GRSE: NGC Catalyst in Focus; Order Pipeline Key to Re-rating

August 07, 2026 | CMP: INR 2,599 | Target Price: INR 3,500

BUY

Expected Share Price Return: 34.6% I Dividend Yield: 0.8% I Potential Upside: 35.4%

Sector View: Positive

Change in Estimates	✓
Change in Target Price	✗
Change in Recommendation	✗

Company Info	
BB Code	GRSE IN EQUITY
Face Value (INR)	10.0
52-wk High/Low (INR)	3,339/1,964
Mkt Cap (Bn)	INR 298/ $3.1
Shares o/s (Mn)	114.6
3M Avg. Daily Volume (NSE)	884,333

Change in CIE Estimates

	FY27E			FY28E		
INR Mn	**New**	**Old**	**Dev.**	**New**	**Old**	**Dev.**
Revenue	94,529	87,527	8.0	1,08,708	1,05,032	3.5
EBITDA	10,903	10,095	8.0	12,647	12,219	3.5
EBITDAM%	11.5	11.5	-	11.6	11.6	-
PAT	10,001	9,459	5.7	11,425	11,462	-0.3
EPS	87.3	82.6	5.7	99.7	100.1	-0.4

Actual vs CIE Estimates

INR Mn	Q1FY27A	CIE Estimates	Dev. (%)
Revenue	18,146	17,028	6.6
EBITDA	1,492	1,447	3.1
EBITDAM %	8.2	8.5	(28) bps
PAT	1,728	1,467	17.8

Key Financials

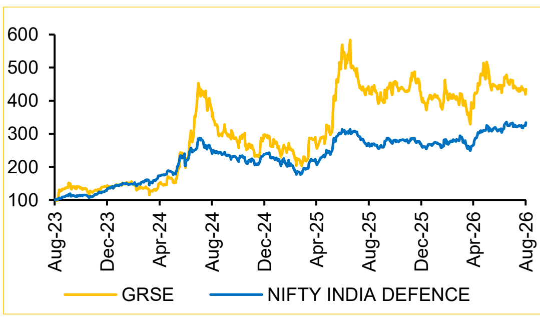
INR Mn	FY25	FY26	FY27E	FY28E	FY29E
Revenue	50,757	70,022	94,529	1,08,708	1,30,450
YoY Growth (%)	41.3	38.0	35.0	15.0	20.0
EBITDA	**4,213**	**7,953**	**10,903**	**12,647**	**15,307**
EBITDAM (%)	8.3	11.4	11.5	11.6	11.7
PAT	5,274	7,479	10,001	11,425	13,685
EPS	**46.0**	**65.3**	**87.3**	**99.7**	**119.5**
ROE %	28.1	31.8	33.6	30.7	29.7
ROCE %	32.4	36.8	37.5	34.3	33.1
PE(x)	56.5	39.8	29.8	26.1	21.8
Price to BV (x)	14.3	11.3	9.0	7.2	5.9

Shareholding Pattern (%)

	Jun-26	Mar-26	Dec-25
Promoters	74.50	74.50	74.50
FIIs	3.21	3.51	2.96
DIIs	1.93	1.69	1.64
Public	20.36	20.32	20.90

Relative Performance (%)

	3Y	2Y	1Y
NIFTY INDIA DEFENCE	233.3	39.1	23.4
GRSE	334.3	23.8	0.1



Indian Naval Shipbuilding Industry Thematic

Click here to read Initiating Coverage Report

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NGC Catalyst in Focus; Order Pipeline Key to Re-rating

GRSE delivered a strong Q1FY27 performance with **revenue growth of ~38% YoY and PAT rising ~44%**, reflecting a robust execution across its diversified shipbuilding portfolio. The operational momentum remains healthy — **evident from sustained delivery and improving execution efficiency.** We believe the company continues to benefit from a favourable project mix and steady progress across key programs, although **inherent lumpiness in revenue recognition persists**.

