



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/04/23-24

31 May 2024

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 Q4 & FY 24 of GRSE – Reg 30

1. Further to our Intimation Letter No. SECY/GRSE/BD-69/AM/04/23-24 dated 23 May 2024, we wish to inform that Conference Call was held on Monday, 27th May, 2024 at 03.30 p.m. to discuss the Audited Financial Results of the Company for the Quarter and Year Ended 31st March, 2024.
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 24 of the Company is enclosed herewith.
3. This is for your information and records.

Thanking You,

Yours faithfully,
For Garden Reach Shipbuilders & Engineers Limited

SANDEEP MAHAPATRA
Digitally signed by
SANDEEP MAHAPATRA
Date: 2024.05.31
16:01:26 +05'30'

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



Garden Reach Shipbuilders & Engineers Limited
Q4 & FY24 Earning Conference Call
Monday, 27th May 2024 @ 03:30 P.M.

Management:

1. **Cmde P.R. Hari, IN (Retd)** - Chairman & Managing Director
2. **Shri R.K. Dash** - Director (Finance) & CFO
3. **Mrs. Aparajita Ghosh** – General Manager (Finance)
4. **Shri. Sandeep Mahapatra** - Company Secretary & Compliance Officer



Garden Reach Shipbuilders & Engineers Limited
Q4 & FY24 Earning Conference Call
27th May, 2024

Moderator: Good afternoon, ladies and gentlemen. I am Aditya, moderator for this conference. Welcome to the Conference Call of Garden Reach Shipbuilders & Engineers Limited arranged by Concept Investors Relation to discuss its Q4 and FY24. We have with us today, Cmde P R Hari, IN (Retd.), Chairman and Managing Director and Shri R K Dash, Director (Finance) and CFO.

At this moment, all participants are in listen only mode. Later, we will conduct a question & answer session. At that time, if you have a question, please press * and 1 on your telephone keyboard. Please note this conference is recorded. I now would like to hand over the floor to Cmde P R Hari, Chairman and Managing Director. Thank you and over to you, sir.

Cmde P R Hari: Thank you, Aditya. Ladies and gentlemen, very good afternoon to each one of you. I am Cmde P R Hari, Chairman and Managing Director of your company and with me here are Shri Ramesh Kumar Dash, Director (Finance) and Chief Financial Officer, Smt. Aparajita Ghosh, General Manager (Finance), and Shri Sandeep Mahapatra, Company Secretary.

At the outset, let me thank each one of you who have taken out your valuable time to attend this con-call. I shall now cover my introductory talk, starting with the current order book, the status of the ongoing project, what are the orders which are expected and what are our future plans. The order book as on 31st March 2024 stands at ₹22,652.68 crore. This order book mainly consists of orders from the Shipbuilding sector comprising of ₹22,593 crore, with the P17 Alpha Project having a value of ₹12,174 crore, Survey Vessel Large Project of ₹940 crore, the Anti-Submarine Shallow Water Craft Project of ₹4,886 crore and the Next Generation Ocean Going Petrol Vessel at ₹3,359 crore.

Coming to the P17 Alpha Project, this project, as you are aware comprised of three warships and all the three ships have already been launched and the first ship is currently at 70% physical progress of construction, the second ship is close to 60% construction and the third ship is at 47% construction. As per the current schedule, we intend delivering the first ship during mid 2025 that is mid of next year and the third ship during mid of 2026 calendar year that means by August 2026, we will be completing this project.

Coming to the Survey Vessel Large Project, this is the four-ship project. Again, as you are aware, we have already delivered the first ship to the Indian Navy. This ship was commissioned into the Navy on 21st of February 2024 after we delivered the ship on December 4th, 2023, which successfully operations now and is under exploitation by the hydrographic arm of the Indian Navy. The second ship is at 87% construction. The ship has already undergone the contractor free trial and it is now getting ready for final machinery trial and the subsequent delivery. The third ship is currently under construction and the fourth ship is very close by 68% construction.



We intend delivering the second ship, which is currently at 87% construction by August this year and the second ship will be delivered by the end of the current financial year. And the last ship, the fourth of the series will be delivered by the first quarter of the next financial year.

Coming to the Anti-Submarine Shallow Water Craft Project, this is the eight ship project. You may be aware Navy had a requirement of 16 Anti-Submarine Shallow Water Crafts and they have split the order between two shipyards, Cochin shipyard and GRSE. Of the eight ships that are being constructed by GRSE, six have already been launched and one more ship is expected to be launched during the second quarter of the current financial year. And the last ship, the eighth ship will be launched during the last quarter of this financial year. Of these six ships that had been already launched, the first ship has touched 87% physical progress of construction. The basin trails, the harbor trails of the ship have already been completed. The ship is getting ready for the sea trial and thereafter for handing over to the customer i.e. the Navy. The second ship is at 70% construction, the third ship at 63% and the fourth, fifth and sixth ship are around 40% to 45% of construction.

We have signed the contract for four Next Generation Ocean Going Patrol Vessels for the Indian Navy. This contract was signed on 30th of March 2023. We already commenced production of all the four ships and the ships are presently at a percentage construction between 15% and 20%. We are also undertaking a project for the Government of West Bengal for a fully electric ferry, the vessel is fully ready. All the trials have been completed and the technical acceptance of the vessel had been undertaken by the Government of West Bengal on 21st of March this year. The vessel will soon be handed over to the Government of West Bengal during mid of June this year.

