



Garden Reach Shipbuilders & Engineers Limited
Q3 & 9M FY23 Analysts/Brokers Meet
February 22, 2023

Management:

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



Garden Reach Shipbuilders and Engineers Limited
Q3 & 9M FY23 Earnings Conference Call
22nd February, 2023

Cmdr P.R. Hari:

Good evening, all, we have scheduled this meeting to keep you all abreast of what is happening in the company. We could not schedule any physical meeting as I'm going to understand the last physical meeting interaction was way back in 2019, March and unfortunately the COVID had taken its own toll and now that we are behind the effects of COVID, we are here and it is my pleasure to meet you all in person. I will try and restrict my opening remarks to the minimum so that we can interact more, and I shall attempt to answer all your queries to the best of my ability. Before we go on to the financial performance, I'll give you a glimpse on the physical performance of the company, because I believe it is a physical performance that translates into financial results and also touch upon the current order book position, major milestones achieved during the last nine months, the broad expectations in terms of the order book that is on the anvil and our execution plan.

As on the 31st December 2022, our order book stood at a very healthy ₹22,242.42 crore of this almost 98% to 98.5% comes from our core business that is war shipbuilding. This ₹22,242 crore comprise of 6 shipbuilding projects. These six shipbuilding projects in turn, when I break up, that comes to three projects, three ships for the Indian Navy that is three projects for the Indian Navy, the P17 Alpha Advanced Frigate three ships. Another project for the Indian Navy that is an eight ship anti-submarine shallow watercraft project and a four-ship survey vessel large project, so this makes it fifteen ships three projects.

We are also executing a project for the Cooperative Republic of Guyana, which we have almost completed a project for the Government of Bangladesh, an export project. And another project it is an electric vessel, a passenger vessel for the Government of West Bengal. So total 6 projects, 23 platforms. Actually, we had a very happening nine months' period in terms of physical performance as I had mentioned earlier. In the shipbuilding parlance, in addition to delivery, a major milestone is the launch of a vessel. When I say launch of a vessel, that is the first time when a ship is put to sea after we call a ship sea after the ship takes a full shape, she's put to sea for the water for the first time. So, we had the proud privilege of launching 6 warships, 6 ships during this period. That is one P 17 Alpha, one Anti-Submarine Shallow Water Craft (ASW SWC), two Survey Vessels, a Fast Patrol Vessel and the vessel that we have just exporting to the Government of Guyana.

We also completed a project for the Indian Coast Guard. The first patrol vessel project was completed during the last nine months and we delivered the ship on 31st of December 2022 to the Indian Coast Guard ahead of schedule, thereby completing this project. This project actually comprises of five warships. Four of them were delivered earlier. As I mentioned, the large ship was delivered on 31st December 2022, a month ahead of schedule. Also, happy to inform you that we have completed the technical acceptance of the vessel that I mentioned being exported to the Cooperative Republic of Guyana. This was done during the mid-December and presently the ship is under voyage to the Caribbeans. We expect the formal delivery after the ship reaches there. We expect the formal delivery to take place in end March early April. Again, this is ahead of schedule.

In addition to the launch and delivery, we also had the keel laying and the various production milestone that start production of over 7 platforms during this period. As you may be aware, in addition to shipbuilding, we also have a business vertical, the portable Bailey type steel bridges. This particular division has been doing very well. We have signed a Memorandum of Understanding (MoU) with the Border Roads organization (BRO) of one of our major customers



for 27 bridges. This was signed during the last nine months and we also already started supplying the bridges to the BRO. Happy to inform you again that we are the only Indian organization to be awarded the Green Channel certification for supply of Bailey type portable steel bridges for information, green channel certification means we don't go in through the normal quality assurance procedures which the Directorate General of Quality Assurance (DGQA) follows. We are self-certified through a stringent process selection process. And this was awarded to us around four months back.

Again, on the exports front, the Bailey Bridges Division has obtained an order for export of Bailey bridges to the Government of Bangladesh. That is the Bangladeshi army through a defense line of credit route. We have another business vertical that is a diesel engines division. This is located at Ranchi, Jharkhand. We have recently signed a memorandum of Understanding with Rolls Royce MTU. This is for localization of a particular type of diesel engines that has got huge business potential. Just to give you a background, we already had a license agreement with Rolls Royce for assembly and trials of these engines, but now we have taken it to another level. Till now the components the entire assembly used to come from abroad. We used to assemble it here and conduct the trials and pass it on to the customers. With this model, which we intend translating it into a license agreement within a span of 6 to 9 months. We will be localizing X percentage, substantial percentage of these engines and these engines are expected to be used on-board, medium and small vessels of both the Indian Navy and the Indian Coast Guard. So, just to inform you all that there is a good business potential that is expected out of this venture.

On the ship repair vertical, some of you may have had the interaction with me during the last two or three conference calls. Had mentioned that this is an area which we are focusing upon as a part of the initiative towards building up the vertical. We had taken over 3 dry docks from the Kolkata Port Trust on strategic lease that is a 30-year lease period. The results are here to see and we almost had 100% occupancy of the docks ever since we took over this facility. And as of now we have completed 4 refits which we have won on competitive bidding both commercial and from the Indian Coast Guard and two of them are currently in progress. This division is doing well and we expect good returns from this division in the future. As far as the execution of the current projects go, I had mentioned that currently we are executing 6 shipbuilding projects. We intend completing these projects by FY 27. We have a very clear execution plan for this project. And as I just stated, we intend completing these projects by FY 27. The P17 Alpha project between FY 25, and that is between August 2025 and mid of 2026. The Survey Vessel Large project, the deliveries will start commencing during the calendar year 2023. And we intend completing this project by end of 2024 calendar year. The Anti-Submarine Shallow Water Project from end of this calendar year that is 2023 and by end 2026 we intend delivering the ship of eight ships of the ASW SWC project. As far as the other two small projects, the Guyana vessel, as I mentioned, it is already enroute to Guyana and will be delivering the ship end March or early April once it reaches Guyana and the other two projects for the one, the next generation electric ferry that we are constructing for the Government of West Bengal by end of this calendar year will be delivering. And the Bangladesh board project will be completing by mid of this calendar year.

Just to give you a broad idea, while I've given you an overview of when we are going to complete the projects. The first of the P17 Alpha project is almost touched 50% of construction, with the second and third one closely following, second one is almost at 40% of physical construction and the third one is at about 20% to 25% of physical construction. The survey vessel, the first ship that we intend delivering this year, we already crossed around 75% of physical construction. So that is the level of production maturity that these ships have achieved. Of the survey vessel project, we have already launched three of the ships. And the 4th ship is expected to be launched during the first quarter of the next financial year. As far as



the anti-submarine shallow water craft project is concerned, there are various stages of construction and we already launched one of the vessels and the second vessel is expected to be launched next month. That is in March 23 in this financial year itself.

In the last 5 to 7 minutes, I've given you an overview of the physical performance including the current order book execution plan. I will now touch upon the financial highlights of the company. As I had stated or committed during the last few conference calls, we have managed to maintain the tempo that we generated in the first and second quarters and the third quarter and the nine months' period ending 31st December, 2022. The results have been equally encouraging. As a matter of fact, the revenue from operations and the profit after tax has been the highest ever in the history of the company, both for a 9-month period or for a particular quarter. As far as the revenue from operations, we have gone up from ₹1,212 crore to ₹1,960 crore that is registering a growth of almost 62% when we are comparing a 9-month period between FY23 and FY22. The total income correspondingly has gone up from ₹1,333 crore to ₹2,092 crore.

