the same period, led by sustainable margins at ~11%+
- We believe that sustainable execution and timely awarding of NGC and other large platforms would be key trigger for long-term growth. We maintain our rating to HOLD on GRSE with a TP of ₹ 3000 (based on 35x P/E on FY28E)

**Garden Reach Shipbuilders & Engineers Ltd****Particulars**

Particular	Amount (Rs crore)
Market Capitalisation	32,647
FY26 Gross Debt	0
FY26 Cash	3,388
EV	29,259
52 Week H/L	3538 / 1964
Equity Capital	114.6
Face Value	10.0

Shareholding pattern

	Jun-25	Sep-25	Dec-25	Mar-26
Promoter	74.5	74.5	74.5	74.5
FII	5.3	3.3	3.0	3.5
DII	1.8	2.0	1.6	1.7
Others	18.4	20.3	20.9	20.3

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	FY26	4 Year CAGR (FY22-25)	FY27E	FY28E	2 Year CAGR (FY25-28E)
Revenues	1,758	2,562	3,593	5,076	7,002	41%	8,403	8,655	11%
EBITDA	141	149	234	421	795	54%	957	1,003	12%
EBITDA margin (%)	8.0	5.8	6.5	8.3	11.4		11.4	11.6	
Net Profit	190	228	357	527	748	41%	904	983	15%
EPS	16.5	19.9	31.2	46.0	65.3		78.9	85.8	
P/E (x)	168.4	144.1	92.0	62.3	44.0		36.4	33.5	
EV/EBITDA (x)	214.0	192.0	124.8	69.2	37.1		28.0	25.8	
RoCE (%)	21.1	18.2	28.5	34.3	38.9		36.0	31.7	
RoE (%)	15.5	16.1	21.3	25.4	28.5		26.5	23.3	

Source: Company, ICICI Direct Research

Q4 and FY26 Result Summary

- Operational performance was led by healthy execution which was largely in-line with expectations. Revenue increased by 29.1% YoY (+11.8% QoQ) to ₹ 2119 crore
- EBITDA margin improved to 16.8% (+331 bps YoY, +770 bps QoQ) on positive operating leverage. Subsequently, EBITDA stood at ₹335 crore (+60.8% YoY and +106.7% QoQ) while PAT came in at ₹303 crore (+24.1% YoY and +77.5% QoQ)
- For FY26, revenue came in at ₹7,002 crore (+38.0% YoY), with EBITDA margin at 11.4% (+306 bps YoY), while PAT increased 41.8% YoY to ₹748 crore, supported by strong execution across key shipbuilding programmes.

Q4 and FY26 call highlights

- Management guided for continued strong execution in FY27E with margins expected to sustain at current double-digit levels (~11%), supported by healthy execution pipeline and improving operating efficiencies
- During FY26 the company delivered 8 warships/platforms to the Indian Navy, including delivery of 3 warships on a single day, a first-of-its-kind achievement in India. The company also launched 1 warship and 19 additional platforms including 13 hybrid ferries
- Export revenues crossed ~₹270 crore during FY26, the highest ever for the company, while the Bailey bridge division crossed ~₹200 crore revenue milestone for the first time aided by domestic as well as export demand
- The current order book stands at ~₹15,324 crore, lower than previous years due to significantly faster execution and deliveries. Shipbuilding constitutes ~95% (~₹14,730 crore) of the total order book
- Defence projects in the order book include remaining execution of P17A (~₹5,868 crore), 4 NGOPVs (~₹8,168 crore), and balance execution of ASW SWCs where 4 vessels have already been delivered while the remaining 4 are under execution
- Non-defence and export projects include Ocean Research Vessel (~₹749 crore), Coastal Research Vessels (~₹260 crore), Acoustic Research Ships (~₹256 crore), export MPVs (~₹1,345 crore), hybrid ferries and dredger projects. Overall, the company currently has 39 platforms under execution across 9 projects
- Regarding project execution, management highlighted that all remaining ASW SWCs are expected to be delivered during FY27 while the first NGOPV is scheduled for launch on 20 May 2026. Ocean Research Vessel launch is also expected during CY26
- The export MPV project for Germany is progressing well with key milestones already achieved. Deliveries are expected to continue over the coming years as per schedule
- On the naval guns segment, the company has delivered 7 naval guns so far while 4 guns have successfully completed sea acceptance trials, strengthening the company's position in indigenous naval weapon systems
- Management indicated that revenue contribution from the Next Generation Corvette (NGC) project is expected to commence from H2FY28E owing to the initial design and development phase before execution scales up
- Regarding upcoming opportunities, management stated that the company remains L1 in the Next Generation Corvette (NGC) program with estimated order value of ~₹33,000 crore and expects contract signing in the near term
- Apart from NGC, major live tenders include 2 MPVs for the Navy (~₹1,500 crore), 5 NGOPVs for Coast Guard (~₹2,000 crore) and 22 interceptor boats (~₹1,000 crore)
- Over the next 3–6 months, management expects large naval RFPs including 120 Fast Interceptor Crafts (~₹3,500 crore), 31 follow-on FACs (~₹3,500

