



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/03/21-22

21 Feb 2022

To,

National Stock Exchange of India Limited

Exchange Plaza, Plot No. C-1, Block G,
Bandra Kurla Complex, Bandra (E),
Mumbai – 400 051
Symbol: GRSE

BSE Limited

Floor-25, Phiroze Jeejeebhoy Towers,
Dalal Street, Fort
Mumbai – 400 001
Scrip Code: 542011

Dear Sir / Madam,

Sub: Transcript of Analyst Meet/Con Call for Q3 FY 22 of GRSE – Reg 46(2)

1. This has reference to our letter No. SECY /GRSE/BD-69/AM/03/21-22 dated 09 Feb 2022 on the subject matter of 'Intimation for Investors/Analyst Conference Call- Reg 30'.
2. We wish to inform that Conference Call has been held on Monday, 14th February, 2022 at 15.30 Hrs. to discuss the Unaudited Financial Results of the Company for the Quarter and Nine Months ended 31st December, 2021.
3. 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.
4. 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
Q3 & 9M FY22 Earnings Conference Call
14th February, 2022

Management:

1. Rear Admiral V K Saxena, India Navy (Retired) - Chairman and Managing Director
2. Commodore P R Hari, Indian Navy (Retired) - Director (Personnel)
3. Shri R K Dash - Director (Finance)



Garden Reach Shipbuilders & Engineers Limited
Q3 & 9M FY22 Earnings Conference Call
14th February, 2022

Moderator: Good afternoon, Ladies and Gentlemen, I am Margaret, the Moderator for this conference. Welcome to the Conference Call of Garden Reach Shipbuilders & Engineers Limited hosted by Concept Investor Relations to discuss its Q3 & 9M FY22 Results. We have with us today Rear Admiral V K Saxena, India Navy (Retired) - Chairman and Managing Director, Commodore P R Hari, Indian Navy (Retired) - Director (Personnel) and Shri R K Dash - Director (Finance). At this moment, all participants are in the listen-only mode. Later, we will conduct a question-and-answer session. At that time, if you have question(s), please press “*” then “1” on your telephone keypad. If you need assistance during this conference call, please signal an operator by pressing “*” then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the floor to Shri V K Saxena. Thank you and over to you, Sir.

RAdm V K Saxena: Very good afternoon to all of you ladies and gentlemen, I am Rear Admiral V K Saxena, IN (Retd.), Chairman and Managing Director of Garden Reach Shipbuilders & Engineers Limited. I welcome you all to this conference call to discuss the financial performance of this company for Q3, but before we go into the financial aspect, it is my honor and proud privilege to quickly brief you about the other activities that has happened in the shipyard. As you all know that we have gone through the COVID first phase thereafter second phase and then the third phase, however, third wave did not forced us to go for the lockdown, but certainly it had the impact in terms of the number of people. As you all know that the infection rate was very high, very rapid. So, it had the impact in terms the large number of people getting infected in the shipyard that is our own employees and contract personnel also.

However, good news is that there was no lockdown, there was no complete disruption of the production activity, however, because of the large population getting impacted, there were restriction that were put in place i.e. again COVID appropriate behavior was imposed by the state government and the local administration of Kolkata. As a result of that we had to adopt to the modified routines and number of personnel that we are working every time we had to move on to the ship system with lesser number of people and also the biggest issue that



came up is the disruption in the supply chain in particular which is again a major critical requirement for the warship building and ongoing projects. However, as you have seen that despite of all these disruption and challenges and of course the after effects of the second wave of the COVID in second and third quarters, the company has done extremely well in fact third quarter has been extremely good, very productive and I am briefing you later on the financials of the company. During this quarter we have signed the concession agreement with the Shyama Prasad Mookerjee Port i.e. KOPT and in October, 2021 we have got the three drydocks taken on lease, and the purpose and aim of this drydock is to undertake the refit and repair activities for variety of the ships which are whether the commercial ships or the naval ships or the Coast Guard ships. I am certainly going to enhance our first towards the refit vertical and not only that these drydocks were taken over, but some work was done and we have commenced the operations with docking of the two vessels already and it is a good news for all of us.

