Garden Reach Shipbuilders

India | Capital Goods | **Company Update**

Delayed NGC sinks revenue & earnings growth

Garden Reach Shipbuilders & Engineers (GRSE IN) signed the long-awaited Next Generation Corvettes (NGC) contract for five warships worth ~INR 323bn, lifting the orderbook 3.5x to INR 448bn from INR 130bn as of September-2026. The project is going to be executed over a period of nine years, with final deliveries estimated around CY35. The near-term warship pipeline of ~INR 1.7tn, led by P17B, Landing Platform Docks (LPD) and Mine Counter-Measure Vessels (MCMV), offers further inflow optionality. However, we expect FY27 revenue to peak on bell curve execution cycle. We reiterate Reduce with a lower SOTP-based TP of INR 2,050 as NGC got delayed by 10 months, deferring our revenue and earnings estimates.

NGC finally on board but meaningful revenue only from FY29: GRSE signed the NGC contract on 2 November 2026, with a balance order value of INR 323bn, ~72% of the current orderbook. The nine-year program targets first delivery in H2CY32 and the final vessel by CY35-36. The pre-production phase of design and procurement is likely to contribute ~7.5-8% to project cost, implying moderate revenue booking from FY28 and a substantial ramp-up only in FY29. Management indicated that NGC margins will be like that of Anti-submarine warfare shallow watercraft (ASW SWC) project.

Legacy orderbook of INR 122bn, to be largely executed by FY29: Excluding NGC, GRSE's pending orderbook stood at ~INR 122bn as of Q2FY27. P17A (INR 34bn) last frigate delivery is schedule in November 2026. ASW SWC (INR 16bn) gets completed in Q1FY28, nearly a year ahead of the schedule. NGOPV (INR 29bn) will be completed by FY29, with three of four ships launched. The research vessels (INR 16bn combined) are due between end CY27 and FY29. The German MPV (INR 12.5bn) and ONGC PSV (INR 9.8bn) orders extend into FY29, while the West Bengal ferries and the Bangladesh dredger will be completed by H1CY27. As legacy execution tapers, the NGC ramp-up becomes key to sustaining revenue beyond FY28.

Defence pipeline of INR 1.7tn: GRSE sees ~INR 1.7tn of warship opportunities, excluding P15C destroyers and submarines. Bids have closed for four tenders worth ~INR 250bn: 31 follow-on waterjet fast attack craft (INR 150bn, split 19:12 between L1 and L2), 120 fast interceptor craft (INR 45-50bn), six NGOPV for the Coast Guard (INR 35bn) and 22 interceptor boats (INR 10-11bn). Three live request for proposals (RFP) worth INR 1.47tn include P17B (INR 700bn), LPD (INR 330bn) and MCMV (INR 440bn). For P17B, bids close next week, with L1 declaration expected in ~four months and contract signing by Q4FY28.

Maintain Reduce with a lower TP of INR 2,050: We trim our EPS estimates by 10% for FY27E, 1% for FY28E, and 7% for FY29E on 10-month delay in the signing of NGC which defers our revenue and earnings estimates beyond FY29E. We maintain Reduce with a lower SOTP-based TP of INR 2,050 (from INR 2,230), assuming core shipbuilding value at INR 1,645 on 32x (unchanged) September FY29E P/E and cash value at INR 405 on 9x (unchanged) cash EPS. We expect an earnings CAGR of 14% in FY26-29E with an average RoE and ROCE of 29% and 27% in FY27E-29E.

20 November 2026

Rating: Reduce
Target Price: INR 2,050
Downside: 2%
CMP: INR 2,086
As on 19 November 2026

Key data	
Bloomberg	GRSE IN
Reuters Code	GRSE.NS
Shares outstanding (mn)	115
Market cap (INR bn/USD mn)	239/2,561
EV (INR bn/USD mn)	205/2,202
ADTV 3M (INR mn/USD mn)	1,310/14
52 week high/low	3,339/1,840
Free float (%)	25

Note: as on 19 November 2026; Source: Bloomberg

Price chart



Source: Bloomberg

Shareholding (%)	Q3 FY26	Q4 FY26	Q1 FY27	Q2 FY27
Promoter	74.5	74.5	74.5	74.5
% Pledge	0.0	0.0	0.0	0.0
FII	3.0	3.5	3.2	3.2
DII	1.6	1.7	1.9	2.0
Others	20.9	20.3	20.4	20.3

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	6.0	8.0	(2.1)
Garden Reach Shipbuilders	(20.9)	(21.5)	(26.3)
NSE Mid-cap	0.8	4.4	0.1
NSE Small-cap	(2.4)	6.8	5.0