Just to put things in the right perspective. Our revenue from operations during FY 22 was ₹1,757 crore. And as on 31st December 2022, we are already at ₹1,960 crore. That will give you an understanding as to what path that we are taking. As far as the profit after tax is concerned it has gone up for a nine months' period from ₹142.33 crore to ₹172.83 crore. That is registering a growth of 21.5%. The earnings per share have gone up from ₹12.42 to ₹15.09 again for a nine month' period. Registering, a growth similar growth of 21.5%. Share price you're more aware than me, so I would not dwell upon that. This, in a nutshell, gives the financial performance of the company for both the quarter ending and nine month ending 31st December, 2022.

Now coming to the orders in the pipeline now, both Indian Navy and the Indian Coast Guard. Both these forces are on a huge fleet expansion drive with very clear perspective plans to raise their fleet level from the current strength to almost 200 plus ships in the next 5 to 7 years. On the indigenization front, as of now, of the 43 platforms that the Indian Navy is constructing, 41 are being built within India by the Indian shipyards. As far as the Indian Coast Guard is concerned, all the nine ships that are under construction for the Indian Coast Guard are being built by Indian shipyards, so this is the kind of indigenization or the Make in India levels that our nation has reached from GRSE's perspective with that is a background.

I had stated before that we had been declared L2, the second winner in a Next Generation OPV project. There's a 11 ships project. The L1 takes 7, the L2 takes 4, we are the L2 so 4 ships are coming to us. We are in the final stages of contract discussions with the Indian Navy and we expect the contract to be signed during the current financial year. This translates to an order value of approximately ₹3,400 crore. So, in a nutshell, with respect to the order book position at the end of the current financial year. We are confident of maintaining a minimum level of ₹25,000 crore plus.

Now coming to the orders on the anvil, this is very encouraging. The numbers are very encouraging. Again, I'll put things in the perspective so that we all have a very clear understanding. As of now we have 4 shipyards in the defense segment and I would say 4 DPSU shipyards. That is, the Mazagaon Docks here in Mumbai, GRSE, Hindustan Shipyard at Visakhapatnam, Goa Shipyard and Cochin Shipyard is another PSU under the Ministry of Shipping, so there's five of us. The private players have definitely been very active in the warship building arena in the recent past. The Larsen & Toubro shipyard at Kattupalli. A couple of small shipyards on the West Coast like the shaft, the Chowgule shipyard and again a few more small shipyards. So, the major shipyards that will be competing for the major orders that



are on the anvil are five of us, that is 4 + 1, 5 plus L&T plus you put the others together to around 7 shipyards.

Now currently, in addition to the project that I mentioned, which you already won and which we expect the contract to be concluded. RFP's have been already issued by the Indian Coast Guard for 14 past patrol vessels. That translates to approximately ₹1,000 to ₹1,200 crore. And one cater training ship. Logically, the contracts for these two projects are expected to be concluded sometime early next year. The first half of next year. Further, for these two RFP's have been already issued. In addition to these, the Coast Guard is expected to come out with the 6 Ocean going patrol vessel project. The RFP is expected anytime soon for this particular project the Approval of Necessity (AON) has been already accorded by the Defence Acquisition Council (DAC) sometime a month or two months back. Indian Navy is expected to come out with an RFP for five next generation survey vessels. Another our pet project, the Next Generation Corvette for which the DAC had already accorded AON. We expect the RFP to come out early next year. There's a big project, the AON value is approximately ₹36,000 crore. Here, I would like to mention that I've stated this, but I'd like to reiterate that in India, today only one shipyard has delivered 8 plus Corvette, 9 Corvette have been delivered by GRSE till date and all of them are in active service with the Indian Navy. Both the missile Corvette and the Anti-Submarine corvette. So, we would be bidding with our kind of experience and expertise in constructing these Corvettes, we will be bidding in such a way with a very clear aim to win the bid.

This project ₹36,000 crore project will be split between two shipyards. The lead the L1 shipyard gets 5. The L2 shipyard gets 3 So you can assume the order value that is likely to emerge out of this. Navy again is likely to come out with an RFP. The RFI is already out for 21 Water Jet Fast Attack Crafts (FACS) i.e. follow on FACS, order value approximately ₹2,000 crore. The RFP is likely to come out in 2024. Coast Guard is likely to come out for with a RFP for 18 next generation fast patrol vessels. RFP expected 2025 approximate cost around ₹5,000 crore. Indian Navy likely to come out with seven Next Generation Fast Attack Crafts, 4 LPDS again a high value order, 120 Fast Interceptor Crafts and so on. So, the list is pretty long, so I would not bore you with the details. But in a nutshell between Navy and Coast Guard, around 100 platforms are likely to come out in the next three to five years. When I say three to five years that is for the contract conclusion that is the entire renewal of RFI, RFP and the further process till the contract conclusion, it will take approximately three to five years and the order value on a conservative front, it would be approximately around ₹85,000 to ₹86,000 crore, and on a very optimistic figure would be around ₹1,20,000 crore. So, this is the kind of the Kitty that is available and my first statement when I before I started, rattling out these figures was that the number of players in the field to get these orders are max seven that again the customers, both the Navy and the Coast Guard have categorized these shipyards that X is eligible to get a particular class of ship or up to a particular class of ship. So, there we stand on it that much I can tell you.

I think I have given you an overview of the current order book, the execution plan, the orders on the annual and like to close my opening remarks that we have a very good order book at this moment. I as a CMD can assure you that we have a very very clear execution plan, adequate capacity and reasonable order visibility, actually, good order, visibility. Our focus area at this moment is timely execution of the ongoing project. We cannot afford to delay the projects, timely execution of the ongoing projects enhance the operational efficiency because there was a stage when we were getting well before we got listed. We were getting orders on nomination basis that phase is gone. None of the orders that are coming to us today, of course, we are fighting for nomination orders, but none of the orders that are coming to us today are on nomination. As a matter of fact, among the three naval projects that we have the Anti-Submarine Shallow Water Craft project and the Survey Vessel project have been one on



competitive bidding including against private shipyards. Both the export projects, of course, these are small projects, but both the export projects have been won on competitive bidding. So, now that competition is in our blood. With that background, our focus is to enhance our operational efficiency, both through technology adoption is of course is a very broad statement and also through internal processes improvement. Target aggressive bidding strategy to win the projects, which are likely to come up in the next two to three years. While maintaining focus on ship repairs and attractive segment, Bailey bridges our core strength in that engineering field. Diesel engines we still would not like to dilute our 62 years of experience in domestic warship building.

We are also into new products. The first foray we had made to new products was when we won an order, we concluded contract with the Government of West Bengal for a green platform that is an electric ferry is a passenger vessel for the Government of West Bengal here. We see a lot of potential both within India and on the exports front. So, this will be an area which we'll be focusing upon. We are also in tie up with several startups. I had the opportunity to interact both personally and with my teams with a host of startups during both the Defence Exhibition that we had in Aero India and the last Defence Expo in Gandhinagar. The phenomenal kind of talent that exists in our startup industry. So, we intend tapping that talent for getting new products, both the investors of course we already made-up for it and for autonomous platforms. So that, ladies and gentlemen, in a nutshell about the company, including the performance and voters in store, I'm open for questions. And just sorry, I thought I'll show this last, but now the flow is there. People ask me what is the vision of the company? just for information, every officer, I have a very modest strength of around 2,000 permanent employees because as a business strategy, now most of our non-core areas are being done by the outsourced persons, the core captive manpower is around 2,000, which comprise of around 500 officers. Every officer in the company knows the vision of the company. This has been provided to every officer so that every executive clearly understands what he or she has to do for the company to exist.

Rohit Natarajan:

Sir, this is Rohit Natarajan. I represent Antique Stock Broking. You said that there are some 100 platforms in the next three to five years and you find the order value will be somewhere between ₹86,000 crores to ₹1.2 lakh crore. Sir, let me give you 2 critical projects where the value itself will be like ₹1 lakh crore, for instance, Next Generation Destroyers (NGD) or repeat of P17A. So, is that included in this? I mean because that's probably something you have just left out or how do I reconcile it?

