



# गार्डन रीच शिपबिल्डर्स एण्ड इंजीनियर्स लिमिटेड **Garden Reach Shipbuilders & Engineers Ltd.**

(भारत सरकार का उपक्रम, रक्षा मंत्रालय)  
(A Government of India Undertaking, Ministry of Defence )  
CIN NO. : L35111WB1934GOI007891

SECY/GRSE/BD-69/AM/01/23-24

28 Aug 2023

To,

**National Stock Exchange of India Limited**  
Exchange Plaza,  
Bandra Kurla Complex, Bandra (E),  
Mumbai – 400 051  
Symbol: GRSE

**BSE Limited**  
Phiroze Jeejeebhoy Towers,  
Dalal Street, Fort  
Mumbai – 400 001  
Scrip Code: 542011

Dear Sir / Madam,

**Sub: Transcript of Analyst Meet/Con Call for Q1 FY 23-24 of GRSE – Reg 30**

1. Further to our Intimation Letter No. SECY/GRSE/BD-69/AM/01/23-24 dated 16 Aug 2023, we wish to inform that Conference Call was held on Tuesday, 22<sup>nd</sup> August, 2023 at 15.30 Hrs. to discuss the Unaudited Financial Results of the Company for the Quarter ended 30<sup>th</sup> June, 2023.
2. In this regard and pursuant to Regulation 30 read with para A of Part A of Schedule III of the SEBI (LODR) Regulations, 2015, the Transcript of the Analyst/Conference Call for Q1 FY 2023-24 of the Company is enclosed herewith.
3. This is for your information and records.

Thanking You,

Yours faithfully,  
For Garden Reach Shipbuilders & Engineers Limited

Sandeep Mahapatra  
Company Secretary and Compliance Officer  
ICSI Membership No. ACS 10992



**Garden Reach Shipbuilders & Engineers Limited**  
**Q1 FY24 Earnings Conference Call**  
**August 22<sup>nd</sup>, 2023**

**Management:**

1. **Cmde P.R. Hari, IN (Retd)** – Chairman & Managing Director
2. **Shri R.K. Dash** – Director Finance & CFO, Director (Personnel) (Additional Charge)
3. **Shri Sandeep Mahapatra** – Company Secretary & Compliance Officer



**Garden Reach Shipbuilders & Engineers Limited**  
**Q1 FY24 Earnings Conference Call**  
**August 22, 2023**

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**Moderator:** Good afternoon, ladies and gentlemen. I am Michelle, moderator for this conference. Welcome to the conference call of Garden Reach Shipbuilders and Engineers Limited arranged by Concept Investor Relations to discuss its Q1 FY2024.

We have with us today, Cmde P. R. Hari, Indian Navy (Retired), Chairman & Managing Director and Shri RK Dash, Director (Finance) & CFO.

At this moment, all participants are in listen-only mode. Later we will conduct a question-and-answer session. At that time, if you have a question, please press '\*' and '1' on your touchtone telephone. Please note this conference call is being recorded.

I would now like to hand the floor to Cmde P.R. Hari, Chairman and Managing Director. Thank you, and over to you, sir.

**Cmde P. R. Hari:** Thank you, Michelle. Ladies and gentlemen, a very good afternoon to each one of you. I am Commodore P. R. Hari - Chairman & Managing Director - GRSE. And with me, I have here Shri R. K. Dash, Director (Finance) and the Chief Finance Officer, and Shri Sandeep Mahapatra, Company Secretary.

At the outset, let me thank each one of you for taking time out to attend our earnings call to discuss Q1 FY '24 results. FY '24 has started on a very vibrant note for GRSE with the shipyard recording the best ever quarterly results in the history of the company.

Before I elaborate on the financial results, I shall touch-up on few of the highlights of our physical performance during the quarter. As far as ship deliveries are concerned, we have delivered one vessel, a passenger-cum-cargo ferry to the Cooperative Republic of Guyana, and the formal delivery was held on 23rd of April 2023.

As far as the project milestones go, we launched three warships during the quarter with two ships being launched on a single day that is 13<sup>th</sup> of June 2023, the third Anti-Submarine Shallow Watercraft and the fourth Survey Vessel Large.

I am also happy to inform you that we concluded a contract with the Indian Navy for 10 number 30 mm naval surface gun with an order value of approximately ₹250 crore.



We have also launched an all India start-up challenge competition GAINS 2023, GRSE Accelerated Innovation Nurturing Scheme basically to tap the start-up ecosystem of the nation to enhance the efficiency of the shipyard in new technology adaption. This was done on 22<sup>nd</sup> May 2023.

Again, happy to inform you that we have launched an underwater autonomous vessel. This was done by the Chairman DRDO, Defence Research and Development Organization, and Secretary R&D during the last call. We have also signed a Memorandum of Understanding with Kongsberg, Finland for localization of Water Jets for the ships being constructed by GRSE and the other shipyard for the Navy and the Coast Guard.

