

Stock Update

Garden Reach Shipbuilders & Engineers Ltd.

Nov 22, 2023





Garden Reach Shipbuilders & Engineers Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Aerospace & Defence	Rs. 809.95	Buy in the Rs. 802-818 band & add more on dips to Rs. 700-716 band	Rs. 895	Rs. 958	2-3 quarters

HDFC Scrip Code	GARREA
BSE Code	542011
NSE Code	GRSE
Bloomberg	GRSE IN
CMP Nov 21, 2023	809.95
Equity Capital (Rs Cr)	114.6
Face Value (Rs)	10.0
Equity Share O/S (Cr)	11.5
Market Cap (Rs Cr)	9278.1
Book Value (Rs)	136.5
Avg. 52 Wk Volumes	1,207,816
52 Week High	974.0
52 Week Low	390.7

Share holding Pattern % (Sept' 2023)	
Promoters	74.5
Institutions	9.3
Non Institutions	16.2
Total	100.0



* Refer at the end for explanation on Risk Ratings

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Our Take:

Garden Reach Shipbuilders & Engineers Ltd (GRSE) is a ship building company in India, under the administrative control of the Ministry of Defence. The company is engaged in shipbuilding and ship repairing, engine assembling and testing, and engineering products and has built more than 107 warships for various roles, starting 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. A substantial portion of its turnover (~97.5%) is on account of the construction of warships for the Indian Navy and Coast Guard, and therefore, it is a strategically important entity from defence perspective. Post the dilution of 25.5% shares to the public in October 2018, GOI is holding 74.50% stake in the company.

GRSE's order book stood at Rs 23,740 crore as on Sept 30, 2023, and it expects to complete most of the order book by 2027. It comprises four projects for the Indian Navy consisting of 19 warships, three P17 alpha advanced frigates, eight anti-submarine shallow watercraft, four NG OPV and four large survey vessels. Besides, the company has received orders from Government of Bangladesh for six Patrol Boats, the Government of West Bengal for a next generation electric ferry and from the DRDO for an unmanned surface vessel. The alpha project alone is expected to generate a revenue of around Rs 13,700 crore, out of which approximately Rs 2,000–2,200 crore could translate into revenue in FY24E.

The Indian defence sector is going through a major transformational phase as the government looks committed to reducing imports and increasing indigenisation of various key defence platforms, systems and associated equipment required for these platforms. The defence shipbuilding segment continues to look promising on account of ambitious acquisition plan of Indian Navy and Indian Coast Guard which is quite encouraging for the Indian Shipbuilders and the entire eco-system. A number of Requests for Proposals (RFPs) for various shipbuilding projects have been floated by the MoD during last one year and some more are expected to come out in the near future. GRSE expects the shipbuilding industry to get contracts worth Rs 1.2 lakh crore over the next two to four years even as India's push for localisation is already driving its order inflow. Being an established shipbuilder, GRSE could be one of beneficiaries.

On April 03, 2023, we had issued an Initiated Coverage report ([Link](#)) on Garden Reach Shipbuilders & Engineers Ltd and recommended to buy in the Rs 450-460 band and add further on dips to Rs 401-409 band for base case target of Rs 501 and bull case target of Rs 540. The stock achieved both its targets before expiry of the call. Given healthy growth outlook and expectation of strong set of numbers in H2FY24E, we have now revised earnings and increased target price for the stock.



Valuation & Recommendation:

The company has the ability to sustain the overall performance at the present level in a competitive environment, while maintaining leadership in warship building and retaining its largely debt-free status with comfortable liquidity. Growth momentum is expected to continue in the coming quarters. The company is currently working on seven projects, comprising 19 ships for the Navy, Coast Guard, and others. While the company can pass through the higher cost, a sudden spike in prices of raw materials, like steel and energy, can impact its profitability. Given the large order book, revenue visibility is high for the company translating into higher valuations.

Investors could buy in the Rs 802-818 band and add more on dips to Rs. 700-716 band (17x Sept'25E EPS). Base case fair value of the stock is Rs 895 (21.5x Sept'25E EPS) and the bull case fair value of the stock is Rs 958 (23x Sept'25E EPS) over the next two to three quarters. At the CMP of Rs 809.95 the stock trades at 19.5x Sept'25E EPS.