Second thing is that at our Diesel Engine Plant, Ranchi, you all are aware that we have got major contract of manufacturing of one Megawatt Diesel Alternators (DA) for the Indian Navy Project for four ships of P-17 Alpha being built at MDL and three ships at GRSE. Total 28 number of one Megawatt Diesel Alternators are to be supplied to them and these alternators are indigenous components. Lots of effort have been put in by GRSE, Ranchi plant to indigenized variety of the accessories, items and equipment and as a result of excellent efforts, despite of the pandemic, we have been able to complete the Integrated Factory Acceptance Trial successfully and delivered three Diesel Alternators to Mazagon Dock Shipbuilders Limited. Two of the DAs' are already is there and the third DA will be reaching shortly.

We have also undertaken the key laying of Ocean-Going Passenger cum Cargo Vessels which you are building as an export vessel for the government of Guyana that happened in the month of November in presence of the senior officials from Government of Guyana. We have also undertaken the launching of our first Survey Vessel Large which you know is 300 tons ship of the Indian Navy and we are building four warships for them as part of this particular project. The ship was launched on 5th of December of 2021 by the wife of Rajya Raksha Mantri Smt. Bhatt ji. We have also undertaken the key laying of the ASW Shallow Craft at the GRSE and also as a part of refit activity we have done the refit of two ships successfully.

In addition, we have received 'Excellent' rating in MoU target for the FY 2020-21 which has evaluated by the Department of Public Enterprises, who undertake the rating of all the CPSE. As you all know that FY 2020-21 was a worst affected year



because of the pandemic and I am happy to inform you that GRSE is only Defense Public Sector Shipyard to be rated as 'Excellent' with the score of 91.23%, and the second DPSU among 9 DPSUs after HAL who has been rated 'Excellent'. GRSE is one amongst the 16 CPSE (out of 300 plus CPSE) have been rated excellent. So, therefore I would say that GRSE has shown huge resilience and the kind of strategies and other things as resulting in excellent performance/ rating from that Department of Public Enterprises, Government of India despite of issues and problems we have faced. I would say that the kind of learning we have got and the strategy which we have adopted during this difficult time enabling us to increase our productivity and efficiency considerably, and today, the productivity levels are almost close to three times than it used to be previously.

So, I think the pandemic although it has affected everybody, but it taught us large number of things and that has enabled us to deploy the new strategies and resulting into the excellent throughout fabrication, plumbing, cabling and outputting all dimensions of the ship building activity and have been able to achieve very good productivity. Now, briefing you about the ongoing projects, you are aware that we have 6 projects which are under execution at this juncture comprising of 17 ships and 6 Patrol Boats for Government of Bangladesh and out of this 6 project 3 are pertaining to the Indian Navy, one is project 17 Alpha Stealth Missile Frigate, 3 number ships. The second project of the Indian Navy is 4 Survey Vessel Large and then we have 8 ASW Shallow Water Craft for the Indian Navy altogether 15 warships for the Indian Navy alone then we have one ship Fast Patrol Vessel for the Coast Guard and of course one vessel for the Government of Guyana which is under construction. Now, all the three ships of the Project 17 Alpha are under production and moving at a good pace. You know that the first ship was launched in the wake of pandemic in December 2020, two months ahead of schedule. The second ship is already doing quite fine despite limitations and problems due to the pandemic and will be launched in mid of this year as I have told you in the last quarter discussions. The third ship is also being under construction and going on at a decent pace and is going to be launched mid next year which is the ahead of schedule by two-three months.

With regards to the project Survey Vessel, as I told you that the first ship has already been launched on 5th of December 21 with almost 40% of overall construction. Now, I am informing you that we have launched the ship with 40% construction and this kind of achievement at the time of launching is something unique and GRSE have achieved this. The benefit of this achievement is that we would take much lesser time for post launch activities, out-fitting etc., and we hope



that by end of this year we will be able to deliver the ship to the Indian Navy. The second Survey Vessel Ship which is under construction at L&T Kattapulli, we have outsourced the Hull part of it and the ship is expected to be launched in next two to three months' time and the third ship is expected to be launched by sometime at the third quarter of this year.

The next is ASW Shallow Water Craft - 8 ship. Out of eight (8) ships, four (4) are under production at various stages of production. The keel of 2 ships have already been laid, the first ship keel was laid last year and the keel of second ship was laid on in the month of December, 2021 at GRSE. The launching of the first ASW Shallow Water Craft is planned somewhere in July/ August this year. I must say that at this point of time except some disruption in the supply chain and certain item which are supposed to be coming up from abroad, other items required for construction of ships have been ordered. Barring some minor issues, all our ships for the Indian Navy is moving on a quite decent speed and pace.