Arguably, the most important event in the history of the shipyard, the launch of a major warship by the Honorable President of India was held as recently as 17<sup>th</sup> of August 2023. On this day, the third P17 Alpha Ship 'Dunagiri' was launched.

As far as our order book position goes, as on 30<sup>th</sup> of June 2023, our order book stands at a healthy ₹24,546 crore. This comprises of six projects including four projects for the Indian Navy. These four projects comprised of 19 warships, three P17 Alpha, 10 frigates, 8 Anti- Submarine Shallow Watercraft, 4 Next-Generation Ocean-Going Patrol vessel, and 4 Survey Vessel Large.

In addition, as had stated during the last conference call too that we are constructing an electric ferry for the Government of Bangladesh and Patrol Vessel project for Government of West Bengal.

As on date, the order book value of the P17 Alpha Project, which forms a major chunk of our order book, is ₹13,745 crore, ASW Shallow Watercraft Project Comprising of 8 Ships contributing to ₹5,438 crore and the Next-Generation Ocean-Going Patrol Vessels ₹3,400 crore and the survey vessel around ₹1,300 crore.

Our ship repair segment has also taken off in a very positive manner, and we have concluded two refits of Coast Guard ships during Q1 of FY '24.

As far as the execution plans of the ongoing projects goes, based on our build strategy and the current project progress, the P17 Alpha ships are expected to be delivered from mid - 2025 to mid - 2026. The first ship is planned to be delivered by August 2025, and the third ship is planned to be delivered during August 2026.

As far as the Survey Vessel Large project is concerned, the first ship is currently undergoing the contractor feed trial. That means it is reaching a project maturity level wherein the ship is being ready for trial and delivery. We intend to deliver this ship 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.

As regards to the ASW Shallow Watercraft Project is concerned, out of 8 ships, 3 ships have already been launched, and we intend launching one more vessel during the current calendar year and two more vessels during the last quarter of the current financial year, that is early 2024.

We intend delivering first ASW Shallow Watercraft during the current financial year. It is expected to be delivered between February and March 2024. As far as the progress of this entire project is concerned, we intend to complete this project by FY '27.

The Next-Generation Electric Ferry project is going on smoothly, and the vessel is planned to be delivered in the current calendar year, perhaps towards the end of the current calendar year. Both the projects, the Next Generation

As we aware, the Next-Generation Ocean-Going Patrol Vessel contract was signed on 30th April of this year. We started on the positive note and we intend for starting production during the current quarter.

The 30mm Naval Surface Gun project is also going on fine, and we intend to complete this project during FY '24-'25. This in a nutshell gives you an overview of our physical performance, our order book position and the execution plan of the current order book.

Coming to our financial performance, as we had stated, Q1 results have been the best in the history of the company with both the revenue from operations and the profit after tax touching new heights. Year-on-year, revenue from operations have gone up by 30% from ₹579 crore to ₹756 crore, and our total income from ₹620 crore to ₹826 crore, there is a rise of 33%.

EBITDA, a 57% rise resulting in a value of ₹116 crore, and the profit after tax going up by 64% from ₹50.18 crore to ₹76.68 crore.

Our margins during the quarter have also been encouraging, and the earnings per share have gone up from 4.3 to 6.69. From the investor perspective, the market capitalization has gone up from ₹2,568 crore as on 31<sup>st</sup> March 2023 to ₹6,590 crore.

So, on the whole, both the physical performance and the results of the physical performance i.e. the financial performance have been good during Q1.

So, with that, I end my introductory address. Now I am open for any questions that you have.



**Moderator:** Thank you very much, sir. We will now begin the question-and-answer session. Anyone who wishes to ask questions may please press '\*' and '1' on their touchtone phone. If you wish to withdraw yourself from the question que you may press '\*' and '2'. Ladies and Gentleman we will wait for a moment while the question que assembles.

We will take the first question from the line of Rohit Natarajan from Antique Stock Broking. Please go ahead.

**Rohit Natarajan:** Thank you for this opportunity, Sir, if you could help us on P17 Alpha, what is the physical progress for individual vessels? How is this expected to see the execution trajectory over the next two to three years?

**Cmde P. R. Hari:** Thank you, Mr. Natarajan. P17 Alpha, as I had mentioned, is our main project. That is our main revenue earner. And as from 30<sup>th</sup> of June and I had mentioned, approximately ₹13,700 crore order book value was remaining for execution. As far as the physical progress is concerned, the first ship, that is the ship which was launched last to year has year now crossed 55% of physical progress, that is as on 30<sup>th</sup> of June. And currently, we are almost at 58% of physical progress. With the second ship is at around 47%, and the third ship, which was at 32% as on 30<sup>th</sup> of June. The 3<sup>rd</sup> ship has now been launched as stated on 17<sup>th</sup> of August with approximately 37 plus percentage of physical progress.

