



Quarterly Results Pick

Garden Reach Shipbuilders & Engineers Ltd.

November 25, 2025



Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Aerospace & Defence	Rs 2711.90	Buy in Rs 2685-2745 band and add on dips in Rs 2475-2520 band	Rs 2945	Rs 3110	2-3 quarters

HDFC Scrip Code	GARREA
BSE Code	542011
NSE Code	GRSE
Bloomberg	GRSE IN
CMP Nov 24, 2025	2711.9
Equity Capital (Rs Cr)	114.6
Face Value (Rs)	10.0
Equity Share O/S (Cr)	11.5
Market Cap (Rs Cr)	31065.40
Book Value (Rs)	200
Avg. 52 Wk Volumes	1,207,815
52 Week High	3538.0
52 Week Low	1184.9

Share holding Pattern % (Sept, 2025)	
Promoters	74.5
Institutions	5.3
Non Institutions	20.2
Total	100



* Refer at the end for explanation on Risk Ratings

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Our Take:

Garden Reach Shipbuilders & Engineers Ltd (GRSE) is a shipbuilding company in India, under the administrative control of the Ministry of Defence. The company is engaged in shipbuilding and ship repair, engine assembly and testing, and engineering products, and has built more than 107 warships for multiple roles, ranging from state-of-the-art frigates and corvettes to fast patrol boats. The company has a total of eight units, of which seven (shipbuilding and repair, engineering and training) are located in and around Kolkata, and one (engine division) assembles and tests new diesel engines and repairs and reconditions old engines of Naval and Coast Guard Ships) at Ranchi, Jharkhand.

GRSE's order book stood at Rs 20,205.56 crore as of Sept 30, 2025 (book to bill at 3.4x TTM sales); 10 shipbuilding projects comprising 43 platforms plus non-ship divisions (Bridges, Deck Machinery, Diesel Engines). Current execution includes two P-17A ships (one to be delivered by November and the other constructed more than 60%), a large survey vessel (LSV), seven anti-submarine shallow watercraft (ASW-SWC) ships, four next-generation offshore patrol vessels (NGOPV), and projects for central and state governments and export orders, which are set to be completed by FY29. The company is targeting a FY26 closing order book of above Rs 50000 crore.

GRSE initially planned to enhance its capacity from 20 to 24 ships in 2024; this has now been further increased to 28 ships, and the company aims to increase shipbuilding capacity to 32 ships by FY26 and further to 40 ships over the next four years. Besides, the company is undertaking a brownfield expansion at its Kolkata facility and is also evaluating a greenfield capacity expansion on the West Coast.

GRSE expects a FY26E revenue run rate of 30-40%, as its current order book is nearing peak execution, led by a temporary plateau in FY28, with a subsequent uptick as execution ramps up for new projects. The company is also in discussions with a European client for a Multi-Purpose Vessel (MPV) and expects meaningful progress over the next six months. Four guns have been supplied so far, with three more scheduled for installation over the next four months.

Q2FY26 Result Update:

- GRSE reported robust revenue and PAT growth on a year-on-year basis, along with margin expansion. The company's order book is strong, and ongoing projects are progressing well. The company is confident it can maintain the growth momentum. Revenue from Operations increased to Rs. 1677 crore in Q2FY26, registering a growth of 45.5% YoY.
- The company's EBITDA (excl. other income) stood at Rs 156 crore in Q2FY26, with an increase of 127% YoY. Profit After Tax (PAT) is Rs 154 crore in Q2FY26, registering a growth of 57% YoY, supported by higher other income. PAT margin stood at 9.2% vs. 8.5% in Q2FY25.

Concall takeaways:

- The company has reiterated FY26E growth, and is maintaining about 25% to 30% YoY growth, and the company expects to maintain a similar trend in the current financial year.
- Detailed shipbuilding backlog (management sums to ~Rs 19,856 crore):
P-17A (remaining incl. Base & Depot spares): ~Rs 9,500 crore, (2) ASW Shallow Water Craft (8 GRSE ships): ~Rs 3,075 crore, (3) Survey Vessel (Large): ~Rs 400 crore, (4) Next-Gen Offshore Patrol Vessel (NGOPV): ~Rs 3,250 crore, (5) 30mm Naval Surface Gun: ~Rs 150 crore, (6) Ocean Research Vessel: ~Rs 750 crore, (7) Acoustic Research Ship: ~Rs 220 crore, (8) Coastal Research Vessels: ~Rs 460 crore, (9) West Bengal Hybrid Ferries: ~Rs 220 crore, (10) Multi-Purpose Vessels (Germany): ~Rs 5,400 crore, and (11) Trailing Suction Hopper Dredger (Bangladesh): Rs 95 crore.
- Key executions:
 - (1) P17 Alpha: Delivered first ship and the second is getting ready for fleet trials by end of November. The third ship is 60% complete, with delivery likely by mid-2026.
 - (2) Large survey vessel: Three ships have been delivered, while the fourth is 85% complete and has completed fleet trials. The entire project is targeted for completion by February 2026.
 - (3) Anti-submarine shallow watercraft project: Two ships have been delivered. The third ship is scheduled for delivery early next month, while the fourth and fifth ships have achieved 80% and 72% construction progress, respectively. The remaining vessels are expected to be delivered by mid-2026, with the entire project targeted for completion by CY26.
- GRSE expects more orders from both the Navy and the Coast Guard, driven by fleet proliferation of small/medium platforms and replacement of vintage guns over time.

