

Recommendation and Rationale:

We maintain coverage on Garden Reach Shipbuilders & Engineers Ltd (GRSE) with a “Buy” recommendation and a target price of ₹2,951, based on 45× FY27E EPS of ₹65.58. Q3FY26 delivered strong performance, driven by robust execution momentum and healthy order book visibility. The company remains well positioned to benefit from a multi-year defense and commercial shipbuilding upcycle, with a substantial portion of its existing order backlog scheduled for execution over FY26–FY28E. While ongoing capacity expansion and supportive policy initiatives provide earnings visibility, further upside will depend on timely award of upcoming naval programs and sustained execution discipline.

1. Financial Performance Highlights

GRSE reported strong growth across all key financial parameters for Q3FY26, marking the 13th consecutive quarter of year-on-year growth.

Revenue from Operations: Increased by 49% YoY, rising to ₹1,896 crores in Q3FY26 from ₹1,271 crores in Q3FY25.

Profit After Tax (PAT): Grew by 74% YoY, reaching ₹171 crores compared to ₹98 crores in the previous year's third quarter.

Earnings per share (EPS) for Q3FY26 is ₹ 14.91, against ₹ 8.57 in Q3FY25.

9-Month Performance: Revenue for 9MFY26 reached ₹4,883 crores, nearly matching the total revenue of ₹5,076 crores achieved in the entire FY25.

Profit After Tax (PAT) stood at ₹445 Crore in 9MFY26 against ₹283 Crore in 9MFY25, registering a growth of 57%.

Margins: Management emphasized that order book growth is not being pursued at the cost of margins and healthy margins are expected to be maintained.

2. Order Book Status

As of December 31, 2025, GRSE's order book stood at **₹18,482 crores**.

Composition: The order book includes 10 projects consisting of 42 platforms.

Segment Breakup:

- **Defense Segment:** Comprises 77% (₹14,276 crores), including four major Indian Navy projects.
- **Non-Defense Segment:** Accounts for 18%

Other Verticals: The remaining 5% includes portable steel bridges, diesel engines, naval surface guns and ship repair.

3. Physical Performance & Ongoing Projects

The company has transitioned into a high-execution phase, delivering approximately one ship every two months over the last nine months.

Key Deliveries (9MFY26): 5 major platforms including one P17A frigate, two Anti-Submarine Warfare Shallow Water Crafts (ASWSWC) and one Survey Vessel.

Upcoming Deliveries: Three more major vessels are planned for delivery in the final three months of FY26.

4. Future Outlook and Strategic Expansion

Management provided an optimistic outlook, anticipating that the order book could reach **₹50,000 crores** by the end of FY26 and potentially **₹70,000 crores** by the end of FY27.

Key Stock Data

CMP (₹)(16/02/2026)	2,430.50
Industry	Aerospace & Defense
Market Cap (Rs. Crore)	27,916.32
52 Week High/Low (Rs)	3,535 / 1,180
BSE/NSE Code	542011
Bloomberg	GRSE IN

Financial Results Data (in ₹ Crores/ Unless stated otherwise)

Particulars	FY24	FY25	FY26E	FY27E
Rev. from operations	3,593	5,076	6,497	8,316
EBITDA	235	422	585	748
EBITDA Margin (%)	6.55	8.31	9.00	9.00
PAT	357	527	613	754
PATM (%)	9.94	10.39	9.44	9.07
EPS	31.19	46.04	53.32	65.58

Quarterly Results Data (in ₹ Crores/ Unless stated otherwise)

Particulars	Q3FY26	Q3FY25	9MFY26	9MFY25
Rev. from operations	1,896	1,271	4,883	3,434
EBITDA	172	75	440	200
EBITDA Margin (%)	9.07	5.90	9.01	5.80
PAT	171	98	445	283
PATM (%)	9.02	7.71	9.11	8.24

Shareholding Pattern

Particulars	Q3FY26	Q2FY26	Q1FY26	Q4FY25
Promoters	74.50%	74.50%	74.50%	74.50%
FII	2.96%	3.26%	5.33%	3.85%
DII	1.64%	1.99%	1.81%	1.90%
Public	20.90%	20.25%	18.36%	19.76%