Now, all these ships are in advanced stage of construction, and now we will move on to the outfitting phase where the equipment that has been lowered will be installed and buttoned up and the over next two to three years as now we are in 2023, the first ship is expected to be delivered in mid—2025, and the second ship in early 2026 and the third ship during mid-2026. We are targeting August, September 2026. So, this in a nutshell gives you an overview of the P17 Alpha project.

**Rohit Natarajan:** Sir, on the Anti-Submarine Shallow Watercraft, can you help us to understand, how the revenue execution expected this year and next year? Also, on NGOPV, what will be their numbers looking like?

**Cmde P. R. Hari:** As far as the ASW Shallow Watercraft Project is concerned, now this project comprises of eight vessels and as I had mentioned, three of these vessels have already been launched. And as on 30<sup>th</sup> of June, we have around ₹5,400 plus crore order book value remaining.

Now, we intend to be delivering the first of these ships in the current financial year and two of these ships during the next financial year, and intend to completing this project by FY '27. That means between 2023 and '27, all the eight ships will be delivered.



Now, the three ships which have been launched are currently undergoing the outfitting stage, and this is when the equipment get lowered and so will the revenue will increase. So, if you want a ballpark assessment of the revenue accrual, this ₹5,400-odd crore will be exhausted in the next four years with 2025 being the peak year from this particular project.

**Rohit Natarajan:**

But when I look at the quarter-on-quarter also some improvement as in it has not really moved as such, because last quarter we had ₹5,500 crore which is down only to ₹5,400 crore. So, it's not a 1.5% per month kind of a linear projections that we should build in.

**Shri R. K. Dash:**

Absolutely, it's a very interesting question. It doesn't work in a ship building which I have tried explaining that in ship building, the revenue accrual is not a linear, it doesn't follow a linear pattern. It depends upon what stage of construction the ship is. The maximum revenue accrual is when a ship crosses 40% and then moves up to 60% where the equipment gets lowered. Now we are in a stage where the three ships which have been launched already, they have started giving revenue. So, you are absolutely right when we have gone down from around ₹5,500 crore to ₹5,400 crore. This means we would have just in the last quarter taken just about ₹100 crore from this project which signals likely to remain the same even in the next quarter. But in the third and fourth quarter you will see a sharp rise in this when the next few ships come to this level of maturity.

So, to answer your question, in shipbuilding, revenue accrual does not form a linear pattern. Purely depends upon the type and the phase in which the ship is under construction. Now this is an eight ships project. In those three ships launched, three ships are approaching the launch stage. So, in the next quarter I see similar results from this particular project but next to next quarter and the next quarter you will see a hike in the revenue accrual.

**Rohit Natarajan:**

Got it Sir, from a capacity standpoint, the yard utilization, I see that you are engaging even with subcontractors like L&T to outsource some work. Is it because you are already the hands are full, you may not really want to chase new orders, you want to complete the existing order backlog which puts a question to what beyond the current capacity you want to expand? Can you touch on those strategic aspects? That will be really helpful.

**Cmde P. R. Hari:**

Yes. Thank you. Again, an interesting question. As far as the capacity is concerned, now there are two, I would like to put it in this fashion. There is a pre-launch phase. That means before the ship is launched onto water, you need dry docks and slipways to undertake the work there. Once they are occupied, you will be able to, I mean, your building capacity is limited to the number of dry docks and slipways you have. Then comes the phase after the ship is launched where the ship is tied alongside berth from Jetties as we call where the outfitting happens.

Now, in the case of dry docks and slipways, we have adequate capacity. Actually, we have spare capacity. In the case of berths, again, there is no shortage. Plus, we have taken, I am purely



speaking about the facilities available in Calcutta. We have taken over three docks which primarily at this juncture we are using for ship repair, but these are also captive dry docks with us which can be used for ship building also in case a situation comes where the order book exceeds our capacity or when it reaches our capacity.

In addition, we had taken over a facility from the Central Inland Water Transport Corporation, that is called Rajabagan Dockyard where over the years depending upon our need, we have revitalized because this is a defunct facility. Now we are transferred into a full-fledged ship building facility, and we have revitalized the dry docks and slipways.

Now, coming to utilization of the capacity of other shipyards as subcontractor, that is purely a business strategy that used to present their concurrent construction. The very fact that GRSE has been able to launch 3 Anti-Submarine Shallow Water Craft and all the 4 Survey Vessels is a testimony to the fact that we are effectively utilizing the spare capacity of other shipyards or other partner yards and the subcontractors to facilitate concurrent construction.

Now, if, I mean, the order book in pipeline for both the Navy and the Coast Guard is well known. So, should any more order come, we have adequate capacity and spare capacity to take on this order. Another very general statement, but should a need be there, I can elaborate further.

