



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

( भारत सरकार का उपक्रम , रक्षा मंत्रालय )  
( A GOVERNMENT OF INDIA UNDERTAKING, MINISTRY OF DEFENCE )  
CIN NO. : L35111WB1934GOI007891

SECY/GRSE/BD-69/AM/01/22-23

29 Aug 2022

To,

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

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

Dear Sir / Madam,

**Sub: Transcript of Analyst Meet/Con Call for Q1 FY 23 of GRSE – Reg 46(2)**

1. Further to our Intimation Letter No. SECY/GRSE/BD-69/AM/01/22-23 dated 23 Aug 2022, we wish to inform that Conference Call has been held on Tuesday, 23<sup>rd</sup> August, 2022 at 15.30 Hrs. to discuss the Unaudited Financial Results of the Company for the Quarter ended 30<sup>th</sup> June, 2022.
2. In this regard and pursuant to Regulation 46(2)(oa)(ii) read with para A of Part A of Schedule III of the SEBI (LODR) Regulations, 2015, the Transcript of the Conference call is enclosed herewith.
3. This is for your information and records.

Thanking You,

Yours faithfully,  
For GARDEN REACH SHIPBUILDERS & ENGINEERS LIMITED

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



**Garden Reach Shipbuilders & Engineers Limited**  
**Q1 & FY 2023 Earnings Conference Call**  
**August 23, 2022**

**Management:**

- Cmde Hari P.R, IN (Retired), Chairman & Managing Director
- Shri R K Dash, Director (Finance) & CFO
- Shri Sandeep Mahapatra, Company Secretary & Compliance Officer
- Smt. Aparajita Ghosh, Additional General Manager (Finance)



**Garden Reach Shipbuilders & Engineers Limited**  
**Q1 FY2023 Earnings Conference Call**  
**August 23, 2022**

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**Moderator:** Good afternoon, ladies and gentlemen. I am Michelle, moderator for this conference. Welcome to the Conference Call of Garden Reach Shipbuilders & Engineers Limited arranged by Concept Investor Relations to discuss its Q1 FY2023 Results. We have with us today Cmde P R Hari, IN (Retd.), Chairman & Managing Director and Shri R. K. Dash, Director (Finance) & CFO. At this moment all participants are in listen-only mode. Later we will conduct a question and answer session. At that time if you have a question, please press '\*' and '1' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Shri PR Hari, Chairman & Managing Director. Thank you and over to you, sir.

**Cmde P R Hari:** Thank you, Michelle. Ladies and gentlemen, a very good afternoon to all of you. I am Commodore P R Hari, IN (Retd.), Chairman & Managing Director of this company. And let me welcome you all to this conference call to discuss the financial performance of the company for the first quarter that ended on 30<sup>th</sup> June 2022. I have here with me Shri Ramesh Kumar Dash, Director (Finance); Mrs. Aparajita Ghosh, Additional General Manager (Finance); and Shri Sandeep Mahapatra, Company Secretary. We have been interacting regularly with you all through Con calls, and I appreciate that you are all familiar with the business and functioning of our company.

Before we move on to the financial performance during Q1 FY23, let me take you all through the physical performance of the shipyard during the first quarter, our order book position and the broad execution plan for these orders. As on 30<sup>th</sup> June 2022, our order book stands at ₹23,583 crore with ship building that is our primary business forming almost 98% of this order book. That is ₹23,300 crore comes from the shipbuilding segment and ship repairs contribute to ₹43 crore. We have a business vertical, the engineering division that comprises of Bailey Bridges or Portable Steel Bridges and Deck



Machinery. The order book of ₹102 crore is coming from this segment. The Engines Division at Ranchi contributing ₹138 crore.