That said, the key narrative shift, in our view, is towards **order visibility, particularly the Next-Generation Corvette (NGC) program**, where the management has guided for **contract finalisation in Q2FY27**. This is a **critical trigger**, as NGC (8-ship program) not only provides **multi-year revenue visibility (~8 years execution)** but also **meaningfully strengthens the order book.** Beyond NGC, a **robust pipeline (~INR-1.5 Trn opportunity)** across defence and non-defence platforms, which provides a strong medium-term visibility, though **timelines remain contingent on tender finalisation**.

Structurally, we remain positive on GRSE given its **strategic positioning in specialised naval platforms**, **improving capacity (targeting 32 from 28)** and proactive expansion across both coasts. However, we believe **near-term trigger will be NGC contract signing acting as the immediate catalyst**. We maintaining our **'BUY' rating** with a **TP of INR 3,500**, valuing it on **35x of FY28E EPS**.

Outperformed our expectation

- Revenue up by 38.5% YoY and down by 14.4% QoQ at INR 18,146 Mn (vs CIE estimate of INR 17,028 Mn)
- EBITDA up by 33.3% YoY and down by 58.0% QoQ at INR 1,492 Mn (vs CIE estimate of INR 1,447 Mn). EBITDA margin stood at 8.2% (vs CIE estimate of 8.5%), contracting by 32 bps YoY
- PAT up by 43.8% YoY and down by 43.0% QoQ at INR 1,728 Mn (vs CIE estimate of INR 1,467 Mn). PAT margin expanded by 35 bps YoY, reaching 9.5% (vs CIE estimate of 8.6%)

Particulas (INR Mn)	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)
Net Sales (incl OOI)	18,146	13,099	38.5	21,192	(14.4)
Material Exp	13,720	7,492	83.1	10,353	32.5
Gross Profit	4,427	5,606	(21.0)	10,839	(59.2)
Employee Exp	1,013	1,059	(4.3)	1,120	(9.5)
Other Exp	1,921	3,428	(44.0)	6,166	(68.8)
EBITDA	1,492	1,119	33.3	3,553	(58.0)
Depreciation	135	117	15.8	130	4.0
EBIT	2,353	1,728	36.2	4,135	(43.1)
Other Income	996	725	37.2	712	39.9
Interest Cost	38	61	(38.1)	26	43.9
PBT	2,315	1,667	38.9	4,109	(43.6)
Tax	587	465	26.1	1,077	(45.5)
RPAT	1,728	1,202	43.8	3,032	(43.0)
Adj EPS (Rs)	15.1	10.5	43.8	26.5	(43.0)

Margin Analysis	Q1FY27	Q1FY26	YoY (bps)	Q4FY26	QoQ (bps)
Gross Margin (%)	24.4	42.8	(1,840.7)	51.1	(2,675.3)
Emp. Exp. % of Sales	5.6	8.1	(250.3)	5.3	30.0
Other Exp % of Sales	10.6	26.2	(1,558.4)	29.1	(1,851.1)
EBITDA Margin (%)	8.2	8.5	-32.0	16.8	(854.2)
Tax Rate (%)	25.3	27.9	(256.8)	26.2	(85.4)
APAT Margin (%)	9.5	9.2	35.0	14.3	(478.2)

Management Call – Highlights

NGC order finalization remains the key near-term catalyst, expected in Q2FY27 (8-ship program)

Order book at ~INR 13,500 Cr has moderated due to strong execution, necessitating fresh inflows

Robust pipeline (~INR 1.5 lakh Cr) provides strong medium-term visibility across defence programs

Capacity expansion to ~32 concurrent ships supports higher execution scale ahead

Long-gestation projects (~7–8 years for NGC) ensure sustained revenue visibility post order win

Order Book & Pipeline Visibility

- Current order book stands at over ~INR 13,500 Cr, with moderation primarily due to accelerated execution, reinforcing the need for fresh inflows to sustain growth visibility
- The management emphasised a large and diversified opportunity pipeline (~INR 1.5 lakh Cr) across defence and non-defence segments, although order conversion timelines remain tender-driven and uncertain

Working Capital & Cash Flow

- The management has indicated that working capital remains largely under control, supported by milestone-based payments in defence contracts, although some volatility is inherent due to project stage-wise billing and execution cycles.