**Rohit Natarajan:**

Thank you sir, I will get back into the que.

**Moderator:**

Thank you. We will take the next question from the line of Dipen Vakil from InCred Equities. Please go ahead.

**Dipen Vakil:**

Thank you so much for the opportunity Sir, and congratulations for the great set of quarter. My first question is in the line of current market scenario. So, can you throw some light on the current market scenario in terms of new order pipeline and opportunities going ahead?

**Cmde P. R. Hari:**

Thank you, Mr. Vakil. Yes, at the outset, thank you. We had a very good Q1, and we have been maintaining the tempo in the coming quarters also. Now, as far as the orders on the anvil, currently, there are two projects of Coast Guard for which we have submitted our bids against their RFPs. This one of them is the 14 Hospital Vessel project, which I had mentioned during the last earnings call that we were eagerly waiting for this. The technical evaluation of this process has been completed, and we expect the bid to be open sometime in the current quarter. This would approximately be around ₹1,200 to ₹1,400 crore. That's the assessment.

And in addition, there is another project again from the Indian Coast Guard, again, around ₹2,000 odd crore for 6 Ocean-Going Patrol Vessel requirement. In addition, also the technical evaluation has been completed. A Polar Research Vessel for NCPOR, that is the DRDO organization, order value could be to the tune of ₹750 to ₹900 crore. So, these are the three





projects where we expect the bids to be open during the current quarter. These are what is immediately in the plate.

What is likely to come up, thereafter may be RFP for two multi-purpose vessels approximate order value could be to the tune of around ₹1,500 crore. With the RFP is expected during the current calendar year. Plus 5 Next-Generation Survey Vessels, follow on Survey Vessels with an order value of around ₹3,500 crore plus 21 Water Jet FAC for the Indian Navy approximately ₹2,500 crore order value. This RFI has already been published and we expect the RFP to come out during calendar year '24. Along with the Next-Generation corvette which we are eagerly waiting for, 8 Next-Generation corvettes of which AON was recorded in May 2022. We expect the RFP to come out in 2024 calendar year towards end.

So, those in a nutshell gives you an overview as to what will be the pipeline in the immediate year, that is current year and the next calendar year. I would not go beyond that because there are many more projects both of Navy and the Coast Guard which are on the anvil including the Next-Generation Destroyer and the MCMV project. Surprisingly, the news came out in last week that, the NAVY will be going in for the MCMV project on a competitive basis. So, this gives you additional picture on what is in store for GRSE and other shipyards.

**Dipen Vakil:**

And my second question is in the line of, sir, you mentioned that you had delivered an underwater unmanned vehicle this quarter. So, is it a concrete order or it was more like a user trial? Can you give some light on that? So, do we have more orders on that?

**Shri R. K. Dash:**

See, yes, it is a technology demonstrator. It was not against a firm model. This is a technology demonstrator that we proved successfully in collaboration with the MSME. They are surprisingly, an MSME is our partner in this project. It's an unmanned autonomous vehicle, and this is actually good, and it has got the capability of multiple types of payloads and has been proven to a depth of 300 meters.

Now, the Navy has recently stated in one of their interactions that Navy is going in for an unmanned, they have got an unmanned roadmap. That means they are looking for platforms capable of operating in subsurface, surface and aerial domains. In keeping with this requirement that is coming up with the Navy and of course, we are confident that the Coast Guard will follow soon. We have gone aggressive, and we do not want to lose the first mover's advantage, and therefore, we are moving again all three domains.

You had mentioned this underwater autonomous vessel. That definitely would address with more fine-tuning and use of trials the underwater autonomous requirements of the customer that is Navy. We are also moving in towards autonomy in the surface and aerial domains also. That is aerial as in drones capable of marine platform operations and unmanned autonomous



vessels. This is going to be a future vertical that would have huge potential with the Navy and Coast Guard.

**Dipen Vakil:** Thank you sir, that was very helpful and all the best for FY '24.

**Moderator:** Thank you. We will take the next question from the line of Swechha Jain from ANS Wealth. Please go ahead.

**Swechha Jain:** Sir, if you could help us giving us some sense on the revenue target for FY '24 and FY '25?

**Cmde P. R. Hari:** I am just parsing what I have mentioned consistently over the last four Con-calls, that we have an order book of ₹24,546 crore as on 30<sup>th</sup> of June '23 and as per our build strategy and the current project execution program, this entire order book is expected to be completed by FY '27.

And okay, I will give you just a background. FY '22, we had revenue from operations of around ₹1,786 crore. FY '23, we have ₹2,561 crore. So, we are moving up, and you have seen our Q1 results. We already passed the ₹756 crore. So, I reiterate what I stated earlier, that if FY '24, '25 and '26 are going to be our big financial year considering our order book position and the project maturity stay stable. I know the answer is a bit round the board, but I hope it meets your query.

