

February 4, 2011

<b>Reco</b>	<b>Previous Reco</b>
Buy	Buy
<b>CMP</b>	<b>Target Price</b>
Rs286	Rs425
EPS change FY11E/12E (%)	-38.7 / -16
Target Price change (%)	-15.5
Nifty	5,396
Sensex	18,008

### Price Performance

(%)	<b>1M</b>	<b>3M</b>	<b>6M</b>	<b>12M</b>
Absolute	(29)	(25)	(30)	(30)
Rel. to Nifty	(20)	(12)	(29)	(38)

Source: Bloomberg

### Relative Price Chart



Source: Bloomberg

### Stock Details

Sector	Offshore Oil Field Services
Bloomberg	GOFF@IN
Equity Capital (Rs mn)	372
Face Value(Rs)	10
No of shares o/s (mn)	37
52 Week H/L	482/276
Market Cap (Rs bn/USD mn)	11/241
Daily Avg Volume (No of sh)	156776
Daily Avg Turnover (US\$m)	1.3

### Shareholding Pattern (%)

	<b>D'10</b>	<b>S'10</b>	<b>J'10</b>
Promoters	49.7	49.7	49.7
FII/NRI	11.7	11.1	8.3
Institutions	4.7	4.3	3.3
Private Corp	8.8	8.6	12.6
Public	25.1	26.3	26.1

Source: Capitaline

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- **APAT at Rs18.3 mn (-96.3% yoy) – sharply below estimates. Revenues at Rs1.95bn down 22.3% yoy dragged by lower utilisation of rigs Badrinath, Kedarnath & construction vessel**
- **EBITDA at Rs732 mn (-41.4% yoy). EBITDA margins down 1220 bps to 37.6% led by lower revenues & increase in repairs & maintenance and other exp.**
- **Cut FY11E/FY12E EPS 38.7%/ 16 % led by lower fleet utilisation & delayed deployment of Rig Amarnath and new 350 ft rig V351**
- **Believe worst over for GOL - high yield rig fleet deployment to drive 79% earnings growth in FY12. Maintain BUY as valuation at PER of 4.9X leaves little downside – TP Rs425**

### Topline down 22.3% due to lower fleet utilization - below estimates

GOLS' revenues for the quarter declined 22.3% yoy to Rs1.95bn with offshore services revenues at Rs1.79 bn (down 16.3% yoy) and Marine Construction revenues at Rs150 mn (down 58.3%). The sharp decline in revenues was led by

- Rigs Kedarnath and Badrinath worked for 43 days and 29 days respectively as compared to 92 days of operation in Q3FY10 leading to revenue of loss of ~Rs460 mn.
- AHTSV's and construction vessels witnessed soft spot charters
- Construction vessels saw utilisation of just 43% as compared to 100% in Q3FY10
- Engineering and projects revenue at Rs150 mn declined 58.3% yoy due to implementation of ongoing projects not reaching revenue recognition levels.

### EBITDA decline 41.4% -margins shrink 1220bps yoy ~ 37.6%

With lower revenues growth and operating leverage working against the company this quarter, EBITDA for the quarter at Rs732 mn, declined sharply by 41.4% yoy (our estimate of Rs1.26bn). Aggregate EBITDA margins for the quarter contracted 1220 bps to 37.6%.

### Depreciation charges up 37% drags down APAT by 96.3%

With addition of 6 vessels in FY10 GOL's depreciation charge at Rs471mn increased 37% yoy whereas interest expenses jumped 5.4% to Rs279.5 mn. Consequently PAT declined 96.3% yoy to Rs18.3mn, sharply below estimates.

On a consolidated basis, revenues at Rs2.2bn declined 23.5% yoy and reported a loss of Rs25 mn.