NGC (Next-Generation Corvette) Program

- The NGC program remains the most critical near-term trigger, with the management guiding expected finalisation in Q2FY27
- This project is strategically important as it offers long-term execution visibility (~8 years) and will meaningfully replenish the order book, acting as a key catalyst for growth and re-rating

Margin & Profitability

- Profitability remained healthy, supported by a favourable execution mix and operating leverage, though the management indicated that margin trajectory can remain volatile, given provisioning cycles and stage of project completion
- There was no explicit indication of structural margin expansion, suggesting that margin will remain dependent on project-mix

Capacity-expansion & Capability Building

- GRSE is scaling up capacity to handle ~32 ships concurrently in the near term, reflecting confidence in order inflows
- The company is also undertaking infrastructure expansion across both, eastern and western, coasts, aimed at improving execution capability and addressing larger, more complex platforms

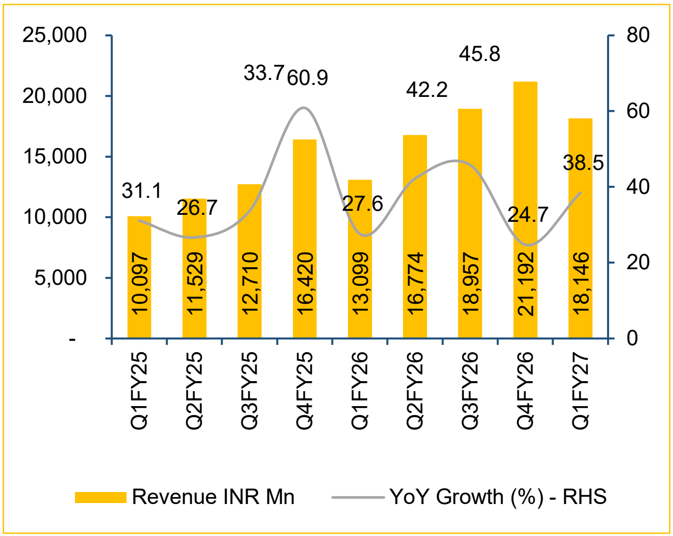
Diversification & Non-defence Opportunities

- The management continues to focus on non-defence shipbuilding and export opportunities, which can provide incremental revenue streams and reduce dependence on domestic defence orders
- Defence remains the primary revenue driver, with bulk of visibility tied to Indian Navy-led programs

Outlook & Strategic Positioning

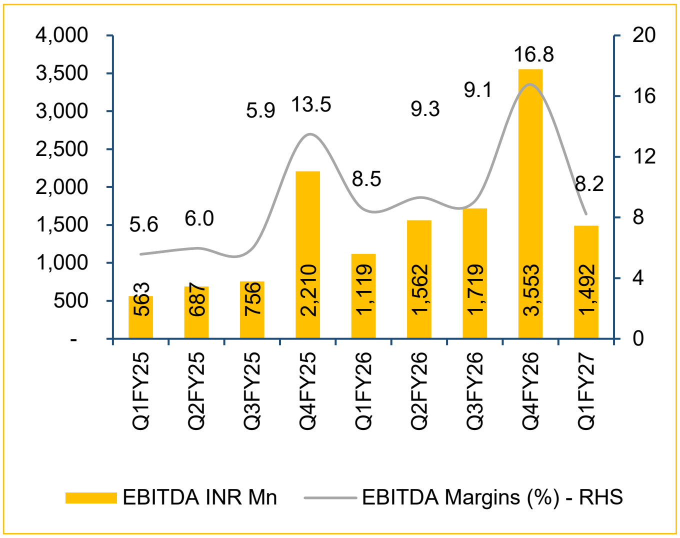
- The management remains confident of sustaining a strong execution in the near term, but acknowledged that growth visibility is increasingly dependent on timely order inflows
- Structurally, GRSE is well-positioned in specialised naval platforms with limited competition, but next phase of growth will be order-led rather than execution-led

