

Hindustan Shipyard Limited

March 09, 2026

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	480.00	CARE A+; Stable	Assigned
Long Term Bank Facilities	587.50 (Enhanced from 176.00)	CARE A+; Stable	Upgraded from CARE A; Stable
Long Term / Short Term Bank Facilities	938.00	CARE A+; Stable / CARE A1	Assigned
Long Term / Short Term Bank Facilities	669.50 (Reduced from 2,499.00)	CARE A+; Stable / CARE A1	LT rating upgraded from CARE A; Stable and ST rating reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The upgrade in the long-term rating and reaffirmation of the short-term rating of Hindustan Shipyard Limited (HSL) consider the improvement in financial performance during FY25 and 10MFY26, supported by higher execution of the Fleet Support Ships (FSS) order received from the Indian Navy. The operating revenue reported year-on-year growth of 10% in FY25 (FY refers to period April 01 to March 31), increasing to ₹1,471 crore from ₹1,338 crore in FY24. HSL is expected to witness modest revenue growth in FY26 with a higher growth expected from FY27 onward, driven by stronger execution of the FSS order and potential new orders. The PBILDT margin improved significantly from 2.35% in FY25 to 11.96% in 10MFY26, following the initial phase of high fixed overheads for the FSS orders. With further progress in the FSS order and commencement of the expected submarine retrofitting order, operating margins are projected to remain in double digits in the medium term.

The rating also factors in HSL's well-established operations and more than seven decades of experience in the shipbuilding industry, its strategic importance to national defence, and its 100% ownership by the Government of India (GoI). It is among the few shipyards in India capable of submarine retrofitting and is the only shipyard on the east coast with submarine repair facilities. Its strategic importance is further underscored by an order book with 99.72% contribution from the Indian Navy, including the largest FSS order awarded on nomination basis in August 2023. The robust outstanding order book of ₹18,295 crore as on November 30, 2025, provides strong long-term revenue visibility. HSL is also expected to benefit from GoI's 'Make-in-India' initiative and favourable sectoral outlook.

Liquidity has improved with the receipt of advances for the FSS order, enabling the company to maintain healthy fixed deposit balances. Ratings also note the complete repayment of the Offshore Platform (OPF) loan and profit generation thereby improving the financial position.

The rating strengths are moderated by exposure to profitability volatility due to the predominance of fixed-price contracts in the order book, execution risk associated with large orders received after a long gap and modest network base due to accumulated losses and intense competition from both PSU-owned and private shipyards also remain rating constraints. The large size of the FSS order results in significant upfront procurement requirements and milestone-based billing over an extended execution cycle, keeping operations working-capital intensive.

The ratings also take cognizance of relatively high contingent liabilities and re-addition of large sized liabilities relating to delayed ship delivery and liquidated damages. These liabilities had reduced to ₹745 crore as on March 31, 2024, from ₹1,955 crore as on March 31, 2023, but have been re-appealed before the Commercial Court, Visakhapatnam, increasing total contingent liabilities

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

including interest to ₹2,224 crore as on March 31, 2025. Any fructification of such liabilities with impact on liquidity shall be critical from credit perspective.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Revenue growth to Rs.2500 crore while maintaining PBILDT margins above 8% on continued basis
- Continued improvement in liquidity profile

Negative factors

- Dilution of Government of India shareholding in the company/or reduced strategic importance.
- Delayed execution of work order impacting the profitability/and or levy of liquidated damages.
- Unfavourable judgements of pending legal cases / crystallisation of contingent liabilities impacting liquidity.

Analytical approach:

Standalone, factoring in linkages with parent – GoI.

CareEdge Ratings has assessed the standalone operations and financials of HSL while factoring linkages with the parent, GoI, considering majority ownership and strategic importance of HSL to GoI in strengthening the country's defence.

Outlook: Stable

Over the medium term, HSL's business and financial risk profiles are expected to persist due to its strategic importance and healthy orderbook position with expectation of timely orderbook execution.