Financial Summary

Particulars (Rs Cr)	Q2FY24	Q2FY23	YoY-%	Q1FY24	QoQ-%	FY22	FY23	FY24E	FY25E	FY26E
Total Operating Income	898	682	31.7	756	18.8	1,758	2,561	3,495	4,255	5,139
EBITDA	49	48	1.1	46	5.9	133	149	253	332	416
Depreciation	10	10	6.2	10	2.2	36	39	42	45	47
Other Income	72	41	75.3	71	1.3	161	202	269	302	347
Interest Cost	2	1	346.5	5	-46.5	1	6	16	15	14
Tax	27	20	33.4	25	5.9	68	77	118	145	178
RPAT	81	59	37.5	77	5.3	190	228	347	429	525
APAT	81	59	37.5	77	5.3	196	228	347	429	525
Diluted EPS (Rs)	7.0	5.1	37.5	6.7	5.3	16.6	19.9	30.3	37.5	45.8
RoE-%						16.3	17.1	22.6	23.9	24.8
P/E (x)						48.9	40.7	26.7	21.6	17.7
EV/EBITDA (x)						49.0	35.3	19.1	13.5	10.0

(Source: Company, HDFC sec)

Q2FY24 Result Update

- GRSE reported strong performance in the quarter. Its consolidated revenue grew by 31.7% YoY to Rs 898 crore in Q2FY24.
- The company's EBITDA stood at Rs 49 crore vs. Rs 48 crore in Q2FY23 and EBITDA margin was at 5.4% in Q1FY24 vs. 7.1% in Q2FY23, impacted by higher RM cost.
- Net profit was up by 37.5% YoY basis to Rs 81 crore in Q2FY24. Other Income increased to Rs 71.5 crore in Q2FY24 vs. Rs 40.8 crore in Q2FY23.
- As on Sept 30, 2023, order book stood very healthy at Rs 23,740 crore; of this almost 98% to 98.5% comes from war shipbuilding.



Key Updates

Robust order book and expectation of strong order pipeline brings healthy revenue visibility

GRSE depends on government's defence spending as well as investment in national security and the government's existing security policies. The outstanding order book position stood at Rs 23,740 crore as of Sept 30, 2023 vs. Rs 24,561 crore as of June 30, 2023, to be executed in the next 5-6 years; order book for shipbuilding stood at 98-98.5% of total order book, comprising of four projects encompassing 24 platforms. These include 19 warships for the Indian Navy. That is three ships of the P-17 Alpha Advanced Frigate (P-17A), eight ships of the Antisubmarine Warfare Shallow Water Crafts (ASW SWC), four Next Generation Ocean Going Patrol Vessels (NGOPV) and four ships of the Survey Vessel Large (SVL) project. Besides, the company has received orders from Government of Bangladesh for six Patrol Boats, the Government of West Bengal for a next generation electric ferry and from the DRDO for an unmanned surface vessel. Recently, it was given a letter of intent for an oceanographic research vessel for the Ministry of Earth Sciences.

P-17 project is important in revenue contribution, the first of the P17 Alpha project has almost touched more than 60% of construction, with the second and third one closely following, second one is almost at ~51% of physical construction and the third one is at about ~40% of physical construction. These ships are expected to be delivered from mid-2025 to mid-2026. The alpha project alone would generate a revenue of around Rs 13,700 crore, out of which approximately Rs 2,000–2,200 crore will translate into revenue in the current financial year, and we expect that the years 2024, 2025 and 2026 are expected to be peak years with respect to revenue generation.

Survey vessels is a four ships project for the Indian Navy, and the first attained over 90% physical progress of construction with the second ship at around 76% of construction, the third ship closely following the 66% and the fourth ship at 52%. The first ship has already completed a machinery trials both at harbor and all the relevant trials at sea. And now the ship is getting ready for delivery to the Indian Navy in the month of Dec-2023. The second ship project is expected to complete during the next financial year.

Antisubmarine Shallow watercraft project is an eight ships projects. The first ship has completed 66% of construction, the second at 60%, the third at 51%, the fourth closely following at 42%, the fifth at 26%, the sixth at 26%, the seventh at 16% and the eighth at 13%. The company intends delivering these ships from the beginning of the next calendar year and this project is expected to complete by 2026.

Next Generation OPD project is a four ships project for the Indian Navy. The physical production of two of these ships that has already commenced and the various other activities like equipment procurement, design, finalization, such activities, the preparatory activities for major construction are in progress. The project is on the right track.