Revenue up 38.5% on a YoY basis



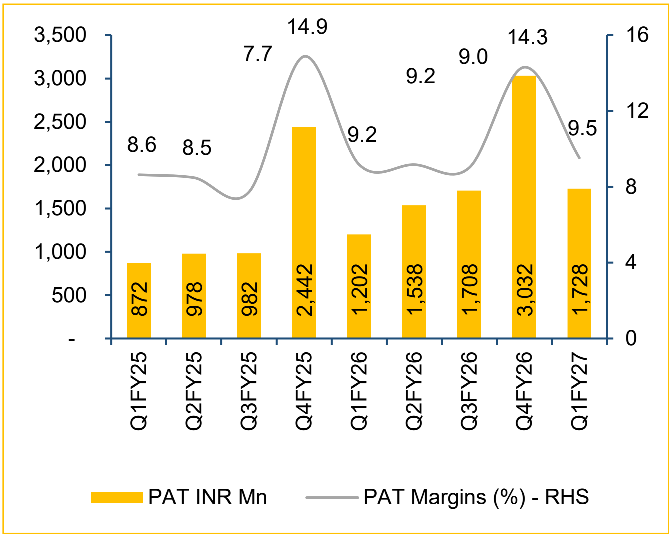
Source: GRSE, Choice Institutional Equities

EBITDA up 33.3% on a YoY basis



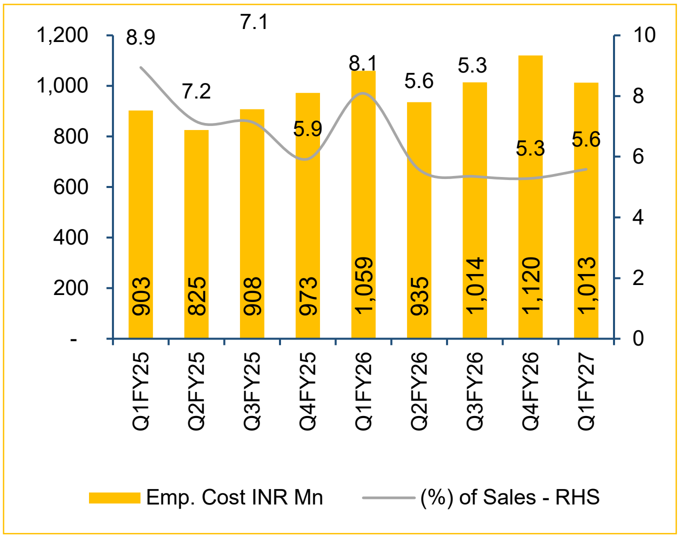
Source: GRSE, Choice Institutional Equities

PAT up 43.8% on a YoY basis



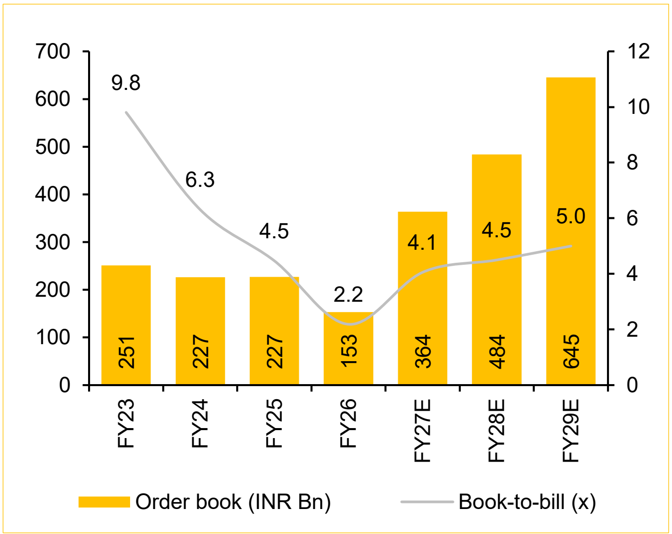
Source: GRSE, Choice Institutional Equities