Source: Company, Screener

Price Chart





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- **Next Generation Corvette (NGC) Project:** GRSE is the L1 bidder for a 5-ship project worth approx. ₹33,000 crores; the contract is expected to be signed by March 2026.
- **P17 Bravo Project:** An RFP for this seven-ship project (approx. ₹70,000 crores) is expected in April 2026. Management is highly confident, noting that GRSE stands at a distinct competitive edge because it is already executing the **P17 Alpha (P17A)** project. Even under a conservative "split-order" scenario—where GRSE might become the **L2 bidder**—the company anticipates securing orders worth approximately **₹30,000 crores** for this project alone. Contract signing is targeted for February or March 2027.
- **Capacity Expansion:**
 - **Platform Capacity:** Increasing from 28 platforms to 35 by the end of calendar year 2026.
 - **Geographical Expansion:** Pursuing brownfield 3 sites in Kolkata and Greenfield expansion at 2 sites in Gujarat (Kandla and Bhavnagar) to handle larger platforms.
- **Strategic Tie-ups:** Signed MoUs with **Swan Defense** for large commercial vessels and **Hindustan Shipyard (HSL)** to bid for the Landing Platform Dock (LPD) project
- **Non-Defense Segment:** The Company is also eyeing substantial future growth in this segment, as the government has aggregated demands for approximately 207 platforms from entities like ONGC, representing a potential market value of over ₹1 lakh crore.
- **Capability Development for LPDs and VLGCs:** With respect to the capability to build Landing Platform Docks (LPDs) and Very Large Gas Carriers (VLGCs), management indicated that it would initially seek Transfer of Technology (ToT) from foreign partners for the first vessel. Post contract award and execution of the lead vessel, the company plans to progressively indigenise production for the remaining vessels under the program. GRSE has already achieved a high level of self-reliance in its existing projects, with an indigenization level of over 85% for its current ship designs.

5. Government Initiatives

The management highlighted significant government financial outlays (approx. ₹69,725 crores) aimed at revitalizing the shipbuilding sector, including subsidies for construction (15-30%), ship-breaking credit notes and brownfield expansion funds.

Project-wise Order Backlog with Execution Progress and Delivery Milestones

Project Category	Project Name	Total Units	Execution Progress & Key Milestones	*Order Backlog (₹ Cr)
Major Naval Defense	P-17 Alpha Advanced Frigates	3	Ship 1 delivered; Ship 2 93% complete, delivery expected within next 3 months; Ship 3 on track for delivery within current calendar year.	8,236
	Anti-Submarine Shallow Water Craft (ASW-SWC)	8	3 ships delivered;; Ship 4 92-93% complete, delivery expected in coming months; Balance vessels progressing as scheduled, with overall project completion expected by late 2026.	2,559
	Survey Vessel (Large)	4	3 ships delivered; Ship 4 95% complete, delivery scheduled shortly, project nearing closure.	343
	Next-Generation Offshore Patrol Vessels (NGOPV)	4	Ships 1-2 >60% complete; Ships 3-4 45-48% complete, deliveries planned between FY28-FY29.	3,136



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Export Projects	Multi-Purpose Vessels (Germany)	12	Order scaled up from 4 to 12 vessels reflecting strong client confidence; keel laying completed for 2 vessels with third scheduled shortly; deliveries to commence in Q2 FY27 and continue through FY29	2,481
	Trailing Suction Hopper Dredger (Bangladesh)	1	1,000 cubic meter dredger progressing as per schedule with timely stage payments and no material issues; completion expected by Q3 FY27	
Specialized Research	Ocean Research Vessel (MoES)	1	20% physical progress achieved; project on track with contractual delivery in FY28.	897
	Coastal Research Vessels (GSI)	2	Construction progressing as scheduled; project expected to be completed by FY28 (first half)	
	Acoustic Research Ship (DRDO)	1	Production commenced; project on track with delivery targeted in FY28.	
Domestic Civil	Hybrid Electric Ferries (West Bengal)	13	World Bank funded; 7 vessels (100-pax) and 6 vessels (200-pax); Deliveries to commence in Q1FY27 with first two vessels, and project completion targeted in H1 FY28.	830
Diversified Systems	Portable Steel Bridges, Diesel Engines, Naval Guns, Ship Repair		Production & supply aligned with naval vessel timelines	

* Order backlog values are as per management commentary and project disclosures including longer dated and allied orders

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Buy – Absolute return of 15% and above

Accumulate – Absolute return between 10% and 15%

Book profits: On achieving the price target given in the research report for a particular Company or on an occurrence of a specific event leading to change in fundamentals of the Company recommended

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