Valuation & Recommendation:

The defence shipbuilding segment continues to look promising on account of the ambitious acquisition plan of the Indian Navy and the Indian Coast Guard, which is immensely encouraging for the Indian Shipbuilders and the entire eco-system. Maintaining a strong net worth amid moderate capital expenditure (capex) and healthy cash accruals should continue to support a healthy financial risk profile over the medium term. Given the low debt and improving profitability, the debt protection metrics are expected to remain healthy below unity over the medium term.

We believe the base case fair value of the stock is Rs 2945 (36x Sept'27E EPS) and the bull case fair value of the stock is Rs 3110 (38x Sept'27E EPS) over the next two to three quarters. Investors can buy in Rs 2685-2745 band and add further on dips in the Rs 2475-2520 band (30.5x Sept'27E EPS). At the LTP of Rs 2711.9, the stock is trading at 33.1x Sept'27E EPS.

Key Risks:

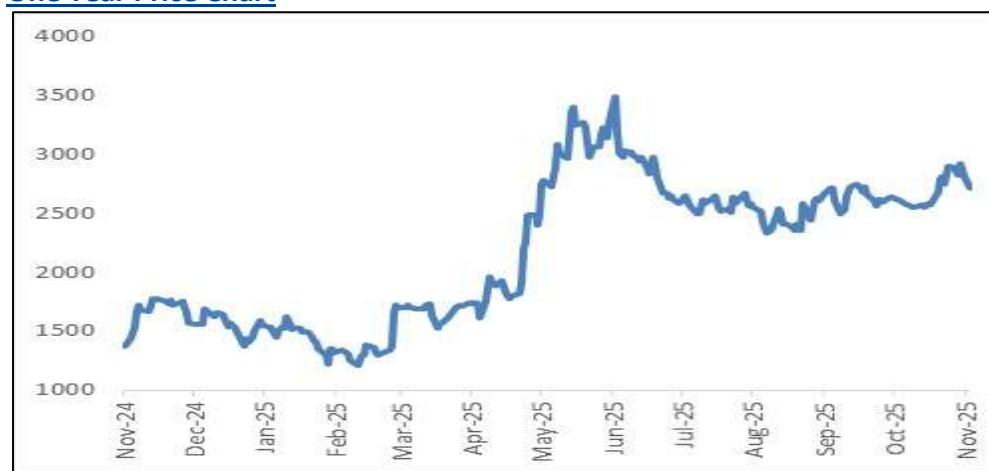
- Competition from private players and other PSU players,
- Any delay in project execution and the repair of the ship during the guarantee period,
- Higher raw materials (Steel, Steel Alloys, Paint, Diesel and gas) prices, and
- Depends on government projects and budgets, and any delay in cash realisation.

Financial Summary:

Particulars (Rs Cr)	Q2FY26	Q2FY25	YoY-%	Q1FY26	QoQ-%	FY24	FY25	FY26E	FY27E	FY28E
Total Operating Income	1677	1153	45.5	1310	28.1	3,593	5,076	6,488	7,748	8,894
EBITDA	156	69	127.2	112	39.5	234	421	642	779	943
Depreciation	12	11	10.8	12	1.9	41	42	44	46	48
Other Income	69	75	-8.3	73	-5.3	300	335	405	426	458
Interest Cost	4	2	50.2	6	-40.6	11	10	1	1	1
Tax	56	33	69.7	47	19.4	124	176	254	293	342
APAT	154	98	57.3	120	27.9	357	527	749	865	1,010
Diluted EPS (Rs)	13.4	8.5	57.3	10.5	27.9	31.2	46.0	65.4	75.5	88.2
RoE-%						23.1	28.1	31.6	29.0	27.2
P/E (x)						87.0	58.9	41.5	35.9	30.8
EV/EBITDA (x)						117.1	64.9	42.4	34.4	27.9

(Source: Company, HDFC sec)

One Year Price Chart



(Source: Company, HDFC sec)

HDFC Sec Prime Research Rating description

Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. These stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks

have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicalities of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

Rating Criteria

Buy - > 15%+ return potential

Add - +5% to +15% return potential

Reduce - -10% to +5% return potential

Sell - >10% downside return potential

Disclosure:

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