Similarly, when I talk about Guyana ship which is an export order, we have already laid the keel of the ship and the ship is going to be ready for delivery by July this year and thereafter she will be moving to Guyana. The Coast Guard ship which is a Fast Patrol Vessel also undergoing construction and expected to launch the ship by May this year and the delivery by end of this year. So, generally all the projects are going on fine at this juncture and I really don't see any major issues. Now, it looks that the third wave is under control and if nothing happens further, I think we are on a right track and you will see excellent performance of the shipyard by end of this financial year. Now, I brief you about the performance of the company for the third quarter FY22 ending 31st December, 2021.

As I said earlier also and on number of occasions that when it comes to the warship building we should not see normally on a quarter-on-quarter performance, we should always look at the previous year performance because of long gestation period. Therefore, I will try to compare the results of Q3 cumulatively from Q1, Q2, Q3 of the previous year. So, up to Q3 the revenue from operations have been ₹1,212 crore as against ₹742 crore up to previous Q3 showing an improvement of over 63%. Similarly, the EBITDA has also gone up by 46%, the operating profit of the company has gone up by 7 times. If I compare the performance till Q3 FY 22 to last year i.e Q3 FY 21, the Operating Profit has gone up from ₹12.67 crore to ₹81.88 crore. Similarly, the PBT is also gone up by 51% from ₹128.58 crore to ₹194 crore, the PAT is also improved by 49% from ₹95.47 crore to ₹42.33 crore. As I told you earlier that the satisfactory results despite of reduction in the other income during



the current year due to the huge improvement in the overall production, internal efficiencies and various strategies undertaken. We have declared Interim Dividend of ₹4.95 per share as against ₹3.85 per share of the previous year. The company has reported an EBITDA margin of 17%; PBT margins of 15% and PAT margin of 11%. The earnings per share for 9 months ending December 31st stands at ₹12.42/- as compared to ₹8.33/- of the corresponding period.

So this is about the financial performance of the company as such and I can say with confidence and belief that the way company has overcome all the challenges and issues during this period of this financial year, we have a strong belief that if no further disruption happens and no major issues comes up, we will do extremely well and hope that this financial year results would be by far the best in the history of the GRSE in all its dimension. So, ladies and gentlemen, that is all from my side. At this moment, I will be very happy to take on the questions along with Director (Finance) and Director (Personnel) whatever you have and so the house is opened for any questions or any queries from your side. Thank you very much.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Rohit Natarajan from Antique Stock Broking. Please go ahead.

Rohit Natarajan:

Sir, my question is regarding 3 ships of P-17A project. Sir, I understand and under the impression that the launch date for the 2nd P17A vessel is somewhere in August, but between keel laying and launch date, what could be the kind of execution or revenue that you could book on that Vessel?

RAdm V K Saxena:

Let me tell you that 17 Alpha ships are very big and complex Stealth Missile Frigate of the Indian Navy. Each ship of this class is having a weight of 6,670 tons and operated with highly complex weapons, sensors, machineries and lot of automation. When you talk about the speed of construction, if you have been part of my earlier discussion, you may re-call the shipbuilding curve, I was explained you and when you talk about the start production to the keel laying and then to launch of the ship, I said that there are stages first, second, third and fourth. The first phase is where largely the hull construction goes on and in terms of the percentage when you say the construction progress is somewhere around 20% to 25% with minor hull outfitting happening and this stage the ship hardly gives you much of revenue because there is only steel and the labour component is involved. So, the keel laying is basically one block which gets made keel part of it and that ceremony is called the keel laying and from keel laying to launch for such large ships it is somewhere



around 25% to 30% of the construction. Then, we launched the ship with some amount of equipment and machineries going onboard ship. So, it depends on availability of material equipment and such other things. However, 17 Alpha each ship construction time is around 5 years plus. So, therefore the launching stage is somewhere between around 1.5 years to 2 years. By the time you lay the keel and go for the launch close to one and half years or so and from launch i.e. phase 2 comes where the maximum amount of weapon sensors, all advance propulsion systems etc. go on board ship at that time you have the maximum revenue that get booked. This is the longest phase and here maximum amount of revenue is booked. Then connectorisation, trial and tuning phase, where minor revenue recognized by way of labour booking. So, this is how the ship construction cycle as far as 17 Alpha is concerned. I told you that the first 17 Alpha was launched in the month of December 2020 and when we launched the ship it was at 25% construction. Right now we have a construction progress of around somewhere close to 38% or so. So, it being a very large ship the progress in each month is generally 1.5% to 1.7% per month because there is different method of counting used for the construction progress. So, from now till we get into the trial phase that would be happening somewhere around in the late next year or maybe beyond that. So, that is how the timeframe is.

