

Garden Reach Shipbuilders And Engineers Limited

July 01, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	227.00	CARE AAA; Stable	Reaffirmed
Long-term / Short-term bank facilities	7,361.00	CARE AAA; Stable / CARE A1+	Reaffirmed
Short-term bank facilities	1,205.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Garden Reach Shipbuilders and Engineers Limited (GRSE) continue to factor in well-established operations and long-standing track record of over seven decades in the shipbuilding industry, majority ownership (74.5% stake as on March 31, 2025) held by Government of India (GoI) and GRSE's strategic importance in strengthening the country's defence capabilities. The company's strategic importance to Indian Defence Sector is reflected in its order book with ~88% orders coming from Indian Navy and Coast Guard, and the largest order in the order book (~₹11,436 crore as on March 31, 2025), being for warships, received on nomination basis from the Government of India. With a large revenue share derived from defence entities in India, it is viewed as strategically important for executing and strengthening India's defence capabilities. CARE Ratings Limited (CareEdge Ratings) expects its strategic importance to continue in the long term, supporting business operations. Ratings also derive strength from robust order book of ~₹22,681 crore as on March 31, 2025, which provides strong revenue visibility in the medium term. GRSE emerged as the lowest bidder (L1) for building five (05) Next Generation Corvettes at an estimated cost of ~₹25,000 crore which is expected to further enhance its revenue visibility. GRSE is also likely to get benefit from increased GoI's focus on 'Make in-India' initiative and favourable industry outlook.

GRSE has reported strong financial performance with the company reporting a growth of 41.28% from ₹3,593 crore in FY24 to ₹5,076 crore in FY25. With a strong orderbook, the company is expected to continue its growth momentum over the medium term. Profit before interest, lease rentals, depreciation and taxation (PBILDT) margin has also improved from 6.77% in FY24 to 8.30% in FY25 with expansion in scale and fixed cost absorption. Ratings also factor in robust leverage and coverage metrics with absence of external debt, minimal reliance on working capital lines, receipt of milestone advances from defence entities for order execution and large cash built up. CareEdge Ratings expects coverage metrics and liquidity profile to remain strong.

The rating strengths are tempered by profitability susceptible to commodity price fluctuation from fixed price contracts.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors - Not applicable

Negative factors

- Substantial decline in GoI stake.
- Significant decline in the company's order book position and PBILDT margin on a continuous basis.
- Significant change in the policies of GoI resulting increased competition in the shipbuilding industry, leading to decreased strategic importance of GRSE.
- Reduction in cash balance to below ₹3,000 crore on a continued basis.

Analytical approach:

CareEdge Ratings has adopted the standalone approach while factoring linkages with the parent- GoI.

¹Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

Outlook: Stable

Over the medium term, GRSE's robust business and financial risk profiles are expected to persist due to its strategic importance to Government of India, healthy orderbook position and absence of debt funded capex.

Detailed description of key rating drivers:**Key strengths****Majority ownership by the Government of India and strategic importance**

GRSE is a central public sector enterprise (CPSE), with majority ownership (74.5% holding as on March 31, 2025) of GoI under administrative control of the Ministry of Defence. GRSE is strategically important to the Ministry of Defence (MoD) for strengthening its defence capabilities. GRSE's board of directors are appointed by MoD and comprise Central Government representative as a nominee director. GRSE has been nominated for building stealth frigates P-17 Alpha (a type of warship), which account ~50% order book.

Established operations and strong track record

GRSE has built ~800 platforms which include 111 warships for Indian Navy, Indian Coast Guard, Government of Mauritius and Government of Seychelles. GRSE has delivered warships comprising frigates, anti-submarine warfare corvettes, missile corvettes, fleet tanker, landing ship tank (large), landing craft utility, offshore patrol vessel, fast patrol vessels, inshore patrol vessel and water jet fast attack crafts among others. GRSE has a proven track record of over seven decades. Apart from shipbuilding, the company has presence in ship repair and engineering which presently form a small percentage of overall revenue.

Healthy order book position

As on March 31, 2025, the company had order book of ₹22,681 crore, which translates to over 4.4x of the FY25 revenue, providing revenue visibility in the medium term. The largest order is for frigates P-17A, which accounts for ~50% order book and was awarded to GRSE on nomination basis. GRSE emerged as the lowest bidder (L1) for building five (05) Next Generation Corvettes at an estimated cost of ~₹25,000 crore which is expected to further enhance its revenue visibility. With GOIs increased focus on indigenisation and 'Make in India' initiative, GRSE is likely to receive orders on a continuous basis, which is expected to provide sustained revenue visibility.

