



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/04/22-23

06 Jun 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
Scrp Code: 542011

Dear Sir / Madam,

Sub: Transcript of Investors/ Analyst Con Call for Q4 & FY- 23 of GRSE – Reg 30

1. Further to our intimation letter nos. SECY/GRSE/BD-69/AM/04/22-23 dated 25 May 2023 and 29 May 2023, we wish to inform that Conference Call for Investors and Analysts has been held on Tuesday, 30th May, 2023 at 03.00 p.m. to discuss the Audited Financial Results of the Company for the Quarter and Financial Year Ended 31st March, 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 Q4 & FY 23 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

Digitally signed by
SANDEEP MAHAPATRA
Date: 2023.06.06
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Sandeep Mahapatra
Company Secretary and Compliance Officer
ICSI Membership No. ACS 10992



Garden Reach Shipbuilders & Engineers Limited
Q4 & FY23 Earnings Conference Call
May 30, 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
Q4 & FY23 Earnings Conference Call
May 30, 2023

Moderator:

Good afternoon, ladies and gentlemen. I'm Vikram, the moderator for this conference. Welcome to the Conference Call of Garden Reach Shipbuilders and Engineers Limited, arranged by Concept Investor Relations to discuss its Fourth Quarter and Year ended 31st March 2023.

We have with us today, Cmde PR Hari, IN (Retd.) - Chairman and Managing Director and Shri RK Dash, Director (Finance) & CFO, Director (Personnel) (Additional Charge).

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

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

Cmde P.R. Hari:

Thank you, Vikram. Ladies and gentlemen, on behalf of the management of team GRSE, I wish you all a very good afternoon. I am Cmde P.R. Hari, the Chairman and Managing Director of the company, and I have with me here Shri Ramesh Kumar Dash, Director (Finance) and Chief Financial Officer, and Mr. Sandeep Mahapatra, the Company Secretary.

Let me at the outset welcome you all to this con call to discuss the Financial Performance of the Company for the Quarter ending and Financial Year ending 31st March 23.

I'm sure that you are all familiar with the operations and the functioning of the company since we have interacted through con calls and in physical mode over the last one year. I believe that it is the physical performance coupled with effective treasury management that translates into a strong financial performance.

And so let me take you through the highlights of our physical performance in the year gone by. The order book position, the execution plan for the current orders and also give you a glimpse of the future outlook of the company.

We started the last financial year i.e. FY23 with an order book of ₹24,147 crore. That comprised of seven projects including 24 marine platforms. Brief for the Indian Navy i.e. the P-17 Alpha projects for three warships, four Survey Vessel Large ships and eight Anti-Submarine Shallow Watercraft, there is total 15 ships from these three projects for the Indian Navy. One project for the Indian Coast Guard of Fast Patrol Vessel Project comprising of one ship because we had already delivered four ships earlier, so one ship was remaining. A project for the Government of West Bengal, an electric ferry, we call it the "Next-Generation Electric Ferry." One project comprising of six patrol boats for the Government of Bangladesh. And another export project for the Cooperative Republic of Guyana, a passenger and cargo vessel. So total seven projects, 24 marine platforms. Of these, we have completed two projects, the Fast Patrol Vessel project for the Indian Coast Guard, we delivered this ship on 31st December 2022 as against a contractual date of 31st January 2023 that means a month ahead of schedule. We also delivered the Passenger-cum-Cargo vessel for the Government of Guyana on 12th December 2022, well ahead of schedule.

In addition, we have completed seven launches. Now, launch is a very main production milestone in the construction site of our warship. So we completed seven launches during the year gone by i.e. FY23, one Fast Patrol Vessel, one Ocean-Going vessel, two Anti-Submarine



Shallow Watercraft, two Survey Vessels and of course the prestigious P17 Alpha, the second ship of the P17 Alpha project.

In addition, we also laid keel for six ships i.e. five Anti-Submarine Shallow Watercraft and one vessel for the Government of West Bengal, the Next-Generation Ferry. As mentioned, of the seven, we have completed two projects during the year. And now, I shall brief you regarding the status of the ongoing projects. The P17 Alpha Project is now at a phase where the physical construction is reaching its mid project phase. The first ship, we already completed 50% of construction, the second ship following closely with around 45% of construction and the third ship chugging along fast at 30% of construction. We intend delivering this ship commencing mid-2025 and shall complete the delivery of these ships during mid-2026.

