



Investment Idea

Seamec Limited

Seamec is 78.2% subsidiary of Technip - France, is leading sub-sea contractor providing support services to offshore oilfields in India and abroad. Technip is very optimistic about India and Seamec is an important part of Technip's global scheme of things.

Company was facing lot many difficulties (like delay in refurbishing & deployment of Seamec Princess, accidents of Seamec II and twice premature termination of contract & subsequent high docking of Seamec III & hence all vessels were never deployed). Hence, Seamec reported loss of Rs. 12.3 crore (after accounting for dry docking expenses of Rs. 26.8 crore) on sales turnover of Rs. 68.6 crore in Q3 CY 2008.

Going ahead, company is set for decent growth as company has in place long term contracts for deployment of all 4 vessels till end of Dec. 2009 and that too at decent rate. Thus, all vessels will be deployed for the first time since Q4 CY 2008. As a result, company is expected to report PBT of ~ Rs. 35 crore and PAT of Rs. 33 crore in Q4 CY 2008.

If everything goes well, company would achieve PBT ~ Rs. 120 crore and PAT of ~ Rs. 112 crore in CY 2009. Thus, Seamec would be generating cash in excess Rs. 180 crore over next 12 months.

At CMP of Rs. 33/-, market cap works out to be Rs. 112 crore. Thus, company's cash generation will be more than its current market capitalization in less than 12 months. Current market cap is just 12% of replacement value of its fleet of US \$ 190-210 million.

At CMP, share is trading at just 3.8 times CY 2008 expected EPS of Rs. 8.67 and just 1 time Cy 2009 expected EPS of Rs. 33/-. In view of extremely cheap pricing, we recommend to **'BUY'** the share at current market price. It is the best hedge against US \$ as all its revenues are in US \$.

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