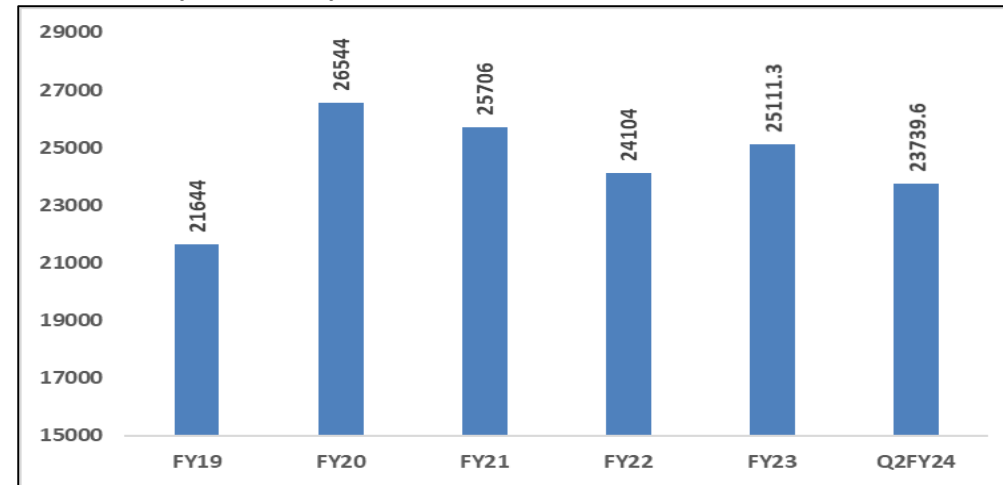
Besides, GRSE is also executing a project for the Government of Bangladesh comprising of six Patrol Boats, and delivered one Passenger cum Cargo Vessel for the Co-operative Republic of Guyana, and one project for a next-generation electric ferry for the Government of West Bengal. Besides, the company is working on Unmanned Purpose Vehicle for DRDO Project, delivering by March this year. A strong order book for the construction of 19 warships concurrently for the Indian Navy at this juncture bodes well for GRSE.



Projects status

Project Type	No of Vessels	Value, Rs Cr	Project Status
Project P-17A for Indian Navy	3	13700	To be delivered between Mid 2025-Mid 2026, P-17A (1) is at 60% completion, P-17A (2) is at 51%, P-17A (3) at 40%.
Survey Vessel (Large) for Indian Navy	4	1300	First ship to be delivered by the end of this calendar year, and the second ship during early 2024. The third and the fourth ships are expected to be delivered during FY '25. Second is at 76%, Third is at 66% and fourth is at 52% completion
ASW-SWC for Indian Navy	8	5400	Expected to complete by 2026. The first ship has completed 66% of construction, the second at 60%, the third at 51%, the fourth closely following at 42%, the fifth at 26%, the sixth at 26%, the seventh at 16% and the eighth at 13%.
Ocean Going Passenger cum Cargo Ferry for Govt. of Guyana	4	3400	Awarded in April-23, the work has just commenced from Q2FY24 onwards, work is on the right track.
Total Warships	19		
Fast Patrol Vessel for Indian Coast Guard-W.B	1		Reached around 70% of construction and by January delivering this ship to the Government of West Bengal.
Patrol Boats- Bangla Desh	6		The project is on the right track, completing this project in the current financial year
Unmanned Purpose Vehicle for DRDO	1		Delivering by March 2024

Order Book (Rs in Crore)



(Source: Company, HDFC sec)



Expectation of further order flows

- GRSE is expecting huge opportunity in shipbuilding, as ~100 platforms are expected to come for bidding in Indian Navy and Indian Coast Guard over the next couple of months; the company is expecting price bids of two coast guard projects to open, with an aggregate order value of approximately Rs 3,000–4,000 crore.
- An RFP for five next generation survey vessels for the Indian Navy is expected to float in next six months.
- The P-17 Bravo Ships is a seven ship project followed by ongoing P-17 Alpha project; of these seven, one of the shipyard, the lead shipyard would get four ships and the second shipyard could get three ships. The order value for this project for the seven ships could be to the tune of around Rs 70,000 crore.
- The RFP for four next generation destroyer could come out in the next year, it is a big project.
- Besides, the company has launched an autonomous underwater vessel and successfully completed. Both the Navy and the Army are showing interest in this project/product. The company expects orders for the AUV or the autonomous underwater vehicle in the near future. The company is also developing marine capable drones.