### Financial Snapshot (Consolidated)

	Rs mn									
YE-	Net	EBITDA	EPS	EPS	RoE	EV/				
Mar	Sales	(Core)	(%)	APAT	(Rs)	% chg	(%)	P/E	EBITDA	P/BV
FY09	10811	4830	44.7	2751	74.1	53.7	36.8	3.9	5.9	1.4
FY10	11656	5168	44.3	2201	59.1	-20.2	19.8	4.9	6.4	1.0
FY11E	10427	4527	43.4	1226	32.9	-44.3	10.0	8.8	7.9	0.9
FY12E	14103	6655	47.2	2190	58.8	78.6	15.3	4.9	4.9	0.8

## Quarterly financials

Rs mn	Q3FY10	Q4FY10	Q1FY11	Q2FY11	Q3FY11	YoY (%)	QoQ (%)	YTD'11	YTD'10	YoY (%)
<b>Revenue</b>	<b>2,507</b>	<b>2,739</b>	<b>2,359</b>	<b>1,992</b>	<b>1,947</b>	<b>-22.3</b>	<b>-2.3</b>	<b>6,297</b>	<b>7,335</b>	<b>-14.1</b>
<b>Expenditure</b>	<b>1,259</b>	<b>1,382</b>	<b>1,395</b>	<b>943</b>	<b>1,215</b>	<b>-3.5</b>	<b>28.8</b>	<b>3,554</b>	<b>4,136</b>	<b>-14.1</b>
<i>as % of sales</i>	<i>50.2</i>	<i>50.5</i>	<i>59.2</i>	<i>47.4</i>	<i>62.4</i>			<i>56.4</i>	<i>56.4</i>	
Staff costs	477	377	507	400	495	3.9	23.9	1,402	1,451	-3.4
<i>as % of sales</i>	<i>19.0</i>	<i>13.8</i>	<i>21.5</i>	<i>20.1</i>	<i>25.4</i>			<i>22.3</i>	<i>19.8</i>	
Repairs & maint- fleet & rigs	118	342	141	113	132	11.7	16.8	385	543	-29.1
<i>as % of sales</i>	<i>4.7</i>	<i>12.5</i>	<i>6.0</i>	<i>5.7</i>	<i>6.8</i>			<i>6.1</i>	<i>7.4</i>	
Engineering Project Expenses	278	387	429	18	119	-57.3	567.4	566	614	-7.8
<i>as % of sales</i>	<i>11.1</i>	<i>14.1</i>	<i>18.2</i>	<i>0.9</i>	<i>6.1</i>			<i>9.0</i>	<i>8.4</i>	
Other exps	386	276	318	413	469	21.6	13.6	1,200	1,529	-21.5
<i>as % of sales</i>	<i>15.4</i>	<i>10.1</i>	<i>13.5</i>	<i>20.7</i>	<i>24.1</i>			<i>19.1</i>	<i>20.8</i>	
<b>EBITDA</b>	<b>1,248</b>	<b>1,357</b>	<b>964</b>	<b>1,048</b>	<b>732</b>	<b>-41.4</b>	<b>-30.2</b>	<b>2,744</b>	<b>3,199</b>	<b>-14.2</b>
Depreciation	344	363	440	453	471	36.8	4.0	1364	960	42.1
<b>EBIT</b>	<b>904</b>	<b>994</b>	<b>524</b>	<b>596</b>	<b>261</b>	<b>-71.2</b>	<b>-56.2</b>	<b>1,380</b>	<b>2,239</b>	<b>-38.4</b>
Other Income	-85	49	130	26	37	-143.8	44.4	192	-72	-367.5
Interest	265	261	311	340	280	5.4	-17.9	931	821	13.4
<b>PBT</b>	<b>554</b>	<b>782</b>	<b>342</b>	<b>281</b>	<b>18</b>	<b>-96.7</b>	<b>-93.5</b>	<b>642</b>	<b>1347</b>	<b>-52.4</b>
Total Tax	58	51	75	0	0	-100.0		75	125	-39.8
<b>Adjusted PAT</b>	<b>495</b>	<b>731</b>	<b>267</b>	<b>281</b>	<b>18</b>	<b>-96.3</b>	<b>-93.5</b>	<b>567</b>	<b>1222</b>	<b>-53.6</b>
(Profit)/loss from JV's/Ass/MI										
<b>APAT after MI</b>	<b>495</b>	<b>731</b>	<b>267</b>	<b>281</b>	<b>18</b>	<b>-96.3</b>	<b>-93.5</b>	<b>567</b>	<b>1222</b>	<b>-53.6</b>
Extra ordinary items	0	0	0	0	0			0	-191	-100.0
<b>Reported PAT</b>	<b>495</b>	<b>731</b>	<b>267</b>	<b>281</b>	<b>18</b>	<b>-96.3</b>	<b>-93.5</b>	<b>567</b>	<b>1031</b>	<b>-45.1</b>
<b>Reported EPS</b>	<b>13.3</b>	<b>19.7</b>	<b>7.2</b>	<b>7.6</b>	<b>0.5</b>	<b>-96.3</b>	<b>-93.5</b>	<b>15.3</b>	<b>32.9</b>	<b>-53.6</b>