Coming to the Survey Vessel Large project, the first ship has already achieved plus 80% physical construction, the second ship following very-very closely with over 70% construction, the third and fourth ships with 55% and 40% of physical construction. Of this, the first ship is now at the trial phase and we intend delivering the ship this year. The last of these ships, which I had mentioned that has now touched the physical progress of around 40%, shall be launched during mid-June this year. If you look at this project as the whole, as I had mentioned, the first ship delivery will commence this year and we should complete this project during the next year i.e. 2024-25.

Now coming on to the Anti-Submarine Shallow Watercraft project, we have already launched two of these ships and both these ships have touched plus 50% of physical progress. The third ship is planned to be launched during mid of June and the delivery of these ships are planned between 2024 and 2026. The Next-Generation Ferry that we are presently building for the Government of West Bengal, we intend delivering the ship during the Q3 of the current financial year targeting November for delivery. And the last project that is the Bangladesh boats, the patrol boats for the Government of Bangladesh, we intend delivering the ships in the current financial year.

The last financial year ended with an order book of ₹25,111.29 crore. How the figure has gone up is through a contract conclusion that we achieved with the Indian Navy for four in number Next Generation Ocean Going Patrol vessel. We concluded the contract with Navy on 30th March 2023 with an order value of approximately ₹3,500 crore.

Product diversity has been our (USP) Unique Selling Point. And with our products ranging from warships to bailey type portable steel bridges to marine diesel engine, we have taken this level of diversity to another level. Having concluded a contract with the Indian Navy for commissioning, supply of 10 naval standard guns, 30 mm naval standard guns with an order value of around ₹250 crore. This contract has been concluded very recently.

Coming to the Bailey Bridges segment, as I had stated during our earlier interactions also, we own around 60% to 65% of the Indian market, and last year we had concluded an MoU with the Border Roads Organization, one of our major customers for 30 modular bridges and on 7th of May this year, we have signed an MoU for another 30 bridges.

In addition, in the last financial year, we have been accorded the “Green Channel Certification”, the only Indian organization, manufacturing bailey bridges to be certified by the Quality and Assurance organization of the government. In this segment, we are also executing an order for the Government of Bangladesh, again for modular bridges.

On the marine diesel engine segment, hitherto we have been only assembling, testing and carrying out trials of diesel engines. These engines come in semi knocked down or fully knocked down condition from our partners and we used to assemble these engines, test them and hand over to the customer. In the last year, we have moved a step ahead and concluded



an MoU with the Rolls Royce for localization of high speed engines. We expect good dividends once this MoU has translated into a license agreement as these engines are in high demand for our major customers i.e. the Navy and the Coast Guard.

Another vertical that we have been providing impetus over the last year and a half to two is on ship repairs. We had taken over three dry docks from the Kolkata Port Trust (KoPT) during end '21 and these three docks that we have taken over from KoPT, have been almost having 100% occupancy and we have been carrying out refits of Coast Guard ships and commercial vessels in this facility.

Going forward, our aim is to consolidate the strength that we have from a very healthy order book and conclude and execute the existing orders, with the last order, that is the Next-Generation Ocean-Going Patrol vessel by FY29. And while we execute these orders also bid aggressively to get new orders that are on anvil.

Having covered our physical performance, I shall now share the highlights of our financial performance. We have recently declared our Audited Financial Results and I'm really happy to inform you that in terms of financial performance, FY23 has been the best ever in the history of our company. The revenue from operations have gone up by over 45% i.e. 45.7% from ₹1,754 crore during FY22 to ₹2,561 crore during FY23 and so has the total income gone up from ₹1,918 crore to ₹2,763 crore. With the EBITDA going up from ₹294.88 crore to ₹351 crore, registering a growth of 19%. PAT going up from ₹189.53 crore to ₹228 crore i.e. growth of 20%.

Our earnings per share has gone up from ₹16.55 to ₹19.91 registering a growth of 20%. The PE ratio moving up from 13.68 to 22.88. Our net worth going up by 12.5 % from ₹1,257 crore to ₹1,413 crore. Our return on net worth correspondingly has seen a growth of 20% from 15.07% to 16.14%.

With this, I conclude my introductory remarks and the moderator could take on and steer the questions please.

Moderator:

Ladies, gentlemen, we will now begin the question and answer session. We take our first question from the line of Amit Dixit from ICICI Securities. Please go ahead.