**Swechha Jain:** Yeah. No worries, sir. So, also, I have a follow up like you were, you know, in the earlier participant's question, you were giving the order pipeline, right, the bid pipeline. So, I just wanted to understand you were talking about three projects that you are expecting in this financial year. So, have you already submitted the bid, or the RFP is still to be out is what I kind of missed that?

**Cmde P. R. Hari:** Ma'am, all the three RFPs have been are out and we have submitted the bids for all three projects, two of the projects, so the sixth Ocean-Going Patrol Vessel and that the Research Vessels for DRDO, the technical evaluations have already been completed, and the bid opening is expected sometime during the current quarter. As far as the 14 FPV project is concerned, again the bid has been submitted. In our appreciation, the bid, the price would be opened in the next two to three months. So, all three, yes, bids submitted. The balance what I have mentioned is where we are expecting the RFPs to come out.

**Swechha Jain:** Understood. And, so what would be the order value for 8 Next Generation Corvette?

**Cmde P. R. Hari:** See, ma'am, the AON has been accorded by the Defense Acquisition Council in May 2022 for ₹32,000 crore. So, that is an order value, expected order value.



**Swechha Jain:** And sir, you had also said that you are also expecting an RFP for Navy for ₹2,500 crore. So, what was that? I kind of missed that. I am so sorry.

**Cmde P. R. Hari:** See, Navy is coming up with the project for which RFI is already out. This is for the Next Generation Water Jet FAC. That is a Water Jet Fast Attack Craft, 21 of them, and these are small vessels which is actually some of our niche products having delivered plus 30 Fast Patrol Vessels and 4 Water Jet FAC. So, we have adequate experience and here for this Next Generation Water Jet FAC, the order value is likely to be between ₹2,200 to ₹2,600 crore. So, that's why I stated a figure of ₹2,500 crore.

**Swechha Jain:** Thank you so much sir.

**Moderator:** Thank you. We will take the next question from the line of Venkatesh Subramanian from Logic Tree. Please go ahead.

**Venkatesh Subramanian:** Sir, actually my question has been answered just from the previous one.

**Moderator:** Thank you. We will take the next question from the line of Kunal Mehta from Equirus Wealth. Please go ahead.

**Kunal Mehta:** Thanks for the opportunity, Sir, can we just dwell a bit on the ship repair segment?

**Cmde P. R. Hari:** Thank you, Mr. Mehta. Ship repair is still in nascent stages. Positive point is that we have 100% occupancy of the three docks, dry docks that we have taken over from Kolkata Port Trust. Currently, ship repair contributes around just about, I would say, around 1.5% of our overall revenue. We have currently order book of about ₹70 to ₹80 crore from ship repair.

As we had mentioned, we are starting in a modest fashion, but the opportunity here is phenomenal. Since most of the Coast Guard refits in this region are being undertaken by us, we have already made a foothold in this. What we are looking for is to stabilize here and enhance our revenue at least by 4x in the next three to four years.

**Moderator:** Thank you. We will take the next question from the line of Harshit Kapadia from Elara Capital. Please go ahead.

**Harshit Kapadia:** Thank you for the opportunity and Congratulations for good set of results, Sir, can you give us an order book breakup in terms of P17 Alpha, survey vessels, and ASW Corvette? That would be helpful. That will be the first question.

**Cmde P. R. Hari:** I will. Thank you, Mr. Harshit. As far as the order value remaining, I will cover that. Is that what you intend? Then I will cover that. The P17 Alpha we currently have an order book value of



₹13,745 crore remaining out of the ₹19,293 crore. Anti-Submarine Shallow Watercraft we have ₹5,438 crore remaining for execution, and the Survey Vessel Large project we have ₹1,382 crore. This is the order book value that is remaining for execution.

**Harshit Kapadia:** And on the Next Generation Corvette, the AoN was supposed to be ₹36,000 crore. I think you mentioned ₹32,000 crore. Is there a revision in the AoN?

**Cmde P. R. Hari:** Yes. You are absolutely right. There is a typo which is in my handwriting. Yes, it is ₹36,000 crore. Correct. You are absolutely correct. The AoN was accorded for ₹36,000 crore for 8 vessels, 8 ships.

**Harshit Kapadia:** And L1 will get 5 and L2 will get 3. Is that the same thing or there is no change in that format, right?

**Cmde P. R. Hari:** No change. As per the Navy's requirements which they have indicated, the L1 will get 5 ships with the L2 getting 3 ships.

**Harshit Kapadia:** And lastly, just probably I have missed it. The RFP document which you are supposed to submit, has it been submitted or when it is likely to be submitted and when the tenders are expected to be opened?