Rohit Natarajan:

So, then if I look at all the three vessels coming together and their launch date probably will all three will be more or less on launch by FY23 so which would mean that your execution could technically speaking go up to ₹3,000 crore kind of a number in FY23 and maybe ₹3,300 odd crore kind of number, ₹3,400 odd crore kind of number in FY24. So, I am just going by the 1.5% into the value of vessel method probably it may not be commensuration with the financial progress of the vessels too, so help me understand sir how does this FY23 revenue project 24 trajectory would look like?

RAdm V K Saxena:

I understood your question I told you that the Company is executing various ships from P17 Alpha to Survey Vessel and ASW Shallow Water Craf1. In this 17 Alpha project all three ships has now reached to a certain level where cumulatively the first ship is going to give us the maximum amount of revenue. I just tell you that when I talk about the revenue that is registered for 17 Alpha project if I compared to the corresponding 9 month period of last year to this year till Q3, we have registered ₹666 crore as against ₹432 crore of the previous Q3. So, now I expect that and as I said that the way 17 Alpha project is going and if nothing hinders us you will expect much more higher revenue in FY 23. I was told you up to Q3 we have booked around ₹666 crore which is going to be further higher around ₹800 crores or



so that will be coming in project 17 Alpha itself and in FY23, when majority of the equipment will go on board for ship and the second ship of the 17 Alpha ship was launched and construction progress then you can visualize absolutely fantastic performance. I said that not only 17 Alpha ships, but many other projects which are already going through the construction and have progressed much better. So, therefore altogether from the three projects of the Indian Navy we are expected to do much better and I can't give you the exact figures, but as you are saying, yes, you will see a highest ever revenue growth by end this financial year, that is what is my belief. Let us wait and watch. I have been saying from last many meetings that now you will see the phase of the excellent performance which has already started and the curve is going to be steeper.

Rohit Natarajan: Sir, my second question is more to do with the prospective order inflow, what is the quantum of total orders in pipeline in short term, medium term and probably something in long term?

RAdm V K Saxena: See as of now, as I said that earlier also, that we have submitted our bids and one or two places we lost the bids quite closely. Tomorrow or this week, we have been told that they will be opening the bids of the New Generation Offshore Patrol Vessels (NGOPV) that is for 7 plus 4 i.e. 11 ships construction, 7 will be by the L1 shipyard and 4 will be by the L2 shipyard. So, we are keenly waiting for this major thing to get opened up and that is the major thing which seems to be happening in the near future and we are bidding very forcefully as far as some export biddings are concerned even though smaller vessel and we are seriously bidding for export orders.

Rohit Natarajan: So, this ₹9,000 crore order of vessel opportunities are we looking at some Corvette too there are some ₹13,000 crore Corvette which is going for an RFP stage right?

RAdm V K Saxena: Yes, why not. So, I am just saying that this is the RFP which is already come out and we have responded to this RFP in the form of submitting the bid. Now when you talk about the New Generation Corvette that is supposed to be and we are all waiting for the RFP to get release by the Ministry of Defense and the Naval Headquarters. So that is keenly awaited by us and we are the only shipyard has experience of delivery 10 Corvette (6 Missile Corvette and 4 ASW Corvette). We have got the best expertise where with all and everything possible to go for a strong bidding.



Rohit Natarajan: So, I am saying that the New Generation Corvette ₹13,000 crore kind of orders that L1, L2 breakup like the one you have right now shared the distribution of 7 ships to L1 and 4 ships to L2 bidder and whether that distribution is not available for the Corvette order if I am not mistaken?

RAdm V K Saxena: That is not known as far as the Corvettes are concerned because that would be decided by the Ministry and Indian Navy so that is not known to us at this juncture.

Moderator: Thank you. The next question is from the line of Pritesh Vora from Mission Holdings. Please go ahead.