As I mentioned, shipbuilding earns us almost 98% of our revenue and from the current order book of ₹23,300 crore comprises of seven (07) projects encompassing twenty three (23) platforms. These include fifteen (15) ships for the Indian Navy. That is three (3) ships of the P-17 Alpha Advanced Frigate (P-17A), eight (8) ships of the Antisubmarine Warfare Shallow Water Crafts (ASW SWC), and four (4) ships of the Survey Vessel Large (SVL) project. All these put together comes to (fifteen) 15, as I had mentioned. An order we are executing for the Indian Coast Guard for a Fast Patrol Vessel (FPV). A project for the Government of Bangladesh comprising of six (6) Patrol Boats, one (1) Passenger cum Cargo Vessel for the Co-operative Republic of Guyana, and one (1) project for a next-generation electric ferry for the Government of West Bengal. Happy to inform you that this order has been received. The order from the Government of West Bengal has been received very recently, and this is a breakthrough for us into the green energy market. And I am very confident that on completion of this project, there is a huge market potential both for export and for domestic order in this segment, that is the green energy segment.

On the physical performance side, FY23 has started on a very positive note with four of our ships being launched during the first quarter. During one of my earlier con calls, I had mentioned that launch is a very important milestone in the shipbuilding cycle, and that means the ship hull form is ready, and the ship is being floated out for the first time. On completion of launch, the outfitting activity is commenced, getting the ship's delivery to the customer.

So as I had mentioned four ships that are launched during the first quarter, on 2<sup>nd</sup> of May, 2022, the Fast Patrol Vessel that we are constructing for the Indian Coast Guard was launched, and on 28<sup>th</sup> of May, 2022, the second ship of the Survey Vessel Large project was launched, and on 15<sup>th</sup> of June, 2022, we launched the export ship i.e. the Passenger cum Cargo vessel for the



Co-operative Republic of Guyana, and on 15<sup>th</sup> of July, 2022, the second P-17 Alpha ship was launched. This ship was launched by our Honorable Raksha Mantri, and this was a very major event considering that this ship is almost 6,700 tons in displacement.

In addition, on the 17 Jun 2022, we have laid the keel of three ships on a single day. We laid the keel of 1 Survey Vessel Large and 2 Antisubmarine Warfare Shallow Water Crafts. These are very unique occasions. Perhaps, it is the first time in the country that three ships, that too from two different war shipbuilding projects are being laid. The keel of three ships are being laid on a single day.

On the ship repair segment, we are currently executing refit of a Coast Guard vessel and have also won order for refits of two more ships. This is the testimony to the focus that we are giving on the ship repair segment.

On the execution plan for the existing orders, as I mentioned earlier, the first two ships of the P-17 Alpha project had been already launched and construction of the third ship is in full swing. The first ship has achieved nearly 40% of physical progress and presently is undergoing the outfitting phase. The delivery of the ship is planned in 2025. The second ship which was launched on 15<sup>th</sup> of July this year is presently in dry dock for the pre-Contractor Sea Trials' (Pre-CST) dry dock phase, and this ship is planned to be delivered during early 2026.

The third ship is presently undergoing the pre-launch phase, and this ship is planned to be launched mid of next year. The delivery of this ship is planned during the second half of 2026. As far as the Survey Vessel Large project is concerned, the first two ships have been already launched and the post-launch outfitting is in progress, and both the ships are expected to be delivered during 2023. The third and fourth ships are in the pre-launch stage, and these ships are planned to be delivered in 2024.



The Antisubmarine Warfare Shallow Water Crafts ships are at various stages of construction, and the launch of the first two ships of these 8 ships project is planned during the current year. The completion of this project is scheduled by 2027. The delivery of all the ships is expected to be completed by 2027.

As I had mentioned, we have launched the passenger cum cargo vessel for Govt. of Guyana during June this year, and this vessel is expected to be delivered by early 2023. Similarly, the Fast Patrol Vessel, the construction and the post-launch outfitting is in full flow, and we expect to deliver this ship also during the current financial year. Same goes for the Bangladesh patrol boats also. We will be completing this project that is delivery of these 6 vessels to government of Bangladesh during this financial year. I had mentioned that we had concluded contract with the Government of West Bengal for the next-generation electric ferry. It's the 12-month contract, and we will be completing this project by July next year.