A number of RFPs for various shipbuilding projects have been floated by the Ministry of Defence (MoD) during the last couple of years, and some more are expected to be rolled-out in the near future. The company expects the overall shipbuilding industry to get contracts worth Rs 1.2 lakh crore over the next two to four years even as India's push for localisation is already driving its order inflow. Furthermore, the MoD's plan to increase the export of defence products to US\$ 5bn by 2024 augurs well for all shipbuilding companies. Going forward, considering the production maturity of the ongoing shipbuilding projects, GRSE revenue is expected to grow significantly during the next three years.

GRSE is engaged in building a zero-emission ferry for the government of West Bengal and has delivered an ocean-going passenger-cum-cargo ferry to the Democratic Republic of Guyana. The technology for green vessels already exists. There is also a huge demand for smaller coastal vessels that are environmentally friendly from Scandinavian/Nordics nations like Norway, Sweden, and Denmark, Finland and Iceland. There is tremendous potential in the industry and several other countries are also interested in exploring India's shipbuilding potential. GRSE has already created a record by delivering over 100 warships to the Indian Navy and Indian Coast Guard. Two of its warships have also been exported. GRSE has also tied up with private shipyards in the east to increase its warship-building capacity.

Partnership with Dempo Group to launch commercial vessels jointly

GRSE Ltd extended its reach to India's western seaboard through a tie-up with the DEMPO Group of Goa and signed an MoU on Aug 25, 2023. GRSE and DEMPO will build commercial vessels jointly to meet both domestic and international demands. To start with, smaller vessels used for coastal shipping will be built at DEMPO's three shipyards — two of them at Goa and the other in Gujarat. The companies will then proceed to larger ships and green-energy vessels.



The company is constantly looking for a strong partner in the western coast to help in commercial shipbuilding activity. The partnership will auger well for the Indian shipbuilding industry and provide the credible leadership in the industry.

Signed an MoU with Lloyd Register for developing hydrogen fuel cell and Caterpillar Inc for production, sale, and service of marine engines

GRSE has signed a MoU with Lloyd's Register on Sept 22, 2023. Lloyd's Register works towards finding sustainable solutions to maritime transportation – for developing a hydrogen fuel cell ferry. GRSE is working on a zero-emission passenger ferry, a prototype for future green vessels intended for use in the Hooghly River. Besides the agreement with Lloyd's Register, GRSE also signed a MoU with Caterpillar Inc for a potential collaboration in the production, sale, and service of medium-speed engines, particularly for the Indian Navy and the Indian Coast Guard.

Focus on ship repair and bridges segment to expand its presence in international market

Revenues from the ship repair segment contributed 2-2.5% of the total sales. The contribution of ship repairs in order book is just about 0.5%, the company has decided to cap it to around maximum 5% in the next three to five years. The order book position of ship repair stood at Rs 80 crore and portable steel bridges at Rs 79 crore as on Sept 2023. The company has completed six refits and executed orders worth ~Rs 60 crore for bridges so far. The company has been providing impetus to ship repairs, and the three dry docks taken over from Kolkata Port Trust have had almost 100% occupancy, carrying out refits of Coast Guard ships and commercial vessels.

The Company is focused on its Ship Repair division which has higher margin work orders. The company has also exported 14 Bailey type Portable Steel Bridges (Ten Bridges to Bhutan and Four Bridges to Nepal). Recently, the company signed an MoU with the Border Road Organisation for manufacturing and supply of Bridges. Of 13 bridges, this MoU added another 15 more bridges.

The company has successfully completed the refit of Barracuda, a Mauritius Ship for amount of Rs 21 crore. In order to give thrust to Ship Repair and Refit business, the company has signed an agreement with Syama Prasad Mookherjee Port, Kolkata in Dec 2021 for long term lease of 3 existing Dry Docks for shipbuilding including repair & refit of ships. Recently, the company undertaken the refit of ICGS Sarojini Naidu.

The company is also actively looking for exports in new markets, like SAARC, ASEAN, African and Latin American countries for export opportunities. Besides, it has also collaborated with international companies for improving technical capabilities, which will not only provide a competitive edge in India, but also visibility in the international market. GRSE is also working towards capacity building, modernisation and upgrading technology through research and development and has done various capex in the recent past to this end.

