

May 17, 2011

Reco	Previous Reco
Under Review	Buy
CMP	Target Price
Rs231	NA
EPS change FY11E/12E (%)	NA
Target Price change (%)	NA
Nifty	5,439
Sensex	18,137

Price Performance

(%)	1M	3M	6M	12M
Absolute	(19)	(7)	(40)	(49)
Rel. to Nifty	(14)	(13)	(34)	(52)

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	463/220
Market Cap (Rs bn/USD mn)	9/201
Daily Avg Volume (No of sh)	58690
Daily Avg Turnover (US\$m)	0.3

Shareholding Pattern (%)

	Mar-11	Dec-10	Sep-10
Promoters	49.7	49.7	49.7
FII/NRI	10.4	11.7	11.1
Institutions	4.8	4.7	4.3
Private Corp	7.6	8.8	8.6
Public	27.5	25.1	26.3

Source: Capitaline

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- APAT loss of Rs25mn - sharply below estimates led by lower revenues and higher costs and interest charges.
- Revenues at Rs2.07bn down 24.4% yoy dragged by lower spot rates of OSV, minimal revenues from marine construction and non utilization of marine construction assets
- EBITDA at Rs657 mn (-51.6% yoy). EBITDA margins down 1782 bps to 31.7% led by lower revenues & increase in repairs & maintenance and staff exp
- GOL to sell rig 'Amarnath'. New rig V351 sees further delay in delivery (Dec11 vs June 11 earlier)- earnings to see sharp downward revision. Earnings, rating & target under review

Disastrous 4QFY11 led by lower spot rates & idle construction vessels

GOLS' revenues for the quarter declined 24.4% yoy to Rs2.07bn (below estimates of Rs2.55bn). The sharp decline in revenues was led by 1) Lower spot rates for few OSV assets (M9 and M33, 2) Non utilization of marine construction assets (Gal Constructor and Gal Installer were both idle) and 3) Minimal Marine construction revenues of Rs60mn vs Rs485mn in Q4FY10 (down 87.6%). With lower revenues and higher than expected cost, EBITDA at Rs657mn declined 51.6%, sharply below estimates of Rs1.18bn. Overall EBITDA margins contracted 1782 bps yoy to 31.7%. Key negative surprises on the cost were, 1) Higher than expected repairs costs (Rs 230mn vs est of Rs120mn) & 2) Higher staff costs (Rs585mn, up 55% yoy, vs est of Rs520mn)

Steep increase in interest charges drags GOL into losses

Adjusted for one offs (Change in accounting policy & forex MTM losses), GOL reported net loss of Rs25 mn, due to higher than expected Interests costs of Rs366 mn (+40% yoy). GOL has adopted new accounting policy and reclassified unused spares & consumables on vessels (expenses) as inventory, amounting to Rs588mn of extra ordinary profits. Consequently, reported net profit of Rs477 mn (which also includes forex MTM loss of Rs58.8mn) higher than estimates of Rs410 mn.

GOL to sell rig 'Amarnath', rig V351 sees further delay in delivery- See sharp downward revision in earnings – earnings & rating under review

GOL has decided to sell its Jack up rig Amarnath, due to some changes in operation under charter contract. Hence instead of redeployment of the rig the company has sold the rig at some profits, and the rig will be delivered to its new buyers during Q1FY12. Amarnath was bought by the company (in early FY11) for USD49 mn and it had spent USD5mn on its upgradation. With GOL selling its rig Amarnath & delay in delivery of new Rig V351 to Dec 2011 as compared to June 2011 earlier, we see sharp decline in GOL's earnings visibility for FY12 as these two rigs alone were expected to contribute more than 80% of our estimated 30% revenue growth for FY12. With absence of rig Amarnath & further possibility of delay of rig V351, we see limited earnings trigger for GOL. In this context we will be reviewing our earnings estimate post getting clarity on OSV operations from the management. In the meanwhile our rough cut calculations indicate a sharp 30-35% downward revision in GOL's FY12E earnings.

Financial Snapshot (Consolidated)

Rs mn

YE-	Net Sales	EBITDA (Core)	EBITDA (%)	APAT	EPS (Rs)	EPS % chg	RoE (%)	P/E	EV/ EBITDA	P/BV
FY09	10811	4830	44.7	2751	74.1	53.7	36.8	3.1	5.5	1.1
FY10	11656	5168	44.3	2201	59.1	-20.2	19.8	3.9	6.0	0.8
FY11P	9951	3851	38.7	626	16.8	-71.5	5.3	13.7	9.3	0.7
FY12E	13528	6286	46.5	1880	50.5	53.3	13.4	4.6	4.9	0.6