Now, coming to the financial performance, the Q1 results have been the best ever in the history of GRSE with the revenue from operations going up from ₹304 crore to ₹580 crore, if you are comparing Q1 of '22 to Q1 of '23 which is registering a growth of 90 plus%. Similarly, the total income has grown from ₹344 crore registering a growth of 80.4% to ₹621 crore. Our PBT has grown from ₹34 crore to ₹64 crore registering a growth of 88.2%, and the PAT from ₹21 crore to ₹50 crore growing by 143%. The operational profit has registered 5 times growth with the current operating profit at ₹23.39 crore.

Having said that, the Q1 has been very encouraging, and I expect good growth during this financial year in terms of revenue and profit. With a very healthy order book and the starting the financial on a right note, our focus now is to ensure that the physical construction of the ships progress smoothly, and the orders are executed on time. So, towards this our thrust areas are enhance the operational efficiency through internal process improvement, digitalization and artificial intelligence in applicable segments



of our operations, thrust on exports, ship repair and the Bailey Bridge segments to enhance the revenue generation from these areas, and adoption of an aggressive bidding strategy to win new orders.

Thank you. I have concluded my introductory remarks. I am open for questions now.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Bhagyesh Kagalkar from HDFC Mutual Fund. Please go ahead.

**Bhagyesh Kagalkar:** I have one or two questions over here. One is on the margin issue. Can you give guidance for this year as well as the next two years, a broad guidance? And secondly, looking into future for the next two to three years, which are the big orders that we are going to bid for eventually in next 18 to 24 months?

**Cmde P R Hari:** Coming to the margins, the Q1 margins are in the range of 10.35% PBT and 8.08% PAT. See, I had elaborated in the previous discussions also, in ship building, when we say profit margins, anything which is satisfactory is around 7.5%. As I had just mentioned, our PBT margins are 10.35% and the PAT is 8.08%, and we are above this threshold. We are confident of maintaining similar margins in the coming times also considering our order book and the execution plan.

Now coming to the orders on the anvil, this year, two proposals of the Ministry of Defense has been cleared by the Defense Acquisition Council (DAC). They have given AOM for two proposals on sometime in June, I think. I am not sure about the date. It's a large quantum and around ₹76,000 crore has been approved by the DAC of which ₹36,000 crore pertain to a naval project for 18 of next generation Corvettes.

The second is a recent approval in July again by the DAC for around ₹27,000 crore of which there is a proposal of 14 Fast Patrol Vessels for Indian Coast



Guard. Of course, the order value expected from the Fast Patrol Vessels is to the tune of around ₹3,000 crore. The other order value is huge and it is ₹36,000 crore. As per the indications, this was likely to be split among the two shipyards.

Now here we have an advantage. GRSE has built and delivered 9 Corvettes, both vessel Corvettes and Antisubmarine Warfare Corvettes to the Indian Navy, and all these ships are in active service. So, we have referent expertise and the capability to build these vessels. However, as I mentioned, this will be coming on a limited tender basis among all these shipyards, but the probability of getting increases because it is being built in two shipyards, first, and second, our bidding strategy considering our experience and expertise, confident it will be appropriate to get a chunk of this order.

We expect the RFP to come out sometime next year. The time required between the RFP issuance and the AOM ranges between 12 to 18 months depending upon class of ship. This is the first expected order that is on the anvil. And the second as I had mentioned just about Fast Patrol Vessels for the Indian Coast Guard, the order value is expected to be to the tune of from ₹2,800 crore to ₹3,000 crore. Here the stakeholders are the five, the contenders are the five shipyards. That is the four DPSU Shipyards plus the Cochin Shipyard. These stand a good chancing of getting this.

There is also an RFP that is expected from the Indian Navy. There was an RFP issued sometime last year for Landing Platform Dock (LPD). The order value is to the tune of around ₹25,000 crore to ₹30,000 crore and there are two of them which are likely to come up. So that also we will be bidding. These in a nutshell are the orders that are on the anvil. Thank you.

**Moderator:**

Thank you. The next question is from the line of Rohit M from Antique Stock Broking Limited. Please go ahead.