Source: Bloomberg

Key Financials

YE March (INR mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue (INR mn)	50,757	70,022	78,250	75,422	72,464
YoY (%)	41.3	38.0	11.8	(3.6)	(3.9)
EBITDA (INR mn)	4,213	7,953	9,385	8,936	8,138
EBITDA margin (%)	8.3	11.4	12.0	11.8	11.2
Adj PAT (INR mn)	5,274	7,480	9,577	11,061	11,042
YoY (%)	47.6	41.8	28.0	15.5	(0.2)
Fully DEPS (INR)	46.0	65.3	83.6	96.6	96.4
RoE (%)	28.1	31.8	31.5	28.2	22.6
RoCE (%)	26.8	30.5	30.5	27.5	22.0
P/E (x)	45.3	31.9	24.9	21.6	21.6
EV/EBITDA (x)	48.8	25.8	21.9	23.0	25.2

Note: Pricing as on 19 November 2026; Source: Company, Elara Securities Estimate

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Global Markets Research

Financials (YE March)

Income Statement (INR mn)	FY25	FY26	FY27E	FY28E	FY29E
Total Revenue	50,757	70,022	78,250	75,422	72,464
Gross Profit	15,403	29,425	28,561	29,792	28,985
EBITDA	4,213	7,953	9,385	8,936	8,138
EBIT	3,788	7,464	8,850	8,383	7,557
Interest expense	103	161	125	120	110
Other income	3,348	2,744	4,045	6,485	7,275
Exceptional/ Extra-ordinary items	-	-	-	-	-
PBT	7,033	10,047	12,770	14,747	14,722
Tax	1,759	2,568	3,192	3,687	3,681
Minority interest/Associates income	-	-	-	-	-
Reported PAT	5,274	7,480	9,577	11,061	11,042
Adjusted PAT	5,274	7,480	9,577	11,061	11,042
Balance Sheet (INR mn)	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Shareholders' Equity	20,793	26,261	34,464	44,035	53,702
Minority Interest	-	-	-	-	-
Trade Payables	11,514	18,277	17,151	16,531	14,890
Provisions & Other Current Liabilities	69,978	60,315	61,586	64,665	67,898
Total Borrowings	-	-	-	-	-
Other long term liabilities	1,257	1,507	1,221	1,449	1,723
Total liabilities & equity	**103,542**	**106,361**	**114,421**	**126,680**	**138,213**
Net Fixed Assets	5,152	5,761	5,726	5,673	5,592
Goodwill	-	-	-	-	-
Intangible assets	-	-	-	-	-
Business Investments / other NC assets	3,149	3,634	3,966	4,144	4,331
Cash, Bank Balances & treasury investments	37,319	33,881	48,828	57,059	62,567
Inventories	35,522	34,022	36,445	37,194	38,713
Sundry Debtors	2,595	12,209	4,288	5,166	6,949
Other Current Assets	19,806	16,855	15,169	17,444	20,061
Total Assets	**103,542**	**106,361**	**114,421**	**126,680**	**138,213**
Cash Flow Statement (INR mn)	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Cashflow from Operations	**156**	**(2,897)**	**13,064**	**3,856**	**218**
Capital expenditure	(671)	(769)	(742)	(500)	(500)
Acquisitions / divestitures	(129)	3,571	-	-	-
Other Business cashflow	2,497	2,463	4,045	6,485	7,275
Free Cash Flow	**1,854**	**2,369**	**16,366**	**9,840**	**6,993**
Cashflow from Financing	(1,739)	(5,806)	(1,420)	(1,609)	(1,485)
Net Change in Cash / treasury investments	115	(3,438)	14,947	8,231	5,508
Key assumptions & Ratios	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Dividend per share (INR)	10.0	11.0	12.0	13.0	12.0
Book value per share (INR)	181.5	229.3	300.9	384.4	468.8
RoCE (Pre-tax) (%)	26.8	30.5	30.5	27.5	22.0
ROIC (Pre-tax) (%)	14.7	15.0	21.7	20.8	17.2
ROE (%)	28.1	31.8	31.5	28.2	22.6
Asset Turnover (x)	10.1	12.8	13.6	13.2	12.9
Net Debt to Equity (x)	(1.8)	(1.3)	(1.4)	(1.3)	(1.2)
Net Debt to EBITDA (x)	(8.9)	(4.3)	(5.2)	(6.4)	(7.7)
Interest cover (x) (EBITDA/ int exp)	40.8	49.3	75.1	74.5	74.0
Total Working capital days (WC/rev)	190.8	145.3	110.0	125.0	155.0
Valuation	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
P/E (x)	45.3	31.9	24.9	21.6	21.6
P/Sales (x)	4.7	3.4	3.1	3.2	3.3
EV/ EBITDA (x)	48.8	25.8	21.9	23.0	25.2
EV/ OCF (x)	1,312.8	(70.9)	15.7	53.3	943.4
FCF Yield	0.9	1.2	8.0	4.8	3.4
Price to BV (x)	11.5	9.1	6.9	5.4	4.4
Dividend yield (%)	0.5	0.5	0.6	0.6	0.6

Note: Pricing as on 19 November 2026; Source: Company, Elara Securities Estimate

Revenue CAGR of 1% in FY26-29E

Earnings call: Key takeaways

Order book and performance

- Orderbook as on date is INR 448bn.
- GRSE won four projects – ONGC for four platform support vessels, Passenger electric ferries, Shyamprasad Mukherjee ports for electric tug and NGC.
- GRSE is currently executing 13 projects with 50 platforms.

