

Great Offshore

GOFF IN

Amit Shah
(91 22) 6628 2428

India
Energy/Oil & Gas Services

Change in Numbers
21 January 2009

SO WHAT? THE BNP PARIBAS ANGLE

INDUSTRY OUTLOOK: ← →

- Street estimates, TPs and ratings have consistently moved towards our REDUCE call.
- We were among the first brokers with a REDUCE rating on Great Offshore.
- Management concerns continue to weigh on the stock.

Net Profit 09 INR1.7b
.....(From INR1.1b)

Diff from Consensus.... 6.2%
Consensus (mean) INR1.6b
Consensus (momentum) ↓

Target Price INR206.00
.....(From INR196.00)

Diff from Consensus(37.0%)
Consensus (median)INR327.00
Consensus (momentum)..... ↓

Current Price INR249.10
Upside/(Downside)..... (17.3%)

REDUCE
(Unchanged)

Recs in the Market

Positive11
Neutral1
Negative4
Consensus (momentum)..... ↓

Sources: Thomson One Analytics; Bloomberg; BNP Paribas estimates

- GOFF surprises with a strong quarter, on higher utilization and more vessels coming online.
- Promoter stock pledge with Bharati Shipyard, and a possible delay in delivery of jack-up rig are areas of concerns.
- Maintain REDUCE, raising DCF-based TP to INR206/sh from INR196/sh (WACC assumption=14.5%).

Long-term concerns remain

Strong quarter; expect tougher FY10 and beyond
GOFF reported its Q3FY09 results, well above our estimates driven by high vessel utilisation and better-than-expected operating performance. Revenue for Q3FY09 came in at INR2.75b vs our estimate of INR2.22b while the EBITDA margin came in at 42% vs our estimate of 31%. This quarter saw a sharp jump in revenue and EBITDA margin as new vessels contributed to revenue. Our checks indicate that the offshore support vessel (OSV) pricing is holding up for most of the contracts signed until the end of May 2009. However, the pricing is likely to see weakness when contracts are up for renewal in the June-July season in 2009.

Stock pledge with Bharati raises concerns

GOFF's promoters have recently pledged 14.9% of their stake of 15.9% with Bharati Shipyard. We believe this will continue to remain an overhang on GOFF's shares raising concerns on management ability to defend a possible takeover. This can also be viewed as Bharati's move to secure the payments of the orders GOFF has placed with Bharati.

Delivery delay concerns for Samed Shikhar still remain

Even though GOFF and Bharati Shipyard (which is constructing GOFF's rig) have maintained their delivery target of March-April 2009, our channel checks suggests a likelihood of delay in delivery. Our sensitivity shows that a delivery delay of a quarter reduces our FY10E EPS by 10%. Bharati Shipyard has already delayed the delivery from December 2008 to March 2009.

Maintain REDUCE; raising TP to INR206 from INR196

We are maintaining our REDUCE rating while raising our TP from INR196 to INR206. Our TP increases on better than expected utilisation levels and slightly better day rates. We continue to recommend investors to book profits on any rally in the shares due to lack of clarity on the pledging of shares with Bharati Shipyard (which is GOFF's rig manufacturer) and overall decline in crude oil prices which will impact offshore vessels which come up for contract renewals in FY10.

Amit Shah (91 22) 6628 2428

BNP Paribas Securities India Pvt Ltd
amit.shah@asiabnp.com

Alok Deshpande (91 22) 6628 2429

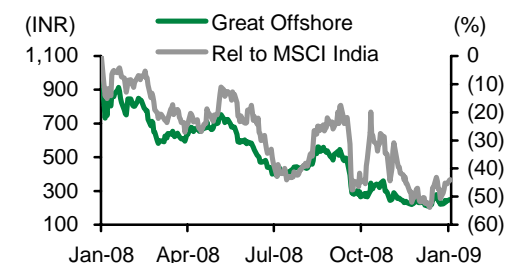
BNP Paribas Securities India Pvt Ltd
alok.deshpande@asiabnp.com