Amit Dixit:

Sir, I have a couple of questions. The first one is essentially on the revenue booking that we are expected to do in this year. Looking at your platform, the patrol boat would be delivered sometime this year, the frigates are in advanced stage of where you have peak revenue booking. So just wanted to get an idea of how much revenue booking we are looking for this year, and possibly if you can mention for FY25 actually?

Cmde P.R. Hari:

We have had interactions earlier on the revenue generation from 2022 to financial year '28. That is when the current order book excluding the next generation of baileys are going to be completed. Now in the last year, when the projects had with the delivery of two ships i.e. the vessel for the Government of Guyana and the Fast Patrol vessel, and with the other projects reaching a level of production maturity where the equipment going, we have registered a growth of around 45.7 % and recorded a revenue of ₹2,516 crore. Now coming to the current year and the next year i.e. FY24, '25 and '26. As I mentioned, majority portion of the current order book is from the P17 Alpha project. And within this project, the first ship has touched 50%, the second ship following close by with 45% and the third ship at around 30%. If you're taking a shipbuilding cycle, this is the phase when a ship is moving from 40 to 60 is when the equipment go in, and when the equipment go in and definitely high value equipment going and the cost of equipment is directly proportional to the revenue generated. So, we are very confident and as per our build strategy and the production schedule we expect to maintain an upward trajectory during '24, '25 and '26. That's all I can... I am not giving you figures, but you



know the current order position is ₹25,000 crore at the current spend of the financial year. We have also stated that the projects are inner stage where equipment will go in and I also mentioned that we are on an upward trajectory. So we expect to touch the peak revenue generation during the coming three years i.e. '24, '25 and '26. The process has started. Actually in FY22 we were just hovering around 1,500 to 1,600 up to 2022. Now the lead has started. And again, I'm reiterating that we will be able to maintain the support trajectory.

Amit Dixit:

The second question is essentially on the Next-Generation corvette. Now, this particular project has figured in the Standing Committee of Defence report also that till at FY25 the order that they have mentioned that they are likely to place, this particular project fixed over there. So just wanted to get the current status of this and if there are any approvals pending or something, just wanted to get an idea of that.

Cmde P.R. Hari:

I'll give you and other investors and analysts who are online a broad overview of this particular project. Why we are very interested in this project is this is one project that we are eagerly looking forward to. The Approval of Necessity (AON) was recorded by the Defence Acquisition Council for this particular project during May-June 2022. AON value is approximately ₹36,000 crore, it's a high value project and this project is for eight ships. And as per the thought process of the customer, that is a Navy, this project is going to be split between two shipyards with the L1 shipyard getting five ships and the L2 shipyard getting five ships. The project states the requirements, the specifications and the customer requirements have been finalized and as per the Defence Acquisition Procedure norms, we expect the RFP for this project to come out sometime during the second-half of 2024. Once the RFP comes out, then the process also gets sub-missioned and the selection, all those things will go on. And as you rightly said, the contract is expected to be signed with both L1 and L2 shipyards sometime during 2025, we expect it to be mid-2025. Now again, I would like to expand on this particular project that as I mentioned the very, very high value project that is thousands of crores for a single project with the L1 shipyard getting 5 by 8, so that comes around ₹23,000 to ₹24,000 crore. And our strategy would be to go aggressive getting appropriate on getting these five ships order purely because of the captive expertise and experience that we have at GRSE for building corvettes. For information and I have stated this before and some of you know that we are the only Indian shipyard to have built and delivered nine corvettes both missile and anti-submarine warfare corvettes to the Indian Navy. All nine of them are active with Navy and active in service for the nation. So, in a nutshell, high value project, AON accorded, the requirements being finalized by Navy. RFP likely to be out during second-half of calendar year '24 and order likely to be during mid calendar year '25.

Moderator:

Next question from the line of Dixit Doshi from Whitestone Financial Advisors. Please go ahead.

Dixit Doshi:

You mentioned order book of around ₹25,100 crore. Can you give a breakup of the order book in terms of P-17Alpha, ASW SWC and Survey Vessel Large?