Detailed description of key rating drivers:

Key strengths

Growing revenue and scale of operation along with improving profitability

The financial performance has been satisfactory in FY25 with a significant improvement in 10MFY26 which is expected to sustain over the medium term. Revenue grew by ~10% to ₹1,471 crore in FY25 from ₹1,338 crore in FY24. During 10MFY26, the company reported revenue of Rs.1,028 crore. Supported by execution of strong order book, the company's revenue is expected to sustain double-digit growth from FY27 onwards. To meet execution timelines, HSL has also entered into a sub-contracting arrangement with Larsen & Toubro Limited for two of the five Fleet Support Ships (FSS) orders.

PBILDT margins remained weak at 2.35% in FY25 (FY24- 1.58%) due to provisions for liquidated damages, bad debts, and receivables, along with initial fixed overheads and sub-contracting expenses. However, margins improved following the initial execution phase, with PBILDT margin rising to 11.96% in 10MFY26. Margins are expected to remain in double digits over the medium term, supported by scaling up of the FSS order. Profitability also improved due to substantial non-operating income, with PAT increasing to ₹213 crore in FY25 from ₹166 crore in FY24. PAT stood at ₹156 crore in 10MFY26 despite exceptional arbitration-related charges of ₹102 crore.

Absolute ownership of GoI and strategic importance to the Defence

HSL is a defence Public Sector Undertaking under the Ministry of Defence (MoD), with 100% shareholding held by the President of India. Its Board includes one Government Nominee Director. The company derives over 99% of its income from defence entities and has received a ₹19,048 crore FSS order on nomination basis, underscoring its strategic importance in strengthening India's naval capability. It remains the only Central Public Sector Enterprise (CPSE) shipyard with submarine repair capability, positioning it strategically within the defence shipbuilding ecosystem. HSL also receives loans and grants from the Government of India, further reinforcing its strategic relevance. CareEdge Ratings expect continuity of the strategic importance and the same shall be important from credit perspective.

Strong orderbook position

HSL has a shipbuilding capacity of 80,000 deadweight tonnage (DWT) and ship repair capacity of 70,000 DWT, which is the second highest in India. The company has a healthy order book of ₹18,295 crore as on November 30, 2025, providing strong medium-term revenue visibility. However, execution is at an early stage, with progress worth ₹886 crore completed as of the same date. HSL has recently emerged as the L1 bidder for a ~₹3,000 crore order for 18 Next Gen Fast Patrol Vessels (NGFPVs) from the Indian Coast Guard. Further, it is in the process of securing order worth ~₹3,800 crore Medium Refit and Life Cycle Extension (MRLC) order for INS *Sindhuvijay*, which would further strengthen revenue visibility upon finalisation.

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 FY27 budget, the government allocated ~₹7.85 lakhs crore towards ministry of defence, which is a 15% increase over last year. Of this, a significant portion of the capital outlay has been earmarked for modernisation, including funds for naval fleet expansion and capability enhancement, reinforcing the government's focus on strengthening maritime and defence manufacturing ecosystems. Increasing allocation in the last few years and focus on indigenisation has led to Indian PSUs shipyard reporting high orderbooks. With large-sized capex plans by the government and supportive policy initiatives, the order books of players such as HSL and other shipbuilders are expected to remain robust.

Key weaknesses**Modest networth base**

The company incurred losses in the past due to lower work order receipts, delayed execution and liquidated damages, resulting in net worth erosion. Losses persisted between FY12 and FY15, with profits recorded from FY16 to FY24 except in FY21 due to COVID-19. Although the debit balance in the Profit and Loss account remains high at ₹775 crore as on March 31, 2025, the company is expected to continue reporting profit, supported by stable operations and interest income from advances invested in fixed deposits.

Debt funded capex

HSL has undertaken capex of Rs.739.91 which is being financed through term debt of Rs.480 crore and balance through own funds. The capex has commenced with disbursement of Rs.175 crore. HSL has been a debt free entity until March 31, 2025. The term debt is structured to provide support to the cashflows in the initial years of capex. The cashflows are expected to remain comfortable to service the debt obligation arising out of the term debt. However, increasing external debt liability resulting in adverse impact on debt coverage shall be a key monitorable.

Concentrated orderbook

As on November 30, 2025, HSL's outstanding order book stood at ₹18,295 crore, with the five-vessel Fleet Support Ship project contributing 99% of the total. Consequently, the company's medium-term revenue visibility is highly dependent on the timely execution of this single large order. The progress on such orders shall determine the revenue and profit in the books. While there are other orders in pipeline, timely receipt and commencement of execution shall be important for diversification and growth.