Margins (%)						(bps)	(bps)			
EBIDTA	49.8	49.5	40.8	52.6	37.6	-1220.2	-1504.7	43.6	43.6	-4.1
EBIT	36.1	36.3	22.2	29.9	13.4	-2266.2	-1651.0	21.9	30.5	-861.3
EBT	22.1	28.5	14.5	14.1	0.9	-2115.0	-1316.3	10.2	18.4	-817.0
PAT	19.8	26.7	11.3	14.1	0.9	-1882.5	-1316.3	9.0	16.7	-766.2
Effective Tax rate	10.5	6.6	21.9	0.0	0.0	-1052.9	0.0	11.7	9.3	244.4

### Cut FY11 earnings by 38.7% (EPS of Rs32.9) & FY12 by 16% (EPS of Rs58.8) – lower target to Rs425

We are downgrading our FY11 EPS estimates by 38.7% (EPS of Rs32.9) & FY12 by 16% (EPS of Rs58.8), led by lower fleet utilization & delayed deployment of Rig Amarnath and new 350 ft rig V351. We also lower our target on GOL to Rs Rs425 (Rs503 earlier) which is based on average of 1) 7X PER 2) 1.2X P/B & 3) 5.5X EV/EBIDTA for FY12 number.

### Downgrade FY11 earnings by 38.7% and FY12 earnings by 16%

	FY11E			FY12E		
	Earlier	Revised	Change	Earlier	Revised	Change
<b>Revenues</b>	12780	10427	-18.4%	15885	14103	-11.2%
<b>EBITDA</b>	5750	4527	-21.3%	7386	6655	-9.9%
<b>EBITDA Margin (%)</b>	45.0	43.4		46.5	47.2	
<b>PAT</b>	2001	1226	-38.7%	2608	2190.2	-16.0%
<b>EPS</b>	53.7	32.9	-38.7%	70.0	58.8	-16.0%

**Believe worst is over for GOL- Valuation at 4.9X FY12E PER leaves little downside – Maintain BUY**

Though GOL's quarterly performance was significantly below expectation, we believe this aberration is due to minimal operations from high yield vessels in the quarter. We remain bullish on GOL, as revenues to start from high yield vessel (rig Amarnath) by mid Feb coupled with renewal of contract for its other vessel (rig Kedarnath ,day rate of USD 69K v/s USD46k earlier) to get company's earnings performance back on track. The delivery of a 350 ft jack up rig (V351) by the end of FY11 is expected to help the growth momentum in FY12. Maintain BUY as valuation at PER of 4.9X leaves little downside. Target - Rs425.