Cmde P.R. Hari:

Yes, the order book value is ₹25,111 crore and this comprises of four Survey Vessels Large, three P17 Alpha and eight Anti-Submarine Shallow Water Craft and of course, four Next-Generation OPV. Further, P-17 Alpha, we have around ₹14,000 crore i.e. 47% of the order is from the P-17 Alpha project and the other three projects put together and of course the miscellaneous orders come to balance 53%. The Survey Vessel Large project, we have ₹1,470 crore and the Anti-Submarine Shallow Watercraft project we have ₹5,500 crore and the NGOPV project, a recently concluded contract we have around ₹3,500 crore. This is the break up if you're speaking about the high-level items, P-17 Alpha of ₹14,200 crore, Survey Vessel around ₹1,472 crore, the Anti-Submarine Shallow Water Craft around ₹5,500 crore and the Next Generation Ocean Going Patrol vessel is ₹3,400 crore.



Dixit Doshi: Now, second question is obviously you touch upon that over next three years we will see the upward trajectory of the revenue. But just to see, so basically P-17 Alpha and ASW SWC up for delivery over next 2.5 years. So, is it fair to assume that at some point of time we can do almost like five to six thousand crores of top line over next three years in any particular year?

Cmde P.R. Hari: First point, I would like to clarify is that the survey vessel deliveries will start commence from this year. But, as you can see, survey vessel we are just left with around ₹1,400 crore, all four ships put together. And P-17Alpha, we have around ₹14,000 crore left remaining in the order book and Anti-Submarine Shallow Water Craft around ₹5,000 crore. Now, coming to the deliveries, Survey vessel project will finish between FY24 and 25. Anti-submarine Shallow Watercraft deliveries would commence from FY24 and move on till FY27. And the P-17 alpha, the delivery will commence, because there are only three ships, of course, very, very high value ships, P-17 alpha will commence from FY26 and end in FY27. I hope you got it. So, mid of calendar year 2025 and the middle of calendar year 2026 to FY27. So yes, there is a definite possibility of the order book touching the figure that you mentioned if you apportion the order book value that is remaining. And this could be in FY25 or FY26.

Dixit Doshi: And my last question from my side on the recently received order of 30 mm Naval Surface Gun. So I think this is the new area where we are entering this year. So, if you can broadly touch upon that, do we have those kinds of expertise or the capacity, I mean we will require the plant or CAPEX and any partnership we will be required to execute this order, and if you can just touch upon the execution timeline and margins in such business.

Cmde P.R. Hari: Yes, we are very excited about this project because it's the first time that an Indian public sector undertaking other than a core weapon manufacturer venturing into gun manufacturing and we have made a tagline from warships to weapons, that's our new tagline now. This is the part of the government's thrust on indigenization. So far in the shipbuilding scenario, we have been able to attain almost 100% indigenization on the floor part, that is the hull, the steel and associated fitting, they're all 100% indigenized. Coming to the move part means the propulsion systems, maybe we are at around 60% to 65% and the fight part, fight is where the weapons and sensors come, where we were likely as a nation was lagging behind and the trust of the government has been over the last few years to provide an impetus to indigenization in this front also. This is one of the initiatives that the government has steered and we have definitely moved ahead in this direction and we have concluded a contract as you mentioned for 30 mm Naval standard guns for the Navy. The first order is for seven number gun. And yes, we are collaborating with reputed OEM for this project. And since you asked about the execution timeline, it is between 12 to 18 months. We intend to complete this project between 12 to 18 months. And here again, business opportunities are huge because once we indigenize this product and considering that the government thrust is for indigenous system after this project is executed we expect future orders in this line. Project execution time is 12 to 18 months. You've asked the margin. Margins are between 7% to 8%.

Dixit Doshi: And any other defense manufacturing we are targeting, anything on the ammunition or anymore defense equipment?

Cmde P.R. Hari: I think we have our plates are full. We are one of the biggest defense manufacturers building warships for Navy and Coast Guard with 106 warships only to navy and coast guard. So I think our hands are full and of course we are also providing these portable steel bridges to the army and the border roads organization, now this gun. And, also we have already diversified into deck machinery i.e. fitted on board warships, and definitely I had mentioned earlier during my introductory remarks on the marine diesel engines and high speed diesel engines, which are again used on board warships. So I feel we're limited to just at this moment and unless some new technology comes in, then we will definitely explore such opportunities also.