Employee cost is range-bound



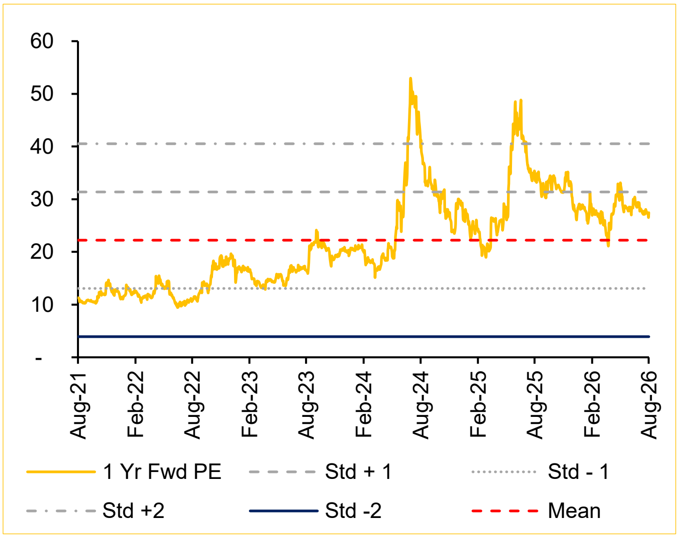
Source: GRSE, Choice Institutional Equities

Book-to-bill anticipated to improve



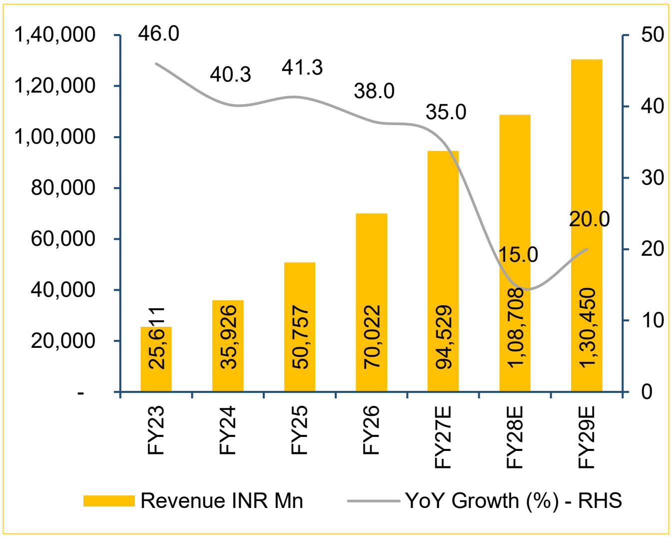
Source: GRSE, Choice Institutional Equities

1-yr forward PE band



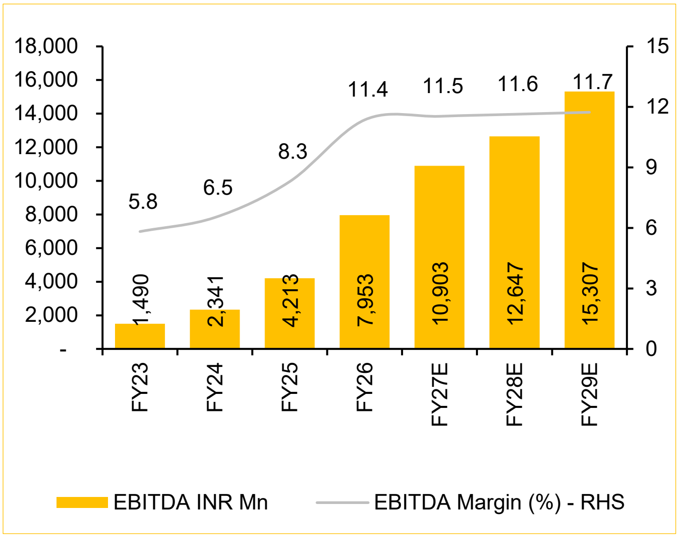
Source: GRSE, Choice Institutional Equities