Cmde P.R. Hari:

I had given a conservative figure and a very optimistic figure. Within the conservative that I think had given a figure of ₹86,000 crore. ₹36,000 crore is the order value for the entire Next Generation Corvette project that is for eight ships. So, a shipyard who become L1 will get 5 by 8 of ₹36,000 crore. I had kept that follow on P17 alpha in the reserve category. We understand that the customer that is our most valued customer, the Navy has the requirement of similar platforms and as you are already aware, seven of these ships are being constructed as of now. Both the Mazagaon Docks, four ships and GRSE, three ships, and this project is expected to be completed by mid of 2026. If the Navy is taking this project forward the order for this the ideal contract conclusion for a follow on would be somewhere in 2025. Naturally, the order value for the current project, three of the ships, which we are building currently, the order value is ₹19,293 cores. So, if three more ships come or X number of ships comes, it will proportionately increase. I have not factored this P17 Alpha follow on in the figures that I just mentioned.

Rohit Natarajan:

The Next Generation Destroyer order, you haven't touched down that aspect as well. If you could touch something on that part.



Cmde P.R. Hari: Next Generation destroyers is a project which Navy will be going in for. We expect the RFP to come out for this project sometime RFP because they may go in for an RFI. I don't have clarity on that at this moment. RFP is expected to come out end 24 calendar year or mid of 2025. Here for every I had mentioned in passing that if various categories of ships are there, Navy does the capacity assessment. Both in terms of expertise, the infrastructure and facilities, happy to inform you that GRSE's capacity has been so assessed that we would be eligible for. Contesting for this order as and when the RFP comes out.

Rohit Natarajan: Is that you want to highlight, the figure part ? What is the potential size of NGD?

Cmde P.R. Hari: It will be around ₹40,000 crore. This is a project which Mazagaon docks is currently executing, 2 of the ships have been delivered by them.

Shalini Gupta: Sir, I just wanted to check you generally work on fixed price contracts or like for example the P17 Alpha that is the largest project for you just now. So, is it fixed price and about the others are they are they generally fixed price contracts?

Cmde P.R. Hari: Ma'am, I had mentioned earlier that one we have gone through a complete transformation. First, from nomination to competition and second from cost plus to fixed price, the contracts currently being executed are fixed price contracts.

Shalini Gupta: Is that the reason why the EBITDA margins in the third quarter took such a sharp dip? Because actually the raw material line is where the hit came. So, is this the reason why the third quarter margins took a hit?

Cmde P.R. Hari: Seriously, I don't think they've taken a dip. The dip is a perception. Now, yes, the contracts are all fixed based contracts. Both the last two projects I'm talking about, the ASW SWC and the Survey Vessels have been won on competition with very tight profit margins. And I have stated this before and again I would like to reiterate because this is a very common question that we face, the profit margins. I'll answer this so that we are all on the same page on this. In shipbuilding, the conventional profit margins, which is considered healthy, is anything which hovers around 7.5% that is a profit margin which I get from the customer for a nominated project also. In competition, the margins which I bid at and win at are much lesser. We have been able to maintain profit margins above 7.5% consistently even as on this quarter that just ended. The nine months that ended our PAT margin is 8.26%. For the quarter ended, it is 8.53%. So, we are above this threshold and how do we achieve? It is purely by putting our efficiencies better, putting the purse tighter, cutting down the revenue expenditure so this is the fact. The profit margins are not bad by any standards one, second there is not a big difference. You mentioned that there is no dip. Actually, our PAT margin for the quarter ending Q2 FY23 was 8.1% to Q3 of FY23, it is 8.53%. So, actually speaking it's there's a rise and the rise is 5%.

Shalini Gupta: So, when you say 7.5%, you're talking about PAT margins or EBIT margins or which?

Cmde P.R. Hari: I'm purely speaking about the PAT margin. I have not even gone up to PBT or EBIT.

Shalini Gupta: And Sir, my second question was about P17 alpha project, which you won in 2016. I think, so since then would you say you are on schedule in terms of delivering or you've been delayed somehow or what is the situation?

Cmde P.R. Hari: P17 Alpha is a developmental project. There was a project, a P17 project, which got completed in, I think, 2012 or 13. This is a follow-on project where all the lessons that were learned by the Navy from the P17 project were presumably addressed in the P17 alpha project, and this is a time when the transition took place in letter and spirit from import to make in India. Most of



the equipment of the P17 alpha project is Made in India, developmental, made first time. The basic design of P17 Alpha project is by the Navy. The shipyards do the detailed design. Equipment selection is by the Navy, so it is a project which is a developmental project where the partners are three actually four; one the Navy, the customer who's responsible for the design of the ship and the equipment selection, second Mazagaon Docks, third GRSE, and fourth is the Indian industry, the Indian ecosystem. So that there is a delay. But with this delay, after realizing that this is a developmental project, the Navy has gone back to the CCS because this requires a CCS approval. And it is with those revised timelines that I am mentioning between 2025 mid and 2026 mid.

Shalini Gupta: Okay and Sir, I have two more questions, on the balance sheet, you've got a very large current liability of ₹5,000 crore as of financial year 22, which if you read the notes, it says this is liability for delivering the P17 alpha project. So, if you could just, please speak about this, because if this liability keeps increasing then your Return on Capital Employed (ROCE); because the capital employed comes down, ROCE shoots up. So, if you could just, please explain what this is.

R.K. Dash: You see this liability what we're showing, it is contract liability we're telling. That means whatever money you have collected against the contract against liability, we have an asset in form of bank deposit as well as inventory.

Shalini Gupta: So, now we are into a financial year 2023, and the P17 Alpha project last project will be delivered between 2025 and 2026. So, till then the liability will keep going up or what is it?

R.K. Dash: Liability is getting adjusted gradually, so whenever we will recognize the revenue to that extent, liability will be adjusted. So naturally progressively, it will reduce.

Shalini Gupta: So progressively it will reduce from here on. And Sir, my last question is that, see you have a inventory days of about 250, 237 actually. And you've paid advances to suppliers worth 337 days. So logically speaking, you should have no impact from the raw material increases, if at all. So, I mean would am I thinking on the right lines or if you could just, please talk about this.

R.K. Dash: Well, this inventory you have seen, it has gone from ₹600 crore to ₹1,000-1,500 crore. Because gradually all 15 ships are in construction stages when the ship will go to phase 2, at that time we require our equipment, high value equipment's and for high value equipment, we will have to procure the inventory. So that's why inventory has gone up.

Shalini Gupta: No, but sir, other thing that has gone up is your suppliers.

R.K. Dash: Advanced to Suppliers, you see we have our payment term, the advance to supplier. It is one kind of, you know, sometimes in the imported items, we'll have to pay the advance. And certain cases advances get adjusted because advance is one side and also liability is one side, it takes time. That's why in the day on which the financial result is published on that day, whatever pending is there, to that extent both side in asset side and liability side it will show higher.

Shalini Gupta: And so my last question, if you see the EBITDA margins during the quarter, EBITDA margins have been very volatile during the last say four or five quarters. So, I mean since the fourth quarter of last financial year, margins have been coming down and we are talking about EBITDA margins here. So, if you could just talk about this.

R.K. Dash: In EBITDA margin, actually there is no downward trend. You see EBITDA margin. Are you considering the including non-operational or only operational, you are taking?



Shalini Gupta: Only operational. So basically, it's the sales all operational sales less all the operational expenses. So, I'm not including other income in this, which is a substantial portion for GRSE.

R.K. Dash: You see this EBITDA margin. It depends upon the operational income, operational revenue, what we are getting it. We have three projects; one project is nomination basis 7.5%. Other two projects are competitive less, when this VOP composition will change. So, at that time the EBITDA will change. It depends upon the composition of sale.