- Moderator:** We take a next question from Harshit Kapadia from Elara Capital. Please go ahead.
- Harshit Kapadia:** Just a few questions from my side. I just missed your initial part. Can you highlight what is the order inflow pipeline for GRSE? And secondly, any update on the next-generation corvette order which got the AON approved in the month of May 2022, when it is likely to be tendered out and what is your expectation there, sir?
- Cmde P.R. Hari:** On the next-generation project, I had addressed this question during an earlier query from one of our other investors. Next-Generation Corvette project, as you rightly said, the AON has been accorded during May, June last year. Right now, the technical requirements are being finalized by the navy and this is the project for around ₹36,000 crore for eight warships of the corvette class and we expect the RFP to come out during the end of calendar year 2024 and the contract with the L1 and L2 bidders would be, and this project of eight ships is going to be split between two shipyards with the L1 shipyard getting five ships and L2 two shipyards getting three ships and the contract is expected to be signed during 2025 calendar year. Coming to the order book, you must have already listened that the order book stands at ₹25,111.29 crore at the end of the last financial year. And now, since you asked about the order pipeline what we expect or what is on the anvil. One 14 fast patrol vessel project for the Indian coast guard, the RFP is already out and soon we will definitely be submitting our bid for that. This could be in the tune of plus ₹1,000 crore and six ocean-going patrol vessels for the Indian coast guard, again, the RFP is out and we will again be submitting the bid for this. And two more projects, one of project for coast guard for a cadet training ship and a project for the PORC i.e. Polar Oceanographic Research Center which comes under the DRDO. They also come out with a one of polar research ship, the value could be between ₹750 to ₹1000 crore. So these are the four RFPs which are live as of now. And of course, the Next Generation Corvette which is the offering may begin second-half of '24. Navy has already come out with an RFP for 21 warships. The response has been given by all of us means the four different shipyards, the Cochin Shipyard and the other private players. And we expect that RFP to come out in 2024. Two multi-purpose vessels from navy, RFP is likely to come out in 2024, order value could be in the range of around ₹1,500 crore. 120 Fast Interceptor Craft again for the Indian Navy, RFP is expected in 2024 - 2025. Five Next-Generation Survey Vessels, this is similar to the survey vessels that we are currently building. These ships could be with some more advanced features that's why they called the next generation survey vessel, RFP is likely to come out in 2025. A hospital ship for the Indian navy, RFP is expected in 2025. 18 next-generation fast patrol vessels for the Indian coast guard. In '25-26 RFP could come out. And 22 interceptor boats for the Indian Coast Guard, RFP is expected in 2027. So this in a nutshell are the orders that are on the anvil. This could be between any of the capable and qualified shipyards among the names that I mentioned.
- Harshit Kapadia:** And, sir, what about the landing platform docks?
- Cmde P.R. Hari:** There are four landing platform docks, just again is the high value order, could be in the range of between ₹25,000 to ₹30,000 crore. The RFP is expected in 2025. These are in the pipeline over the next two to three years.
- Harshit Kapadia:** And sir what has been the key reason why we are not able to scale up our EBITDA margins despite our revenue rising to all-time high in FY23, so if you can share something, it would be really helpful, sir.
- Cmde P.R. Hari:** If the margin is directly proportional to revenue from operations, I should have had a 44% EBITDA. So I mean even I would love that. But please understand this as I've explained this before, ship building process where the margins are relatively in the range of 7% to 10% now. In case of shipbuilding, I am not speaking of EBITDA margin, I speaking about the PAT margin. If PAT margin is between rather anything plus 7 to 7.5 it is considered good. Now coming to GRSE, I'm not speaking about small orders which will not have a consequential effect on the



overall order book or the revenue. If we take the four major projects that we are executing, major projects i.e. the P-17 Alpha, survey vessel, anti-submarine shallow watercraft and the NGOPV. In case of P-17 Alpha, that was a fixed price contract which was awarded to GRSE and the profit margins it came on nomination basis which you're fully aware, the profit margins are around 7.5%. Now, in case of the other three projects, we have won them on competitive bidding against competitors including private shipyards where the margins are decent and still we have been able to maintain that margin as a 7.5% last year. Our revenue from operations is totaling to ₹2,763 crore. The PAT was ₹228 crore that comes to 8.26%. As we have discussed earlier, GRSE has been able to maintain and will maintain PAT margins above the level that we have mentioned i.e. around 7.8%.

Moderator: We take a next question from the line of Shalini Gupta from East India Securities. Please go ahead.