**Rohit M:** Sir, if you could help us with the physical progress of the first, second and the third P-17 Alpha, that is especially with the Goliath crane coming up, what exactly the current physical progress look like?

**Cmde P R Hari:** Coming to the physical progress of the first three P-17 Alpha ships, the first ship is presently +40% physical progress. That is the first P-17 Alpha which is launched sometime during December 2020. And the second ship is presently at 31%. It is catching up very fast. Though we launched the ship almost a year-and-a-half after the first ship after having learned the lessons and improving our own processes. The second ship is catching up very fast. And the third ship is approximately 14% physical progress.

Now coming to the Goliath crane, since you mentioned in passing about the Goliath crane, now the Goliath crane commissioning has been a major capability enhancer as the crane. It's the 250 Ton crane covering the entire span of one dry dock and the building berth and the area where we fabricate and assemble the block. So commissioning of the crane has been, as I mentioned, a huge capability enhancer and it facilitate shifting the block from the building berth or the building dock where we can assemble. I hope this answers your query with the physical progress as I mentioned and the impact of the goliath crane.

**Rohit M:** But, sir, looking at the physical progress, if I have to see, we have a mandate. If I understand it correctly, we complete all the work before FY25. So is it fair to assume that we will be moving to that ₹5,000 crore of revenue trajectory very soon?

**Cmde P R Hari:** See, yes, we have a mandate. We have a plan to complete our projects by 2027. You are absolutely right. And you may have observed our order book stands at ₹23,583 crore. So revenue accrual will definitely be during the next five years. And we expect the revenue generation to grow in an upward trajectory, especially during FY23, FY24 and FY25. These are the peak years where we expect our revenue to be touching.



**Rohit M:** Sir, any guidance that you would want to touch on, like how those numbers would look like in this near term fiscal and maybe some longer-term fiscal look like?

**Cmde P R Hari:** See, you have seen the first quarter result. You have seen the last quarter of FY22. You have seen the Q3 FY22. So there is upward thing. So you can infer. Just to sum up, naturally, I will not be giving you the exact figures, but just to tell you that FY23, '24 and '25, you will see a definite upward movement. And also the assurance, that we got to complete these projects by FY27 and maximum revenue generation occurs when the project moves from a stage of physical progress of almost 40 to 65%. That is the stage when the equipment goes in and then high value equipment goes in, so automatically, the revenue generation increases. To answer your question again in a perhaps an indirect way, FY23, '24, '25, you can expect substantial move.

**Rohit M:** Sir, final question from my side, if I may. You highlighted lot of opportunities coming up, especially this close to ₹750 billion of work in terms of the new generation Corvettes and even the Fast Patrol Vessel. If I have to look at the capacities that you have at this point in time, the order backlog that you have at this point in time, what is the peak order backlog that you can have at any given point in time? And what is the best case execution you can deliver?

**Cmde P R Hari:** Now you have mentioned two projects, that is the next-generation projects. Total value of this order is around ₹36,000 crores. So if you are splitting it between since the government regulation is split it between two shipyards, the best case scenario is five. And these were large ships akin to I would not say as big as the P-17 Alpha ships, but akin to the ships that we have delivered, Antisubmarine Corvettes which we have delivered, the P-28 projects, a couple of years back. Now the FPVs are small ships as evident from the order value, but though the numbers are large, here we can go for series production.



Now coming to the capacity. GRSE today have got a capacity, a proven capacity to build the 20 warships concurrently. These include 8 warships large and 12 small or medium-sized warships. Now when you say concurrent construction, and this is for projects being staggered, at every point of time in a ship's project, one ship will be at the post-launch stage, the second and third ships perhaps at the pre-launch stage. So all put together, 20 ships we can undertake concurrently.

Now on real terms, the Corvettes, if at all the order comes to us, with the best case scenario of 5 ships coming to us, the most likely year when the order physically will be the contract will be concluded will be 2024, the first quarter of 2024. From then after the design is frozen, the production will start only by '25. And by 2025, all the backlog ships which are under construction would have definitely crossed the pre-launch phase. Some of them would have been delivered. Some of them would be at the post-launch phase awaiting delivery. So the entire pre-launch resources/ assets will be empty. So there is no dearth of capacity.