crore), 7 P17 Bravo frigates (~₹70,000 crore), 12 Mine Counter Measure Vessels (~₹32,000 crore) and 4 Landing Platform Docks (~₹35,000 crore)

- In terms of capacity expansion, GRSE has already increased shipbuilding capacity from 20 ships to 28 ships annually since 2024 and targets further expansion to ~32 platforms annually by CY26E
- The company is executing brownfield expansion projects in West Bengal while simultaneously planning greenfield facilities in West Bengal and Gujarat to cater to future warship and commercial vessel opportunities
- Management also highlighted increasing focus on indigenous autonomous underwater and autonomous surface platforms under Make-I and Make-II programs, while commercial exports to Europe remain a key strategic growth area leveraging competitive pricing and execution capabilities
- The company expects cumulative order inflows of ~₹1.5 lakh crore over the next 3–5 years driven by Indian Navy and Coast Guard modernization programs along with export opportunities
- Management remains cautiously optimistic on long-term growth and highlighted that while FY28 could witness a temporary moderation phase before large projects like NGC scale up, upcoming defence orders provide strong long-term visibility for growth and execution momentum remains robust through FY27

Exhibit 1: Q4 and FY26 result snapshot

	Q4FY26	Q4FY25	YoY (%)	Q3FY26	QoQ (%)	Comments	FY26	FY25	YoY(%)
Operating Income	2,119.2	1,642.0	29.1	1,895.7	11.8	Healthy execution in-line with estimates	7,002.2	5,075.7	38.0
Other income	71.2	113.9		62.0			274.4	334.8	
Total Revenue	2,190.4	1,756.0		1,957.7			7,276.5	5,410.5	
Raw materials costs	1,035.3	1,106.5		1,405.5			4,059.7	3,535.4	
Employees Expenses	112.0	97.3		101.4			412.8	360.8	
Other Expenses	616.6	217.3		216.9			1,734.3	758.2	
Total Expenditure	1,763.9	1,421.1		1,723.8			6,206.9	4,654.4	33.4
EBITDA	355.3	221.0	60.8	171.9	106.7		795.3	421.3	88.8
EBITDA margins (%)	16.8	13.5	331 bps	9.1	770 bps	Margins improved through positive operating leverage	11.4	8.3	306 bps
Interest	2.6	1.4		3.8			16.1	10.3	
Depreciation	13.0	10.0		12.4			48.9	42.5	
Tax	107.7	79.3		47.0			256.8	175.9	
PAT	303.2	244.2	24.1	170.8	77.5		747.9	527.4	41.8

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 2: Profit and loss statement				
	₹ crore			
(Year-end March)	FY25	FY26	FY27E	FY28E
Revenue	5,076	7,002	8,403	8,655
% Growth	41.3	38.0	20.0	3.0
Other income	334.8	274.4	329.3	395.1
Total Revenue	5,076	7,002	8,403	8,655
% Growth	41.3	38.0	20.0	3.0
Total Raw Material Costs	3,535	4,060	5,201	5,331
Employee Expenses	361	413	458	504
other expenses	758	1,734	1,786	1,817
Total Operating Expendit	4,654	6,207	7,446	7,652
Operating Profit (EBITDA)	421	795	957	1,003
% Growth	79.9	88.8	20.3	4.8
Interest	10	16	12	12
PBDT	746	1,054	1,274	1,386
Depreciation	42	49	60	65
PBT before Exceptional It	703	1,005	1,214	1,321
Total Tax	176	257	311	338
PAT before MI	527	748	904	983
Minority Interest	-	-	-	-
PAT	527	748	904	983
% Growth	47.6	41.8	20.8	8.8
EPS	46.0	65.3	78.9	85.8