Revenue expected to expand 23.0% CAGR over FY26–29E



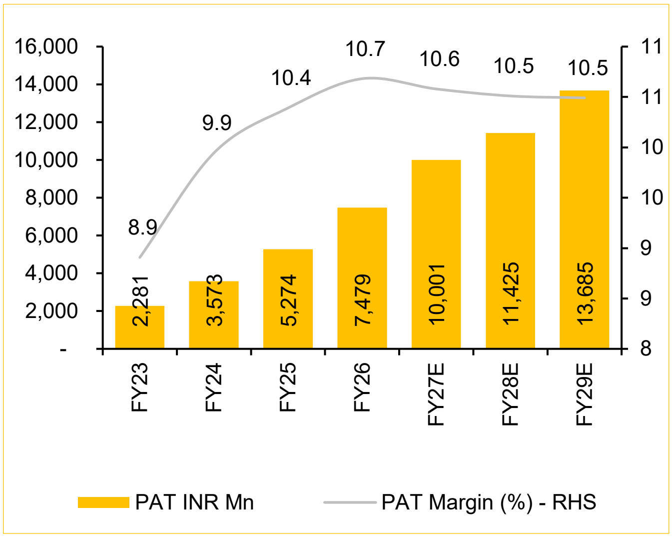
Source: GRSE, Choice Institutional Equities

EBITDA margin forecast to be in range (~11%)



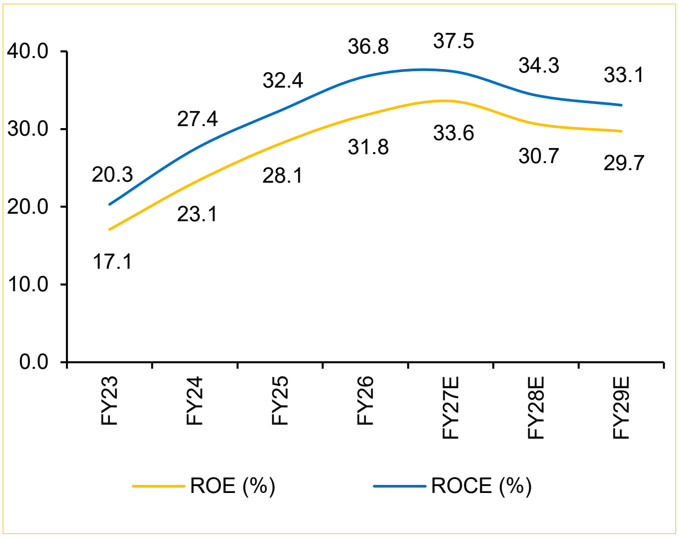
Source: GRSE, Choice Institutional Equities

PAT projected to expand 22.3% CAGR over FY26–29E



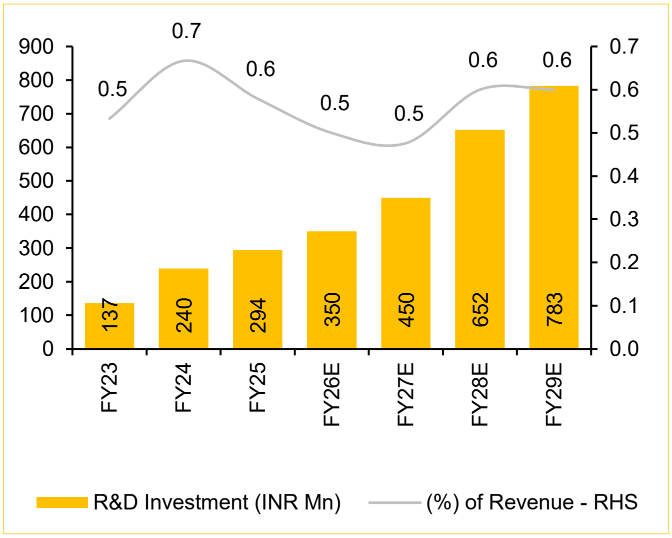
Source: GRSE, Choice Institutional Equities