Second, now coming to the FPV projects, FPVs are akin to the Water Jet FACs and these are the niche products of GRSE having delivered nearly 30 plus platforms to both Navy and Coast Guard. So we have a series production line to address the requirement of Fast Patrol Vessels, and you may be aware that we have taken over a facility, the Rajabagan Dockyard from the Central Inland Water Transport Corporation early in 2006, and we have developed this into a full-fledged independent facility for construction of small warships. And this is where we will be focusing on construction of Fast Patrol Vessel.

So as far as capacity is concerned, there are no issues, and as far as the backlog from the current order book, no issues at all, because by the time new orders, if we get it and when we get it, the backlog would have been already cleared. Thank you.



**Moderator:** Thank you. The next question is from the line of Yash Shah from Raedan Securities

**Yash Shah:** I had just few questions that what will be the cash on books? And of this, what will be the part of advances that we have received from our client?

**Cmde P R Hari:** Let me just check the figures. Our present cash on book is ₹3,270 crore. And of that, by the way, I would like to clarify, there is no advance. We don't get any advance. Whatever money we get are as per the project milestone. See in the Defense Acquisition Procedure 2020, there are X number of project milestones. Let us say the period month of that milestone, we get certain amount which are required for the design and the preparatory activities. So let me clarify, there is nothing called advance in warships, I mean, domestic shipbuilding. Now after ₹3,270 crore, the project milestone cash is ₹3,140 crore and owned cash is ₹130 crore.

**Yash Shah:** And sir, second question on the ship repair side. What is our target going ahead that are we trying to expand on the western side of our Western Coast or what is it?

**Cmde P R Hari:** See, ship repair is an area which we have started focusing from the last year. And as a first step what we had done was we have taken over three dry docks of the Kolkata Port i.e. Syama Prasad Mookerjee Port Trust on long-term lease three dry docks. And in ship repair or for that matter even in shipbuilding, one of the major assets that determines your capability is the availability of dry docks. So we have taken over three dry docks, and they are captive dry docks as of now. Now the results have started showing, and we have started bidding aggressively for both commercial and Coast Guard ship repair orders.

And as I had mentioned during my introductory remarks that in the last year in 2022 when we started, we completed the refit of four ships. And during the current year, we are already in the process of completion by September mid we will be completing the refit of a Coast Guard ship, and two more ship



orders are in hand. So ship repair is a fledgling facility, I mean, the vertical, which we intend focusing upon.

To answer your question, at this juncture, we would like to focus on our own captive facility for ship repair plus the augmented capability that we have presently got with the Kolkata Port Trust's three dry docks. So our focus on ship repairs will be in and around Kolkata. And to answer your question, this actually covers the Eastern seaboard requirements.

**Moderator:** Thank you. The next question is from the line of Parimal Mithani from Credential Investments. Please go ahead.

**ParimalMithani:** So I have a clarification. You mentioned cash on hand is ₹130 crore which is owned by company, right?

**Cmde P R Hari:** Correct.

**ParimalMithani:** And sir, going through the previous con calls, you mentioned last year in Project P-17 Alpha, the execution was close to ₹3,500 odd crore, and in Survey Vessel Large was close to ₹400 crore. If I take the last year as a base, is it fair to say that this year is going to have a very historic revenue in terms of FY23 - 24? Taking last year your construction for project P-17 Alpha as ₹3,500 odd crore as well as the Survey Vessel Large, which is around ₹370 crore that you did last year execution, is it valued, is it fair to say the value of production this year will be close to high levels in the company's SP over last five years in terms of ₹4,000 crore odd?

**Cmde P R Hari:** See the last year that is FY22, our total value of production was to the tune of ₹1,750 crore. That was the value of production during the last year. See, of this, definitely P-17 Alpha has contributed a large chunk, and this year the proportionate increase will definitely be there. Because, in answering to an earlier question, I had mentioned that the maximum revenue generation from a project, let us take a ship, comes when the ship is between 40% to 65% progress.