Pritesh Vora: How do we assume I mean what is the continuity in the ship order like the current order will last how many years and what is there in the pipeline for the next set of orders?

RAdm V K Saxena: See, I would tell you that order book as of now is quite healthy which is around ₹24,605 crore and I told you altogether we are supposed to execute construction of 17 Warships and six number of Boats for Government of Bangladesh. So, it's huge in terms of numbers and variety of the ships that is under construction for the Indian Navy and the Coast Guard and also for the Guyana that is export vessel 1,700-ton vessel. So, in our appreciation and with the current progress of course nobody anticipated that there will be pandemic and the plans that everybody has made out in their lives got disrupted. Hence, as you know that shipbuilding is being labor intensive and supply chain dependent industry, we were worst affected. Now, looking at the current order book and the construction cycle as per the contract as a plan and of course grant of the force majeure and other things we expect ship construction order book will last upto FY27 or so and we expect that next one or two years the New Generation Corvette RFP has come out we should be seeing the opening of the NGOPV tender and also there is a tender we expect for the Hovercrafts or the ACV we call it Air Cushion Vessels for Coast Guard and the Indian Army, 12 in numbers we are again going to bid very strongly. So, likewise whatever things would be coming out, we will be going forward with greater enthusiasm and better prepared to see that we should get some orders. So, it is not the end of the thing and we have sufficient work in hand, the capacity is almost optimally getting utilized, infrastructure, resources and as I told you the productivity levels have improved almost three times. Therefore, as of now the current order book is going to be last till FY27.



Pritesh Vora: And how do you hedge your steel price like the contracts are passed on steel contracts because steel price has seen lot of improvement in the cost over last one year, so how do you see the steel price coming on?

RAdm V K Saxena: You should not worry when it comes to the steel part of the warship construction, because unlike any commercial vessels and merchant ship where the largest chunk is the steel part. We have the huge part of the cost of the vessel of the warship is primarily weapon, sensor, equipment, machinery, electronic items and such other things. So, the steel constitutes very little around 3% to 4% of the entire cost of the ship. So, it is certainly not a big trouble because the steel getting produced is almost indigenous, being produced by SAIL. We have the MoU with the SAIL to supply. So, it is not really badly impacted as such.

Pritesh Vora: How is the contract would you able to pass on the steel price or you have to take it how is the contract towards this?

RAdm V K Saxena: You need not to really worry, because cost of the steel in warship building is very miniscule of the entire cost of the ship. So, such variations are factored, not to worry.

Moderator: Thank you. The next question is from the line of Mani an Individual Investor. Please go ahead.

Mani: I have a couple of questions one is if I witness to compare the employee cost along with other listed players, GRSE's employee cost as per the relative revenue is slightly higher, in fact, significantly higher so I just wanted some explanation on that number one, and if also could just explain the current cash in hand out of the order book even that I think is considerably lower than the other listed player so if you can just throw some color on it will be helpful?

RAdm V K Saxena: Let me tell you the employee cost is governed by the Central Government like the DA rate etc., and we have to abide by this, and if you see the so-called improvement in the overall performance and the employee the revenue from operation per employee has really gone up much better. So, therefore I see that there is I think good improvement and the cost of the employee which you are saying that is actually coming down compared to last year that was 23% it has come down to 17%. So, we are all working towards making a lot of improvements despite the fact that we cannot throw out the permanent employees, but what we have also done is that we have resorted to very structured outsourcing on many areas of the non-core activities that has also helped us to not only improve the overall cost but helping us



to bring down the employee cost also. The second question was cash in hand. The total cash with us as of now is ₹3,411 crore in that the own cash is ₹176 crore, and the rest all own by the customer i.e. ₹3,235 crores and is all against the various project. There is no advance but against the stage payment received from the customer and this will be used for the project only. So, the own cash is just ₹176 crore.

Moderator: Thank you. The next question is from the line of Abhishek Poddar from HDFC Mutual Fund. Please go ahead.

Abhishek Poddar: Regarding the operating margins where do you see that settling with the improved execution, this quarter we saw the revenue going up, but the margin was slightly on the pressure, so do you see a large improvement there?

RAdm V K Saxena: I must tell you that you would have been tracking the margins from the previous quarters and previous year and you are also aware that the margin levels when you talk about in the ship building especially in warship building is normally the Navy gives us the profitability margins around 7.5% only, but over the years through the lot of changes and improvement that has been happening in the company, we have been consistently going up in the margin improvement and now what you see is around 11%, something that has already come up and I do not see it should be going down, it should be of course the revenue will be doing quite well, but the margin also expected to do well and hopefully it should be better than this.