Entry into Gun manufacturing to bring large opportunity along with shipbuilding business

GRSE is engaged in building warships for the Navy and Coast Guard, providing portable steel bridges to the army and the border roads organization, and diversifying into deck machinery and marine diesel engines. More ship building could create the demand pick up for Guns.



The company has entered gun manufacturing, collaborating with a reputed OEM for a contract for 30 mm Naval standard guns for the Navy. GRSE has received an order from the Navy for manufacturing 30 mm naval standard guns, for an order value of Rs 240 crore as of Q2FY24. This marked the company's foray into the arms and ammunition space. The execution timeline for the gun manufacturing project is between 12 to 18 months, with margins between 7% to 8%. With both the Navy and the Coast Guard expanding their fleets almost by 100%, naturally, the weapon requirement also will multiply twofold.

GRSE modern manufacturing platform and strong design capabilities provides end to end solutions

GRSE's manufacturing facilities and vast technical expertise gives it a significant edge over other domestic defence shipyards. Over the years, the company has significantly improved its manufacturing and other functional processes by modernisation of its facilities and adoption of Information Technology. The company produces eight large ships and 12 medium and small ships in its facilities. Besides, the company has constructed new hull shop, module shop and mega block integration, dry dock and building birth.

GRSE has a dedicated Central Design Office (CDO) which undertakes design, research and development, with a highly skilled workforce of ~100 members. Its CDO team uses various software ranging from Aveva Marine, NAPA for Naval Architectural design, AutoCAD for drafting work and other software's for structural analysis. With its dedicated CDO team, it has achieved innovative measures in carrying out complex warship designs and its ability to provide end to end solutions to its customers, ranging from product conceptualization, design, system integration and project management increases its capability to meet customer demands.

At Defence EXPO 22, GRSE launched first of its kind 'Double Lane Modular Steel Bridges' which are used in Humanitarian Assistance and Disaster Relief (HADR) operations and in border areas for establishing road connectivity. GRSE's Diesel Engine Plant at Ranchi, has developed India's first Naval Shock Standards fully qualified, 01 MW Diesel Alternator for marine application. Through strategic initiatives, the company is focused on increasing self-reliance in the maritime domain including development of 'autonomous vessels' and 'Close in Weapon Systems (CIWS)' for maritime use.

Sound financial profile

- GRSE's operating and financial performance has been robust led by negligible debt, healthy cash generating ability and consistent dividend payment to shareholders over the past and the company's production and sales has been as per the shipbuilding schedule over the past. Financial flexibility is strong, supported by robust liquidity.
- GRSE's revenue rose from Rs 922 crore in FY17 to Rs 2561 crore in FY23 - ~19% CAGR over the period. We expect that the company could report revenue ~26% CAGR over the FY23 to FY26E and EBITDA margin at 7-8.5% in next three years.



- The company has zero debt and the company has no further plans to raise any debt going forward. Capital structure is expected to remain comfortable and debt protection metrics could also be healthy going forward.
- The company's net financial leverage continued to remain negative with a net cash position on account of zero debt and healthy cash balance at the end of FY23. GRSE will continue to have 10%–15% of order backlog in the form of client advances, or cash on asset side, which helps the company earn lucrative other income.
- The company's debt service coverage ratio (DSCR) also stood comfortable on account of the absence of long-term repayment obligations, DSCR stood at 2.1x in FY23.
- The company has sufficient cash and cash equivalent for further investment to expand its business going forward. As on Sept 30, 2023, the company has cash and cash equivalent of Rs 4,397 crore (though it includes advances from customers). Cash per share works out to a healthy ~50% of its CMP.
- The company has always been generous in declaring dividends for the last 29 consecutive years. For FY23, the company declared an Interim Dividend @ Rs. 6.2/- per equity share. We expect dividend per share of Rs 9.5/12/15 per share for FY24E/FY25E/FY26E, respectively.
- The inventory days has increased from 243 days to 416 days, payable increased from 85 days to 167 days, and the receivable days decreased from 32 days to 7 days as on March 31, 2023. With rise in profitability as well as better return ratios in the future, we expect RoE at a range of 25% to 27% in FY24E to FY25E, respectively.

What could go wrong?