And again, answering to a previous question, I had mentioned that the first P-17 Alpha has already touched 40% progress. Now after since you have mentioned this question, of the ₹1,750 odd crore which we total value of production last year, the VOP from the P-17 Alpha itself was ₹916 crore, and the cumulative VOP, what you are talking about ₹3,500 crore was the cumulative VOP derived from P-17 Alpha till date. That absolutely you are right that is the ₹3,512 crore as on 31<sup>st</sup> March, 2022.

**ParimalMithani:** And, sir, this year, is it fair to say that execution will be on a much higher size in terms of your P-17 Alpha and Survey Vessel Large? Just to make revenue model for Alpha, basically, to understand.

**Cmde P R Hari:** Absolutely. See revenue figures, you may like to extrapolate from our Q1 results. That's what I can say. But both, see, I have also mentioned that the two Survey Vessels we intend delivering during the early next financial year, that is FY23-24. So for when the ship is scheduled to be delivered during the next financial year, the revenue accrual recognition from two of these Survey Vessels is going to be maximum during the current financial year when the ship is moving from, let us say, 40% to 70% of progress.

To answer your question, yes, the revenue generation from P-17 Alpha, especially the first two ships, and more so on the first ship, and both the Survey Vessels is going to be much larger than what has valued in the last year.

**ParimalMithani:** And, sir, last question if I can ask. So you mentioned about the forthcoming orders, which is of Corvette as well as the landing platform. Who are the contenders in the Corvette business and the landing platform, if you can disclose that?

**Cmde P R Hari:** See, there are four of the Defence shipyard plus the Cochin Shipyard which is an another public sector undertaking under the Ministry of Shipping. These are the five PSU shipyards, plus, of course, there is L&T and two small



shipyards, the Chowgule and the SHOFT. Now of these, the Corvette, the contenders are going to be definitely us that is the Garden Reach Shipbuilders, Mazagon Dock, and the Goa Shipyard.

Now, again, I have mentioned that having delivered the nine Corvettes and the only Indian shipyard to deliver nine Corvettes, this is a government policy that nowadays the ships are being awarded on competitive basis. It's the pure government policy. But the probability factor for winning this order is very high considering that they are splitting this package of eight ships into two. That is five and three. So the chances are very high.

Second, coming to the LPD, the contenders are Mazagon Dock, Cochin Shipyard, and L&T.

**Moderator:** Thank you. The next question is from the line of Harshit Kapadia from Elara Capital. Please go ahead.

**Harshit Kapadia:** I have a few questions. Can you update us on the orders where we were an L2, Next Generation Offshore Patrol Vessels? You know, we were L2 with Goa Shipyard. It's a ₹9,000 crore project. What's the status now? There is the chance that it could be split between you and Goa Shipyard, and by when it is expected to be received?

**Cmde P R Hari:** Yes, we have been declared L2 in an RFP floated by the Indian Navy for 11. The total number is 11 Next-generation Ocean Going Patrol Vessels. And as you rightly said, the order value is to the tune of ₹9,000 crore to ₹9,500 crore. And as per the tender conditions, the order is going to be split between two shipyards. The L1 will gets even and the L2 will get four. So, in effect, we will be getting four ships. Right now the negotiations are in progress between the customer that is the Indian Navy and the L1 shipyard. Once the negotiations complete between the L1 and the customer, thereafter the contract between L2, that is GRSE and the Navy will take place. We are hopeful that this contract will get concluded during the current financial year.



**Harshit Kapadia:** And in one of the call, one of your competitor also mentioned there's a discussion for P-17B just like P-17A is there. And how large is that size? And by when do you expect that order to be risen, even to be accepted, and RFP to be floated? Any color on that, sir?

**Cmde P R Hari:** See, as per the Maritime perspective plan of the Indian Navy, there is a definite requirement for the Navy to augment its frontline frigate. We are very hopeful that the P-17 Bravo project, right now it's still in liquid form. It is still in paper. The project may fructify in the next three to four years. This perhaps is the right time because in the next three to four years, the ongoing project that is the P-17 Alpha project will get completed. So I appreciate that the Navy will be matching time in such a way that once this project gets completed in all aspects between us and the Mazagon Dock, the P-17 Bravo will be put to motion. So in real terms, so it could take about three to four years for the project to take its length. Right now it's still in liquid form.