Shalini Gupta: Sir, just two-three questions at my end. Sir, you have said that the nomination contracts guarantee you 7.5% EBITDA margin and a 5% PAT margin. And then in financial year '23 itself, our EBITDA margin was around 5.8% so lesser than the figure guaranteed for you from your nomination contracts. So, sir, my question here is that earlier you have said that you won several projects where the bidding was very competitive. So now going forward, should margins be less than what we saw in financial year '23? I'm not talking about PAT margins because they have a huge element of other income but operationally that is EBITDA margin. Should we expect lesser than what we saw in financial year '23 which is 5.8%?

Cmdr P.R. Hari: From the investor perspective, now GRSE has been giving an EPS, that is 20% rise in our EPS. The market prices gone up almost 100%. PE ratio has gone up. PAT, finally, what transmits into the dividend and the market appreciation of the PAT. You had mentioned the EBITDA margin, I'll answer your direct question, EBITDA margin for financial year 2023, GRSE's total income is ₹2,763 crore, EBITDA ₹315 crore, ₹2,763 crore by ₹315 crore transferred to 12.7%. So the EBITDA margin is not 5.5%

Shalini Gupta: So, it does not include other income

Cmdr P.R. Hari: Now we will say other income. What is the other income? I had mentioned at the beginning. How does the companies function successfully? It's through effective treasury management. Other income is operational capital. That is what we use for running our projects. If we do effective treasury management of that amount, how can it be taken out of our EBITDA or operational income?

Shalini Gupta: This is the special reason for this. The reason is that the other income comes from a body of revenues which will go out of your book once your large projects like the P-17 Alpha completed. Because the P-17 Alpha projects will peak somewhere in 2025-26 and thereafter the large portion of other income will come down that is the way the way the contracts are structured, that's what I've understood. So that is why we are always focused on EBITDA without the other income.

Cmdr P.R. Hari: I would not contest that. But it's the cycle. When P-17 Alpha is completed, GRSE is not going to end, some other high value projects will come in. That's what we all exist for. And the second part is the PAT which again translates into the dividend is increasing. We registered over 20% growth from the last year. I can only say that these are the values that are available and other income, I reiterate, suppose if we do not do effective treasury management, would we be able to generate so and so amount from our working capital? We would not be. Yes, when this gets into production and when it is utilized for the project, more operating income automatically increases and more projects will come. So, I do not agree that the EBITDA margin is 5.5 percentage. We are very, very confident and reiterate the fact that that EBITDA margin 12.7% and the PAT margin of course it is 8.26 as I mentioned.



- Moderator:** We take a next question from the line of Umesh Raut from Phillip Capital. Please go ahead.
- Umesh Raut** My first question is more of structural in nature. So, if I look at medium to long term pipeline, I observe about five to six large marquee projects coming in from the Indian navy, so whether it is next-generation destroyer, next-generation frigate, next-generation corvette, submarine, LPDs. So basically in your view, how Indian Navy will prioritize in terms of acquisition pipeline within all these projects considering that they'll certainly have a funding constraint as well?
- Cmde P.R. Hari:** Yes, there are high value projects that are coming in. Some of them that is the next-generation corvette maybe has already got an AON and that I mentioned it's for around ₹36,000 crore. I deliberately not touched upon the next-generation destroyer project because it is still in liquid form. We expect that the project could get crystallized in the coming year and thereafter the RFP will come out. And also coming to the other major project high value, I'm only speaking about high value projects that are going to come from the navy, one would be the landing platform dock, LPD. So, these are the three high value projects that are going to come out from the Navy. And if you're looking at medium value projects, we have a project of five Next-Generation Survey Vessels, which could be in the range of from ₹3,500 to ₹4,000 crore. On a similar line, even Coast Guard has got a high value project of 18 next-generation patrol vessels coming up. Now, the government allots budgets financial year wise depending upon the progress of the project which has already been sanctioned. And the fund flow that is expected through award of new contracts. So, I don't see budget constraint as the issue at all with respect to project approval or orders in the coming years because these are required for the navy because this has already been approved in the long-term perspective plan of both the navy and the coast guard. Now coming to GRSE's stake in that, especially, the Next Generation Corvette, the Fast Patrol Vessel which is enough for niche products, the Survey vessels and the Ocean Going Patrol vessels that are going to come for the Coast Guard where the RFP is already out. It's not a very good chance of becoming L1 or L2 wherever it is a split order. Coming to your specific question of high value projects that I already answered and as for the project constraints or limitations is concerned, I don't see any issue. Of course, the government's focus is on maximum indigenous production. Now, after 43 platforms that are being constructed for the navy today, 41 are being constructed at the Indian shipyards and the coast guard 100%. Nine Platforms are currently included, all nine by Indian shipyards. Now, between Coast Guard and the Indian Navy, and keeping aside the smaller vessels like Fast Interceptor Craft or Fast Interceptor Boats which are going to come out in large numbers, I am just keeping them out of the current calculations. The numbers of medium and large based platforms range between 45 to 46 for navy and similar number for a Coast guard so, this in a nutshell is the order in the pipeline in the coming year.
- Umesh Raut:** My second question is pertaining to Anti-Submarine Shallow Watercraft. So we are hearing from the media news that there are some supply issues around engine set which required to come from the European countries and basically because of that delivery can get stretched beyond the expected timeline. So what is your view on this?
- Cmde P.R. Hari:** We do not have any issue with respect to propulsion engines i.e. main engines which are coming from abroad. As a matter of fact, since you asked the question, we have already launched two ships of the project as per the production timeline. One more ship we are launching during mid of June where engine has already been lower. The next two ships we plan to launch in September engines are already lower. As far as GRSE is concerned, there are no issues with respect to propulsion engine, that is the main engine coming in from abroad
- Moderator:** We take a next question from the line of Vivek Namashivayam from Shanti Financial Services. Please go ahead.
- Vivek Namashivayam:** My question is regarding the results which have been posted. If I see the overall record of GRSE as a firm over the last 10-11 years, sales have been more or less flat for nine years and