Improved financial performance in FY25

With increased pace of execution, revenue grew by 41%, from ₹3,593 crore in FY24 to ₹5,076 crore in FY25 mainly led by execution of frigates P-17A. The PBILDT margin improved from 6.77% in FY24 to 8.30% in FY25, mainly considering absorption of fixed costs due to increase in scale of operations. Backed by a healthy order book position, the PBILDT margin is projected to remain stable at ~8% over the medium term. Apart from operating income, a sizeable income is derived from interest on liquid funds maintained. Interest income amounted to ₹250 crore in FY25 which has also boosted the profit after taxation (PAT) level and margin. PAT registered a growth of 4.53% in FY25 with PAT margin at 10.39%.

Robust financial and liquidity position

GRSE has a favourable capital structure with negative net debt position as on March 31, 2025. GRSE does not have term debt or working capital borrowings except lease liabilities of ₹9.67 crore as on March 31, 2025. It receives stage payments which meets working capital requirements and is used to extend advances to suppliers and procure materials and equipments among others. Some advances are backed by bank guarantees (BGs) (₹2,584 crore as on March 31, 2025) which has been considered as a working capital debt by CareEdge Ratings. Against such debt, GRSE has cash and bank balances of ₹3,732 crore as on March 31, 2025. There is major debt funded capex plans in medium term and liquidity is expected to remain strong with the naval orders backed by sizeable advances.

Favourable industry outlook

Large spending plan by the Indian Navy is expected to drive the order book of Indian shipbuilding companies, more so for Central PSE shipyards. This is reflected in increased allocation towards defence sector. In the FY26 budget, the government allocated ~₹6.81 lakhs crore towards ministry of defence, which is a 9.5% increase over last year, of which, the Navy has been allocated an amount of ₹97,149.80 crore. Increasing allocation in the last few years and focus on indigenisation has led to Indian PSUs shipyard reporting high orderbooks. Indian Government plans to float a new shipping entity with 1000 ships, which would aid the existing order book of Indian Shipping companies. With large-sized capex plans by the Government, the order book of GRSE and other shipyards is expected to remain strong.

Key weaknesses

Fixed-price contracts with fluctuating margins

The work contracts are mostly fixed price resulting in profitability susceptible to unprecedented input price increase. While the company builds in sufficient contingencies to mitigate the impact of input price rise, there exists risk associated with volatility in the profit margins.

Liquidity: Strong

GRSE has cash and bank balance of ₹3,732 crore as on March 31, 2025 (₹3,720 crore as on March 31, 2024), against nil debt repayment obligations. Annual cash accruals above ₹500 crore annually, zero term debt and receipt of milestones payments to suffice working capital requirements support robust liquidity profile.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks

GRSE is exposed to the environmental risk emanating from the disruption of economic resources while construction activities are under progress. However, the company has taken certain mitigating measures such as installation of renewable power, installation of energy saving devices, and frequent energy audits. GRSE has formulated a CSR policy where it has taken several welfare projects.

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Factoring Linkages Government Support](#)

[Manufacturing Companies](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Services	Services	Transport services	Shipping

GRSE was incorporated on February 26, 1934, and operated under the name Garden Reach Workshops Limited. It was nationalised in 1960, after which the name was changed to its current nomenclature on December 31, 1976. GRSE was listed on National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) in October 2018. The company is a central public sector undertaking

(CPSU) with President of India holding 74.5% shareholding and balance held by public. Being a Defence PSU, GRSE is primarily engaged in the construction of warships for Indian Navy and Indian Coast Guard. It is also engaged in construction of commercial vessels and engineering, and engine production activities.

GRSE has three major shipbuilding capabilities, which are main works, fitting out jetty, and Rajabagan dockyard, all based in Kolkata.

Particular	March 31, 2024 (A)	March 31, 2025 (Abridged)
Total operating income	3592.64	5075.69
PBILDT	243.34	421.27
PAT	357.27	527.40
Overall gearing (times)	1.40	1.26
Interest coverage (times)	14.91	40.81

A: Audited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	227.00	CARE AAA; Stable
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	7361.00	CARE AAA; Stable / CARE A1+
Non-fund-based - ST-Letter of credit		-	-	-	1205.00	CARE A1+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	7361.00	CARE AAA; Stable / CARE A1+	-	1)CARE AAA; Stable / CARE A1+ (04-Jul-24)	1)CARE AAA; Stable / CARE A1+ (20-Jun-23)	-
2	Non-fund-based - ST-Letter of credit	ST	1205.00	CARE A1+	-	1)CARE A1+ (04-Jul-24)	1)CARE A1+ (20-Jun-23)	-
3	Fund-based - LT-Cash Credit	LT	227.00	CARE AAA; Stable	-	1)CARE AAA; Stable (04-Jul-24)	1)CARE AAA; Stable (20-Jun-23)	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - LT/ ST-Bank Guarantee	Simple
3	Non-fund-based - ST-Letter of credit	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:

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