High contingent liabilities

HSL has significant contingent liabilities arising from tax matters and disputes with customers and suppliers. As on March 31, 2025, contingent liabilities relating to claims under arbitration stood at ₹2,224 crore. These liabilities had declined from approximately ₹1,955 crore as on March 31, 2023, to ₹745 crore as on March 31, 2024, following the settlement of claims aggregating around ₹1,200 crore filed by Good Earth Maritime Limited (GML) in connection with delayed ship delivery and related liquidated damages. The arbitral tribunal had ruled in favour of HSL during FY2024, resulting in the reduction. Subsequently, GML

has refiled an appeal before the Commercial Court, Visakhapatnam, along with a claim for interest, leading to an increase in contingent liabilities to ₹2,224 crore as on March 31, 2025. Any crystallisation of these liabilities could exert pressure on the company's liquidity and remains a key rating monitorable.

Liquidity: Adequate

As on December 31, 2025, HSL had a cash and bank balance of around ₹4,170 crore (₹3,501 as on September 30, 2024). The company receives advances/stage payments for executing orders. As on December 31, 2025, the company had advances from customers to the tune of ₹5,750 crore (₹4,195 crore as on September 30, 2024). As execution of the five FSS vessels progresses, the Indian Navy will release further stage payments in tranches, supporting material procurement and other execution-related expenses. These inflows are expected to provide adequate liquidity support over the medium term as the project ramps up.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

[Definition of Default](#)
[Factoring Linkages Government Support](#)
[Liquidity Analysis of Non-financial sector entities](#)
[Rating Outlook and Rating Watch](#)
[Manufacturing Companies](#)
[Financial Ratios – Non financial Sector](#)
[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital Goods	Industrial Manufacturing	Ship Building & Allied Services

Founded in 1941, HSL became a fully owned GoI undertaking in 1961. Till 2009, the company operated under Ministry of Shipping, and in 2010, it was designated as a defence shipyard and functions under the administrative control of the MoD wherein 100% of the shares are held by the President of India. The company has three segments — ship building, ship repair, and submarine refits.

HSL is capable of building all types of vessels up to 80,000 deadweight tonnes (DWT). Being the only CPSE shipyard with ship-repair and submarine refit capabilities in the East Coast of India, HSL can cater ships for repairs upto 70,000 DWT.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	10MFY26 (UA)
Total operating income	1,338	1,471	1028
PBILDT*	21	35	123
Profit after tax (PAT)	105	213	156
Overall gearing (x)	-16.84	1.15	NA
Interest coverage (x)	0.74	1.30	5.86

A: Audited UA: Unaudited; NA: Not Available; Note: these are latest available financial results

*PBILDT: Profit before interest, lease rentals, depreciation and tax

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-Term Loan		-	-	31-May-2033	480.00	CARE A+; Stable
Fund-based - LT-Working Capital Limits		-	-	-	587.50	CARE A+; Stable
Fund-based/Non-fund-based-LT/ST		-	-	-	938.00	CARE A+; Stable / CARE A1
Non-fund-based - LT/ ST-BG/LC		-	-	-	669.50	CARE A+; Stable / 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-BG/LC	LT/ST	669.50	CARE A+; Stable / CARE A1	1)CARE A; Stable / CARE A1 (01-Apr-25) 2)CARE A; Stable / CARE A1 (08-Apr-24)	1)CARE A; Stable / CARE A1 (26-Jun-24) 2)CARE A; Stable / CARE A1 (08-Apr-24)	-	-
2	Fund-based - LT-Working Capital Limits	LT	587.50	CARE A+; Stable	1)CARE A; Stable (01-Apr-25)	1)CARE A; Stable (26-Jun-24)	-	-
3	Fund-based - LT-Term Loan	LT	480.00	CARE A+; Stable				
4	Fund-based/Non-fund-based-LT/ST	LT/ST	938.00	CARE A+; Stable / CARE A1				

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-Term Loan	Simple
2	Fund-based - LT-Working Capital Limits	Simple
3	Fund-based/Non-fund-based-LT/ST	Simple
4	Non-fund-based - LT/ ST-BG/LC	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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