We are also executing a project of six Fast Patrol Boat for the Government of Bangladesh. Three of these boats are already ready and have completed the trial. We are expecting the Government of Bangladesh to take over these vessels during June this year. We have recently won an order from the Ministry of Earth Sciences, we were declared L1 sometime during third quarter of last year. We have received the letter of intent from the Ministry of Earth Sciences for an Oceanographic Research Vessel. The order value is approximately ₹840 crore. We expect the formal contract to be signed sometime in June i.e. next month.

Coming to the orders that are on the anvil, we have been declared L1 for an export order for the Government of Bangladesh for 1000-meter cubed dredger and the order value is approximately ₹135 crore. We have received the LOI and the contract is expected to be signed during the first week of June this year i.e. next month. Happy to inform you that we have also been declared L1 for an Ocean-Going Tug again for the Government of Bangladesh is also an export order. The negotiations are in progress and the order value could be around ₹160 to ₹170 crore. Again, as late as two days back, we have been declared L1 for a DRDO Research Vessel. The order value is likely to the tune of plus ₹500 crore. These are in the nutshell. The status of our existing order book, the status of the projects that we are executing and also the



orders that are immediately on the anvil where we have either been declared L1 or where we have received the LOI.

Coming to the orders that are expected in the near future, the RFP's are expected in the near future. I have been talking during the previous interactions that we are expecting our Next Generation Corvette Project RFP to be distributed by the Navy. We are expecting this RFP in the coming months and as you are aware, this is the eight ship project, in the L1 ship, we are taking five ships and the L2 ship we are getting three ships and the order value is likely to the tune of around ₹36,000 crore. There is another project again for the Ministry of Earth Sciences for coastal resource vessels. Two number coastal research vessel in the shipyard has already submitted the bid for this project. And the order value is likely to the tune of around ₹500 crore. Navy is likely to come out with an RFP for 2 in nos. multi-purpose vessels, the order value is likely to be to the tune of ₹1,200 crore. We expect the RFP to come out during the third quarter of the current financial year. Similarly, during the current financial year, again maybe in the last quarter, we expect the RFP for 5 in nos. Next Generation Survey Vessels to come out, the order value is to the tune of around ₹3,000 crore. I have covered briefly about the orders that are likely to be on the anvil.

And coming to our focus areas in addition to domestic warship building, as evident, we are now ventured into non-defense platforms like the Oceanographic Research Vessel, the NPOL Research Vessels, the Coastal Research Vessels that we have bid for, the Bangladesh dredger and so on. In addition, we will also be aggressively pursuing commercial shipbuilding for exports. We are in the process of negotiations with potential ship owners for multipurpose vessels and hopefully in the next interaction, I should be able to share some positive news with you. Our trust areas, in addition to domestic warship building, commercial shipbuilding, as they just started would also be towards development of green energy platform. The first such initiative has already been successfully completed with the completing the Next Generation Electric Ferry for the Government of West Bengal. We have submitted our bids for a larger project, 15 in number this is for the Government of West Bengal, again Bengal Water Metro and also for our project by the Kerala Water Metro. So, this is an area that we would be focusing on in the near future.

Also, autonomous platforms, again, as I had stated during the last few interactions that we have ventured into development of autonomous platforms in all three domains of operation i.e. surface, subsurface and aerial. Both in surface and subsurface domains, our products are prototype and have already been successfully tested. And on the aerial front, those capable of maritime operations, the development is still in progress and we expect this product to be successfully launched by the end of the current calendar year. Just to place on record that these initiatives towards autonomous platforms are long-term investments as we expect the Indian Armed Forces especially to have a large quantum of autonomous platforms in their inventory in the coming years. One of the surface vessels that I had mentioned, we already got an order



from and a still very low value order, but it is the beginning that we have won this on competitive bidding and this order is likely to be completed by July this year.

We had concluded Memorandum of Understanding (MoU) with both M/s Rolls Royce for co-production of marine diesel engine and also with M/s Kongsberg, Finland for development of Water Jets. The MoU with the Rolls Royce has been converted into a licensed agreement and similarly the MoU with Kongsberg is now in the process of transition into a license agreement. With these license agreements in place, we expect to be a strong contender for getting orders for both proportional engines, diesel engines and for Water Jet FACs and similar platforms for which the Navy RFP's are likely to come out during FY26-27. Exports continue to be a focus area. I had mentioned earlier that we are currently focusing on European clients for multipurpose vessels in addition to the IOR region countries where we already made our footprint.

Ladies and gentlemen, this in a nutshell gives you a glimpse of what our operational performance is and what all we expect in the near future with respect to potential orders and areas of focus. Now, coming to the financial performance, I am very happy to state that for the seventh quarter on the trot, our financial performance has been on a steady upward trend. Our revenue from operations, if you are taking finance year that is FY24, we have registered 40% growth over the previous year jumping from ₹2,561 crore during financial year 2023 to ₹3,593 crore during financial year 2024. Similarly, the total income has registered a 48% growth. With the current year figure that is FY24 figure touching ₹8,892 crore. The EBITDA has jumped by 41% to ₹533 crore and the profit after tax currently that is financial year 24 stands at ₹357.24 crore, registering a growth of 57%. Our net worth also been showing a steady increase from ₹1,413 crore during financial year 23 to ₹1,673 crore during FY22. The investors have shown confidence in us is evident from the market capitalization, the share price and in turn the market capitalization, you know about this better than me, so I would not like to dwell much on this topic.

