

BUZZING

STOCK

Great Offshore Ltd.

CMP – Rs.527

Analyst

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Key Stock Data

Sensex	13049
Nifty	3762
Sector	Ship - Breaking
Bloomberg	GOFF.IN
Reuters	GOFS.BO
No. of shares (m)	38
Market Cap (Rs m)	19,864
Market Cap (US\$ m)	447
52-week H/L	Rs.905/511

Shareholding Pattern (%)

Promoters	27.67
Mutual Funds	18.18
FII's	6.19
Corporate Bodies	10.23
Pubic & Others	37.73

Great Offshore Ltd. (GOL), with its expansion plans, is all set to cater to increased oil and gas exploration activity in India. In FY06, GOL had fleet size of 33 vessels, which post expansion is expected to rise to 42.

Expansion Plan: GOL is planning to expand its fleet size from 33 in FY06 to 40 in FY07, 41 in FY08 and 42 in FY09. This fleet expansion includes 8 vessels in logistics support segment alongwith one jack up rig in offshore drilling segment. The total investment required for the expansion is \$240m to be funded by debt and internal accruals.

Currently, offshore drilling with 1 jack up rig and 1 drilling barge contributes around 20% of total revenues. This contribution is expected to double, as delivery of new jack up rig is expected in FY09. New rig, considering the tighter demand supply scenario, is expected to be chartered at higher rates.

Logistics support is the largest segment contributing around 60% of total revenues. In FY06, GOL had 19 Offshore Supply Vessels including AHTVS (Anchor Handling Tug Supply Vessels), AHT (Anchor Handling Tugs), PSV (Platform Supply Vessels), FFSP (Fire Fighting Supply Vessels) and DSV (Diving Supply Vessels). This is expected to go up to 26 by FY07 and 28 by FY08. This expansion will even include acquisition of MSV (Multi purpose Supply Vessel).

Table 1: Expansion Plan

Segment	Vessels	Fleet Size				
		Current FY06	Expansion FY07	Post Expansion FY08	Post Expansion FY09	
Offshore Drilling	Jack Up Rig	1	-	-	1	2
	Drilling Barge	1	-	-	-	1
Logistics Support	AHTSV	9	3	1	-	13
	AHT	3	-	-	-	3
	PSV	5	2	-	-	7
	FFSV	1	1	-	-	2
	DSV	1	-	-	-	1
	MSV	0	1	-	-	1
Construction Projects	Construction Barge	1	-	-	-	1
Terminal Supports	Harbour Tugs	11	-	-	-	11
	Total	33				42

Future Growth: GOL is expected to put up bright performance going forward. In FY08, expansion of fleet size is expected to boost the topline. Besides, 8-10 vessels of Logistic Support segment are due for renewal. It is expected that charter rates will increase by 20-25% for these vessels. In FY09, the new vessel in offshore drilling segment will contribute to topline.

Younger Fleet: All its vessels are younger with an average age of 12 years. This is expected to still reduce considering addition of new vessels to its fleet. This factor is important considering the fact that dry-docking and refurbishment charges are high. Jack up rig refurbishment cost is around \$10-12m.

Refurbishment cost depends on the age, size, condition, technological level, etc of the vessel. Younger average age of GOL's vessels is expected to result in lower dry docking charges.

Business Profile: GOL, the demerged division of GE Shipping, is one the largest integrated offshore service provider with its expected fleet size of 40 in FY07. It has four major segments of operations viz. Offshore Drilling, Logistics Support, Construction Projects and Terminal Supports providing services to E&P operators in domestic and international markets. ONGC accounts for 40-45% of its total revenues. Currently, GOL derives 60% of its total revenues from long-term contracts.

Offshore drilling segment provides drilling services to the offshore industry with its two drilling vessels. Logistics Support segment provides services from its diverse range of vessels. Construction Project segment includes a construction barge providing support to complete range of offshore construction activity. Terminal Supports segment has around 11 harbour tugs providing port services across 9 ports in India.

Valuation: GOL has put up robust performance in 9MFY07. The revenues for 9MFY07 at Rs.3876m have already surpassed its full year 06' revenues. The company achieved EBIDTA margins of 49.7% resulting in PAT of Rs.1114m. The current market price discounts the 9MFY07 annualized EPS of 29.2 by 18x.

Financial Snapshot

Great Offshore Ltd.						Rs.m	Ratios (%)			
	9M FY07	9M FY06	Chg. (%)	FY06	FY05	Chg. (%)		FY06	FY05	Chg.(%)
Financial Year End: March										
Net Sales	3876	-	-	3468	-	-	Debt -Equity	0.7	NA	-
Other Income	52	-	-	29	-	-	PBIDTM	45	NA	-
Total Income	3927	-	-	3497	-	-	PBDDTM	40	NA	-
Total Expenditure	1950	-	-	1937	-	-	RoCE	13	NA	-
PBIDT	1977	-	-	1560	-	-	RoNW	19	NA	-
Interest	226	-	-	164	-	-				
PBDT	1751	-	-	1396	-	-				
Depreciation	476	-	-	422	-	-				
Tax	181	-	-	37	-	-				
Reported Profit After Tax	1114	-	-	918	-	-				
Extra -ordinary Items	0	-	-	0	-	-				
Adj. Profit After Extra-ordinary item	1114	-	-	918	-	-				
No. of shares (m)	38	-	-	38	-	-				
EPS (annualised.) (Rs.)	29.2	-	-	24.1	-	-				
P/E	18.0	-	-	21.9	-	-				

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