Quarterly financials

Rs mn	Q4FY10	Q1FY11	Q2FY11	Q3FY11	Q4FY11	YoY (%)	QoQ (%)	FY11P	FY10	YoY (%)
Revenue	2,739	2,359	1,992	1,947	2,071	-24.4	6.4	8,369	10,074	-16.9
Expenditure	1,382	1,395	943	1,215	1,414	2.3	16.4	4,968	5,518	-10.0
<i>as % of sales</i>	<i>50.5</i>	<i>59.2</i>	<i>47.4</i>	<i>62.4</i>	<i>68.3</i>			<i>59.4</i>	<i>54.8</i>	
Staff costs	377	507	400	495	585	55.3	18.2	1,987	1,828	8.7
<i>as % of sales</i>	<i>13.8</i>	<i>21.5</i>	<i>20.1</i>	<i>25.4</i>	<i>28.3</i>			<i>23.7</i>	<i>18.1</i>	
Repairs & maint- fleet & rigs	342	141	113	132	231	-32.6	75.2	616	885	-30.4
<i>as % of sales</i>	<i>12.5</i>	<i>6.0</i>	<i>5.7</i>	<i>6.8</i>	<i>11.1</i>			<i>7.4</i>	<i>8.8</i>	
Engineering Project Expenses	387	429	18	119	90	-76.7	-24.2	656	1,001	-34.4
<i>as % of sales</i>	<i>14.1</i>	<i>18.2</i>	<i>0.9</i>	<i>6.1</i>	<i>4.4</i>			<i>7.8</i>	<i>9.9</i>	
Other exps	276	318	413	469	508	84.0	8.3	1,709	1,805	-5.3
<i>as % of sales</i>	<i>10.1</i>	<i>13.5</i>	<i>20.7</i>	<i>24.1</i>	<i>24.5</i>			<i>20.4</i>	<i>17.9</i>	
EBITDA	1,357	964	1,048	732	657	-51.6	-10.2	3,401	4,556	-25.4
Depreciation	363	440	453	471	471	29.7	0.0	1835	1323	38.7
EBIT	994	524	596	261	186	-81.3	-28.8	1,566	3,233	-51.6
Other Income	49	130	26	37	155	220.2	318.6	348	-23	-1585.5
Interest	261	311	340	280	366	40.4	30.9	1297	1081	19.9
PBT	782	342	281	18	-25	-103.2	-235.5	617	2128	-71.0
Total Tax	51	75	0	0	0	-100.0		75	176	-57.3
Adjusted PAT	731	267	281	18	-25	-103.4	-235.5	542	1952	-72.3
(Profit)/loss from JV's/Ass/MI										
APAT after MI	731	267	281	18	-25	-103.4	-235.5	542	1952	-72.3
Extra ordinary items	0	0	0	0	502			502	-191	-363.6
Reported PAT	731	267	281	18	477	-34.7	2508.7	1044	1762	-40.8
Reported EPS	19.7	7.2	7.6	0.5	-0.7	-103.4	-235.5	14.6	52.6	-72.3

Margins (%)	(bps)		(bps)		(bps)		(bps)		(bps)	
EBIDTA	49.5	40.8	52.6	37.6	31.7	-1782.6	-587.1	40.6	45.2	-458.8
EBIT	36.3	22.2	29.9	13.4	9.0	-2731.9	-442.6	18.7	32.1	-1338.3
EBT	28.5	14.5	14.1	0.9	-1.2	-2974.0	-213.8	7.4	21.1	-1375.7
PAT	26.7	11.3	14.1	0.9	-1.2	-2786.8	-213.8	6.5	19.4	-1290.8
Effective Tax rate	6.6	21.9	0.0	0.0	0.0	-656.1	0.0	12.2	8.3	390.7

Financials

Income Statement

Y/E, Mar (Rs m)	FY09	FY10	FY11P	FY12E
Net Sales	10811	11656	9951	13528
Growth (%)	44.9	7.8	-14.6	29.7
Total Expenditure	5981	6489	6100	7242
Staff costs	1889	1955	2271	2511
Repairs and maintenance	1270	1127	759	715
Engineering & Project Exp	652	1001	808	1229
Other expenses	2170	2407	2263	2787
EBIDTA	4830	5168	3851	6286
Growth (%)	54.6	7.0	-25.5	38.9
EBIDTA %	44.7	44.3	38.7	46.5
Depreciation	1148	1409	1960	2486
EBIT	4286	3829	2156	4002
EBIT margin (%)	39.6	32.8	21.7	29.6
Other income	604	70	265	202
Interest	1065	1157	1447	1794
PBT	3221	2672	710	2208
Tax	470	471	83	329
Effective tax rate (%)	14.6	17.6	11.7	14.9
Adjusted PAT	2751	2201	626	1880
Growth (%)	49.8	-20.0	-71.5	53.3
Net Margin (%)	25.4	18.9	6.3	13.9
(Profit)/loss from JVs/Ass/MI				
Reported PAT	2751	2201	626	1880
E/O items	0	-191	0	0
Reported PAT	2751	2010	626	1880
Growth (%)	36.4	-26.9	-68.8	53.3