ROE & ROCE trend



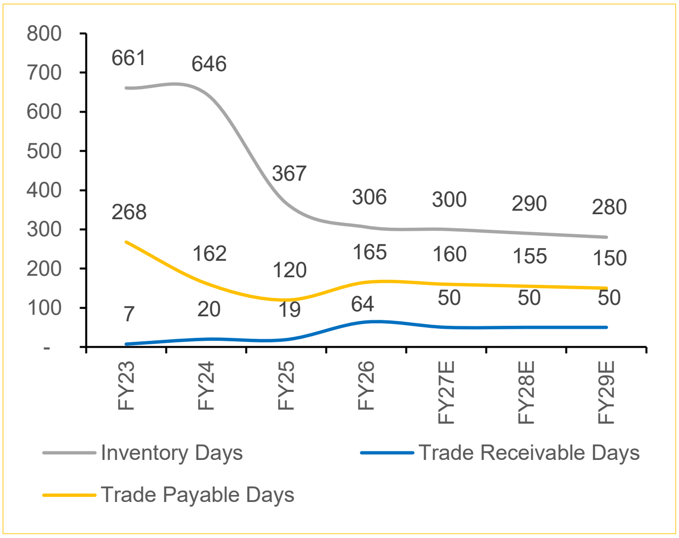
Source: GRSE, Choice Institutional Equities

R&D expenditure trend



Source: GRSE, Choice Institutional Equities

Working capital cycle



Source: GRSE, Choice Institutional Equities

Income Statement (INR Mn)

Particular	FY25	FY26	FY27E	FY28E	FY29E
Revenue	**50,757**	**70,022**	**94,529**	**1,08,708**	**1,30,450**
Gross Profit	15,403	29,425	35,543	41,527	50,615
Other Exp	11,190	21,472	24,640	28,880	35,308
EBITDA	**4,213**	**7,953**	**10,903**	**12,647**	**15,307**
Other Income	3,348	2,744	3,214	3,587	4,174
Depreciation	425	489	567	731	916
EBIT	7,136	10,208	13,550	15,503	18,565
Interest Expense	103	161	162	208	245
Reported PAT	5,274	7,479	10,001	11,425	13,685
EPS	**46.0**	**65.3**	**87.3**	**99.7**	**119.5**

Ratio Analysis	FY25	FY26	FY27E	FY28E	FY29E
Growth Ratios (%)					
Revenue	41.3	38.0	35.0	15.0	20.0
EBITDA	79.9	88.8	37.1	16.0	21.0
PAT	47.6	41.8	33.7	14.2	19.8
Margins (%)					
Gross Margin	30.3	42.0	37.6	38.2	38.8
EBIDTA Margin	8.3	11.4	11.5	11.6	11.7
PAT Margin	10.4	10.7	10.6	10.5	10.5
Profitability (%)					
ROE	28.1	31.8	33.6	30.7	29.7
ROCE	32.4	36.8	37.5	34.3	33.1
Working Capital					
Fixed Assets Turnover (x)	9.6	12.3	14.8	15.5	17.7
Inventory Days	367	306	300	290	280
Debtor Days	19	64	50	50	50
Payable Days	120	165	160	155	150
Valuation metrics					
Market Cap (INR Bn)	297.8	297.8	297.8	297.8	297.8
PE (x)	56.5	39.8	29.8	26.1	21.8
EV (INR Bn)	260.5	264.3	251.8	242.4	231.0
EV/EBITDA (x)	61.8	33.2	23.1	19.2	15.1
BVPS	182	229	290	360	444
P/BV (x)	14.3	11.3	9.0	7.2	5.9