Quarter-on-quarter, our revenue from operations as compared to the last year has gone by 69% increase and touched for the first time plus ₹1,000 crore. During Q4 FY24, the revenue from operations stands for ₹1,015 crore, the EBITDA registering 84% increase, the PAT 102% increase and the EPS 102% increase, touching ₹9.74 as against ₹4.83 during the corresponding quarter of FY23. Ladies and gentlemen, with this, I sum up, I conclude my introductory address. I am open for any questions from you. Thank you.

Moderator:

Thank you very much. We will now begin the question & answer session. Our first question is from the line of Amit Dixit from ICICI Securities. Please go ahead, sir.

Amit Dixit:

The first question is essentially around your EBITDA margin. So, if I see the EBITDA margin for Q4 and I am excluding other income here, it was a very healthy level of 8.9% almost, now this is the highest margin that we have witnessed since last several quarters, just want to



understand the key drivers for the same? One thing I can see that sub-contracting charges have declined Q-o-Q, but other than that, if there is something, apart from revenue that you would like to highlight? The second question is more on the long-term process, we have talked about the RFP of Next Generation Corvette which will be out in June, which is a very welcome news, so just wanted to understand the order timeline from here on whether you expect any delays in there and if you could also highlight, what about P17 Bravo Frigate project?

Cmde P R Hari:

Coming to the NGC Corvette, this is a project that we are eagerly looking for and as I mentioned we expect the RFP to promote sometime in June. It is an optimistic assessment, but we expect it to come out in June. And this is the 8-ship project and as per our understanding, as per the RFI conditions, there are four of us who are qualified for that. Two of these shipyards would get in the ratio of five and three ship, accordingly, probability factor is very high. The L1 shipyard could get around to ₹22,500 crore order and the L2 shipyard around ₹14,500 crore. So, it is a very high value order and we have experience of having built and delivered both missile and anti-submarine corvette to the Navy. Just to place on record, we are the only shipyard have built and delivered 9 corvettes to the Navy and all of them are in active service with the Navy. So, with that kind of experience and expertise, we would be, let us say bidding to win. So that would be our strategy. As per the timelines, you had asked about the timelines. If the RFP comes out in June, let us take a normal timeline of around four months out from RFP to bid submission which means the L1 could be declared towards the end of the current calendar year and from there you take the best possible scenario of around 7 to 8 months for conclusion of contract, maybe a source of putting lot of effort in streamlining the RFP this time. So, we expect, let us say, lesser discussions and negotiations between the L1 declaration and the contract signing. So, I expect, again optimistically by July, August next year for the contract to be signed. Coming to the P17 Bravo Project, maybe half the requirement has our understanding and inputs for following ships of the P17 Alpha club. Right now, there is a seven ship P17 Alpha project going on, and as you are aware, four of these are being built by Mazagaon Docks and three by GRSE. The first of the class and this definitely would be, is one of the ships that is being built by Mazagaon Docks and we expect it is assessed that this ship could come out sometime during the current calendar year. So, the next ship that is our ship could come out sometime during the first quarter of the next financial year and the project completion is expected by 2026 mid. So, our assessment is that the requirement of Navy being genuine, they would like a continuity in production of these ships from then onwards. So realistically, the RFP for this project could come out by 2026. That is the earliest I expect the RFP to come out. Coming to the margins, margins this quarter have been very encouraging and as you rightly said, this has been one of the best with respect to margins and yes, the contract subcontracted value has come down, but also, collection efficiency, revenue expenditure reduction, the contractive value reduction and overall efficiency improvement is what has resulted in the margins being high.



Amit Dixit: Sir, one of the follow up, if I may. Now, you mentioned that the subcontracting costs were lower, some of the efficiencies have been built in, so do we expect that going ahead as well, I believe these efficiencies that you have built in over a period of time would also be sustainable. So, would you be able to guide the sustainable margin over next couple of years? Could it be more than 5.5% that we have been accustomed to see?

Cmde P R Hari: I have been regularly interacting with you all during the last seven quarters, so we have been consistently stating that unlike any other manufacturing industry in case of shipbuilding, healthy PAT margins, I repeat PAT margins or something about 7.5%. We have been maintaining this and we are very confident of maintaining similar margins. To answer your question in a simple sentence, we are confident of maintaining a similar margin in the coming times too.

Moderator: Thank you. Our next question is from the line of Venkatesh from Logic Tree. Please go ahead, sir.

Venkatesh: Sir, first of all, congratulations on a consistent performance and up-trending performance. So, to be honest with you, I think we have been tracking this company for many years, probably since IPO times and one thing that we really appreciate is what we see is what we get. You don't make any fancy statements, neither do you make conservative statements. It is extremely realistic and lots of clarity. So, I appreciate you for keeping the investors informed on this, sir. Thank you for that. That is number one. And secondly, two questions, one is while you gave us a visibility on the possible orders over the next 12 months, in one of your earlier media interactions, you had pointed out that GRSE has the ability to attract a ₹1,20,000 crore order book over the next 3 years. Can you throw some light on it, sir, we don't exactly need any commitments or anything like that? What are the possibilities considering various circumstances? That is question number one, sir. Question number two is the Rolls Royce Marine Diesel Engine opportunity and the Water Jet opportunity with the Finland company, what is the size of the opportunity, sir? What is it that one can expect if things go well over a period of time?