**Cmde P. R. Hari:** You are talking about the Next Generation Corvette, right?

**Harshit Kapadia:** Yes, sir, Next Generation Corvette.

**Cmde P. R. Hari:** Navy is in the process of formalizing the statement of technical requirements and the RFP documentation. We expect the RFP to come out during the latter half of 2024, which means almost a year from now, 9 months to 10 months to 11 months from now. The latter half of 2024 only the RFP will come out.

**Harshit Kapadia:** That was really helpful, sir. And I also wanted to check probably if somebody had asked this, but I missed it, but landing platform docks, what is the status on that particular order? Four numbers of LPDs were there, and I think GRSE was looking to participate in this new platform for them. So, any update on that? And would GRSE still remain to be a vital player in this segment? Or since you are adding new products in your categories on the UAV side, the unmanned vehicle side, do you think you will have a lesser attention to this category?

**Cmde P. R. Hari:** I would like to clarify that as a defense shipyard, our focus was this and will be, primary focus will be on a domestic warship building. That is the purpose for which the government has set up this. But at the same time to remain competitive and also to gain first mover's advantage in segments like autonomous vessels or green energy platforms, we will be diversifying in these



areas, but without compromising on our core competency which has been built over the last 60 years on warship building. So, what I am trying to convey is that our warship building focus will not get diluted.

Now, as far as the landing platform dock, LPDs are concerned, yes, Navy from their perspective plan as we are aware Navy has the requirement of Landing Platform Dock. At this moment, we do not have a clarity as to when the RFP will come out. Yes, they have a requirement. The clarity is not there as of now as to when the RFP will come out, and when it comes out, definitely GRSE would be a participant in the bidding process.

**Harshit Kapadia:**

And I know, sir, you have recited time and again on the margin front that you would want to achieve a 10% PAT margin. But just wanted to, you know, check with you. As your turnover now is going to be at its peak in the next three years which you have also highlighted, do we expect EBITDA margin excluding other income should also move to a double-digit margin level or it would not be fair to assume that?

**Cmde P. R. Hari:**

See, and again like to put it in our perspective. As far as the income is concerned, the so-called other income was also an integral part of what translates into our profit. As far as the margins are concerned, be it EBITDA margin or be it the PAT margin, now we in ship building industry have for a conventional successful industry, the PAT margins are anything beyond 7.5% to 8%, and the dividend from our performance during the current quarter, we have been able to post margins beyond that.

So, we based on our current order book and also fully understanding that the revenue will peak during the next two to three years based on our other book, we are confident of maintaining similar margins in future also. From the investor's perspective, we will be maintaining similar margins in future also.

**Harshit Kapadia:**

Thank you for answering all the questions and wish all the best.

**Moderator:**

Thank you. We will take the next question from the line of Parimal Mithani from Credential Investments. Please go ahead.

**Parimal Mithani:**

Good Afternoon Sir, thank you for the opportunity, and congratulate for the good set of numbers, So, I just wanted to know since there are four Central Defense shipyards, how do you differentiate yourself in terms of the ship business since it's a nascent industry right now for you? Can you highlight how?

**Cmde P. R. Hari:**

Sir, could you come again from the beginning what was your question?



**Parimal Mithani:**

Sir, since there are four different shipyards in the country and in the Central PSU side, how do you differentiate yourself in terms of ship repair Compared to the Cochin shipyard, there is Mazagon Dock and what is the way that we are trying to go ahead? Because all of them have ship repair as the part of their strategy going forward. How do you foresee yourself in the future for that?

**Cmde P. R. Hari:**

Yes. Thank you, Mr. Parimal, for the question. Yes, there are five of us plus Larsen & Toubro Shipyard also, five shipyards in the play for ship repair in addition to ship building. I have stated this before that GRSE works, I repeat works and not focusing much on ship repairs because we have adequate orders in terms of ship building and other business verticals that we have, that is the building bridges, diesel engines and so on.

But we decided that this is an area where opportunities were adding. So, we decided as a corporate strategy that we will focus on ship repairs. Towards that the steps have already been taken. We created a dedicated Ship Repair Division in the company and also taken over three dry docks from the Kolkata Port Trust.

Now, both our counterparts in this shipbuilding or counterpart shipyards what we had mentioned before DPSU, the three more DPSU plus Cochin Shipyard and the LMP, they have vast experience in ship repairs, established ship repair facilities and the vendor base.

Our advantage is that we have taken over these docks which have been completely segregated facility with dry docks ranging from 90 meters to 120 meters and which is away from our ship building facility, and yet located in Kolkata. So, the advantage is that we can use our vendor base and the OEM base as required to carry out the ship repairs. We are starting in a modest fashion, experimented successfully with the conductor of Coast Guard refits.

What I stated before also, that our internal target is to quadruple our revenue from the Ship Repair segment over the next three to four years. So, we are starting in the modest fashion, stabilized ourselves. Now we are looking aggressively for more orders in this segment, but the other shipyards you mentioned are definitely more experienced in carrying warship repairs that perhaps at least in the couple of cases that was their major source of income because for them at that point of time ship building orders were far and few.