Source: GRSE, Choice Institutional Equities

Balance Sheet (INR Mn)

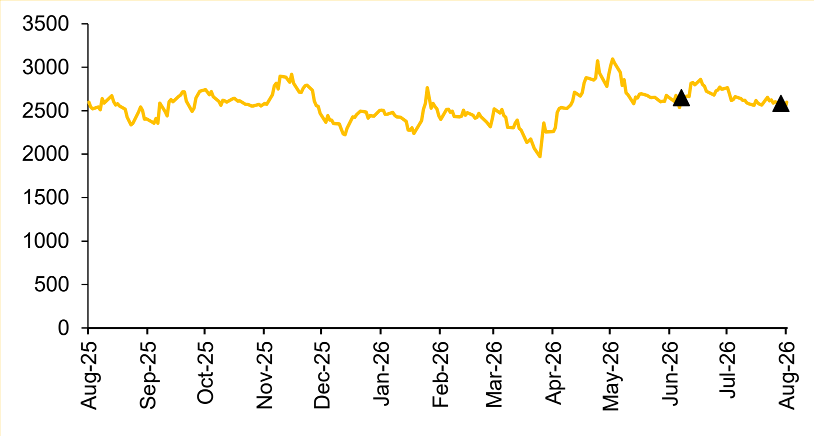
Particular	FY25	FY26	FY27E	FY28E	FY29E
Net Worth	20,793	26,261	33,262	41,259	50,839
Non-current Liabilities	1,257	1,507	2,916	3,885	5,298
Trade Payables	11,514	18,277	25,857	28,529	32,809
Contract Liabilities	69,000	57,622	85,076	95,663	1,10,883
Other Current Liabilities	978	2,693	3,975	5,658	8,094
Total Liabilities	**1,03,542**	**1,06,361**	**1,51,086**	**1,74,995**	**2,07,923**
Fixed Assets	5,432	5,999	6,775	7,221	7,485
Other Non-current Assets	2,869	3,396	5,673	7,611	10,046
Inventories	35,522	34,022	48,482	53,377	61,244
Trade Receivables	2,595	12,209	12,949	14,892	17,870
Cash & Bank Balance	37,319	33,881	46,483	56,019	67,576
Other Current Assets	19,806	16,855	30,723	35,875	43,702
Total Assets	**1,03,542**	**1,06,361**	**1,51,086**	**1,74,995**	**2,07,923**

Cash Flows (INR Mn)	FY25	FY26	FY27E	FY28E	FY29E
Cash Flows from Operations	156	(2,897)	5,365	5,869	6,695
Cash Flows from Investing	1,698	5,266	(3,620)	(3,114)	(3,615)
Cash Flows from Financing	(1,868)	(2,235)	(1,754)	(2,667)	(2,937)

DuPont Analysis (INR Mn)	FY25	FY26	FY27E	FY28E	FY29E
Tax Burden	75%	74%	75%	75%	75%
Interest Burden	99%	98%	99%	99%	99%
EBIT Margin	14.1%	14.6%	14.3%	14.3%	14.2%
Asset Turnover	0.5	0.7	0.6	0.6	0.6
Equity Multiplier	5.5	4.5	5.1	4.7	4.5
ROE	**28.1%**	**31.8%**	**33.6%**	**30.7%**	**29.7%**

Source: GRSE, Choice Institutional Equities

Historical Price Chart: Garden Reach Shipbuilders & Engineers Ltd (GRSE)



Date	Rating	Target Price
June 08, 2026	BUY	3,500
Aug 07, 2026	BUY	3,500

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CHOICE RATING DISTRIBUTION & METHODOLOGY	
Large Cap*	
BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months
Mid & Small Cap*	
BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months
Other Ratings	
NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change
Sector View	
POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be in stasis over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

*Large Cap: More Than INR 20,000 Cr Market Cap
*Mid & Small Cap: Less Than INR 20,000 Cr Market Cap

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