Cmdr P.R. Hari: Ma'am, you had mentioned that it is showing a dip again. I'd like to state that EBITDA as per the records available, which is available with you also the margins, if you're just comparing Q2 of FY 23, it is 12.32% and the current the last quarter, it is 12.96%, Yes, there it has been bit volatile, if you're comparing with the last year's fourth quarter or the last year's 31st December, but certainly the revenue has gone up. So, I mean, if the revenue is going up 100%, that doesn't mean the PAT or the profit also goes up 100%. Just to say that it is not the dip what you have mentioned is when you're comparing with the last year, but if you're comparing quarter on quarter between the quarter, the second quarter that ended on 30th September, it was 12.32% as well as the quarter ending 31st December, it was 12.96%. It is like what you had mentioned earlier about PAT, there is no the dip.

Shalini Gupta: Okay, so I'll take this up separately. And so, my last question like. We were anticipating our top line from our perspective, sales of around ₹6,000 crore in FY 2025 and EBITDA margin of around 10%. So, would I be off the mark? I mean, EBITDA margin should be around 8% and top line should be around ₹5,000 crore. If you could just speak about this, please.

Cmdr P.R. Hari: See, we have presently got an order book of ₹22,242.42 crore and I had mentioned earlier that at the end of this financial year, we expect the order book to be around ₹25,000 crore including the new order that is going to come in. Considering the execution plan for the current projects, including the expected or the planned deliveries during mid-25 to mid-26, yes, the revenue from operations will go up substantially because we got to finish this, we have to spend this ₹25,000 crore in the next three to four years. So, from a figure of ₹1,757 crore revenue from operations in the last financial year already we are at ₹1,960 crore and my opening statement was that we intend maintaining the tempo. So, at the end of FY 23, you can expect the same momentum to be maintained the maximum considering the physical progress of the projects. The maximum revenue recognition we expect it to happen in FY 25 that is when the projects reach that level wherein the equipment will go on board and the revenue recognition will take. Place as far as the margins are concerned, we intend maintaining similar margins. We will not go down too much, but we intend maintaining and coming to the PAT margins above 8%. That's what we have.

Kunal Sheth: This is Kunal from B&K. We have a large order book and we have a pipeline that is also lined up. You mentioned a large number of pipeline. So, can you highlight what are our key pix plans you know to meet this plan? Are we geared up in terms of capacity and capability to meet this current order book as well as the opportunity that is coming by?

Cmdr P.R. Hari: We had discussed this in brief during one of the earlier calls. I'll explain again, since the audience is larger. Just for your understanding we have 3 shipbuilding facilities at Kolkata, 3 completely separate independent shipbuilding facilities. With the larger dry docks to small sized dry docks. Plus, we have taken over 3 dry docks from the Kolkata Port Trust. So, in shipbuilding, the biggest asset that any shipbuilder be it for core ship building or for ship repairs, major ship repairs, is dry docks, so we are good with the dry docks. Then comes the support infrastructure that is the cranes, the assembly halls, the transporters, the jetties. There are these berths where the ships are parked and the workshops. So, with the facilities that we have today, after undergoing modernization over the last ten to five years because we have



slowly weaned out the modernization process because we have reached a level of maturity with respect to modernization, we currently have the capacity to build 20 warships concurrently. Now, when I say 20 warships concurrently that encompasses that, you can be split it into two eight large ships as in really large 150 meters plus or around 150 meters and small or medium. Now our current order book, if you are taking out the petrol boats because they can be built at parking spaces, that's not an issue. We are at around 80% of our max capacity now as the ships mature out, and again mentioned that we will be, we intend delivering two survey vessels this year and one ASW SWC and so on. So, considering the dynamic shipbuilding cycle, we have to answer your question, in simple English, Yes, we have adequate capacity to meet the current order book and adequate capacity to take on further load. And also, as a strategy, now every customer wants the product yesterday. A lesson that we learned over a period of time, so we have got into strategic partnerships with capable private shipyards to utilize their spare capacity. So should the situation come and hopefully it will come where we are bursting at our seams. We have tie ups with private shipyards to utilize their spare capacity. We already experimented this model and successfully. So does that answer your question?

- Kunal Sheth:** Any absolute number in terms of CapEx that we'll be spending over the next. 2-3 years.
- Cmdr P.R. Hari:** CapEx over the next four to five years, we expect to spend only around ₹200 crore to ₹225-₹250 crore We intend maintaining around ₹40 crore to ₹50 crore per annum. That's why I had made a statement that we have reached a level of modernization maturity to meet the current load now the infusion would be more for technology and new equipment, but for facilities we are good.
- Kunal Sheth:** Sir, my second question is pertaining to you did mention that most of your orders are now competitively bid rather than nomination basis. So, what has been your experience in terms of margins that you're winning these orders? Are they substantially different from the nomination orders that you used to get?
- Cmdr P.R. Hari:** Yes. Depending upon project to project. The two projects that we have won, they were on a tight margins nomination. Naturally they maintain a base profit of around 7.5% but this is applicable from now on for every shipyard in the business, in every entity in the business. Yes, the margins are tight.
- Analyst:** Sir, taking cue from the earlier question regarding the margins, so are you saying this 12.5% to 13% EBITDA margins are new normal right now. Because, if we compare nine months versus nine months last year, from 17% to 12%. So, are you saying this 12.5% to 13% are new normal?
- Management:** As we see, very interesting point, 7.5% is actually PAT margin to answer your question.
- Analyst:** No, I'm referring to the EBITDA margin.
- Management:** EBITDA margin if you're mentioning, if you're comparing.
- Analyst:** Let's compare nine months versus nine months last year.
- Cmdr P.R. Hari:** Yes, there has been a dip, but you see the absolute. If I go to a restaurant. I am just giving an example if I go to a restaurant. I want to have biryani. I want to have good quality biryani and adequate quantity. And assured delivery of biryani for the next three years, five years or Seven years, you take it. I am assuring you that whether I make biryani, I'm assuring sustenance and continued provision of biryani for the next 10 years, 5 years because I have an order book which, as my revenue goes up, my absolute figure of profit - PAT, the investor should be



interested in the profit and the share he gets. My net worth is increasing. All those things are going on. Very interesting that everybody is asking about the margin, why 3% dip or 4% dip? I'm getting back to the example that I gave about a hotel and a biryani. The investor should be really interested in having good biryani, regular supply of biryani and assured supply of biryani for the period that he is looking at investing. Market capitalization has gone up, the net worth has gone up, the absolute profit figures have gone up, the revenue will go up, automatically the figures will go up. There will be fluctuations depending upon the kind of project maturity that we have. If P17 alpha gives the maximum revenue in a particular a quarter or a nine-month period or a financial year, the margins will go up during that period. If it is another project that we have that have gone on a wafer-thin margin, is maturing, there will be a dip. So, I don't know whether I'm conveying it clearly or not. You're all experts and I am not an expert, so here things should be getting sustained profit and in terms the returns and visible growth in our net worth and the associated financial parameters as you guys say.

Analyst: My next question is that any product mix change could help to expand margin going forward?

Cmdr P.R. Hari: You are asking about the product mix?

Analyst: Yes any possible product mix change which can take the margin, so if you can explain that a bit.

