

Recommendation
Buy on Dips**Growth Supporter**
Seamec Ltd**CMP: 200.60***
Target: Rs. 246 to Rs. 300

Company Profile

Seamec Ltd. is engaged in providing support services, including marine, construction and diving services to offshore oilfields in India and abroad. The Company is a subsidiary of Coflexip Stena Offshore (Mauritius) Ltd, which is owned by Technip S.A. France. Seamec Limited was incorporated on Dec 29th, 1986, with the name of Peerless Leasing Pvt. Ltd. In the year 1999, Coflexip Stena Offshore Mauritius Ltd. acquired its 58.24% of shares. In the year 2001 Technip Group of France acquired Coflexip Group. Hence SEAMEC Ltd. became a subsidiary of Technip group. The Technip Group holds 78.24% stake in Seamec Ltd. currently seamec Ltd owns and operates 4 multipurpose offshore support vessels. Multipurpose offshore support vessels are vessels to provide support to diving, underwater construction, underwater engineering, underwater maintenance, underwater inspection etc for offshore oil/gas installations and explorations .

Offshore support sector

Due to the economic crisis the world economic growth and GDP has shrunk and as the usage of the oil is also dropped but as the economy is recovering the usage of oil is also going to increase and thus the demand for support service for the exploration is also going to rise. According to World Bank the US economy, the world's largest oil user will grow by 1.8% in 2010 and 2.5% in 2011. After a dull period now the international offshore support vessel sector is enjoying growth in their business. The day rates are expected to rise in upcoming. Future prospects for the offshore support vessel sector look to be positive in the near-term, as well as long term. As world economy recovers the exploration and development existing fields will continue and new and regenerated offshore oil and gas discoveries will maintain interest in the offshore support sector well into the future.

Outlook and Scope

As world economy recovers the oil exploration and development activity increasing and the demand for offshore support is increasing. In such situation a company like Seamec can perform well as it has improved its performance even in the bad time. There was a significant increase in their revenue in the past few quarters where the time the world economy was struggling. Currently Seamec having four offshore supporting vessels,

Seamec I, Seamec II, Seamec III and Seamec Princes which are deployed at a rate of \$28,000 / day , \$90,000/day, \$59,000/day and \$62,000/ day respectively. And it is expected that this year none of this vessels go to dry dock and is expected that there is no drop in the rate of the contract. And next year when one or two contracts renewed expected to fetch a rate of 30 % to 10% more than the current rate. After the deployment the Seamec Princes really there was a jump in the revenue as well as in the PAT of the company.

Financials

	CY 07	CY 08	CY 09E	CY 10E
Sales	170.45	268.59	400.00	446.84
PAT	37.03	47.12	220	245.76
EPS	10.92	13.90	64.90	72.50
P/E	18.50	14.53	3.11	2.78

* Seamec is following calendar year

Key Information

Key Indicators		Management	MNC- Associate
Face Value	10	NSE Code	SEAMECLTD
Book Value	94.92	BSE Code	526807
Beta	0.63	ISIN No	INE497B01018
Debt -Equity	0.00	Equity capital	33.90 Cr

Share Holding Pattern (As on June 2009)

Share Holding	Percentage
Promoters	75.00
Public	13.14
FII's	1.57
Others	10.29
Total	100.00

Major Investors

Sundaram BNP Paribas Mutual Fund

Valuations

After the deployment the Seamec Princes really there was a jump in the revenue as well as in the PAT of the company. And As world economy recovers the oil exploration and development activity is increasing and the demand for offshore support is also increasing. In such situation a company like Seamec well equipped to tap the opportunities. In the half year result of the calendar year 2009 the company recorded revenue of Rs 200.50 Cr

and a recorded a PAT of Rs.121.80 Cr and expected to continue the same performance in the 2nd half of the calendar year also. At the current market price of Rs. 202 the stock trades at 14.5 multiple of its CY-08 earnings and 3 multiple of CY-09E earnings, and 2.8 multiple of CY-10E respectively and is attractive.

Concerns

As its business is depend upon the oil price, any drop in the price of the crude oil may lead to send its ships to dry dock. And any unexpected maintenance will incur some additional expenses to the company and as well as the revenue loss

Investment rationale

The company has shown its potential in the bad times of the world economy and now the things are improved the company can perform very well. And it is capable to tap the new opportunities coming in this sector. And as the parent company Technip S.A. France is a giant in this field, the Seamec is enjoying some advantage in technology and experience. . These factors make this stock as a candidate for investment. Based on CY 09E and CY 10E earnings, we recommend to accumulate Seamec Ltd on dips with a target of **Rs. 246** to **Rs. 300** for an investment horizon of 1-2 years.

Prepared by:

* Price as on 29 - 10 -2009

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