**Harshit Kapadia:** And last question from my side, and the first participant asked the question on the margin. If you can also dwell something on the EBITDA margin front as well? And secondly, with your revenue rising every year, during FY23 to 25, do you expect how much margin bump up may come, let's say, when you go to FY24 and FY25? Any color on that would be really helpful.

**Cmde P R Hari:** See, margins, the three important margins, EBITDA margin for Q1 is 11.98%. The PBT is 10.35%, and PAT is at 8.08%. Now coming to you had asked what is in store in the coming years. See, our revenue is going to grow in the coming years purely because the order book is healthy, and the project execution phase is such that the revenue generation will be on a growth trajectory in the coming years. So naturally the PBT, PAT and EBITDA will move.

As far as margins are concerned, as I had mentioned in response to an earlier query, that in shipbuilding for projects which are won on competitive





bidding, the best margins that we get is hovering around 7.5% - PBT margins. And so far we have been above this threshold, and this has been achieved mostly through our own internal efficiency and improvements and we are confident of maintaining similar margins in future also.

**Harshit Kapadia:** But won't there any bump up because of your revenue rising? So would maybe the operating limited which will come up because your revenues are rising. We understand 7.5% is the threshold which is given, but how much above that can GRSE do with rising income?

**Cmde P R Hari:** Yeah. Actually, I wouldn't be in the position to quantify the percentage, but all I can say is that will be above this threshold.

**Moderator:** Thank you. The next question is from the line of Venkatesh Subramanian from Logic Tree. Please go ahead.

**Venkatesh S:** I have two questions. First question is on the ship repair business that you talked about where we have an outstanding order of ₹43 crore, and Engineering division has got ₹102 crore. And then you mentioned something else as well, which has got about ₹138 crore. I didn't get that right. So these three divisions, what time, how do we see the revenues panning out? So ship repair, Engineering division and the third one. Would they be monetized this year FY23? Or would it be FY24?

**Cmde P R Hari:** The three verticals, as you may be aware that perhaps among the shipyards, we are the only one who have diversified to this extent. Of course, another shipyards have one or two products other than warships or commercial ships. We have three business verticals and we have ship repair where you rightly mentioned the ₹43 crore, the current order book. And definitely, this on the book of order, so it will be accrued during the current financial year.

And the second is the Engineering division segment. This comprises of two sub-verticals. One is the Bailey Bridges. This is a very interesting segment, Portable Steel Bridges. And today in India, we hold almost 65% of the



domestic market. Now, of course, the other side is that the domestic market itself is limited with the major customers being the Indian Army, the Border Road Organization, and of course, some of the state governments, and there is little export potential for the friendly foreign countries, that is the Nepal, Myanmar, Bhutan, and Bangladesh. Now they also come to our line.

Now, this orders of ₹102 crore between these two segments, of this, so they expect around 70% to be completed during the current financial year, and the next financial year the balance. But you must also appreciate those are dynamic scenario. Today, I'm having an order book of ₹102 crore, and may be next month I'll get a fresh order for ₹120 crore on the Bailey Bridges. We already have orders on the anvil for around ₹25 crore. So this is a dynamic figure.

So to answer your question, of this ₹102 crore, which we have live as of now, around 70% will be completely executing and recognizing during this financial year with the balance coming in the next year plus the orders which we will get on in this segment in the coming days or months.

The third division is again interesting. So we have a Diesel Engine Plant at Ranchi. It's called DEP Ranchi where we assemble. We have a license agreement with MTU, Germany, and we assemble engines. We have a dedicated testbed there, and thereafter deliver these to the customers. Plus, in the same facility, we have a dedicated setup for integration and trials of Diesel Alternatives.