Cmdr P.R. Hari: See, we have been set up over, of course, our history is almost we are just about 139 years young, 1884-2023. Brought in as a Defence shipyard in 1960. So, 63 years young. Our core business this is what I tell my team and the analysts and the investors, in turn, is that the core business will continue to be because we exist for that, for the nation, for domestic warship building. Now, but at the same time, we are also a business entity looking for profit where possible. In the product mix, we have branched out to ship repairs that is an area where the margins are higher. We have focused on that. The results are there to see in a modest way because we have just started giving impetus to ship prepare just about a year and a half back. We will be giving a thrust on this. Second on export market, again the beginning is good. We have tasted blood with by winning orders on competitive arena one with an Asian country and with a totally diagonally opposite, a Caribbean country. We are looking for opportunities abroad and we are very confident that this is an area that exports will be an area where we will be getting in. Green energy and autonomous vessels. Green energy, we have made a foray again in a modest way, with the Government of West Bengal. Huge opportunities for green platforms within India and abroad. There are countries, the Scandinavian countries have gone completely green, not gone completely green, they're given directives to go green by 2030. I think they get a cut off of 2030. Opportunities exist there. Fourth is on autonomous vessels with cutting at technology platforms, now, no nation wants to expose their potent platforms to the adversaries. So autonomous vessels which can be risk to exposure will be the order of the day in the future. So, four areas just to answer your question, exports ship repairs, autonomous vessels, green platforms, one I missed out is a pet project for us, area for us vertically is the Bailey bridges vertical. So again, a small vertical, the entire India's market overall market would be, let us say X crores. Our stake in this is around 65% as on date. So, we are good in this sector, so five of them, not four, five the Bailey bridges segment.

Akshay Kothari: Good evening, Sir. This side, Akshay here from Envision Capital. Sir, do we have a treasury desk considering we have so much cash in our books or do we have a proper treasury desk to manage the cash?

R.K. Dash: Whatever cash is available with us, it is a for temporary period. It is not actually for an investment purpose. So, for this thing, there is a guideline issued by DPE and we are guided by the DPE guidelines and investment is being made as per that guidelines.



- Akshay Kothari:** Where do we invest generally?
- R.K. Dash:** Guidelines permits only investing on very secured portfolios like fixed deposits. Mainly Bank fixed deposits and mutual fund investments are also allowed, but it earlier it was limited only to public mutual fund. Now, it is they have given also private mutual fund, you can go.
- Akshay Kothari:** Regarding the offshore petrol vessels, which are going to get signed in this year itself, so when would the execution for these vessels start?
- Cmde P.R. Hari:** That's four Patrol vessel, Ocean Going Patrol Vessel that's what you meant, as I pursue. We expect the contract to be signed during the current financial year that means in the next 45 days, if things go on, we'll be signing the contract with the Navy. We are the L2 bidder as I had mentioned earlier. The execution period is around four years, 48 months if my memory is right.
- Akshay Kothari:** And you mentioned that various RFPs would be coming in next 2-3 years. So generally, what is the time lag between signing of an RFP and formal contract signing because generally it gets delayed somehow?
- Cmde P.R. Hari:** Yes, there was a time again, the gap between the RFP promulgation and the contract signing would be more than a year plus or a year and a half or so. Now things have improved everywhere, like we are accountable, the entities involved in the government are also being held accountable, so the pace has, the gap has, shortened. I just give you an example, this project what we just asked about the ocean going patrol vessel and the RFP. The bids were opened sometime in end of February, 2022. We have one year from there. So, it is one year as on now. We expect the contract to be signed next month. The endeavor of both the concerned shipyard and the acquisition wing of the Government is to shorten this period. To answer your question, it's about one year from the time the RFP's. Okay, from the time the RFP is out to the bid opening, it takes around 2 months, I think, so it would take around 12 to 14 months from the time the RFP is published to the contract signing.
- Ramesh Bhojwani:** Sir, your presentation is all-encompassing. You have touched almost every aspect of the activity which you are doing intensely and intend to do going forward. I am referring to ship repair. Which you say your focus has come only 1.5 year back. Going forward will ship repair not only existing Indian Navy and Coast Guard, but even foreign ships. If we get, will it be a contributor to our revenue top line, say 10% or 15% going forward 3-4 years down the line?
- Cmde P.R. Hari:** Yes, it is true that real focus has come on our ship repairers just about a year and a half to two back. We started almost two years back. We got the contract concluded with Kolkata Port Trust a year and a half back. Yes, we started in the modest fashion. Right now the contribution of ship repairs in our overall revenue, I mean, order book is just about 0.5%, it is miniscule. We are currently executing orders and winning on competitive basis from both the Indian Coast Guard and certain commercial vessels. Yes, the next, big opportunity exists with the Navy, but you may be aware maybe unlike the Coast Guard has got a dedicated ship repair organization at every place where the ships are both at Visakhapatnam, Kochi or Mumbai here, Naval Dock Yard, Mumbai. Navy has got captive facilities when their capacity is crossing only then Navy goes for ship repair to us or any of our counterparts. Whereas, Coast Guard does not have this facility, so the opportunities are phenomenal because the advantage of ship repair is that a ship undergoes repairs/ refits, we call it refits, refits now after an operational cycle, she will come back for 'refit' again. So, it's a continuous opportunity. At this juncture since you asked me, we are not really looking at going for 10% to 15% of our revenue from ship repairs. No, we would like to cap it to around max 5% in the next three to five years. Why? I go back to my first statement, our core business is war ship building and there is enough in that field for to give you all the returns that you expect.



Ramesh Bhojwani: I agree with you and you have a capacity of 20 concurrent shipbuilding, particularly warships. So, if you fully automate your shipbuilding, I think that will do the difference, the magic or the top line, bottom line, wonder which you are signaling and indicating.

Shalini Gupta Just wanted to check do you people get advances from the Navy and the Coast Guard?

Management: We don't take any advances. This question I had answered once during the con call; we don't take any advance. I'll substantiate this point, many a time, not the analysts, many a time an investor also has asked what happened to that advance you have taken. We don't take advance. As per the Defense Acquisition Procedure, 2020, there are stage payments. There are 15 stage payments. This is a standard, it's available in open domain. There are 15 stage payments. One of the stage payments come with signing of the contract. And that stage payment is for the preparatory phase for building a ship, and that preparatory phase is where the brains of a project get injected. That is, when the design takes place, when the equipment's are finalized. So, ma'am, no advance, only stage payment.

Shalini Gupta: Sir. And what tax rate should we expect in the coming years, 23%?

R.K. Dash: Tax rate, corporate tax rate is 22% and gross of it will be 25.17%.

Shalini Gupta: My last question like, what did you think about the budget with respect to Defence spending?

Cmde P.R. Hari: Budget on the whole, there has been only a 13% increase from the last year for defense allocation from ₹5.25 lakh crore, it has gone up to ₹5.94 lakh crore. Whereas the overall budget has gone up from ₹39.45 crore to ₹45 crore. So, as the overall budget has gone up, the defence allocation has also gone up by 13%, which means there is no substantial increase in the defence budget. What is interesting and good for us is that the areas from where we generate, we get orders and generate revenue that is the Navy, the Coast Guard and the Border Roads Organization. Interesting. I'll give the figures now where Navy, the budget allocation for capital outlay has gone i.e. there is modernization has gone from ₹47,000 crore to ₹52,000 crore. Coast Guard has gone up from around ₹4,200 to ₹4,800 crore. That's again the maintaining to 13% rise. Interesting aspect is that the Border Roads organization from a very modest ₹3,500 crore, it has gone up to ₹5,000 crore. The leap is almost 43%, there we have opportunities. Within this capital allocation, a capital outlay that is for modernization. Very recently, initially what is mandatorily to be given to the Indian industry. Initially, it was 48%, from 48% it went to 64%, then now it has been increased to 75%. So, there is enough room for us within the allocation that is available. But on the whole, the increase has been very modest. 13% is nothing.

Shalini Gupta: And Sir, I just want to want to ask this question before like you were allotted the P17 Alpha project in financial year 2016. So since then, have you people always been on schedule to deliver? You were saying that the Navy changed the terms of delivery. But otherwise, Sir, have you at the on the part of GRSE, have you people always been on schedule?

Cmde P.R. Hari: I'll answer the question. I am to construct this building, this hall. You are my customer. You are to decide the light fittings. You have to decide the type of flooring that needs to be put. You have to decide the mic. And you say the mic has to be procured from him, who's developing it for the first time. You say that the flooring has to be picked up from him who's again developing for the first time. So, when the contract was conceived. Contract is like a marriage. When the contract was conceived and when both the Navy and both the shipyards and the government. The intent is genuine. Everybody wants 'Atmanirbharta' everywhere. It is with that intent that the contract was concluded. I'm supposed to complete this building within one year, as per the contract that we mutually agree with the arbitrator that is the government giving the blessing.