Cmde P R Hari: I will start with the MoU likely to be translated into a license agreement with Kongsberg Finland for Water Jets. See, most of the high speed small ships of the Indian Navy and Coast Guard are having Water Jet Propulsion. And with the Make in India initiative really gathering momentum, it is imperative that all the future marine platforms that maybe in coastal platforms have a certain amount of indigenous content in their equipment sector. And as you said, Water Jets are definitely used in large numbers in these ships. So, once our license agreement gets transmitted to our co-production, the opportunity is huge. To put an exact number, I would not be able to do it at this stage, but what I would just say that there is 120 Fast Interceptor Craft (FIC) coming up for the Indian Navy and the 22 Water Jet FAC project, again coming from the Indian Navy and an 18 Fast Patrol Vessel Project coming from the Indian Coast Guard. All these are likely to come up in the next 3 to 5 years. And it is by that time that this collaboration



will gain momentum. So, at this juncture, I would not be able to put any number, but all I can state is that yes, there is opportunity, a huge opportunity on this front. Now coming to the ₹1,20,000 crore that was mentioned. Now, let me again clarify, I will put it this way. Again, I am repeating something which I have stated earlier, but I am repeating purely to provide clarity as well as domestic warship building, I will just keep the other out at this moment. As far as domestic warship building is concerned, there are four Defence Public Sector Undertakings, that is we plus MCL plus GSL, plus HSL, plus another public sector undertaking i.e. Cochin Shipyard under the Ministry of Shipping and Water Transport and a couple of private players, the leader among them in the private sector is the Larsen & Toubro shipyard plus Chowgule, SHOFT, Titagarh and so on. There are smaller shipyards. These are the shipyards available in India who are eligible for competing or bidding for various types of ships depending upon their classifications and the capacity/capability assessment by the Navy or Coast Guard. Now, coming to the value of ₹1,20,000 crore order, the first one is the what I had mentioned at the point of time that these are the things which are likely to come up in a span of 3-5 years. Now, one of them is definitely the Next Generation Corvette projects. The second one that is likely to come up is the multi-purpose system. The third is the Next Generation Survey Vessel. The fourth is 120 Fast Interceptor Craft (FIC) for the Navy. When there is a project for two in number landing platform for the Indian Navy, then there are more platforms again coming up like the Coast Guard is looking for an 18 Next Generation Fast Patrol Vessel. So, all put together in a span of 3-5 years, likely order value is to the tune of ₹1,20,000 crore. Now, for this, depending upon the capacity, at best capacity means in terms of for building capacity and the capability, Navy and Coast Guard have shortlisted shipyards. And just to give you, one example, as I mentioned, there are 7 shipyards as stated, 4 + 1 + L&T plus a couple of small shipyards, but all of these seven or eight shipyards for the NGC project as of now, only four shipyards are shortlisted. So, this ₹1,20,000 that is coming in the next 3-5 years, depending upon the classification and the capability some of us qualify. So, in a very conservative manner, if you put it across, a substantial amount of this would come to GRSE too, that is a statement which I had mentioned about the orders on the anvil.

Venkatesh:

So, I think just trying to get the understanding right, when there is a significant flow of orders and the orders flow if GRSE is able to secure over the next 2-3 years, because we will achieve pretty much peak revenues in FY25, FY26 etc., will these order flows help us to maintain the run rate of the revenue over the foreseeable 5-7 years sir, if you are able to secure those orders?

Cmdr P R Hari:

Yes, we actually need these orders at least around ₹20,000 - ₹25,000 crores we need to sustain the revenue tempo beyond 2027. As you rightly stated, that with us moving definitely on an upward trajectory, the current order book being around ₹22,000 odd crore, with next year, next to next year taking, we need orders at least in financial year 2026 to sustain beyond 2027. So, that is why we are looking at attractive projects like Next Generation Corvettes and also if you observe we are also not shied away from taking small orders. We have taken orders worth around ₹840 crore from the Ministry of Earth Sciences. As I mentioned, we have been declared



L1 for another ₹500 crore plus. So, we are maintaining our kitty reasonably still so sustained revenue flow happens even if there is, let us hypothetically say we don't get one big order, any big order, let us say we don't get NGC, So what? But we will fill the gap with these small orders that we are taking and of course aggressively looking for a big order like the NGC and relentlessly pursuing the Navy's requirements for P17 Bravo.

Venkatesh: So green energy platforms, autonomous platforms, Rolls Royce Marine engines, these are also of significant opportunity sizes quite a lot, would you say that?

