

Results sharply above estimates

26th February 2009

BUY

Price **Rs48** Target Price **Rs73**

Sensex – 8,903

Price Performance

(%)	1M	3M	6M	12M
Absolute	24	32	(59)	(72)
Rel. to Sensex	20	29	(34)	(44)

Source: Bloomberg

Stock Details

Sector	Offshore Oil Field Services		
Reuters	SEAM.BO		
Bloomberg	SEAM@IN		
Equity Capital (Rs mn)	339		
Face Value (Rs)	10		
No of shares o/s (mn)	34		
52 Week H/L (Rs)	181/30		
Market Cap (Rs bn/USD mn)	2/40		
Daily Avg Vol (No of shares)	20136		
Daily Avg Turnover (US\$ mn)	0.0		

Shareholding Pattern (%)

	31/12/08	30/09/08	30/06/08
Promoters	75.0	78.2	78.2
FII/NRI	2.1	2.2	2.0
Institutions	7.7	5.0	5.0
Private Corp	2.6	2.7	2.9
Public	12.6	11.9	11.9

Source: Capitaline

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Seamec has reported net profit Rs547 mn in Q4CY2008 which is sharply above our expectation on account of higher than expected utilisation of fleet during the quarter. Revenues for the quarter stood at Rs1044 million registering a growth of 369% yoy as Seamec had all of its four vessels full operational during the quarter as compared to just two vessels operating partially in Q4CY2007. Driven by full utilisation of fleet, higher day rate for Seamec Princess and currency appreciation, EBITDA for the quarter stood at Rs612 mn as compared to loss in Q4CY2007. As per management guidance all of its vessels will be fully available for operation in CY2009. Consequently on expected full utilisation of fleet and currency appreciation we are upgrading our earnings estimates for CY2009 by 20% to Rs24.3 per share. At current levels the stock is trading at undemanding valuations of 2X its CY2009 earnings and P/B of 0.4X. The company has a market cap of USD 34 million and it is already sitting on committed contracts worth 40 million dollars. We maintain our BUY recommendation with a revised price target of Rs73.

Result Highlights

- The topline for the quarter stood at Rs1044 million registering a growth of 369% yoy as Seamec had all of its four vessels full operational during the quarter as compared to just two vessels (Seamec I & Seamec III) operating partially in Q4CY2007.
- Driven by full utilisation of fleet, higher day rate for Seamec Princess and currency appreciation, Seamec's EBITDA for the quarter stood at Rs612 mn as compared to loss of Rs115 mn in Q4CY2007. EBITDA margins for the quarter stood at 58.6%.
- Depreciation jumped 35% on account of addition of Seamec Princess to its fleet.
- Net profit for the quarter stood at Rs547 mn as compared to a net loss of Rs159 mn in Q4CY2007.
- Seamec Princess concluded its contract with Sime Darby Engineering in December 2008 and has started working for Workboat international approximately @USD68000 per day. Seamec II after completing its earlier contract has started working with Rana Diving on a 100 day contract worth USD9.5 mn which includes mobilization charges. Seamec III would start working with Condux SA DE CV Protexa from March 2009 at a day rate of USD 59000. Seamec I continuing its contract with Dolphin Offshore.
- As per management guidance all of its vessels will be fully available for operation in CY2009. Consequently on expected full utilisation of fleet and currency appreciation we are upgrading our earnings estimates for CY2009 by 20% to Rs24.3 per share. At current levels the stock is trading at undemanding valuations of 2X its CY2009 earnings and P/B of 0.4X. The company has a market cap of USD 34 million and it is already sitting on committed contracts worth 40 million dollars. We maintain our BUY recommendation with a price target of Rs73. We have valued the company at 3X CY2009 earnings.

Result Table

(Rs mn)	Q4CY08	Q4CY07	Change yoy
Net Sales	1044	223	369%
Total Expenditure	432	338	28%
Consumables	84	23	273%
Staff Cost	189	151	25%
Other Exp	92	61	51%
Dry Dock	35	103	-66%
Provision For Doubtful Debt	3	0	
EBIDTA	612	-116	NM
Other Income	7	22	-67%
Interest	1	1	-43%
Depreciation	68	50	35%
EBT	552	-146	NM
Tax	5	13	-63%
Profit After Tax	547	-159	NM
EPS	16.1	NM	
CEPS	18.1	NM	
Margins			
EBIDTA	58.6%	NM	
EBT	52.9%	NM	
EAT	52.4%	NM	