## Financials

## Income Statement

Y/E, Mar (Rs m)	FY09	FY10	FY11E	FY12E
<b>Net Sales</b>	<b>10811</b>	<b>11656</b>	<b>10427</b>	<b>14103</b>
Growth (%)	44.9	7.8	-10.5	35.3
<b>Total Expenditure</b>	<b>5981</b>	<b>6489</b>	<b>5900</b>	<b>7448</b>
Staff costs	1889	1955	1943	2615
Repairs and maintenance	1270	1127	533	751
Engineering & Project Exp	652	1001	1136	1226
Other expenses	2170	2407	2288	2856
<b>EBIDTA</b>	<b>4830</b>	<b>5168</b>	<b>4527</b>	<b>6655</b>
Growth (%)	54.6	7.0	-12.4	47.0
<b>EBIDTA %</b>	<b>44.7</b>	<b>44.3</b>	<b>43.4</b>	<b>47.2</b>
Depreciation	1148	1409	1951	2486
<b>EBIT</b>	<b>4286</b>	<b>3829</b>	<b>2778</b>	<b>4372</b>
<b>EBIT margin (%)</b>	<b>39.6</b>	<b>32.8</b>	<b>26.6</b>	<b>31.0</b>
Other income	604	70	202	202
Interest	1065	1157	1390	1794
<b>PBT</b>	<b>3221</b>	<b>2672</b>	<b>1389</b>	<b>2578</b>
<b>Tax</b>	<b>470</b>	<b>471</b>	<b>163</b>	<b>388</b>
Effective tax rate (%)	14.6	17.6	11.7	15.0
<b>Adjusted PAT</b>	<b>2751</b>	<b>2201</b>	<b>1226</b>	<b>2190</b>
Growth (%)	49.8	-20.0	-44.3	78.6
<b>Net Margin (%)</b>	<b>25.4</b>	<b>18.9</b>	<b>11.8</b>	<b>15.5</b>
(Profit)/loss from JVs/Ass/MI				
<b>Reported PAT</b>	<b>2751</b>	<b>2201</b>	<b>1226</b>	<b>2190</b>
E/O items	0	-191	0	0
<b>Reported PAT</b>	<b>2751</b>	<b>2010</b>	<b>1226</b>	<b>2190</b>
Growth (%)	36.4	-26.9	-39.0	78.6

## Cash Flow

Y/E, Mar (Rs m)	FY09	FY10	FY11E	FY12E
<b>PBT (Ex-Other income)</b>	<b>2617</b>	<b>2602</b>	<b>1186</b>	<b>2376</b>
Depreciation	1148	1409	1951	2486
Interest Provided	1065	1157	1390	1794
Other Non-Cash items				
Chg in working cap	-461	-1254	-2874	-789
Tax paid	470	471	163	388
<b>Operating Cash flow</b>	<b>4424</b>	<b>3602</b>	<b>303</b>	<b>3886</b>
Capital expenditure	-8677	-8964	-2928	-345
<b>Free Cash Flow</b>	<b>-5087</b>	<b>-5970</b>	<b>-2626</b>	<b>3541</b>
Other income	604	70	202	202
Investments	0	0	0	0
<b>Investing Cash flow</b>	<b>-9511</b>	<b>-9572</b>	<b>-2928</b>	<b>-345</b>
Equity Capital Raised	0	80	0	0
Loans Taken / (Repaid)	5099	4670	4293	345
Interest Paid	1065	1157	1390	1794
Dividend paid (incl tax)	-609	-109	-109	-109
Income from investments				
Others				
<b>Financing Cash flow</b>	<b>4490</b>	<b>4641</b>	<b>4184</b>	<b>236</b>
<b>Net chg in cash</b>	<b>-597</b>	<b>-1329</b>	<b>1559</b>	<b>3778</b>
Opening cash position	3268	2330	1002	2560
<b>Closing cash position</b>	<b>2671</b>	<b>1002</b>	<b>2560</b>	<b>6338</b>