After one year, if you are not able to still decide the mic or rather you decide the mic and then you say the indigenous firm who's developing it has flopped, you go to this firm. How can this building be completed? How can me, as the shipbuilder or the building construct contractor, complete this some time? So, this is a point. This is a perception, a point of view. Having fully understood the reality and the ground situation mutually, mutually means the stakeholders, the shipyards, the Navy and the Government are revising the delivery dates so there is no question of slippage of dates. I mean GRSE as a shipbuilder. Has already launched 2 vessels. Two ships have been already launched. One of the ships I have, when I was just giving the narrative on the physical progress, one of the ships is already touched 50% of physical progress. So, we are moving it when we are doing 'Atmanirbharta', these are all inevitable situations. But the end result will be a product that will last the Navy for more than 40 years. Since you asked me this question. We are constructing 4 survey vessels currently for the Navy. Navy still has got survey vessels built by GRSE, which are. 40 plus years old. So, the products that we deliver will have longevity meet 100% customer expectations and in turn the nation's expectations. So, the contract is an arrangement or a contract in whatever real sense, it is getting renewed means all the stakeholders including the government. This provide to the fact that the delays are not because of any particular entity. It's a collective ecosystem development implication. I've gone too deep into it so that this the air is cleared once for all.

Shalini Gupta: But now you have to deliver the three ships, you're saying you've delivered one P17 Alpha. So two are remaining. So, do you expect any delay because you're supposed to deliver by 2027? So given the way things work, do you expect any delay in that delivery.

Cmde P.R. Hari: At this juncture, No. It's like unless some force majeure situation comes like Turkey, you have seen in the last one-month things are turned upside down. So, unless something drastic happens to the Indian industry, we don't see any changes?

Divyesh Shah: My simple questions, we have up to FY27 order book of roughly ₹25,000 crore. Just Sir, can you guide us next four years, you know my question, 2024, 2025 & 2026. How this ₹25,000 crore will be fulfilled by us. And is there any risk in not fulfilling? And if it is, what is that risk?

Cmde P.R. Hari: I'll make one slight clarification. The current order book is ₹22,242 crore. We are expecting a contract for the four vessels to be concluded that is by next month, so including that and what we are going to execute in the next quarter, the order book is likely to be around ₹25,000 plus crore. Now, if you are adding the next project also next project is a minimum four-year project. I'm actually not getting the figure exactly, I think, it is 48 months or 52 months so that makes it from 23 to almost beginning of FY28. Now, if I'm taking that out of the equation at this moment. So, ₹22,242 crore till FY 27. Now, I just go back the last year, my revenue from operations was ₹1,757 crore. This year, the way things are moving, it is evident the growth is evident. The next year, that is FY 24 and 25 are going to be the peak years, with the peak touching FY 25. Then it will Peaked out. And get padded up by the new orders that I'm getting I'm purely speaking about the current order. If I get another, let us say one jumbo order, then naturally the revenue generation will start from those orders also, I know I'm making it in a wishy-washy manner but this is the best I can give you. At this moment, FY 24-25 will be our peak.

Divyesh Shah: So, what will be in 25 peak? What is your peak means? I want the cumulative of ₹22,000 crore. I don't understand how we can go to 20?. Just make me understand how we can go to ₹22,000 crore by 27.

Cmde P.R. Hari: Sir, shipbuilding it's not linear. I mean actually my predecessor when we when we started getting when we got listed and in the first interaction, a simple question was asked, your order book was, I'm just giving you a figure, let's say ₹25,000 crore. Your delivery date is X so each



year I going to deliver, it is not linear. Shipbuilding follows an S curve. So again, it is with that assumption and the product maturity that we are now in a state starting from this year, the current financial. Definitely. I'm already at 1960. You can infer the rate at which I'm growing, so 23, 24 and 25 will see a further growth.

Divyesh Shah: But I fail to understand from ₹2,000 crore by 2027.

Cmdr P.R. Hari: Sir, you want us to finish the order book? Yes, as an analyst and the investors also, you want us to finish the order book? We will finish the order book. Since you want us to finish the order book and the value is ₹20,000 crore and the number of years is only four. Naturally, you can split it in this fashion. So, I certainly can't give the exact.

Divyesh Shah: Sir, you have got the phase wise how much you are going to complete in 24? How much you are going to complete in 25, Sir, let us for investor. Let us understand by 25 whether ₹7000 crore will be done.

Cmdr P.R. Hari: I'll, give you a little more clarity. I certainly can't do with absolute. Figures, but I'll give you a little more clarity. Now, in shipbuilding, the maximum revenue generation takes place when a ship is between 40% to 60% of construction. In a smaller ship, naturally, the proportionate values will be different. I'm taking a big ship because my biggest revenue earner is P17 Alpha, because that carries approximately 70% of my total order book. The first ship today is at 50% physical progress thus, which means it is in the mid of the maximum revenue generation cycle. The 2nd ship has just entered that phase 40%. The third ship is at 20%, but moving very fast, 22% moving very fast. So again, I am reiterating. This year, we expect to touch anything more than around 25% more than the last year. We intend maintaining same tempo in the next few years also. With FY 25 the peak year. Not happy, Sir.

Divyesh Shah: Not at all. With 25% growth and ₹22,000 crore. I don't understand the Maths.

Cmdr P.R. Hari: I said this year we will be maintaining minimum 25%. Sir, whatever we have assured, at least over the last one year, we have only delivered more than what we have assured. We will continue maintaining that tempo.

Divyesh Shah: And in 25, what will be the peak margin EBITDA level?

Cmdr P.R. Hari: Margins will be more or less same. What we are maintaining now we don't see any major because orders are definitely on the margins what we get with the profit margins are limited. So, whatever is today we'll maintain that. I don't see any substantial rise or dip from those existing figures.

Divyesh Shah: And any challenges or penalty of not completing or delaying?

Cmdr P.R. Hari: Yes. Every project has got liquidation damage. In case the project is delayed with the contract getting revised to answer your question, ma'am, with the contract getting revised, I think we are out of the LD bracket as of now.

Sunil Shah: The future orders which we are talking about, the next generation corvette, 18 number, I think we're talking about some ₹36,000 crore and in that L1 is going to get 5 and L2 will be getting three. So that's so if assuming L1 if we are well luckily now. We about ₹22,000 odd crore worth of order. So that would be on a nomination basis or it would be on a competitive bidding.

Cmdr P.R. Hari: This will definitely be on competitive bidding.



Sunil Shah: So if assuming if it was on nomination basis the margins would be 7.5% and if it is on a competitive bidding, is it safe to assume it's like 5% margin, 6%?

Cmde P.R. Hari: So it is project specific. So, we actually, it's a pure business decision at that moment of time which depending upon the market environment at that time the competitors order book at that point of time. And our own order book positions. So, I hope you understand that. So, to answer your question, yes, it is going to be on competitive bidding and my previous statement we will bid to win this because it is our footing, it is our product mission.

Sunil Shah: And so, this is going to come in calendar 2024 or where are we in that journey?

Cmde P.R. Hari: So the AON was recorded in May last year AON, CCS. So, we expect the RFP took because RFA was already a long time back, the RFP to come out by early calendar year 2024. So, this works out. It actually all goes well for us because if by early 2024 the RFP comes out, I expect near 14 months for the contract to be concluded. So, with our current order book, the small orders that we are getting in. Actually, time and space matches good for us.

Sunil Shah: So, it should technically match with peaking of our P17 alpha project. All three of them, and that would coincide with perhaps this order coming just like timewise.