Cmde P R Hari: See, if you are looking purely from the money part, money comes from domestic warship building orders and the big chunk of money from the order value of the warship purely because of the equipment fit, the weapon fit, the value goes up, so if let us say conventional green energy platform, the cost is nothing much, but the volumes could be more. That is where we tend to make profit or we tend to capture the market. Same for autonomous platforms, we are now investing towards development of autonomous platforms. Realistically, we will not see much revenue coming from these platforms in the next 3-5 years, but fully acknowledging and understanding that this is the future because maybe as already got a road map, an autonomous road map chartered out 5 to 10 years. We will start getting revenue from autonomous platform. Since you mentioned about green energy, there are countries who decided and promulgated that they will go green, some of the Scandinavian countries set target to achieve full green by 2030, which means all the inland water transportation, all their ferries, barges, the commercial ships which are flying within their waters will go green. Similarly, India also, I am very confident will take a step to go green in a time bound manner. At that time, all the conventional platforms, these will or similar energy using platforms will get phased out and then that is why we are developing capabilities in these two domains, green and water.

Moderator: Thank you. Our next question is from the line of Umesh Raut from Nomura. Please go ahead.

Umesh Raut: Hi Sir, congratulations for the good set of numbers and excellent ending to the year as well. This is Umesh Raut here from Nomura India. My first question is more of a follow up on Amit's question, where you have mentioned that there are 4 total shipyards who have qualified for Next Generation Corvette Contract. So, can you please specify other three names?

Cmde P R Hari: See, I am not sure whether it is available in the open domain or not. Frankly, I am not sure at this juncture whether the other three shipyard's name is in the open domain. Since I am not sure, I would not like to mention. All it is suffice to say that they are running the seven that I mentioned earlier.

Umesh Raut: Sir, my second question is more often the indigenization. So, if I remember correctly, if I look at warship in three prospects, float, move and fight content, I think as a country we are primitively having lower indigenization towards move and fight content basically about closer to maybe 60% indigenization content and moving components for warship and about maybe



closer to 30% kind of indigenization content for fight equipment. So, is there is any idea or any thought process to increase indigenization for move and fight content within the warship?

Comde P R Hari:

Very interesting question. Yes, any kind of marine platform, there are four components that are float, move, fight and survive. In terms of float, float as well that as very evident comprises of the steel hull and the float related aspect there, as a nation we have achieved 100% indigenization including the special steel that earlier used to be imported, all of such items are being presently manufactured within India and 100% indigenization is there. Now, I will come to the last one, survive. Survive as in the lives of the live crafts, the life boat, the firefighting equipment, they called LSF, the lifesaving and firefighting equipment, survival related equipment. And again, as a nation, we have achieved over 90% of indigenization. Even the last 10% as a country, we are on the threshold of achieving that no issues with that. Now, comes to the move and fight. The move component as of now, we have an indigenous percentage of just about 60 and fight is around 30-35. It is another case. There is a definite impetus being given by the Government of India to increase the percentage of indigenization to an extent that it is being monitored very closely at the Ministry and also the others like remark by the other ministries. The move component mainly comprises of the propulsion related equipment and of course, the associated electronics, which are the control systems and navigational aids, and so. In this why 60%, because as a nation again, we have not yet developed the competency to have our own propulsion engines which form the heart of the move component. As you may be aware, there are various DPP procurement methodology. One is the make one, make two, make three and so on. The propulsions are getting indigenized under the make one category and in the make two category again the propulsions can be classified into high power engines and low power engines. You might have heard about our collaboration with Rolls Royce towards co-production of the high-speed low-power engines. The low speed, high power engine that is beyond 6 MW, 6 MW and above, there is a make project which is already going on and we expected to see the light of the day, its completion by five years from now, that is where realistic assessment. So, with this getting covered, the more component, the indigenization component will definitely go beyond 85% to 90%. Coming to the fight component, see here the growth, the Indigenization percentage growth has been very steady and systematic. The country has got a very clear policy towards indigenization of systems. The immediate target in my association would be to increase this percentage from 60% to 65% by 2030. This is my current appreciation on the indigenization process of the move and fight component.

Umesh Raut:

Sir, my next question is more of a difference between NGC and ASW Corvette that we have delivered earlier. So basically, P28 contract and now the upcoming contract which is coming up for NGC, so in terms of technical aspects or maybe the kind of missile system that we are kind of thinking to kind of install on that particular NGC, so how it will be different and what additional systems or other things we are talking about in terms of upgrades?



Cmde P R Hari:

I can talk about the Anti-Submarine Corvette. The Anti-Submarine Corvettes have got lots of equipment and torpedoes which are capable of under the operations plus sonar which are capable of underwater threat detection. Since, the RFP for the NGC is not yet out, and since it is just around the corner, we would not like to actually compare the spec of this just to state that they will be the most advanced corvettes that have yet been built in the country. Well, just to give you an idea, so you can make an estimate from that, just to give an idea. Now, in every ship, equipment component is around 60% to 65% and it could even touch closer to 70% in case of weapon intensive platform. Now the cost of ASW Corvette was around ₹1,615 crore. Now, the cost of NGC the A1 cost is around ₹4,500 crore. You can imagine if you are just extrapolating the equipment content of around 65%, naturally, the cost, why the value has gone up is because of the advanced reference and sensors that are going to be dispatched, as I said, since RFP has not been published, I would not like to comment further on.

Umesh Raut:

My last question is pertaining to status on landing platform dock program, because it has been delayed for quite some time now and whether this time private sector along with public sector will kind of compete among themselves in terms of bidding as well or is it only for private sector in terms of participation?