Pending orderbook value

- P17A: INR 33.95bn
- ASW: INR 15.16bn
- Survey vessel large: INR 1.6bn
- NGOPV: INR 29bn
- Coastal Research vessel: INR 4.55bn
- Ocean Research vessel: INR 7.1bn
- Acoustic research vessel: INR 4.41bn
- Electric ferries: INR 1.7bn
- PSV – INR 9.8bn
- New ferries and tugs – INR 180mn
- MPV and Dredger: INR 13.1bn
- NGC – INR 323.1bn

Execution

- P17 Alpha: Last ship should be delivered this month.
- Anti-Submarine Shallow Watercraft project: Five ships have been delivered; the fifth ship was delivered in November; sixth is at 99% completion, to be delivered next week; the seventh ship has been completed 75% and the eighth is at 63% completion (to be completed by H1CY27).
- NGOPV: Fourth ship was launched in Q4FY27.
- Thirteen-vessel project for the Government of West Bengal: Deliveries will start in FY27. GRSE intends to deliver two ships in a month, and complete the project by H1CY27.
- Ocean research vessel for Earth sciences is 55% complete, with delivery scheduled by end-2027.
- The acoustic research vessel has achieved 40% construction progress.
- The coastal research vessel is scheduled for delivery in FY29.
- Production has commenced on five ships under an export order from a German client.
- The dredger ordered by Bangladesh is scheduled for delivery by April 2027.

New order value

- The Landing Platform Docks (LPD) program is valued at INR 330bn.
- The Navy's program for 120 Fast Interceptor Craft (FICs) is valued at INR 150bn. The P17 Bravo program, covering seven ships across L1 and L2, is valued at INR 700bn. L1 declaration is expected in FY27, with the contract likely to be signed in Q4FY28.
- The order for 12 Mine Countermeasure Vessels (MCMVs), valued at INR 440bn, is split between L1 (eight vessels) and L2 (four vessels).
- The program for six Next Generation Offshore Patrol Vessels (NGOPVs) for the Coast Guard is valued at INR 35bn.

- The order for 22 interceptor boats for the Coast Guard is estimated at INR 10–11bn.
- The Navy's program for 120 Fast Interceptor Craft is valued at INR 150bn.
- The order for 31 follow-on Waterjet Fast Attack Craft for the Navy is valued at INR 35bn.
- The near-term defence order pipeline is estimated at INR 1.5tn.
- The non-defence order pipeline exceeds INR 1tn.

Capacity expansion

- Current capacity stands at 28 ships, with plans to increase it to 32 ships by the end of CY26.
- The company is pursuing two brownfield expansion projects in Kolkata and evaluating two greenfield projects, one in Gujarat and another in West Bengal. Construction is expected to commence next year, with operationalization likely to take 3-5 years.
- The brownfield projects entail a capex of INR 1.7bn.
- Each greenfield project is expected to require capex of INR 20-22bn and add 11 Aframax/VLGC carriers, taking overall capacity to 43 ships.

Miscellaneous

- Revenue recognition for the NGC project is expected to commence in FY28.
- NGC margins are expected to be broadly similar to those of the ASW SWC project.
- During the pre-production and construction phase, revenue recognition is expected to cover up to 7.5% of the NGC project value, largely in FY28.
- Base and depot spares typically account for up to 15% of the total project value.
- P17A spares are valued at INR 17bn.
- ASW SWC spares are valued at INR 4.65bn.
- NGOPV is valued at INR 4.24bn.
- GRSE is targeting a minimum 25% hit rate on the defence order pipeline.