**Moderator:**

Thank you. We will take the next question from the line of Amit Dixit from ICICI Securities. Please go ahead.

**Amit Dixit:**

Thank you sir, Congratulations for the good set of numbers, I have couple of questions. Since I joined the call late, these might be a repeat of what you have already answered. So, please bear with me. The first one is that there was a news that, you know, we have outsourced a portion of ASW-SWC and a Survey Vessel Large order to L&T. Just wanted to understand the



key driver behind it? Was it to forge a public private partnership or was it a capacity constraint on our part at this point in time to execute the order?

**Cmde P. R. Hari:**

Thank you, Mr. Dixit. As you rightly said, I have answered this question. I will elaborate a little more. Both the projects, yes, part construction of a few of the ships of the Survey Vessel Large and the Anti-Submarine Shallow Watercraft projects have been outsourced to one of our partners, and this has got a two-pronged approach.

One, we wanted to utilize the spare capacity of capable shipyards in India to facilitate concurrent construction, and it is not only for these two projects. As the business strategy, we have also within, of course, shipyard that you mentioned is not based at Kolkata. It is in the East Coast. We have also outsourced part construction of two more projects to a minor shipyard in Kolkata and successfully completed this project.

So, the advantage is that we can leverage the spare capacity of these shipyards and facilitate concurrent construction so that the large projects that we undertake within the shipyard go concurrently and smoothly along with these partnered facilities. And yes, this also is aligned with the government's policy of encouraging public private partnerships. So, both prongs, yes, but it is not, I repeat on account no, it is not because of any sort of capacity constraints.

**Amit Dixit:**

Thank you sir, my second question is that if we look at this quarter, there was a very impressive growth in revenue and EBITDA or whatever parameter you consider from a Y-o-Y perspective. I just wanted to understand what was driving it? If you can just, you know, drill down the execution part of your order within Frigate and Survey Vessel Large surveyed and all? If you can just let us know the execution that how much did you execute in this quarter of each of these items, that would be very helpful.

**Cmde P. R. Hari:**

Yes, again, Q1 whichever the financial parameter that we take starting from revenue from operations to EBITDA or profit after tax, the results have been very encouraging, and it is on two counts. One, the projects, all three projects that you mentioned, that is the P17 Alpha, the Survey Vessel Large, and the Anti-Submarine Shallow Watercraft, all three projects have raised or reaching a level of project maturity wherein the equipment get pumped into the ships where they are integrated and these give us revenue.

Now in a conventional ship building project, if you take nearly 60% to 65% depending upon the type of ship, the value comes from the equipment, and this equipment get lowered onto the ship when the ship goes between again depending upon the class of ship from 40% to 60% of construction. And we are currently in that phase. So, in FY '23, now '24, '25 and to an extent in '26, our revenue is likely to be on an upward trajectory. Q1 is an indicator. Q1 FY '24 is an indicator of what stage of project maturity that we are in, and what is on the anvil in the coming quarters and financial years.



**Amit Dixit:** Sir, last one from my side. There has been a news that, you know, from Russia we were supposed to get two frigates. Of course, two of them are under construction at Goa Shipyard currently. But two of them are getting delayed now because of obviously your payment crisis and all sort of things, and we don't know how much time it will take for Russia-Ukraine crisis to get resolved. Do you believe that the government can issue, can ask the domestic shipyards like yours to shoulder a part of that order, the frigate order at least two numbers of that class?

**Cmde P. R. Hari:** See, you are right. Two of these, there are four frigates being built. Two of them are being built in one of the Indian shipyards, and two of them are being built at Russia. And for your information, these are the only two ships out of the 63 ships and submarines that are being built for the nation. 61 are being built in India, and two, those two frigates that you mentioned are being built abroad. Now, our appreciation, this is purely GRSE's appreciation that these two ships have already reached the stage wherein replication by building elsewhere would fetch any better results. The government is fully pleased of the situation, and I am very confident that they are doing the needful to get both these frigates completed ASAP.

**Amit Dixit:** Thank you so much and all the best.

**Moderator:** Thank you. We will take the next question from the line of Venkatesh Subramanian from Logic Tree. Please go ahead.

**Venkatesh Subramanian:** Sir, I wanted to get an idea of the kind of market opportunity, the total addressable opportunity that is available for all the shipyards over the next three to five years, and what is the targeted opportunity for GRSE? For example, you might have an internal blueprint based on the total market eventually over the next five years. Do you have some sort of a vision that GRSE should be at this particular level by 2028 or 2030? If you could just give us a broad vision, that will be good for us to kind of plan for the long term, sir.

**Cmde P. R. Hari:** Interesting question, a leading question actually. See, both the Navy and the Coast Guard at any time it is open information that both the Navy and the Coast Guard are on a fleet expansion type and fleet expansion means naturally induction of new platforms that is the ships and submarines.