- GRSE could see increasing competition from private players and other PSU players. However, GRSEL continues to maintain its edge over new emerging competitors by way of capacity, design, technology, processes and cost advantages.
- Any delay in project execution and the repair of ship during the guarantee period could impact its profitability due to the cost overruns and liquidated damages, as per the contract. This could impact its profitability. However, this is offset by provisions made by the company for liquidate damages.
- Higher raw materials (Steel, Steel Alloys, Paint, Diesel and gas) prices could impact its profitability going forward.
- GRSE largely depends on government projects and Budgets; also, any delay in cash realization could further increase its receivables days going forward. Also post FY27-FY28, the revenue visibility for GRSE could fall unless the spate of orders received continue. GRSE will have to procure orders for new platforms later for this. Any delay in missile frigate orders, large survey vessels and ASW vessels, and delay by platform vendors could dilute its revenue visibility.
- Any dilution by the GoI of its stake in the company by way of OFS could increase the free float and bring pressure on stock price.
- The stage of physical progress, brought out items, and provisioning can make forecasting margins quarter after quarter a difficult task.
- With the bell-curve in ship building peaking, the best value of output in the middle stage (the stage of ship building) can skew financial performance.



Company Profile:

Garden Reach Shipbuilders & Engineers Ltd. (GRSE) is a premier shipbuilding company in India under the administrative control of the Ministry of Defence, primarily catering to the shipbuilding requirements of the Indian Navy and the Indian Coast Guard. GRSE is diversified services in the shipbuilding industry and the first Shipyard in the country to export warships and deliver 100 warships to the Indian Navy and Indian Coast Guard. GRSE is engaged in building warships and other vessel for the Indian Navy and Indian Coast Guard.

GRSE has emerged as a leading shipyard of India, building a wide array of vessels ranging from 05 ton boats to 24,600 ton Fleet Tanker including world class Frigates and Fast Attack Crafts. Apart from Ship Building & Ship Repairs, GRSE is also diversified into engineering business with a product profile of pre-fabricated steel bridges, various deck machinery items & assembly/testing/overhauling of marine diesel engines.

GRSE has so far delivered 107 warships to Indian Navy, Indian Coast Guard, Mauritius Coast Guard and Seychelles Coast Guard & is the only shipyard to achieve this Centennial Mark. The 1st warship for export by India was delivered by GRSE to Mauritius in 2014, Offshore Patrol Vessel, CGS Barracuda. The shipyard has been profit making and dividend paying company for the past 28 years.

Peer Comparison

Rs in Cr	Mkt Cap (Cr)	Sales (Cr)			PAT (Cr)			EPS-Rs			ROE-%			P/E-x		
		FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
GRSE	9278.1	3495	4255	5139	347	429	525	30.3	37.5	45.8	22.6	23.9	24.8	26.7	21.6	17.7
Mazagon Dock*	40120.2	9278.0	11507.2	9300.0	1274.8	1510.7	1059.5	63.2	74.9	52.5	23.9	22.9	19.6	31.5	26.6	37.9

(*: Bloomberg figures)

On TTM Basis,

Rs in Cr	Sales	PAT	EPS (Rs)	RoE-%	P/E-(x)
GRSE	2954	277	24.2	17.7	33.5
Mazagon Dock	7895	1255	62.2	26.9	32.0
Cochin Shipyard	2606	466	35.4	9.9	30.9



Garden Reach Shipbuilders & Engineers Ltd.

Financials

Income Statement

(Rs Cr)	FY22	FY23	FY24E	FY25E	FY26E
Net Revenues	1758	2561	3495	4255	5139
Growth (%)	54	46	36	22	21
Operating Expenses	1624	2412	3241	3923	4722
EBITDA	133	149	253	332	416
Growth (%)	160.8	11.7	70.0	31.0	25.4
EBITDA Margin (%)	7.6	5.8	7.3	7.8	8.1
Depreciation	36	39	42	45	47
EBIT	98	110	211	287	369
Other Income	161	202	269	302	347
Interest expenses	1	6	16	15	14
PBT	258	305	465	575	703
Tax	68	77	118	145	178
RPAT	190	228	347	429	525
APAT	196	228	347	429	525
Growth (%)	16.2	16.6	52.1	23.7	22.3
EPS	16.6	19.9	30.3	37.5	45.8