Exhibit 1: Valuation

(INR)	
EPS – FY28E	96.6
EPS – FY29E	96.4
Five-year average P/E (x)	28.8
Core Target multiple (x)	32
Sept 2028E EPS	51.4
Cash multiple (x)	9.0
Cash EPS	45
Target price	**2,050**

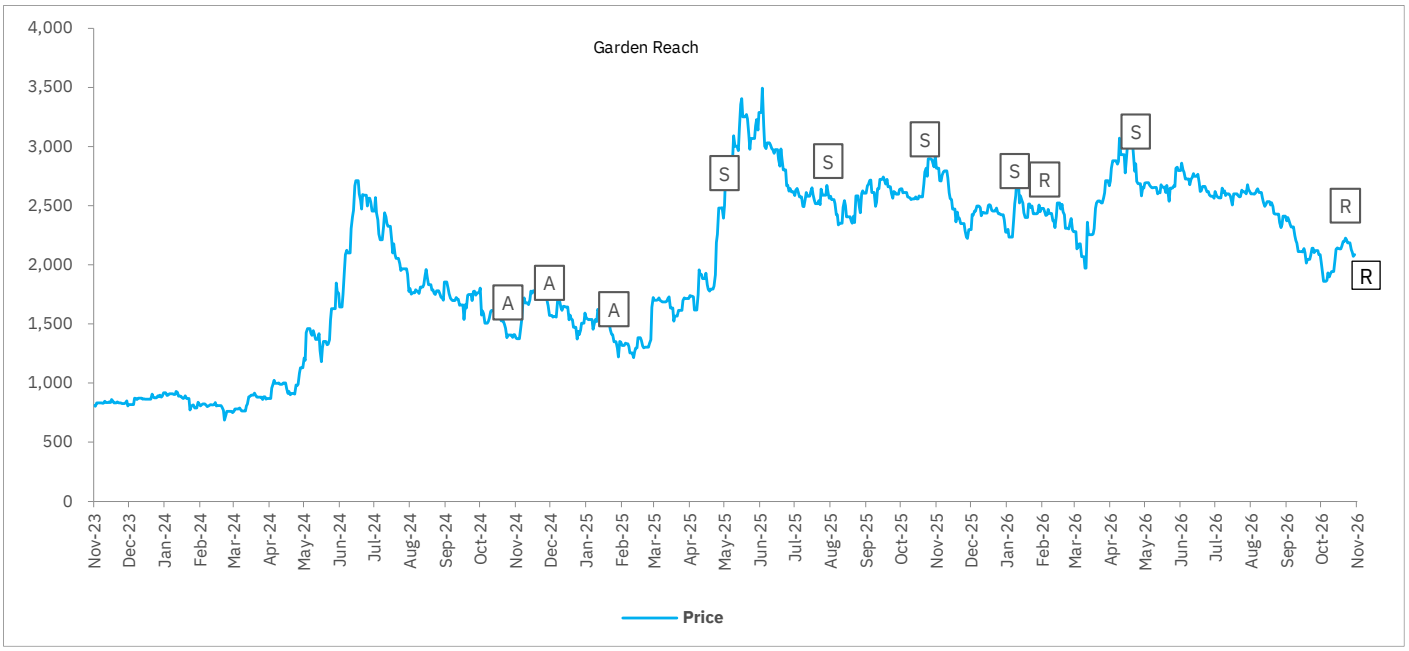
Source: Company, Elara Securities Estimate

Exhibit 2: Change in estimates

(INR mn)	**Earlier**			**Revised**			**% Change**		
	FY27E	**FY28E**	**FY29E**	**FY27E**	**FY28E**	**FY29E**	**FY27E**	**FY28E**	**FY29E**
Revenue	78,250	78,986	82,443	78,250	75,422	72,464	-	(4.5)	(12.1)
EBITDA	9,489	9,054	9,893	9,385	8,936	8,138	(1.1)	(1.3)	(17.7)
EBITDA margin (%)	12.1	11.5	12.0	12.0	11.8	11.2			
PAT	10,621	11,182	11,839	9,577	11,061	11,042	(9.8)	(1.1)	(6.7)
EPS (INR)	92.7	97.6	103.4	83.6	96.6	96.4	(9.8)	(1.1)	(6.7)
TP (INR)		**2,230**			**2,050**			**(8.1)**	

Source: Company, Elara Securities Estimate

Coverage History



Date	Rating	Target Price (INR)	Closing Price (INR)
14-Nov-2024	Accumulate	1,500	1,406
20-Dec-2024	Accumulate	1,660	1,572
14-Feb-2025	Accumulate	1,620	1,351
21-May-2025	Sell	2,260	2,501
19-Aug-2025	Sell	2,140	2,587
11-Nov-2025	Sell	2,200	2,786
28-Jan-2026	Sell	2,030	2,519
23-Feb-2026	Reduce	2,300	2,416
13-May-2026	Sell	2,230	2,791
11-Nov-2026	Reduce	2,230	2,225
19-Nov-2026	Reduce	2,050	2,086

Guide to Research Rating

BUY (B)	Absolute Return >+20%
ACCUMULATE (A)	Absolute Return +5% to +20%
REDUCE (R)	Absolute Return -5% to +5%
SELL (S)	Absolute Return < -5%

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