Abhishek Poddar: And Sir, could you elaborate more on the order that you are expecting from Bangladesh?

RAdm V K Saxena: See, Bangladesh you know that it is a small country and neighboring country close to us strategically. We are trying to make inroads in that country and making sure whatever kind of orders that is small order or big order we are trying to venture into that, responding to the various RFP etc. You all know that we have got the order for the 6 number Patrol Boats from the Fishery Department of Government of Bangladesh. We have got a tie up with the certain ports of Bangladesh, Bangla Ports and Payra Ports. We have been bidding strongly for couple of the RFP's which have come out and we are looking at the larger kind of thing where some warship to the Defence LOC for which talks are also on. So, we are very hopeful that something probably may come our way. We are shortly going to be receiving some order on the Portable Steel Bridges from Bangladesh Army not big order, but it will be certainly around ₹7 crores to ₹8 crores worth of the export orders from the Bangladesh Army. So, we are doing fairly well, I would say good attempts have been



taken with the Bangladesh, and we have to have patience to see to it that it fructifies to some bigger orders in future.

Abhishek Poddar: And sir just last one confirmation the RFP for Corvette that is valued at ₹13,000 crores?

RAdm V K Saxena: RFP for the Corvette?

Abhishek Poddar: Corvette that you talked about?

RAdm V K Saxena: If everything goes well we expect the RFP to be come out by end of this year or maybe early next year, but we can only anticipate, but there is no concrete news as of now, but they are very much keen that RFP should come out I am sure that they will have their own procedural aspects at Naval Headquarters and the Ministry so it has to come out and we are all waiting for it.

Abhishek Poddar: And sir what is the value of the 11 Fast Patrol Vessels total value of the tender?

RAdm V K Saxena: 11 New Generation of Offshore Patrol Vessels it is around close to ₹9,000 odd crores.

Moderator: Thank you. The next question is from the line of Himanshu Bhatia an Individual Investor. Please go ahead.

Himanshu Bhatia: I have just one small question sir, for the current quarter the raw material cost has been bit on the higher side, so if you could just throw some color on that because since you said that the steel cost and the raw materials for warships are something do not taken much concern, so sir please if you could just elaborate on that?

RAdm V K Saxena: Let me again tell you that when we say the raw material that means we in the parlance of the shipbuilding and warship building we call it yard material and this raw material or yard material is not only the steel alone, but along with steel there are lot of structural items like electrodes and flux and so many other things comes up, but in addition we have the plumbing pipes etc. and many other fittings that come up, we have the electrical cables also they all form part of the so called yard material or raw material what you want to call it and also there are some insulation material and of course the flooring material deck flooring etc. these are all form part of the yard material and raw material part. So, yes there is some increase here and there, but to my mind what you are seeing here in quarter that is certainly not a great thing you should look at the quarter part because when we look at the cost of the Vessel then the procurement happens we do not procure it done on a quarter-



on-quarter basis. The items say for example 17 Alpha ship it is a huge ship and the execution period of each ship building is around 5.5 years. So, there is no point having certain material coming up quarter-to-quarter. They come out progressively and there is a cost that has been assigned to a particular order which is getting delivered in a part quantity or in full quantity. So, in certain quarters what you see is not I would say a great reflection of the overall cost of the yard material or raw material as such because in that quarter my consumption is more in steel because steel throughout is very high. So, when you see that the cost of the material has gone up because the large amount of fabrication activity has happened. So, that is how you generally see that the material cost is looking higher or whatever has been booked in that.

Moderator: Thank you. The next question is from the line of Kartik Bhat an Individual Investor. Please go ahead.

Kartik Bhat: Just want to confirm that for operating margin would it fair to say that it will be around 11% to 12% over the next few quarters?

RAdm V K Saxena: Yeah that is what I am saying that despite of the pandemic and such challenges if we have come thus far in terms of the margins and operating margin and other thing I am quite hopeful that we should be doing better than what so far has happened that is what is the belief.

Kartik Bhat: You do not foresee any needs for taking up any debt right considering next year, you do not foresee any need for taking up debt significant?