Cmde P R Hari:

As you rightly said, the Landing Platform Dock (LPD) project has been shuffling, yes, no for the last 7 to 8 years or even beyond that. This is a requirement of the Indian Navy very much, known because it is part of their perspective plan. As per my understanding, it is going to be competitive between ship yards which include both private and public. When the RFP is likely to come out at this juncture, it is not known it definitely would be somewhere in the queue, but the priority projects like the NGC or the NGSC or MPV or far more advanced with respective and AON having been accorded. So, I don't, if you are asking my appreciation, I don't see this RFP coming out in the current financial year. But to answer your question when it comes to as per the external policy, it will be competitive bid between both public and private shipyards.

Moderator:

Thank you. Our next question is from the line of the Debojeet from Roop Investment. Please go ahead, sir.

Debojeet:

My first question is sir, recently our Defence Minister and even our Navy Chief has mentioned there is a need of the hour for aircraft carrier warship. And it has been mentioned, currently India has only two aircraft carrier warship and in the need of time incoming time frame we at least required 8-9 warships and the size of this warship, it is also going to be very huge. So, can you just throw some light on the same?

Cmde P R Hari:

Sorry, you are talking about the aircraft carriers?

Debojeet:

Yes, aircraft carrier warship.



Cmdr P R Hari:

Yes. India currently has two of them. One is Vikramaditya i.e. Russian origin ship and the second is the gas turbine propelled Indigenous aircraft carrier, the first aircraft carrier to be built by India by one of our sister shipyards. As what you have stated, the nation the decision makers have expressed their intent to enhance the aircraft carrier fleet of India. Definitely, if this is also there in the perspective plan of the Navy, so it is very much on the anvil, but when it is going to come out that is not known at this stage. But from what we have heard and what we have seen today, the focus is on indigenous shipbuilding and of the sixty-six platforms that are being currently built in India for the Indian Navy, sixty-four are being built by Indian shipyards. So definitely, if the same philosophy is going to be followed, the next aircraft carrier is also most likely to be built to be here. So, this is all I can state at this juncture, though it is known and it has been published in the media, that decision makers have expressed their intent to expand the aircraft carrier fleet of the nation.

Debojeet:

So, what is the value of per carrier freight? If you can throw some figure, probably the value content, it has been mentioned that it will be lakhs of crores to build a warship carrier. So just want to take an understanding on the same?

Cmdr P R Hari:

I will give you an analogy. If you are going in for an SUV, you can get a Scorpio, you can get whatever, the Innova and so on. Even within aircraft carriers, depending upon the displacement of the carriers, the cost varies like the first aircraft carrier, which was built by India, the aircraft carrier, the Indigenous aircraft carrier Vikrant, the cost could be to the tune of around ₹25,000 crore and that is a 40,000-ton vessel. So, if the country is looking for an aircraft carrier of the similar tonnage, because it depends upon the tonnage, because as the tonnage increases, the fit, the size increases and so does the number of aircraft which are going to be there and so does the equipment fit and so on. So, if we are looking for a 40,000-ton aircraft carrier or a 50,000-ton aircraft carrier, the value could be to the tune considering the current prices between ₹35,000 and ₹40,000 crore.

Debojeet:

Sir, recently, in the month of March, you have conducted one Investor conference. At that time, you have mentioned that there is some introduction of share capital which has been mentioned from DIPAM side. So, you said it will be shared to the investor in coming few months or any update on the same and any plan on bonus shares?

R K Dash:

Actually, it was not discussed, but did you ask some of the investors they asked regarding the authorized share capital so that is actually as per the DIPAM guidelines. Actually, no fair decision has been taken.

Debojeet:

So, there is no further action taken on this?

Cmdr P R Hari:

As of now, it is work in progress, so we will let you know as soon as we get clarity on this.



Moderator: Thank you. Our next question is from the line of Viraj Mithani from Jupiter Financials. Please go ahead, sir.

Viraj Mithani: Sir, my question is since you talked about so much of orders coming in for the Navy post 2027 onwards, are we looking at any sort of capacity expansion and right now at what amount of capacity utilization are we in? And my next question is, are there any plans to offer for sale, to your knowledge if you can share some light on that as well?

Cmde P R Hari: I will answer the simpler question first, offer for sale at this juncture we are awaiting further instructions from DIPAM. As and when we get clarity on this, naturally, we will let you know and we will automatically come to know. Coming to the orders which are currently under execution and also where we are getting and then we are the L1 and the negotiations are in progress and where we are expected to conclude the contracts soon and also the orders that are expected from the Navy in the near future and beyond 2027. You had asked a question about current capacity utilization and also the plans for capacity enhancement. You may be aware that we have, unlike many of the shipbuilding companies in India, we are based at Kolkata and within Kolkata, we have three separate shipbuilding units. In addition, we have taken on three Drydocks being one of the core assets required for shipbuilding to prepare. We have taken over three more docks on long term leases from the Kolkata Port Trust. We are in the process of taking over one more drydock from the Kolkata port trust. In addition to that, we have revived, we have taken over one facility from the Central Inland Water Transport Corporation way back in 2006. This facility was completely defunct. So, we had taken up an infrastructure augmentation or other regeneration process. All these put together, our capacity as of now stands at, capacity to construct 20 warships concurrently that means 8 large and 12 medium and small. Now, we fully understand, we are fully seized of the requirement to enhance our capacity. So, we have gone ahead with new strategy which has been effectively put across wherein utilization of the spare capacity of the partnership yards that is effective. In addition, work is already in progress for enhancing our own internal capacity from 20 to 24. By the end of this calendar year, our capacity for concurrent construction would be 24 ships instead of the current 20 ships. So, these put together what I am trying to say enhancement of the captive capacity from 20 to 24 ships. In addition, the peculiarity of shipbuilding, where ship construction is at various stages, that there could be a point of time the payload space for the ships are constructed in building or berth on Drydocks and there will be a post launch phase when they are outfitted in berths or jetties. So, all put together, we are good to take the orders that are on the anvil and also to execute our current order books.