Now this ₹138 crore, which is remaining in our order book kitty for this segment through an order for the Indian Navy actually is one of our projects. For the P-17 Alpha project, we are manufacturing rather assembling and delivering diesel alternatives. This ₹138 crore however, will spill over to FY 23 - 24. That is clearly as for the delivery schedule, and this will be realized between FY23 and FY24.



**Venkatesh S:** And what would be the margins in ship repair, sir, and in engineering division and as well as in the diesel engine conversion business?

**Cmde P R Hari:** See, here as evident, as compared to shipbuilding, the volumes are very low. Our 98% of our orders are coming from shipbuilding. Now coming to this segment, considering it is small, the margins in case of Bailey Bridges is around 7% to 7.5%, because see here we have to compete with a large amount of small firms, and so the margins are around 7% to 7.5%. And in case of ship repair, the margins are high. It is to the tune of around 20% margin, but as you may have noted, the volume is low. Definite focus is there on improving the business in this segment. And the diesel engine, presently, we're just striking even, because it's the project for our own shipyard.

**Venkatesh S:** So just a question on the cash balance which you mentioned. We have ₹3,000 odd crore cash balance. Just to get some clarity when we do our projected financials, which is for FY, if we have a cash balance of ₹3,000 crore, as per your internal working capital management, at the end of this financial year, as on 31<sup>st</sup> March FY23, what is it likely to be? Just give me a broad number, sir. I don't need an exact number.

**Cmde P R Hari:** It will be around ₹3,000 crore. It will be more or less the cash balance is going to be around ₹3,000 crore.

**Venkatesh S:** So for the entire year, broadly, we will be maintaining broadly a ₹3,000 crore cash balance for the next nine months.

**Cmde P R Hari:** Yeah. For the next financial, current financial, we will be maintaining more or less the same similar kind of cash balance.

**Venkatesh S:** And one last question, sir. I know people have asked, but just a little clarity. Value of Production, when we did the cycle of peak years FY23, '24, '25, and if I take P-17 Alpha, which is around ₹15,800 odd crore of production value remaining, if you want to complete the bulk of it in FY23, '24, and '25, is it



safe to assume that it's not linear, but the top line could range anywhere between ₹4,000 to ₹7,000 crore over the next three years, some peak, some low, some troughs?

**Cmde P R Hari:**

A very logical question that P-17 Alpha, the revenue, there is an order book value remaining to the tune of around ₹15,000 crore, and with the delivery of the ships planned between '25 and the '26, that is FY26 first half and FY27 second half. That is the broad band between which we plan to deliver these ships.

So, yes, again, some answer to previous query, I had mentioned that maximum revenue recognition happens when the ship is moving from now, that is from around the 40% to where it touches 65% to 70% where the equipment goes. So that phase, especially for the first ship, it's already started, and it will move on that phase for the first ship will move until '24. The second ship, it will move until may be '24 second half, and the third ship will '25, which means FY23,'24, and '25, you will see an upward trajectory, which will consume most of the order book value from this project, concurrently with the Survey Vessel Large project maturing as in we plan to deliver two of the ships in the coming, that is the next financial year, first half of next financial year. So revenue recognition from these two, first two ships is also going to be high.

So to sum up, though I am not giving exact figures, FY'23,'24,'25, you can extrapolate the growth from the financial results of this quarter with respect to revenue recognition.

**Moderator:**

Thank you. As there are no further questions from the participants, I now hand the conference over to Cmde P R Hari for closing comments.

**Cmde P R Hari:**

Thank you, Michelle. Thank you Mr. Gaurav from Concept IR for organizing this conference call. I would like to say my sincere gratitude to all my analysts and investor friends for taking time out of a busy schedule to listen to us today. If you have any further queries, I would request you all to please



get in touch with us, and we will be very happy to address all your queries. Thank you once again. Stay safe. Stay healthy. Jai Hind.

**Moderator:**

Thank you. On behalf of Garden Reach Shipbuilders & Engineers Limited, that concludes this conference. If you have any further queries, please send an email to [gaurav.g@conceptpr.com](mailto:gaurav.g@conceptpr.com). Thank you for joining us. You may now disconnect your lines.

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