

GREAT OFFSHORE LTD (GOL)

“ Profitability increases even though utilization declines “

CMP : Rs. 458

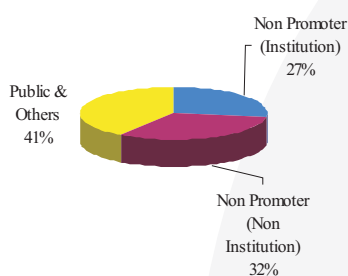
TARGET PRICE : 525

STAY INVESTED

COMPANY SNAPSHOT (July 29, 2009)

Market Price	Sensex
Rs. 458	15,174
52 Wk H / L	Bloomberg Code
Rs. 577 / 200	GOFF IN
Mkt Cap (INR mn)	Equity cap O/S (mn)
Rs. 17010	371.4
BSE CODE	NSE CODE
532786	GTOFFSHORE

Shareholding Pattern



Price Performance Chart



COMPANY PROFILE

Great Offshore is India's prominent integrated offshore oilfield service provider offering a broad spectrum of services to upstream oil and gas producers to carry out offshore exploration and production (E&P) activities. Great Offshore meets a wide gamut of the offshore requirements of an E&P operator. In the last 25 years, Great Offshore has serviced major E&P operators in India and in the international waters of the North Sea, the Middle East, South Africa and South East Asia. Its state-of-the-art vessels include exploratory rigs, offshore support vessels, anchor handling tug supply vessels and a construction barge. It also provides port and terminal support services through a fleet of harbour tugs.

QUARTER ENDED JUNE 2009 RESULTS

Great Offshore recorded 22% increase in its revenue for QFY2010 to Rs2,470 million as compared to Rs2,027 million in Q1FY2009. For Q1FY2010, consolidating all the wholly owned subsidiaries viz. Deepwater Services (India) Ltd. (which has inchartered “Badrinath”, one of the two rigs), Great Offshore (International) Ltd. (which owns and operates a modern high end AHTSV) and KEI-RSOS Maritime Ltd & Rajamahendri Shipping & Oilfield Services Ltd. (on completion of all procedural formalities in November 2008) the company's revenue stood at Rs2,657 million, registering a net profit of Rs306 million. In Q1FY2010, revenue from EPC contract stood at Rs350 million.

In Q1FY2010, overall operating costs increased by 10% y-o-y to Rs1,307 million, which grew at lower rate than revenues, resulted in OPM rising by 550 basis points to 47% in Q1FY2010 as compared to 42% in Q1FY2009.

Interest expenses increased by 44% y-o-y to Rs251 million in Q1FY2010. Depreciation expenses increased by 16% y-o-y to Rs298 million in Q1FY2010. PAT increased by 244% y-o-y in Q1FY2010 to Rs413 million, as compared to Rs120 million in Q1FY2009. However, after giving effects of EO (invocation of Performance Bank Guarantee for non-delivery of new build Jack Up rig as per terms of the contract) for Q1FY2010, the reported PAT grew by 85% y-o-y to Rs222 million. PAT margin for Q4FY2009 increased by 1,080 basis points to 16.7% y-o-y.

Key Developments:

✓ Lower utilization rate

During Q1FY2010, drilling rigs were fully utilised y-o-y. Of the eligible revenue days, offshore supply vessels registered a utilisation of around 72% y-o-y (previous period 88%). The marine construction barge at a utilisation of 91% (corresponding period 58%) worked largely for in-house project execution work while the harbour tugs clocked a utilisation of 91% (corresponding period 72%).

✓ Asset Profile

As on July 30, 2009, the fleet comprises 41 vessels (2 drilling units, a construction barge and a heavy lift vessel, 26 offshore support vessels and 11 harbour tugs). The Company took delivery of a new build tug during June 2009 and would be deploying the same for Gangavaram port operations. More than 90% of its vessels are on long term charter.

✓ Outstanding Debt

GOL's debt has increased to Rs17,000 million in Q1FY2010 as compared to around Rs12,000 million in Q1FY2009.

✓ Revised open offer by ABG Shipyard

ABG Shipyard has raised its offer for control of Great Offshore by 20% to Rs 450 a share, bettering a bid by rival Bharati Shipyard. ABG bought 1,926,721 shares, or 5.2%, of Great Offshore from the open market at an average of Rs450 a share. With this the total shareholding of ABG shipyard is around 7.3%. Rival Bharati owns 19.5% of Great Offshore and is expected to increase its price from Rs405 to exceed ABG's offer. The two companies have time till August 24 to change their offer price.

OUTLOOK AND VALUATION

The company reported quite good numbers even though 8 of its offshore vessels were on drydock in Q1FY2010. We expect in Q2FY2010, the company would report better results as all the vessels would be in operation. We maintain our estimates for FY2010 and FY2011.

We believe there are high chances for the companies (Bharati Shipyard and ABG Shipyard) to jack-up the share price for the acquisition, which will be very beneficial for minority shareholders. However, we feel that this will not change the operational efficiencies of the company and fundamentals would remain intact.

At the CMP of Rs458, the stock is trading at a P/E of 6.31x and 6.13x its projected FY2010 and FY2011 earnings respectively. We recommend our clients to **STAY INVESTED** for a **target price of Rs525** on the stock.



✓ Results for the quarter ended June 2009

	Standalone			Consolidated
	Q1FY2010	Q1FY2009		FY2009
Net income	2,470.40	2,026.80	21.9%	10,810.50
Other Operating Income	(177.80)	(231.30)		582.00
Operating expenses:				
Staff cost	415.40	420.80	-1.3%	1,889.80
Repair & maintainence (Fleets & Rigs)	151.70	201.10	-24.6%	1,279.50
Engg. Project expenses	324.20	159.30	103.5%	651.90
Other expenses	415.40	402.90	3.1%	2,097.30
Total operating expenses	1,306.70	1,184.10	10.4%	5,918.50
Operating income	1,163.70	842.70	38.1%	4,892.00
Other Income	3.90	3.50		21.60
PBIDT	1,167.60	846.20	38.0%	4,913.60
Interest	251.00	173.90	44.3%	1,065.10
PBDT	916.60	672.30	36.3%	3,848.50
Depreciation	298.40	257.80	15.7%	1,147.70
PBT	440.40	183.20	140.4%	3,282.80
Provision for taxes	27.90	63.10	-55.8%	470.00
PAT	412.50	120.10	243.5%	2,812.80
Extra-ordinary items	190.50	-		62.1
(Gain) on sale of vessel	-	-		-
Reported PAT	222.00	120.10	84.8%	2,750.70
Margins				
OPMs	47.1%	41.6%		45.3%
PBIDTM	47.3%	41.8%		45.5%
PBT	17.8%	9.0%		30.4%
PAT	16.7%	5.9%		26.0%
Tax Rate	6.3%	34.4%		14.3%
Reported EPS	5.98	3.19		74.06
EPS	11.11	3.19		75.74
Reported EPS	11.11	3.19		75.74
CEPS	19.14	10.03		106.64
No of shares issued	37.14	37.66		37.14

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