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet				
	₹ crore			
(Year-end March)	FY25	FY26	FY27E	FY28E
Equity Capital	114.6	114.6	114.6	114.6
Reserve and Surplus	1,965	2,512	3,295	4,095
Total Shareholders funds	2,079	2,626	3,410	4,209
Other Non Current Liabili	-	-	-	-
Total Debt	-	-	-	-
Total Liabilities	2,205	2,777	3,536	4,336
Gross Block	727	778	950	1,050
Acc: Depreciation	279	327	387	452
Net Block	499	557	563	598
Capital WIP	21	16	50	50
Total Fixed Assets	543	600	640	675
Non Current Assets	287	349	361	367
Inventory	3,552	3,402	5,525	5,691
Debtors	259	1,221	460	474
Loans and Advances	-	-	-	-
Other Current Assets	1,776	1,551	3,361	3,462
Cash	3,732	3,388	6,110	6,983
Total Current Assets	9,524	9,688	15,671	16,824
Current Liabilities	1,151	1,828	2,072	2,134
Provisions	90	91	92	93
Total Current Liabilities	8,149	7,859	13,137	13,531
Net Current Assets	1,375	1,828	2,534	3,294
Total Assets	2,205	2,777	3,536	4,336

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement				
	₹ crore			
(Year-end March)	FY25	FY26	FY27E	FY28E
Profit after Tax	527	748	904	983
Depreciation	42	49	60	65
Interest	10	16	12	12
Cash Flow before WC changes	580	813	975	1,060
Changes in inventory	432	150	(2,123)	(166)
Changes in debtors	(65)	(961)	760	(14)
Changes in loans & Advances	-	-	-	-
Changes in other current assets	(451)	224	(1,810)	(101)
Net Increase in Current Assets	(67)	(507)	(3,262)	(280)
Changes in creditors	159	676	244	62
Changes in provisions	16	159	(110)	3
Net Inc in Current Liabilities	(252)	(290)	5,278	394
Net CF from Operating activities	262	16	2,991	1,173
Changes in deferred tax assets	6	74	(74)	(1)
(Purchase)/Sale of Fixed Assets	(68)	(106)	(100)	(100)
Net CF from Investing activities	(63)	(142)	(137)	(105)
Dividend and Dividend Tax	(122)	(143)	(178)	(183)
Net CF from Financing Activities	(187)	(217)	(132)	(195)
Net Cash flow	12	(344)	2,722	873
Opening Cash/Cash Equivalent	3,720	3,732	3,388	6,110
Closing Cash/ Cash Equivalent	3,732	3,388	6,110	6,983

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios				
(Year-end March)	FY25	FY26	FY27E	FY28E
EPS	46.0	65.3	78.9	85.8
Cash per Share	325.8	295.8	533.4	609.6
BV	181.5	229.3	297.7	367.5
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	11.4	11.6
PAT Margin	10.4	10.7	10.8	11.4
RoE	25.4	28.5	26.5	23.3
RoCE	34.3	38.9	36.0	31.7
RoIC	(22.9)	(98.0)	(33.2)	(33.8)
EV / EBITDA	68.6	36.8	27.7	25.6
P/E	61.9	43.6	36.1	33.2
EV / Net Sales	5.7	4.2	3.2	3.0
Sales / Equity	2.4	2.7	2.5	2.1
Market Cap / Sales	6.4	4.7	3.9	3.8
Price to Book Value	15.7	12.4	9.6	7.8
Asset turnover	2.4	2.7	2.5	2.1
Debtors Turnover Ratio	22.4	9.5	10.0	18.5
Creditors Turnover Ratio	4.7	4.7	4.3	4.1
Debt / Equity	-	-	-	-
Current Ratio	4.5	3.0	4.2	4.2
Quick Ratio	1.6	1.3	1.7	1.7

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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