Now, this is something which I have stated in many a forum that there are four defensive players, there is Cochin Shipyard, another PSU shipyard, the Larsen & Toubro Shipyard, a couple of shipyards on the West Coast. These are the players who are in the phase of getting these orders. Now I will give a glimpse of projects, major projects that arises for which the RFPs have been out are what are on the anvil as for our execution. As far as the Indian coast guard is concerned, two of the projects, that is the 14 FPV project and the 6 OPV project, the order value should be to the tune of ₹3,000 - ₹3,500 crore between both these projects put together.





The technical negotiations are in progress, and the price is expected to be opened from next month to the next two, three months, plus there is the DRDO, there is a project for a research vessel, approximately ₹750 to 800 - 900 crore depending upon who will bid. That again, the price is expected to be open. These are the three projects for which the bids have been submitted by the Indian Shipyard.

Now coming to the projects on the anvil, the 8, the Next-Generation Corvettes, the AON already have gotten by the DAC, ₹36,000 crore, 21 Water Jet FACs for the Indian Navy approximately ₹2,500 crore, RFP expected to be out in 2024, 2 multi-purpose vessels, and the 5 Next-Generation Survey Vessels. Both put together could be to the tune of around ₹5,000 crore. Both the projects put together, the RFPs towards the end of this calendar year or early next year.

One will be Fast Interceptor Craft for the Indian Navy, approximately ₹1,500 crore RFP likely 24 LPD, it may come. Order value is high ₹25,000 crore to ₹30,000 crore. When it is going to come at this juncture, there is no clarity. Next-Generation Destroyer, the order value could be plus lakh crore. The RFP could come out in the next four to five years. 12 Mine Countermeasure Vessels for the Indian Navy, ₹32 crore will close. I think I have fashion showed you. That's a glimpse of what's going to come in the next few years.

Now as I mentioned, we, GRSE, have a very, very clear internal strategy as to which are the projects that we should aggressively bid where our experience and expertise will fetch us, there is an edge.

Also, I just stated about the Navy projects that were likely to come. Similarly, the Coast Guard has also got a blueprint with Next Generation Fast Patrol Vessels, OPVs and so on. So, there is adequate in the future for all the Indian shipyards and with the government policy focusing on total Make in India, so we expect at least 95% to 97%, whatever, close to 100% order going to the Indian shipyards.

**Venkatesh Subramanian:** So, my understanding is, looking at the size of the opportunity over the next five years, even if our current order book gets exhausted by FY '27, there is enough visibility and prospects for us to have a repeat or a better performance say from FY '27 to FY '32 over the next cycle I am asking. Yeah. Would that be the right assumption?

**Cmdr P. R. Hari:** Absolutely, you are right. And just to give an example, as our book was getting executed and getting depleted, we got an order for the Next Generation Ocean-Going Patrol Vessels four of them as late as 30<sup>th</sup> of March this year. We also are totally different non-ship building segment. So, 30 mm naval standard gun, the value is not much. It's just about ₹250 crore, but that's an opening for us. We are also going for low value but large volume autonomous platforms which is going to be the future. We are also diversifying into green and that is the green energy vessel.



So, in a nutshell, as the order book gets executed, considering the opportunities available, one, in the domestic warship building scenario; second, export opportunity; third, ship repair; fourth, our diversified products, that is the green energy product, our Bailey Bridges segment which often does not get discussed, all put together there is a good potential on the anvil for GRSE to maintain a healthy order book and accordingly good revenues.

**Venkatesh Subramanian:** Thank you sir, very helpful.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Commodore P. R. Hari, IN (Retired) Chairman & Managing Director for closing comments. Over to you, sir.

**Cmde P. R. Hari:** Thank you, Michelle. Thank you, ladies and gentlemen. I hope I have been able to answer most of your queries. There have been a couple of occasions where I have given you a roundabout answer, but that's very good and then, but hopefully I have clarified all the queries that you had both on our financial performance as of now and the future outlet. We have a healthy order book and I repeat very, very clear execution strategy, and our intent is towards new technology adaption. One, to improve our efficiencies, and second, to diversify into verticals, specifically technology-based verticals, that is the green and autonomous energy platforms, and we are very confident that our performance, both physical and of course, financial performance will continue to be good as what we have demonstrated during Q1FY24. Thank you, and I also thank Gaurav from Concept IR for steering this entire event. Thank you, ladies and gentlemen.

**Moderator:** Thank you very much members of the management. Ladies and gentlemen, on behalf of Garden Reach Shipbuilders & Engineers Limited, that concludes this conference. Should you have any further queries you can send an email to [gaurav.g@conceptpr.com](mailto:gaurav.g@conceptpr.com). We thank you for joining us and you may now disconnect.

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