Viraj Mithani: When we utilize the partner's shipyard capacity, how does it work? Do we pay them the lease fee?

Cmde P R Hari: I will explain this. What we do is, through a standard EOI/tendering process, we identify capable shipyards who at that point of time have spare capacity. So, we offload outsource part construction of few of the platforms basically to facilitate concurrent construction. The



complete design of the ship is of ours. The equipment procurement is completely by ours, the project management is completely by ours, the part the construction happens in this vendor premises. On completion of this part construction, this just was brought back to the parent facility that is ours where the final outfitting happens, and the ships are getting ready. It is a very effective model that we have found out. That is the reason how we could get good progress on the Anti-Submarine Shallow Water Craft project.

Moderator: Thank you. Our next question is from the line of Venkatesh from Logic Tree. Please go ahead, sir.

Venkatesh: A couple of follow up questions, sir. One is on the ship repair facility which you have mentioned some time back in a few calls, would you say that that will come into effect in the few years because I think it is a high margin business and I remember that Cochin Shipyard has signed a contract with the US Navy or probably has signed or something is in the anvil in terms of repairing ships for that. Do we have some plans like that going forward in the future with the India US Strategic partnership? Second question is on Rolls Royce Marine Diesel Engine, sir, if you can elaborate on that opportunity?

Comde P R Hari: Coming to ship repairs, we were not into serious ship repairs around 3-4 years back as late as end of 2021, the actual operations commenced sometime during early 2022, but we had taken over three Drydocks from the Kolkata Port Trust. And just to state that we almost have 100% occupancy of these docks itself. We have completed the 14 refits for the Indian Coast Guard and currently we are executing one major refits for the Indian Navy. So, this vertical has actually taken off. Coming to your specific question on the Indo-US collaboration for ship repairs, as of now three shipyards who are on the who got direct access i.e. Cochin shipyard, then Mazagaon Docks and Larsen & Toubro shipyard. They have agreement wherein these ships whenever they come for occasional turnaround or minor repairs, they will take the repairs there. We have not yet got into this agreement under this scheme that is the US-Indo cooperation ship repairs, we have not yet talked into that. We will be examining this, but please understand one constraint, I would say a constraint that we have is ours is a Riverine shipyard, which means when a ship comes for a very short duration, most of these the US ships will be coming for a very short duration. So, when they come in for a short duration travelling through the river coming in, finishing the repairs and going back, the feasibility and the viability of that needs to be further excel. So instead of focusing on that, we would rather go in for the refit of ships who are likely to stay for longer duration like what we are doing for the Navy. That would be our focus here. Coming to the Rolls Royce and our agreement, the intent of going in for, we have a long association with MTU, now taken over by Rolls Royce for assembling and testing of marine diesel engines. We have just shifted gear and instead of just assembly and testing, we are going in for co-production, co-production under the make two philosophy that we would be initially looking for indigenous content plus 60%. The opportunity that is available is again for the water. I think earlier, you only had asked regarding the Water Jet, correct. So, on these ships these ships are high speed ships, these ships while having Water Jet Propulsion need high speed



engines, very high-speed. And it is for those high-speed engines that we have got into our collaboration with Rolls Royce. So akin to the revenue expected from I again mentioned I cannot translate the number of ships/ engines to water just to cost, but the opportunity is similar to what is the existing for the Water Jets. In this case, we have already signed the license agreement also and we expect the first of the RFPs from maybe for the 22 FACs to come out sometime during FY26 where these engines are expected to be used.

Venkatesh: Any little bit, if you can squeeze in on, any small businesses coming in terms of the bridges and other unique things about GRSE?

Cmdr P R Hari: Yes, I was trying to just to confine my introductory talk. I did not speak about bridges. Very interesting business vertical, so small vertical, very attractive business compact vertical where we are the market leaders in India and just to see the growth they have got the last year FY23, the revenue from operations from the Bailey Bridge segment was just ₹ 69 crore. In FY24 it has shot up to ₹140 crore. Now this is very interesting. Actually, I would like to speak on this that are much longer duration, some other time, but the team is very skeletal and the team is managing this business, good connect with the potential customers and our major customers are the Border Roads Organizations with whom we have live MoUs for multiple projects with Indian Army and the National Highways Infrastructure Development Corporation. So as far as this diversification is concerned, one of the verticals which we are going to focus on would be the Bailey Bridge and the Portable Steel Bridges for fitment. And of course, you have already listened to what I mentioned about green energy platforms and autonomous platforms.

Venkatesh: I missed the part on who are your core customers in the Bridge, sir. Is it National Highway Authority, sir?

Cmdr P R Hari: The major customer is the Border Roads Organization (BRO). The next is the Indian Army and the third is the National Highways Infrastructure Development Corporation (NHIDCL) and of course the various state and public works departments.