Earnings Estimates And Valuation Ratios

YE Mar (INR m)	2008	2009E	2010E	2011E
Revenue	7,459	10,290	15,404	16,600
Reported net profit	2,016	1,691	2,825	2,814
Recurring net profit	2,016	1,691	2,825	2,814
Previous rec net profit	2,016	1,116	2,743	2,792
Chg from previous (%)	—	51.6	3.0	0.8
Recurring EPS (INR)	52.90	45.18	76.07	75.78
Prev rec EPS (INR)	52.90	29.88	73.46	74.76
Rec EPS growth (%)	38.9	(14.6)	68.4	(0.4)
Recurring P/E (x)	4.7	5.5	3.3	3.3
Dividend yield (%)	5.4	3.9	3.2	3.3
EV/EBITDA (x)	5.4	4.9	3.9	3.4
Price/book (x)	1.3	1.1	0.8	0.7
ROE (%)	29.9	21.2	28.5	22.7
Net debt/equity (%)	103.7	162.2	107.8	60.8

Sources: Great Offshore; BNP Paribas estimates

Share Price Daily vs MSCI



Next results/event	April 2009
Market cap (USD m)	191
12m avg daily turnover (USD m)	2.2
Free float (%)	66
Major shareholder	Delta Housing Co (10%)
12m high/low (INR)	992.65/208.10
ADR (USD)	Nil
Avg daily turnover (USD m)	Nil
Discount/premium (%)	Nil
Disc/premium vs 52-wk avg (%)	Nil

Source: Datastream

BNP Paribas research is available on Thomson Reuters, Bloomberg, and on <http://equities.bnpparibas.com>. Please contact your salesperson for authorisation. Please see the important notice on the back page.

FINANCIAL STATEMENTS

Great Offshore

Profit and Loss (INR m)					
Year Ending March	2007A	2008A	2009E	2010E	2011E
Revenue	5,822	7,459	10,290	15,404	16,600
Cost of sales ex depreciation	(2,550)	(2,948)	(4,429)	(7,278)	(8,361)
Gross profit ex depreciation	3,272	4,511	5,861	8,126	8,239
Other operating income	-	-	-	-	-
Operating costs	(644)	(1,387)	(1,708)	(2,370)	(2,583)
Operating EBITDA	2,628	3,124	4,153	5,756	5,656
Depreciation	(709)	(986)	(1,088)	(1,367)	(1,436)
Goodwill amortisation	-	-	-	-	-
Operating EBIT	1,919	2,139	3,065	4,389	4,219
Net financing costs	(282)	51	(1,083)	(1,049)	(878)
Associates	-	-	-	-	-
Recurring non operating income	-	-	-	-	-
Non recurring items	-	-	-	-	-
Profit before tax	1,638	2,190	1,982	3,340	3,342
Tax	(186)	(173)	(291)	(515)	(527)
Profit after tax	1,452	2,016	1,691	2,825	2,814
Minority interests	-	-	-	-	-
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	1,452	2,016	1,691	2,825	2,814
Non recurring items & goodwill (net)	-	-	-	-	-
Recurring net profit	1,452	2,016	1,691	2,825	2,814
Per share (INR)					
Recurring EPS *	38.09	52.90	45.18	76.07	75.78
Reported EPS	38.09	52.90	45.18	76.07	75.78
DPS	9.12	13.33	9.84	7.94	8.33
Growth					
Revenue (%)	-	28.1	38.0	49.7	7.8
Operating EBITDA (%)	-	18.9	32.9	38.6	(1.7)
Operating EBIT (%)	-	11.4	43.3	43.2	(3.9)
Recurring EPS (%)	-	38.9	(14.6)	68.4	(0.4)
Reported EPS (%)	-	38.9	(14.6)	68.4	(0.4)
Operating performance					
Gross margin inc depreciation (%)	44.0	47.3	46.4	43.9	41.0
Operating EBITDA margin (%)	45.1	41.9	40.4	37.4	34.1
Operating EBIT margin (%)	33.0	28.7	29.8	28.5	25.4
Net margin (%)	24.9	27.0	16.4	18.3	17.0
Effective tax rate (%)	11.3	7.9	14.7	15.4	15.8
Dividend payout on recurring profit (%)	23.9	25.2	21.8	10.4	11.0
Interest cover (x)	6.8	na	2.8	4.2	4.8
Inventory days	9.0	8.8	8.0	6.5	6.8
Debtor days	77.7	73.1	73.5	70.9	81.9
Creditor days	221.2	217.7	195.5	169.0	184.7
Operating ROIC (%)	26.1	14.1	14.0	16.2	15.7
Operating ROIC - WACC (%)	9.5	(2.7)	(2.4)	(0.1)	(0.6)
ROIC (%)	26.0	14.1	13.9	16.2	15.7
ROIC - WACC (%)	9.5	(2.7)	(2.4)	(0.1)	(0.6)
ROE (%)	47.0	29.9	21.2	28.5	22.7
ROA (%)	22.4	11.0	10.9	13.1	12.1
* Pre exceptional, pre-goodwill and fully diluted					