then in the last one or two years, it's shown exponential growth. And if I see the operating profit in 2012 and 2021 or 2022 they are more or less the same, which is ₹144 crore in 10 years. So what has really changed? I know there have been ups and downs, but I'm just talking when I look across a broad timeframe. But in the last 1-2 years, there's been exponential growth, which as was already discussed, not contributing to the same amount of PAT growth except in this year. My question is understanding that the next 2-3 years is going to be very good revenue. Will there be a significant impact or reflection on the PAT growth in the next two years because except for this year PAT has not really grown much over so many years and in the next two years, will there be a reflection on PAT growth significantly and given that the top line is expected to grow very high till '25, '26 as was stated.

Cmde P.R. Hari:

As you rightly said, our sales revenue has been more or less flat for a substantial period of time and it started picking up actually from '18-19 onwards. In FY'18-19, we were touching around ₹1,386 crore, in FY'19-20 ₹1425 crores but we had a dip during the COVID years. I'll just take the COVID year off. Last year '21-22 then touched our highest revenue of ₹1,854 crore and this year as you rightly said there has been exponential spike. This year the revenue from operations is around ₹2,561 crore. And if you're just taking the PAT vis-à-vis the revenue from operations, PAT then FY'18-19 was ₹109 crore, then ₹163 crore, then ₹189 crore and ₹228 crore now. Why the spike has occurred? I'll first answer the question then come on to your specific question on maintainability of PAT. Why has sales gone up? Why has the PAT naturally, correspondingly increased? We had an order book of plus ₹20,000 crore from FY16 itself. But in shipbuilding translation of an order book into revenue recognition happens at a certain phase. After FY16, then we got two more projects during FY19 that is Anti-Submarine Shallow Watercraft and Survey Large Project. If you are looking at revenue recognition it touches between 40% to 60% where the high value equipment going and they are brought up on the board and so on. So considering the project maturity at this stage, with the first of the P-17 Alpha ships staying in the middle of that phase i.e. 50%, the 2nd ship just creeping into that phase and the third ships following and of course, followed by the other smaller projects that is Anti-Submarine Shallow Watercraft, answering to the previous query that I had stated that we just got about ₹1,400 crore left in the other book for survey vessel project and around ₹14,000 crore in the P-17 Alpha. Yes, the revenue will be at peak during the next three years that is FY'24-'25 and FY'26. Now coming to your question, the PAT will definitely increase. We expect to maintain similar CAGR over the next three years with respect to PAT. I'm not assuring any exponential price, but we can assure off the edge here of what has been maintained so far between FY'18-19 and FY'22-23, we will maintain that for the next three to four years.

Vivek Namashivayam:

Now, you are the leading shipbuilding organization in the country and business is divided across the various shipyards. Is it possible that if there are very very bulky orders which need to be delivered in a short timeframe, the organization has sufficient scale to be able to manufacture as per the needs of the navy, is it possible or you can only do as much as capacity that you have?