Cash Flow

Y/E, Mar (Rs m)	FY09	FY10	FY11P	FY12E
PBT (Ex-Other income)	2617	2602	445	2006
Depreciation	1148	1409	1960	2486
Interest Provided	1065	1157	1447	1794
Other Non-Cash items				
Chg in working cap	-461	-1254	-3358	-710
Tax paid	470	471	83	329
Operating Cash flow	4424	3602	-772	3655
Capital expenditure	-8677	-8964	-3853	-345
Free Cash Flow	-5087	-5970	-4625	3310
Other income	604	70	265	202
Investments	0	0	0	0
Investing Cash flow	-9511	-9572	-3853	-345
Equity Capital Raised	0	80	0	0
Loans Taken / (Repaid)	5099	4670	4293	345
Interest Paid	1065	1157	1447	1794
Dividend paid (incl tax)	-609	-109	0	-109
Income from investments				
Others				
Financing Cash flow	4490	4641	4293	236
Net chg in cash	-597	-1329	-332	3546
Opening cash position	3268	2330	1002	2560
Closing cash position	2671	1002	669	6106

Balance Sheet

Y/E, Mar (Rs m)	FY09	FY10	FY11P	FY12E
Equity share capital	371	372	372	372
Reserves & surplus	7103	10720	11346	13608
Net worth	7475	11092	11719	13980
Minority Interest				
Secured Loans	18366	21287	23851	24196
Unsecured Loans	2258	2146	3876	3876
Loan Funds	20624	23433	27726	28071
Net Deferred tax liability	-69	32	32	32
Total Liabilities	28030	34557	39477	42083
Gross Block	21018	26851	31392	38517
Less: Depreciation	6095	7498	9458	11934
Net block	14923	19353	21934	26583
Capital work in progress	8717	11843	11155	3450
Investment/Goodwill	937	937	937	937
Current Assets	6279	4839	7313	13428
Inventories	94	139	673	371
Sundry debtors	2786	2835	2726	3706
Cash & bank balance	2671	1002	669	6106
Loans & advances	729	863	3245	3245
Other current assets	3	27	27	27
Current Liab & Prov	2830	2441	1889	2341
Current liabilities	2666	2324	1772	2224
Provisions	164	117	117	117
Net current assets	3450	2398	5424	11087
Misc. exp	0	0	0	0
Total Assets	28030	34557	39477	42083

Ratio

Y/E, Mar	FY09	FY10	FY11P	FY12E
Profitability (%)				
EBITDA Margin	44.7	44.3	38.7	46.5
Net Margin	25.4	18.9	6.3	13.9
ROCE	18.5	12.2	5.8	9.8
ROE	36.8	19.8	5.3	13.4
RoIC	25.6	18.2	8.4	10.6
Per Share Data (Rs)				
EPS	74.1	59.1	16.8	50.5
CEPS	105.0	96.9	69.5	117.3
BVPS	201.3	297.9	314.8	375.5
DPS	3.5	2.5	0.0	2.9
Valuations (x)				
PER	3.1	3.9	13.7	4.6
P/CEPS	2.2	2.4	3.3	2.0
P/BV	1.1	0.8	0.7	0.6
EV / Sales	2.5	2.7	3.6	2.3
EV / EBITDA	5.5	6.0	9.3	4.9
Dividend Yield (%)	1.5	1.1	0.0	1.3
Gearing Ratio (x)				
Net Debt/ Equity	2.4	2.0	2.3	1.6
Net Debt/EBIDTA	3.7	4.3	7.0	3.5
Working Cap Cycle (days)	7.2	20.4	59.7	50.0

Recommendation History: Great Offshore – GOFF IN

Date	Reports	Reco	CMP	Target
04/02/2011	Great Offshore Q3FY11 Result Update	Buy	286	425
11/11/2010	Great Offshore Q2FY11 Result Update	Buy	391	506
12/08/2010	Great Offshore Q1FY11 Result Update	Accumulate	406	506
22/04/2010	Great Offshore Q4FY10 Result Update	Accumulate	425	528

Recent Research Reports

Date	Reports	Reco	CMP	Target
16/05/2011	Jaiprakash Associates Q4FY11 Result Update	Accumulate	88	96
12/05/2011	Grasim Industries Q4FY11 Result Update	Accumulate	2,362	2,672
03/05/2011	Global Offshore Services Q4FY11 Result Update	Hold	133	128
02/05/2011	ILFS Transportation Q4FY11 Result Update	Accumulate	210	261

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