Expecting FY09E EPS to decline with higher interest cost and lower other income

Declining EBITDA margin due to rising cost pressure

Sources: Great Offshore; BNP Paribas estimates

Cash Flow (INR m)					
Year Ending March	2007A	2008A	2009E	2010E	2011E
Recurring net profit	1,452	2,016	1,691	2,825	2,814
Depreciation	709	986	1,088	1,367	1,436
Associates & minorities	-	-	-	-	-
Other non-cash items	-	-	-	-	-
Recurring cash flow	2,161	3,002	2,779	4,192	4,251
Change in working capital	-	(788)	148	(272)	237
Capex - maintenance	-	-	-	-	-
Capex - new investment	(5,778)	(1,869)	(9,000)	(1,700)	(500)
Free cash flow to equity	(3,617)	344	(6,073)	2,221	3,988
Net acquisitions & disposals	-	-	-	-	-
Dividends paid	(348)	(508)	(368)	(295)	(309)
Non recurring cash flows	-	-	-	-	-
Net cash flow	(3,965)	(164)	(6,441)	1,926	3,679
Equity finance	-	-	-	-	-
Debt finance	3,654	3,496	3,980	(1,500)	(3,000)
Movement in cash	(311)	3,332	(2,461)	426	679

Per share (INR)

Recurring cash flow per share	56.69	78.75	74.25	112.88	114.45
FCF to equity per share	(94.90)	9.03	(162.22)	59.79	107.37

Balance Sheet (INR m)

Year Ending March	2007A	2008A	2009E	2010E	2011E
Working capital assets	1,715	3,389	4,262	5,887	6,190
Working capital liabilities	(1,573)	(2,460)	(3,480)	(4,833)	(5,373)
Net working capital	142	930	782	1,054	817
Tangible fixed assets	12,890	13,905	21,816	22,149	21,213
Operating invested capital	13,031	14,835	22,599	23,203	22,030
Goodwill	1	1	1	1	1
Other intangible assets	-	-	-	-	-
Investments	-	-	-	-	-
Other assets	33	66	55	3	-
Invested capital	13,065	14,901	22,654	23,207	22,030
Cash & equivalents	(576)	(3,376)	(926)	(1,403)	(2,134)
Short term debt	8	8	8	8	8
Long term debt *	7,458	10,953	14,933	13,433	10,433
Net debt	6,889	7,585	14,015	12,038	8,307
Deferred tax	-	-	-	-	-
Other liabilities	-	-	-	-	49
Total equity	6,175	7,315	8,638	11,169	13,674
Minority interests	-	-	-	-	-
Invested capital	13,065	14,901	22,654	23,207	22,030

* Includes convertibles and preferred stock which is being treated as debt

Per share (INR)

Book value per share	162.01	191.91	230.75	300.72	368.17
Tangible book value per share	161.99	191.90	230.74	300.71	368.16

Financial strength

Net debt/equity (%)	111.6	103.7	162.2	107.8	60.8
Net debt/total assets (%)	45.3	36.6	51.8	40.9	28.1
Current ratio (x)	1.4	2.7	1.5	1.5	1.5
CF interest cover (x)	8.7	na	3.7	4.7	6.1