Cmde P.R. Hari:

Very interesting question. GRSE, some of you are aware, some of you may not be aware, GRSE perhaps is a very unique shipyard where we have three fully independent shipbuilding facilities all based at Kolkata and all of them have captive shipbuilding infrastructure. With two of these facilities fully capable of end-to-end production, when I say end-to-end production means from plate cutting to delivery with adequate number of dry docks. Because in shipbuilding, the major requirements are dry docks and building berth, adequate number with enough length and breadth, and displacement capacity is available with us here. In addition to that, the moment we decided that we will be venturing into shipbuilding, we would not want to dilute our shipbuilding captive infrastructure. So, we immediately blend in for long term strategic lease with Kolkata Port Trust for additional dry docks. What I'm trying to convey is that we did not want to dilute our shipbuilding cover. So as far as the capability, one, capacity and the infrastructure facilities are concerned, there is no shortage, we'll be



able to make navy and coast guards requirement. The capacity of the shipyard is assessed regularly by customer, they have a structure system for assessing the capacity of every shipyard. And whenever they place an order that is always placed after assessing those capacity, and that's how we have been getting these orders. Now, coming to the point and answering your question, yes, we will be able to meet the needs and requirements of the customers. Adding on to particular answer that I gave; as a strategy to facilitate concurrent construction. Now, we are executing project, eight ship project for anti-submarine shallow water craft across the navy. We as a strategy have gone into a PPP model with one of our private partners, and we've made a partnership model with them wherein part construction is being done at this particular shipyard. So that will enhance the production. So far as captive capacity, absolutely no issues to enhance the pace. We will be doing some partnerships also.

Moderator: We take next question from the line of Harshit Kapadia from Elara Capital. please go ahead.

Harshit Kapadia: Just wanted to check what is the cash on balance for GRSE?

Cmdr P.R. Hari: Present cash is ₹140 crore, the project cash is ₹4,421 crore, total ₹4,561 crore.

Harshit Kapadia: And also just want to check with you, sir, when we look at others shipyard which are listed, they are enjoying upwards of 10% kind of a margin even at PAT level whereas you are at 7.5%. So where is the difference, is it the scale, which is the difference, or is there some efficiency which the other shipyard has and probably which is not available with the GRSE, what is the reason why other shipyards are able to do what GRSE is not able to do?

Cmdr P.R. Hari: First point, I would like to say if you're talking about EBITDA margin, for the financial year ended 31st March is 12.7%. I do not agree with this with 5.5%. Keeping that account, we can have our own calculation methodology and concepts. Now, if there are only two more shipyards in India that are listed, the Cochin Shipyard and the Mazagon Dock Shipbuilders Limited. If you're comparing, I would just state that the projects which are being executed by these shipyards are on nomination basis, the major projects, whereas GRSE currently has one nominated project i.e. P-17 Alpha and the balance three major projects have been won on competitive bidding. So it's a phase. If you analyze this over a period of time starting from now, you may like to do the comparison after a couple of years where each entity stands.

Moderator: Ladies and gentlemen, due to time constraint, that was the last question. I now hand the conference over to the management for closing comments. Over to you, sir.

Cmdr P.R. Hari: Thank you, Vikram. Ladies, gentlemen, we had a very fruitful interaction over the last one hour and I am sorry, I would love to answer more queries but we are short on time and I'm hopeful that if not all, most of your queries have been adequately addressed. We intend to lift the strength of our healthy order book and focus on timely execution of the ongoing projects. We are very confident that we have very clear execution strategy. Shall also be focusing on product diversification. We already started the process and we'll further consolidate on this along with the new technology adoption. Exports shall be another focus area where we have made some inroads and of course ship repair and the portable bailey bridges. I would like to close by again bringing up the issue of margins which we have been battling this margin perception over the last few interactions and my sincere request to the analyst especially is that the profit after tax is increasing steadily. Second, what you talk about other income has been generated through effective treasury management from our own working capital. Once we both are on the same page, perhaps we'll have a clear understanding about it. So thank you once again for sparing your valuable time to attend this con call.

Moderator: Thank you, gentlemen of the management. On behalf of Garden Reach Shipbuilders & Engineers Limited, that concludes this conference call and you may now disconnect your lines.