Venkatesh: So, what is the operating margin of this particular business segment, Sir, if you have a revenue of ₹140 crores, what will be the operating profit or EBITDA?

Cmdr P R Hari: This is around ₹7 to ₹7.5 crore.

Venkatesh: Are there also fixed margins basically?

Cmdr P R Hari: See, again it is competitive. It is competitive except for some of the products where we have IPR, which is our patented products, the others which is for the Indian Army are under competition. So overall, our margins would be to the tune of around ₹7 to ₹7.5 crore.



Venkatesh: And over 5-year period, can this revenue be about ₹500 crore or something like that? So, would that be an internal vision for you in this segment?

Cmdr P R Hari: ₹500 would be a bit too ambitious for my own liking, but I would. I would definitely like to double it in the next 5 years. Since you mentioned that the total market, when I proudly state that we are the market leader and we own around 70% of the market, the market size itself is limited.

Venkatesh: It is a very unique business, I guess?

Cmdr P R Hari: Yes.

Moderator: Thank you. Our next question is from the line of Abhishek Poddar from HDFC Mutual fund. Please go ahead, sir.

Abhishek Poddar: Sir, could you guide us how to think about the revenue booking for next two years as you mentioned that you would see a peak revenue next two years? So one is that and second is also let us assume that in 2025, you are able to win Next Gen Corvette order, so first couple of years will be hull construction. So how will 27-28 look like? Would be a lean period or we could see some growth there also?

Cmdr P R Hari: Yes, you are right. Next year and the next-to-next year are going to be the peak revenue recognition, yes. Now, earlier interactions, I had assured the revenue growth was around 20%-24%. I hope we have met your expectations and surpassed it. So, we have a current order book of ₹22,000 plus crore and keeping the NGOPV apart that is around ₹3,400 crore and the one-off projects that we are winning now that is ₹800 plus crore so and so for Oceanographic Research Vessel. Majority of the revenue in the next two years will come from the P17 Alpha project and the Anti-Submarine Shallow Water Craft project with the Survey Vessel already having crossed that threshold. Now, the next year and the next i.e. ₹22,000 plus crores, of that if you subtract around ₹3,000 to ₹5,000 crores, balance order book will be executed by FY25. So again, I am going back to what I mentioned, we will be aspiring for a growth of over 20% to 25% year-on-year from now in the next two years. You had asked the second question about the order expectation on the NGC, definitely we will be pushing for that and if the order comes in the financial year 26 that means towards mid of calendar year 25, the actual revenue recognition will start sometime two years down the line because the first two years, the first year is the preparatory phase, pre-design phase and the initial phase thereafter, after the production stamps, will be mostly for our own construction, where the revenue recognition is minimum. And this actually augurs well for us. Because it is by that time that means FY27, FY28 is when our existing order would be gets wiped out. So that is the time when the NGC will start giving us returns. And also, to offset this, let us say the gap as I had mentioned in one of the earlier discussions that we are bidding and winning orders from multiple customers including the DRDO, Ministry of Earth Sciences and definitely in the next con-call, hopefully I will be able



to convey the happiness regarding the commercial shipbuilding. So that will offset the gap, if at all any, which I don't see it happening, considering that the NGC is on the anvil.

Abhishek Poddar: But would the commercial shipbuilding orders, if you manage to win it, would it be large enough?

Cmde P R Hari: No, we are not yet won and we are not yet one commercial. I am not counting the Bangladesh export project which is commercial in nature, but the other value just about ₹130 odd crore. And looking at the multiple processes for European clients who have shown interest because the market is open and these European clients are looking at India as a potential destination for shipbuilding. So, we have indicated our willingness. Negotiations are in progress. It will be starting definitely in the modest fashion because we have not yet been into serious commercial shipbuilding except for one-off projects for the Government of Guyana a year back. So, we will start in the modest fashion and we will pick up from there. Just to answer your question, the numbers are going to be attractive in the coming years with respect to orders on commercial ships.

Abhishek Poddar: And sir, one last question on the margin side, you mentioned about 7.5% is what you are looking at, but if I look at the PAT level for last 2 years, you have been doing about 10% or so. So, should you assume this level of margin what you are doing now will sustain or should we assume 7.5% is what we will be?

Cmde P R Hari: We will be sustaining the level of margin that we are currently achieving.

Abhishek Poddar: And we should not look at from the EBITDA margin perspective, but we should include it, look it from the PBT perspective because other income kind of will vary, EBITDA margin and other income will keep on varying?

Cmde P R Hari: Understood, noted.

Moderator: Thank you. Ladies and gentlemen, that was the last question for the day. I will now hand the conference over to Cmde P R Hari Sir for closing comments.

Cmde P R Hari: Thank you, Aditya and thank you Gaurav from Concept IR for organizing this conference call. I would once again like to express my sincere gratitude to all the investors and analyst friends who have taken their time out to attend this con-call and listen to what we had to communicate to you. In case you have any queries, you may kindly contact, get in touch with us and we will clarify each one of them. We will be happy to address each one of them. Thank you once again and Jai Hind.



Moderator:

Thank you. On behalf of Garden Reach Shipbuilders & Engineers Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.

Should you have any further questions please send an email to Gaurav.g@conceptpr.com