NM=not meaningful

Financials

Income Statement

Y/E, Dec (Rs. m)	CY05	CY06	CY07	CY08	CY09E
Net Sales	822.8	1593.4	1704.5	2685.9	2815.2
Growth (%)		93.7	7	57.6	4.8
Total Expenditure	550.5	883.6	1196.3	1901.7	1678.7
Growth (%)		60.5	35.4	59	-11.7
Manpower Costs	170.6	455.9	589.6	779.8	861.3
% of sales	20.7	28.6	34.6	29	30.6
Victualling Exps	21.2	35.5	67	70	75
% of sales	2.6	2.2	3.9	2.6	2.7
Repairs & Maintenance	25.8	63.6	55.6	48	50
% of sales	3.1	4	3.3	1.8	1.8
Other Fleet Operating Exps	290.9	242.1	356.1	956.2	545.6
% of sales	35.4	15.2	20.9	35.6	19.4
Admin & Other Exps	41.9	86.5	128	47.7	146.8
% of sales	5.1	5.4	7.5	1.8	5.2
EBIDTA	272.4	709.9	508.1	784.2	1136.5
Growth (%)		160.6	-28.4	54.3	44.9
EBIDTA %	33.1	44.5	29.8	29.2	40.4
Other income	50	45	88.4	39	20
Interest	10.4	2.7	4.2	0.4	0.5
Depreciation	112	149.2	189.5	254	291.9
EBT	200	603	402.8	568.8	864.1
Tax	18.9	15.3	32.5	13	43.2
EAT	181.1	587.7	370.3	555.8	820.9
Growth (%)		224.6	-37	50.1	47.7
EAT (%)	22	36.9	21.7	20.7	29.2
E/O items				82	
Adjusted PAT	181.1	587.7	370.3	474.3	820.9

Balance Sheet

Y/E, Dec (Rs. m)	CY05	CY06	CY07	CY08E	CY09E
Equity share capital	339	339	339	339	339
Reserves & surplus	1451.5	2037.2	2407.5	2881.8	3702.6
Net worth	1790.5	2376.2	2746.5	3220.8	4041.6
Secured Loans	0	0	0	0	0
Unsecured Loans	0	0	0	0	0
Loan Funds	0	0	0	0	0
Total Liabilities	1790.5	2376.2	2746.5	3220.8	4041.6
Gross Block	1789.9	2717.5	2771.8	3919.8	4169.8
Less: Depreciation	1088.2	1232.4	1409.5	1663.5	1955.4
Net block	701.7	1485.2	1362.4	2256.4	2214.5
Capital WIP	36.8	63.9	1030.2	0	0
Investment	0	0	1.1	1.1	1.1
Current Assets	1138.4	1078.9	1038.8	1418.1	2302.2
Inventories	105.1	125.8	183.5	294.3	308.5
Sundry debtors	226.8	293.8	268.6	441.5	462.8
Cash & bank balance	780	623.6	547.2	642.8	1491.4
Loans & advances	26.5	35.7	39.5	39.5	39.5
Current Liab & Prov	87.7	251.8	686.1	454.9	476.2
Current liabilities	80.4	241.7	672.7	441.5	462.8
Provisions	7.3	10.1	13.4	13.4	13.4
Net current assets	1050.7	827.1	352.7	963.2	1826
Misc Exp not w/off	1.3	0	0	0	0
Total Assets	1790.5	2376.2	2746.5	3220.8	4041.6

Cash Flow (Rs. m)	CY05	CY06	CY07	CY08E	CY09E
Net Profit after Tax	194.1	587.7	370.3	555.8	820.9
Add : Depreciation	112	149.2	189.5	254	291.9
Add : Misc exp w/off	1.3	0	0	0	0
changes in debtors	-78.2	-67	25.2	-172.9	-21.3
changes in inventories	-25.5	-20.7	-57.7	-110.9	-14.2
changes in L & A	1.1	-9.2	-3.8	0	0
changes in creditors	-98.5	161.3	431	-231.2	21.3
changes in provisions	-10.5	2.8	3.3	0	0
Net changes in WC	-211.6	67.2	398	-515	-14.2
Operational Cash Flows	95.8	804.1	957.7	294.9	1098.6
Capital expenditure	-51.6	-954.8	-1020.6	-117.8	-250
Investments	0	0	-1.1	0	0
Investing Cash Flows	-51.6	-954.8	-1021.8	-117.8	-250
Borrowings	-86.3	0	0	0	0
dividend paid	0	0	0	0	0
Issue of shares	0	0	0	0	0
Financing Cash Flows	-86.3	0	0	0	0
changes in cash	-42.2	-150.7	-64	177.1	848.6
Opening balance	777.2	780	623.6	547.2	642.8
Closing balance	735.1	629.3	559.6	724.3	1491.4

Key ratios	CY05	CY06	CY07	CY08E	CY09E
EPS (Rs)	5.7	17.3	10.9	16.4	24.2
CEPS (Rs)	9	21.7	16.5	23.9	32.8
Book Value Per Share (Rs)	52.8	70.1	81	95	119.2
Dividend Per Share (Rs)	0	0	0	0	0
Valuations Ratios (x)					
PER	8.4	2.8	4.4	2.9	2
P/CEPS	5.3	2.2	2.9	2	1.5
P/BV	0.9	0.7	0.6	0.5	0.4
EV/EBIDTA	3.1	1.4	2.1	1.3	0.1
EV/Sales	1	0.6	0.6	0.4	0
M-Cap/EBIDTA	4.9	2.2	2.7	2	1.4
M-Cap/sales	2	1	1	0.6	0.6
Financial ratios					
RoCE (%)	10.7	33.8	20.9	28.5	36.6
RoNW (%)	10.8	24.7	13.5	17.3	20.3
Net debt/ Equity	-0.4	-0.3	-0.2	-0.2	-0.4
Total Debt/Equity	0	0	0	0	0
Dividend yield (%)	0	0	0	0	0

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