## Balance Sheet

Y/E, Mar (Rs m)	FY09	FY10	FY11E	FY12E
Equity share capital	371	372	372	372
Reserves & surplus	7103	10720	11837	13918
<b>Net worth</b>	<b>7475</b>	<b>11092</b>	<b>12209</b>	<b>14291</b>
<b>Minority Interest</b>				
Secured Loans	18366	21287	23851	24196
Unsecured Loans	2258	2146	3876	3876
<b>Loan Funds</b>	<b>20624</b>	<b>23433</b>	<b>27726</b>	<b>28071</b>
Net Deferred tax liability	-69	32	32	32
<b>Total Liabilities</b>	<b>28030</b>	<b>34557</b>	<b>39968</b>	<b>42394</b>
Gross Block	21018	26851	38517	38517
Less: Depreciation	6095	7498	9449	11934
<b>Net block</b>	<b>14923</b>	<b>19353</b>	<b>29068</b>	<b>26583</b>
Capital work in progress	<b>8717</b>	<b>11843</b>	<b>3105</b>	<b>3450</b>
<b>Investment/Goodwill</b>	<b>937</b>	<b>937</b>	<b>937</b>	<b>937</b>
<b>Current Assets</b>	<b>6279</b>	<b>4839</b>	<b>8804</b>	<b>13833</b>
Inventories	94	139	143	386
Sundry debtors	2786	2835	2857	3864
Cash & bank balance	2671	1002	2560	6338
Loans & advances	729	863	3245	3245
Other current assets	3	27	27	27
<b>Current Liab &amp; Prov</b>	<b>2830</b>	<b>2441</b>	<b>1974</b>	<b>2436</b>
Current liabilities	2666	2324	1857	2318
Provisions	164	117	117	117
<b>Net current assets</b>	<b>3450</b>	<b>2398</b>	<b>6830</b>	<b>11397</b>
Misc. exp	0	0	0	0
<b>Total Assets</b>	<b>28030</b>	<b>34557</b>	<b>39968</b>	<b>42394</b>

## Ratio

Y/E, Mar	FY09	FY10	FY11E	FY12E
<b>Profitability (%)</b>				
EBITDA Margin	44.7	44.3	43.4	47.2
Net Margin	25.4	18.9	11.8	15.5
ROCE	18.5	12.2	7.5	10.6
ROE	36.8	19.8	10.0	15.3
RoIC	25.6	18.2	9.3	11.5
<b>Per Share Data (Rs)</b>				
EPS	74.1	59.1	32.9	58.8
CEPS	105.0	96.9	85.3	125.6
BVPS	201.3	297.9	327.9	383.8
DPS	3.5	2.5	2.9	2.9
<b>Valuations (x)</b>				
PER	3.9	4.9	8.8	4.9
P/CEPS	2.8	3.0	3.4	2.3
P/BV	1.4	1.0	0.9	0.8
EV / Sales	2.7	2.8	3.4	2.3
EV / EBITDA	5.9	6.4	7.9	4.9
Dividend Yield (%)	1.2	0.9	1.0	1.0
<b>Gearing Ratio (x)</b>				
Net Debt/ Equity	2.4	2.0	2.1	1.5
Net Debt/EBIDTA	3.7	4.3	5.6	3.3
Working Cap Cycle (days)	7.2	20.4	40.0	50.0

**Recommendation History: Great Offshore – GOFF IN**

Date	Reports	Reco	CMP	Target
11/11/2010	<a href="#">Great Offshore Q2FY11 Result Update</a>	Buy	391	506
12/08/2010	<a href="#">Great Offshore Q1FY11 Result Update</a>	Accumulate	406	506
22/04/2010	<a href="#">Great Offshore Q4FY10 Result Update</a>	Accumulate	425	528
02/02/2010	<a href="#">Great Offshore Q3FY10 Result Update</a>	Accumulate	441	528

**Recent Research Reports**

Date	Reports	Reco	CMP	Target
31/01/2011	<a href="#">Jaiprakash Associates Q3FY11 Result Update</a>	Buy	84	110
31/01/2011	<a href="#">Shree Cement Q3FY11 Result Update</a>	Accumulate	1,660	1,960
28/01/2011	<a href="#">IRB Infrastructure Q3FY11 Result Update</a>	Accumulate	214	304
27/01/2011	<a href="#">Grasim Industries Q3FY11 Result Update</a>	Accumulate	2,359	2,730

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