Valuation	2007A	2008A	2009E	2010E	2011E
Recurring P/E (x) *	6.5	4.7	5.5	3.3	3.3
Recurring P/E @ target price (x) *	5.4	3.9	4.6	2.7	2.7
Reported P/E (x)	6.5	4.7	5.5	3.3	3.3
Dividend yield (%)	3.7	5.4	3.9	3.2	3.3
P/CF (x)	4.4	3.2	3.4	2.2	2.2
P/FCF (x)	neg	27.6	neg	4.2	2.3
Price/book (x)	1.5	1.3	1.1	0.8	0.7
Price/tangible book (x)	1.5	1.3	1.1	0.8	0.7
EV/EBITDA (x) **	6.2	5.4	4.9	3.9	3.4
EV/EBITDA @ target price (x) **	5.6	4.8	4.5	3.6	3.2
EV/invested capital (x)	1.3	1.1	1.0	0.9	0.8

* Pre exceptional, pre-goodwill and fully diluted

** EBITDA includes associate income and recurring non-operating income

Sources: Great Offshore; BNP Paribas estimates

DISCLAIMERS & DISCLOSURES

This report was produced by a member company of the BNP Paribas Group ("Group"). This report is for the use of intended recipients only and may not be reproduced (in whole or in part) or delivered or transmitted to any other person without our prior written consent. By accepting this report, the recipient agrees to be bound by the terms and limitations set out herein.

The information contained in this report has been obtained from public sources believed to be reliable and the opinions contained herein are expressions of belief based on such information. No representation or warranty, express or implied, is made that such information or opinions is accurate, complete or verified and it should not be relied upon as such. This report does not constitute a prospectus or other offering document or an offer or solicitation to buy or sell any securities or other investments. Information and opinions contained in this report are published for reference of the recipients and are not to be relied upon as authoritative or without the recipient's own independent verification or taken in substitution for the exercise of judgement by the recipient. All opinions contained herein constitute the views of the analyst(s) named in this report, they are subject to change without notice and are not intended to provide the sole basis of any evaluation of the subject securities and companies mentioned in this report. Any reference to past performance should not be taken as an indication of future performance. No member company of the Group accepts any liability whatsoever for any direct or consequential loss arising from any use of the materials contained in this report.

The analyst(s) named in this report certifies that (i) all views expressed in this report accurately reflect the personal views of the analyst(s) with regard to any and all of the subject securities and companies mentioned in this report and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed herein.

This report is prepared for professional investors and is being distributed in Hong Kong by BNP Paribas Securities (Asia) Limited to persons whose business involves the acquisition, disposal or holding of securities, whether as principal or agent. BNP Paribas Securities (Asia) Limited, a subsidiary of BNP Paribas, is regulated by the Securities and Futures Commission for the conduct of dealing in securities and advising on securities. This report is being distributed in the United Kingdom by BNP Paribas London Branch to persons who are not private customers as defined under U.K. securities regulations. BNP Paribas London Branch, a branch of BNP Paribas, is regulated by the Financial Services Authority for the conduct of its designated investment business in the U.K. This report is being distributed in the United States by BNP Paribas Securities (Asia) Limited and is intended for distribution in the United States only to "major institutional investors" (as such term is defined in Rule 15a-6 under the Securities Exchange Act of 1934, as amended) and is not intended for the use of any person or entity that is not a major institutional investor. Major institutional investors receiving this report should effect transactions in securities discussed in the report through BNP Paribas Securities Corp. BNP Paribas Securities Corp. is a member of the New York Stock Exchange, the National Association of Securities Dealers and the Securities Investor Protection Corporation. Reproduction, distribution or publication of this report in any other places or to persons to whom such distribution or publication is not permitted under the applicable laws or regulations of such places is strictly prohibited.

Information on Taiwan listed stocks is distributed in Taiwan by BNP Paribas Securities (Taiwan) Co., Ltd.

Distribution or publication of this report in any other places to persons which are not permitted under the applicable laws or regulations of such places is strictly prohibited.

Recommendation structure

All share prices are as at market close on 19 January 2009 unless otherwise stated. Stock recommendations are based on absolute upside (downside), which we define as $(\text{target price} - \text{current price}) / \text{current price}$. If the upside is 10% or more, the recommendation is BUY. If the downside is 10% or more, the recommendation is REDUCE. For stocks where the upside or downside is less than 10%, the recommendation is HOLD. In addition, we have key buy and key sell lists in each market, which are our most commercial and/or actionable BUY and REDUCE calls and are limited to at most five key buys and five key sells in each market at any point in time.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

*In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

© 2009 BNP Paribas Group