Balance Sheet

As at March	FY22	FY23	FY24E	FY25E	FY26E
SOURCE OF FUNDS					
Share Capital	115	115	115	115	115
Reserves	1143	1299	1537	1829	2182
Shareholders' Funds	1258	1414	1652	1944	2297
Long Term Debt	10	9	9	9	9
Net Deferred Taxes	11	15	15	14	12
Long Term Provisions & Others	97	98	101	105	109
Minority Interest	0	0	0	0	0
Total Source of Funds	1376	1535	1778	2072	2428
APPLICATION OF FUNDS					
Net Block & Goodwill	501	509	525	549	571
CWIP	10	5	11	11	12
Other Non-Current Assets	1295	367	394	422	453
Total Non Current Assets	1806	881	929	983	1036
Current Investments	0	0	0	0	0
Inventories	1172	2919	3159	3788	4576
Trade Receivables	155	51	144	175	211
Cash & Equivalents	2754	4328	4714	5071	5352
Other Current Assets	1748	2598	2728	2591	2462
Total Current Assets	5830	9895	10745	11626	12601
Short-Term Borrowings	1	303	272	252	231
Trade Payables	412	1174	1436	1690	2041
Other Current Liab & Provisions	5847	7764	8188	8595	8936
Total Current Liabilities	6260	9241	9897	10537	11209
Net Current Assets	-430	654	848	1089	1392
Total Application of Funds	1376	1535	1778	2072	2428

(Source: Company, HDFC sec)



Garden Reach Shipbuilders & Engineers Ltd.

Cash Flow Statement

(Rs Cr)	FY22	FY23	FY24E	FY25E	FY26E
Reported PBT	257	305	465	575	703
Non-operating & EO items	-141	-186	-269	-302	-347
Interest Expenses	1	6	16	15	14
Depreciation	36	39	42	45	47
Working Capital Change	-442	1,362	228	140	2
Tax Paid	-68	-77	-118	-145	-178
OPERATING CASH FLOW (a)	-356	1,450	364	327	241
Capex	-55	-42	-65	-70	-70
Free Cash Flow	-411	1,408	299	257	171
Investments	629	-37	-26	-29	-31
Non-operating income	-146	186	269	302	347
INVESTING CASH FLOW (b)	428	107	178	204	246
Debt Issuance / (Repaid)	-1	600	-31	-21	-21
Interest Expenses	-1	-6	-16	-15	-14
FCFE	-409	815	345	292	205
Share Capital Issuance	0	0	0	0	0
Dividend	-70	-71	-109	-137	-172
Other	0	0	0	0	0
FINANCING CASH FLOW (c)	-72	522	-155	-173	-206
NET CASH FLOW (a+b+c)	0	2,079	386	358	281

Key Ratios

Particulars	FY22	FY23	FY24E	FY25E	FY26E
Profitability Ratio (%)					
EBITDA Margin	7.6	5.8	7.3	7.8	8.1
EBIT Margin	5.6	4.3	6.0	6.7	7.2
APAT Margin	11.1	8.9	9.9	10.1	10.2
RoE	16.3	17.1	22.6	23.9	24.8
RoCE	24.2	23.8	28.4	30.1	31.6
Solvency Ratio (x)					
Net Debt/EBITDA	-20.6	-26.9	-17.5	-14.5	-12.3
Net D/E	-2.2	-2.8	-2.7	-2.5	-2.2
PER SHARE DATA (Rs)					
EPS	16.6	19.9	30.3	37.5	45.8
CEPS	19.7	23.3	34.0	41.4	49.9
Dividend	5.8	6.2	9.5	12.0	15.0
BV	109.8	123.4	144.2	169.7	200.5
Turnover Ratios (days)					
Debtor days	32	7	15	15	15
Inventory days	243	416	330	325	325
Creditors days	85	167	150	145	145
VALUATION (x)					
P/E	48.9	40.7	26.7	21.6	17.7
P/BV	7.4	6.6	5.6	4.8	4.0
EV/EBITDA	49.0	35.3	19.1	13.5	10.0
EV / Revenues	3.7	2.1	1.4	1.1	0.8
Dividend Yield (%)	0.7	0.8	1.2	1.5	1.9

(Source: Company, HDFC sec)



Garden Reach Shipbuilders & Engineers Ltd.

One Year Price Chart



(Source: Company, HDFC sec)

HDFC Sec Retail 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. This 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 cyclical 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.



Garden Reach Shipbuilders & Engineers Ltd.



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