Cmde P.R. Hari: Not exactly because see there is a. Okay, I'll again give a rarely do I get an opportunity to meet you in person. I'll just give you. In shipbuilding, there are four phases. One, of course, is a preparatory phase where we do the designing and the equipment selection and the ordering and so on. Then there is a phase where the ships, when we start production till the launch of the ship where the blocks, the mega blocks are constructed at various locations. They all get consolidated in a dry dock. Now coming to the dry dock, it is at that phase that the ship is going to be in the dry dock. Two P17 Alpha are already out of dry docks. I'm using the dock for construction of the other ships, so when, if and when this project, any other project come, there is no collision with respect to clashed with respect to the dry dock requirements of the P 17 alpha. After the ship undocks, after the ship launch is launched, she goes to or rather they go to outfitting jetties where the equipment, buttoning up and outfitting happens, and it then goes on to the last phase. There is acceptance and trials. So, to answer your question, there is no clash.

Sunil Shah: Sir P17 takes a tenure to kind of construct the entire P17. The frigate is about 5.5 to 6 years' period. What is it, a tenure for this 8 in number Corvette?

Cmde P.R. Hari: This again is going to be 6 years, since it is going to be split between two shipyards. It will be a six-year project.

Sunil Shah: So, two shipyards, meaning L1 will commence first and L2 will come in second. That's the way the project?

Cmde P.R. Hari: Normally in a hybrid as in two shipyards, constructing the ships almost concurrently, they maintain a gap between the commencement of the first ship even contractually and of the first ship of the L1 shipyard and the first ship of the L2 shipyard. Basically, for the design maturity and to stagger so that when the delivery takes place at some subsequent state, the customer can take it in a staggered manner. Nobody would like to have 10 things coming to sure. That that is the intent.

Shalini Gupta: Okay, Sir, two questions. So one is that I mean now commodity, I mean basically steel prices, metal prices are going down. So does that benefit come to you or I mean it somehow does not come to you.



Cmde P.R. Hari:

It all evens out at the end of it, there was a stage. See, steel is procured when, steel as an example applicable for many of the items also, steel is required for the ship's hull construction and in a project the total order value the cost of steel is approximately maximum around 5% that's all. Second, we have a running an agreement with another public sector undertaking, the Steel Authority of India where we based on the global indices, we fixed the price. We have an agreement for a certain period. So, we have reasonable assurity of maintaining the price. There will be some stage earlier six months back, the steel prices were high. Now the steel prices are down. There could be a situation where the steel prices go up. So seriously, it doesn't affect us much. And as far as all the running projects are concerned, the steel procurement has already taken place. So, zero impact as of now, but definitely yes for the next projects, we need to procure steel, but we have a back-to-back type with it.

Shalini Gupta:

Sir, I mean, during the phase of the ship, there'll be different stages. So, I mean are the EBITDA margins of what you make different in the different stages or what is it?

Cmde P.R. Hari:

Yes, since we are doing concurrent construction of ships like when even today, we are building three types of I'm taking the other platforms out, the export platform and the boats and the FPV out of it. Just let us take Indian Navy. We are taking three different projects comprising of 15 ships, three different projects. One or are awarded on at different margins and all of them are at various stages of production. So, the revenue will come when the ship reach, to answers your question, maximum revenue will come, when the ship reaches 40% to 65% of construction. The margins will fluctuate depending upon which project we are handling.

Mohit:

Hi, Sir. This is Mohit from ICICI Securities. I have 2-3 quick questions. Number one is though; we acknowledge the fact that there have been new opportunities in the naval fleets like you said and it's almost ₹1.5 to ₹2 lakh crore in the next 4-5 years. Okay, but does the government budget actually support this because why I am asking is apart from the last two years, if you take the average for the last 10 years, the average allocation to naval fleet is about ₹12,000 to ₹13,000 crore. So even if you take that for the next five years. Like recent allocation to the naval fleet is about ₹20,000 crore to ₹25,000 crore. So, if you take that for the next five years, so the total opportunity will be about ₹1 lakh crore. So, do you see any kind of like any kind of the delay in all those projects which you have been mentioning and other players have been mentioning?

Cmde P.R. Hari:

See, Navy has got this year alone, Navy has got a budget allocation of ₹52,000 crore for there is a capital modernization budget for Navy. Navy already has got 43. When you say capital budget allocation for the Navy is the fund allocation for the Navy to spend on the projects which are in progress and for the projects for which the contract is likely to be concluded, where the stage payments are to be released. Right now, 43. I'm only taking Navy. I'll come to Coast Guard later. 43 ships are under construction for Navy. In my understanding that the ₹47,000 crore which are for capital outlay. Excluding the infrastructure project that the Navy is undertaking for their modernization, majority of this will go for the various stage payments for the project which are in progress. With a 10%, 11% to 13% budget escalation coming up every year, if you just extrapolate similar or more amount will be infused into the Navy's capital outlay for the next year, next to next year and so on. Some of the projects which I have mentioned have already been approved, AON has been accorded by the DAC. For example, the high value order ₹36,000 is a reasonably big amount. Some of the projects the RFI has been already issued the RFPs on the anvil, so all put together. I had given two figures, a conservative figure and an optimistic figure. The conservative figure of around ₹86,000 crore had mentioned over a period of next three to five years the contract conclusion. When you say contract conclusion at contract conclusion as per the Defense Acquisition Procedure, 2020, X percentage is supposed to be given, which is X percentage of the contract value. So, it's a



running cycle so I don't see any apprehensions in these orders unless there is a government doesn't suddenly stop all naval projects that which is unlikely to come. So, this will move.

Mohit: Sir why there is a reduction in the naval fleet budget if we compare it with the last budget because last time it was like ₹30,000 crore which has been reduced to ₹25,000 crore now. And there has been no major inflow in the last two, three years.

Cmde P.R. Hari: You're absolutely right. There has been a bottleneck with respect to the Defence acquisition projects getting stuck at some level. Now, in my understanding, the bottleneck has been cleared already. That is how the RFP's have started coming in such frequent fashion. As of now, I'm preparing the bids, for 3 bids for the Indian Coast Guard. Yes, you're right. There was a bottleneck. Now, it is opened up.

Mohit: No, Sir. I am saying this because I am fearing if there is a level like when we do not receive any kind of the order that we are envisaging now, in the next 2-3 years, So, there might be like we have lot of capacities like you mentioned 20 warships building but if that capacity is not getting utilized due to lack of the order because we have seen in the case of Mazagaon Dock, there was a period when the submarine order was not there like 10 years back. So then at that time they made huge losses, right? So, if that is the scenario.

Cmde P.R. Hari: See if you are, since we are speaking purely on Garden Reach Shipbuilders. The current order book for a company such as ours is good. Second, where reasonable assurance where RFPs are already out or where DAC has cleared. It's naturally the government is taking it. That itself. Among the seven shipyards, there is enough for all the shipyards, so we don't envisage any auto starvation in the coming foreseeable future? Could you ask the next question please?

Mohit: So, we have been very low on Research and Development expenditure as compared to any other Defense Public Sector Undertaking. So, what is the reason? Aren't we doing any kind of the research for the new ships or the current existing projects?

Cmde P.R. Hari: Yes, as with the government, the focus now has increased on R&D and the projects that we have presently focusing the GREEN ENERGY project and the autonomous platforms development will be on through our R&D budget. Yes, R&D was a focus area. But more thrust will be given in the future.

Mohit: Right. Because I think in FY19 there was no R&D spend and right now it is less than 1%. If we compare it with the Mazagaon also, they are doing 1.3% HAL is doing 8% BEL is doing 7%. We have been quite low on the R&D part.