RAdm V K Saxena: No. I must also add up that other investor also asked before you the question about the profitability margins. In warship building, if you are able to get add in double digit is always very welcome. So, if I am doing 10% as against 7.5% what Navy gives me, I should be very happy and everybody should be very happy. If I am doing 10% that is fantastic, if we are doing 11% much better and if you are doing better than 11% that would be I think good for everybody. So, I think we all are hoping that hopefully we should be, but we should not expect a huge kind of a jump etc., but if you are able to maintain that level that will be very good for us.

Moderator: Thank you. The next question is from the line of Sunil Shah from Turtle Star Portfolio Managers. Please go ahead.



Sunil Shah:

Sir, I asked this even last time sir, just want to know the process of succession planning, I believe in your tenure company has done exceedingly well, but there were some reports that somebody has to fit in your shoes, so how does that process were there any updates on all of that if you could please let us know?

RAdm V K Saxena:

See everybody's tenure is defined by your assignment and appointment. My assignment was there for the five years that is supposed to be getting over by this month end. So, as of now that is the news and as far as the succession plan is concerned the teams are geared up and whenever the interview happens for the next CMD, the next CMD would take over and get going on taking care of the company and I think as of now I can only assure all of you that the company has already come to a level and a growth path in all its dimension which I expect that the next CMD whenever he takes over and the other team members where Director (Finance), Director (Personnel) and new Director (Shipbuilding) who would be it has already been appointed, but its clearance is yet to come. So, on a put together the entire team is fully geared up to take forward the agenda of growth and the company is absolutely on the right track. So, I think we should not really worry and bother much about the change of the top leadership.

Sunil Shah:

Sir, any update on the OFS anything happening there because I am just trying to connect two things in terms of the CMD who comes onboard and takes up this leadership thing till that time the OFS would be in abeyance any updates which is coming there?

RAdm V K Saxena:

I really do not know at this point of time that is there any plan for the OFS in this quarter. To my mind, I have not heard of anything unless the government decides something else. In my thought, they would probably look for the next CMD and maybe the next financial year if at all they are looking for OFS to happen.

Sunil Shah:

Sir, any possibility of any chance of you getting an extended period of association with the company?

RAdm V K Saxena:

So, everything is in government hand, one should not guess or anything can happen which nobody knows. So, I will leave it to the government to think and decide about that. I hope that what I have already told you about my tenure is completing by end of this month and I am yet to hear anything from the Ministry or the Government anything more. So, let us assume that it is as of now it stands at it will be getting completed on time so that is how things are, and other one is that about the OFS you asked and OFS is something which is really not known to me as to what are the plans at this juncture and whether they will wait for the next CMD or to go for the



OFS, I really don't have any substantial input. So, I will not be able to make a guess out of that.

Sunil Shah:

Sir, we all hope that sanity prevails and many-many concalls with you and get an understanding and you have a long tenure with us as in the company and on the investors' side. Thank you very much for all the things that have been done in the company. We have seen the company grow leaps and bounds under your leadership. And I really, sincerely hope that we have many calls and be associated for a very long time

RAdm V K Saxena:

Thank you so much for your kind words. God bless you.

Moderator:

Thank you. As there are no further questions in the participants. I now hand the conference over to the management for closing comments.

RAdm V K Saxena:

Thank you very much everybody. Thank you, Gaurav from Concept IR, for organizing this conference call and I would like to pay my sincere gratitude and thanks to all my investors, all friends and everybody who have been part of this company all through out since listing and subsequently joining the company and your faith and confidence that is in the post in the company's performance and I have heard some very kind nice words about me and for the company. I can only assure you all that the company is on the right trajectory of growth path as I see that I have explained about the ongoing projects and the way we have made improvement in the internal efficiencies, all the processes and of course lot of infrastructure augmentation that has taken place and other plans that has been run out with a company. The way things are going on I feel that if there is no disruption furthermore, this year would be perhaps the best year in the history of the company that is what I am hoping and also the company is going to be showing much better and steeper kind of growth trajectory, and therefore all of you must watch out and continue to have belief and faith in the performance of the company. Wishing you and everybody a safer, healthier times ahead, do take care of yourself and the family, all the very best to you all. Thank you very much.

Moderator:

Thank you all for attending this conference call. If you have any further queries please send an email to gaurav.g@conceptpr.com. On behalf of Garden Reach Shipbuilders & Engineers Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.
