GRSE

ISIN :INE382Z01011 | NSE :GRSE

Price: 1,740
Recommendation: Buy
Industry: Aerospace & Defense
Sector: Industrials
Report Date: 21-Apr-2025

Garden Reach Shipbuilders & Engineers Limited (GRSE) is expanding its shipbuilding capacity from 24 to 28 ships by 2025 to meet growing demands. The company is exploring new facilities in Gujarat, Maharashtra, and Tamil Nadu. GRSE is pursuing high-value projects like P-17 Alpha and Next-Generation Corvette, with a robust order book of 23,877 crore. It aims to double ship repair revenue and increase exports, leveraging partnerships with Rolls-Royce and Elbit Israel.

Sales		Profit & Loss		Profitability Matrix	
Current Year	4449 Cr	Operating Profit(Year)	291 Cr	Operating Profit Margin	6.54 %
Previous Year	2561 Cr	Operating Profit(Quarter)	75.3 Cr	EBITDA Margin	11.58 %
Current Quarter	1271 Cr	PAT (Year)	343 Cr	Net Profit Margin	9.54 %
Previous Quarter	1153 Cr	PAT (Quarter)	98.2 Cr	EPS	34.5
Revenue (QYoY)	923 Cr				
Valuation Matrix		**Growth(YoY)**		**Growth(QoQ)**	
Trailing P/E	50.5	Sales Growth	40.0 %	Sales Growth	10.23 %
PEG Ratio	1.98	PAT Growth	56.62 %	Sales Growth QYoY	37.7 %
EV/EBITDA	28.2	EPS Growth	10.58 %	PAT Growth	0.41 %
P/B	10.8	Dividend Yield	0.54	PAT Growth QYoY	11.34 %
Capital Allocation		**Holdings**		**Leverage**	
RoE	22.2 %	Promoter	74.5 %	Debt/Equity	0.01
RoA	3.26 %	FII	3.85 %	Debt	9.59 Cr
RoCE	27.4 %	DII	1.90 %	Market Cap	19940 Cr
RoIC	22.7 %	Public	19.8 %	Enterprise value	16594 Cr
		No of Shares	11.5 Cr	Cash Equivalents	3356 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

Garden Reach Shipbuilders & Engineers Limited (GRSE) has outlined several new initiatives and strategies in their recent meeting. The company is focusing on expanding its shipbuilding capacity, with plans to increase from 24 to 28 ships by the end of 2025. This expansion is crucial as the current capacity is deemed inadequate to meet growing demands. GRSE is also exploring opportunities beyond Kolkata due to inherent limitations in the region, such as draft constraints. The company is considering facilities in states like Gujarat, Maharashtra, and Tamil Nadu, which offer better depth and infrastructure for shipbuilding clusters. These clusters will include shipyards as the core, supported by ancillary industries and logistics, creating a comprehensive maritime ecosystem.

In terms of business strategies, GRSE is actively pursuing high-value projects, such as the P-17 Alpha and the Next-Generation Corvette projects. The company has a robust order book of 23,877 crore, comprising 40 platforms from 10 projects, including warships for the Navy and vessels for the Ministry of Earth Sciences. GRSE is also focusing on technology augmentation and process improvement to enhance efficiency and product offerings. The company has invested in new technologies, such as robotic building machines and advanced painting processes, to meet international standards and client requirements. Additionally, GRSE is leveraging government policies to increase indigenous content in its projects, thereby enhancing its competitive edge.

GRSE's diversification schemes include expanding its ship repair vertical, which has gained traction with orders from the Indian Navy and Coast Guard. The company plans to double its ship repair revenue within a year by augmenting its capacity and forming partnerships with smaller shipyards for project management. GRSE is also exploring export opportunities, aiming to increase its export order book from the current 4% to a fourfold increase in the next four years. The company has signed several Memorandums of Understanding (MoUs) with international partners, such as Rolls-Royce and Elbit Israel, to co-produce marine engines and naval surface guns, respectively.

Looking ahead, GRSE is optimistic about its growth and scaling prospects. The company expects to maintain a compound annual growth rate (CAGR) of 20% to 25% over the next five years, driven by its strong order book and strategic initiatives. However, there are areas for improvement, such as further enhancing its technological capabilities and expanding its geographical footprint to overcome regional constraints. The company's focus on innovation, strategic partnerships, and capacity expansion positions it well for future growth, but it must continue to adapt to changing market dynamics and client needs to sustain its competitive advantage.

Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Taneja Aerospace	746.66	51.60	9.27%	-11.36%	20.40%	7.58%	76.00%
Cochin Shipyard	39110.63	47.53	17.21%	-2.47%	4.74%	-4.55%	-25.70%
Garden Reach Sh.	19939.56	50.51	22.21%	10.24%	37.69%	0.43%	11.26%
Zen Technologies	13333.97	62.74	33.01%	-37.06%	52.94%	-36.62%	33.07%
Mazagon Dock	111511.82	40.53	35.19%	14.03%	33.06%	37.94%	28.76%

Aspect	Commentary
Revenue	The company shows strong revenue growth with a 40% YoY increase, indicating robust sales performance. The quarterly growth of 10.23% suggests consistent demand. This positive trend reflects effective market strategies and product offerings, positioning the company well for future expansion and market share gains.
Profit & Loss	Operating profit and PAT have increased significantly, with a 56.62% YoY PAT growth. This indicates efficient cost management and strong operational performance. The quarterly PAT growth of 0.41% suggests stable profitability, supporting the company's financial health and shareholder value.
Profitability Matrix	The company maintains healthy profitability with an operating profit margin of 6.54% and a net profit margin of 9.54%. The EBITDA margin of 11.58% reflects strong earnings before interest, taxes, depreciation, and amortization, highlighting effective cost control and revenue generation.
Valuation Matrix	The trailing P/E of 50.5 and PEG ratio of 1.98 suggest the stock is valued for growth. The EV/EBITDA of 28.2 indicates a premium valuation, reflecting investor confidence. The P/B ratio of 10.8 suggests high market expectations, emphasizing the need for sustained performance.
Growth (YoY)	The company exhibits strong YoY growth with a 40% increase in sales and 56.62% in PAT. EPS growth of 10.58% indicates improved earnings per share, enhancing shareholder returns. The dividend yield of 0.54% provides additional investor value, supporting long-term investment appeal.
Growth (QoQ)	Quarterly growth shows a 10.23% increase in sales and a modest 0.41% PAT growth, indicating stable performance. The QYoY sales growth of 37.7% and PAT growth of 11.34% reflect strong year-over-year improvements, underscoring the company's ability to capitalize on market opportunities.
Capital Allocation	The company demonstrates efficient capital allocation with a RoE of 22.2% and RoCE of 27.4%, indicating strong returns on equity and capital employed. The RoA of 3.26% and RoIC of 22.7% highlight effective asset utilization and investment strategies, supporting sustainable growth.
Holdings	Promoter holding at 74.5% indicates strong insider confidence. FII and DII holdings at 3.85% and 1.90% respectively, suggest moderate institutional interest. Public holding of 19.8% reflects a balanced ownership structure, supporting market liquidity and investor engagement.
Leverage	The company maintains a low debt/equity ratio of 0.01, indicating minimal leverage and financial risk. With a debt of 9.59 Cr and substantial cash equivalents of 3356 Cr, the company is well-positioned to fund growth initiatives and withstand economic fluctuations, ensuring financial stability.

Analyst viewpoint: Garden Reach Shipbuilders & Engineers Limited (GRSE) presents a compelling investment opportunity with promising growth prospects. The company has demonstrated robust quarterly performance, achieving a 10.23% QoQ sales growth and maintaining stable profitability with a quarterly PAT growth of 0.41%. This is complemented by strong operational efficiency, marked by a 56.62% YoY PAT growth. GRSE's strategic initiatives, such as expanding shipbuilding capacity to 28 ships by 2025 and enhancing technological capabilities through strategic partnerships, position it well within the competitive Aerospace & Defense sector. Moreover, its lean capital structure, with a debt/equity ratio of 0.01, underscores financial prudence and supports sustainable growth.

Valuation metrics also paint a promising picture; the company's high trailing P/E ratio of 50.5 and a robust PEG ratio of 1.98 indicate a growth-oriented valuation. GRSE's capitalization efforts are well-reflected in a return on equity (RoE) of 22.2% and a return on capital employed (RoCE) of 27.4%, showcasing their effective utilization of resources. While these strong fundamentals fuel our bullish outlook, it is noted that expanding geographic reach and continual technological enhancements are vital for sustained growth. Potential investors should remain aware that evolving market dynamics may pose strategic challenges that require adaptive management.

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Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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