Cmde P.R. Hari: I'll give another answer for this. Unlike HAL, I'll keep Mazagaon Dock right now out of the equation. I'll just compare two different sectors, HAL and us. We are platform primarily; we are platform integrators. This should be clearly understood, platform integrators. We procure equipment from renowned, acknowledged and perhaps nominated by the customer, they equipped the systems. Button them up over our specialty's platform integration. In case of HAL, in my understanding they develop new projects, so naturally R&D focused by HAL or BEL has to be much, much more than for a conventional shipbuilder. Now, I will bring MDL into the equation. Yes, MDL has been definitely I understand it is around 1.3%-1.4% on that. And it is ours is also more or less similar, but what we with the present trust of the government and in turn as being a government entity. The R&D focus will increase in. The coming years. And I've given a couple of examples are indeed development by focusing on green platforms, hybrid platforms and autonomous services.



Mohit: And the last question is on the indigenous content on your major ship building project. As of now, if you can share the data.

Cmde P.R. Hari: See again, I'll substantiate my statement with a rider. We are platform integrators. In a shipbuilding scenario, if you're taking a conventional shipbuilding project, around 65% of the ship's cost come from the equipment. And where does the equipment cost is high, one is the main propulsion system, second is the power generation system, third is a weapon system and 4th is the electronics. This comprises the major cost carriers. And almost all of them are from a nominated pool of the customer. Now, the question of now, as a nation, everybody including the customer is looking at indigenization. There are total bans on importing certain equipment. Now what is left to the shipyard? What was left to the shipyard a few years back was the steel, the yard material. When I say yard material that was the fittings, the fasteners, the insulation, they're all 100% indigenous. Now, with the government thrust on every stakeholder that is, the customers, the shipyards and the industry on indigenization with ban on importing a plethora of equipment, the indigenization content has gone up. The last platform that we the last project that we completed a major project that we completed the Anti-Submarine Corvette project for the Indian Navy, our indigenization content was plus 90%.

Analyst: Sir, you have mentioned that your primary focus is a shipbuilding, particularly war ship building. And nowadays your peers are also doing some kind of shipbuilding in the areas like, you know, commercial shipbuilding, passenger ship building. So, I want to understand as far as future growth is concerned, you have mentioned that whatever the order book that can possible in a future time, so you want to also go in this other verticals?

Cmde P.R. Hari: Yes, we would be going in for other verticals also, that's the order of the day. With no dilution in our focus on domestic warship building because that's our primary job. But yes, we'll be going in five areas, ship repairs because that is an attractive quick turnaround mechanism. Second is for the Bailey Bridges, Portable Steel Bridges segment, where we have already made inroads, and I think I mentioned that we own almost 65% of the Indian market. Third is for again a new technology adoption that is green vessels right now, the green energy platform manufacturers in India are one, one and half. And, we have made some inroads to that. Fourth is the autonomous platforms, and fifth course is exports. Towards exports, it's a national agenda. You are all privy to this, as the Government of India's key focus, one of the three focus areas and the theme statement is Make in India, make for the world. We as a government are carrying the team forward, moving aggressively, see, but it is like one thing you must appreciate. When I saw the thing for 100 leads, we may get one, we may get two. We have been lucky. We have started successfully two orders already won. We have marketing representatives in the areas that we have identified as potential order earners and very confident of getting some commercial orders or warship export orders in future, so these five areas are diversified segments.

Analyst: And last question Sir, that just to understand one maths' that defence allocation total is somewhere close to you have mentioned ₹5.94 lakh crore, right? And in that particular and as far as your particular industry is concerned, including Navy, Coast Guard and the modernization, I have calculated somewhere close to ₹62,000 crore has been allocated. So may I understood 10.43% of the total budget is moving towards your industry by simple maths, ₹62,000 crore divide by this something just. If I'm wrong, just make me understand.

Cmde P.R. Hari: You're right. So, I think that that in a nutshell, you're right. Yes. See, the Navy allocation I had mentioned it is around ₹52,000 crore for the current year. The Coast Guard is around ₹4,800 crores and where we have some interest in the Border Roads Organization which they mentioned that is an attractive ₹5,000 crore, out of the ₹5,000 crore majority of it will go to road construction, but where roads are there, bridges are also automatically there. So, we will



be the collateral winners. So, you're right. It is around that much percentage, whatever you mentioned.

Ashok Shah: Sir, do we get any incentive to complete the project ship building on time?

Cmde P.R. Hari: Very interesting questions. Whenever, when next time the Government asks for a suggestion for amending the DAP, we will definitely seek such an incentive. Unfortunately, in today's environment, No.

Ashok Shah: Sir, we are currently building around I think 15 ships out of that seven we are building two with the Titagarh and seven or five is something with the L&T. So how the margins are shared between these transactions? So out of the 7.5%, does some part goes to the L&T and the Titagarh?

Cmde P.R. Hari: I'll answer this question in detail, unless there be any ambiguity. The P17 Alpha project is being completely constructed because that is our major order book contributor. It is being completely constructed at GRSE. No ship among these 15 is being constructed at the small shipyard in Kolkata that you mentioned. Part part construction of few of the ship of both the survey vessel large project and the shallow water craft is being constructed by one of the other private partners' shipyards, what you mentioned i.e. L&T. We have contracted through a conventional tendering process to identify a suitable shipyard that has got capability and spare capacity through a proper contracting process which was open to the industry. So, there is no question of sharing anything with them, what GRSE orders as per what they were responded, if any competent shipyard has one, does in, they'll get paid for that for the part construction which they are carrying out. This is actually a very, I mean, since you asked this question, it's a beautiful concept which we experimented in a very modest fashion with L&T itself for around four years back where one of the ships were given, we found the model is very successful. Because what the customer wants, I had made a statement. The customer wants the product yesterday. So, we have been able to of course the project is now reaching maturity. I got two of the survey vessels almost back-to-back competing with each other. Very successful PPP model, but no sharing. There's no question of sharing anything is with all humility. The other shipyard is my subcontracted shipyard. Partner for this particular.

Ashok Shah: Both this builder, the L&T and Titagarh are work on schedule or it's late.

Cmde P.R. Hari: They are on schedule. Titagarh, I had mentioned that there is no project among these 15 with Titagarh. Zero project with Titagarh. That was since you mentioned tagger that was another project for the Coast Guard which has already been completed, over and out, Sir.

Ashok Shah: Sir, our total order book position is around ₹22,000 crore to ₹23,000 crore. So it's going to be completed by year 24-25.

Cmde P.R. Hari: Sir, this ₹22,242 crore will get completed by FY26-27.

Ashok Shah: So last year our sales was around ₹1,757 crore. In Current year, do we expect around ₹3,000 crore, next year around ₹5,000 crore, and next year around ₹7,500 or ₹10,000 crore?

Cmde P.R. Hari: Sir, I will note down these figures. It is really, I mean, very interesting perspective. The same question which he also had asked. I tried my best to put it in a roundabout way, but again I am reassuring that we will finish these orders by FY 27 unless some catastrophe happens or one of my industry partners pack up. We will finish these products. So, in the in a natural scheme of things, the audible position will get translated into revenues from operations in these coming years.



Ashok Shah: Sir, we are for 90 minutes, we are discussing everything. So, he didn't put the figure. So, I'm putting the figures. So, last year will be around ₹8,000 crore sales or what? Give me some rough idea.

Cmde P.R. Hari: Sir, you would fully appreciate better than me. I'm a technocrat, but you are the specialist. You will understand very clearly that I cannot give an absolute figure. So, I'm bound by this very place. So, you clearly understand this, so thank you.

Lalit Jaisingh: Thank you. We've reached actually to the end of the session and we need to close. Thanks to the audience gathering to come here and hear us. Closing remarks from Commodore before we end today's session.

Cmde P.R. Hari: It was indeed a very pleasant, healthy and enriching experience for me, interacting with each one of you. It has been a learning experience for me because the first time that I'm meeting all of you face to face, there's a lot of difference between a con call and meeting the specialist face to face, happy to have interacted with you. It is my pleasure and I will make it a point to interact more often with you so that we understand each other. What I hope you have understood the environment which we are working and I also hope that you have now more confidence in what we do. Thank You!
