

## Garware Offshore Services Ltd

BUY | CMP Rs. 195.0  
Target Rs. 210.0

Q1 FY09  
Result Update

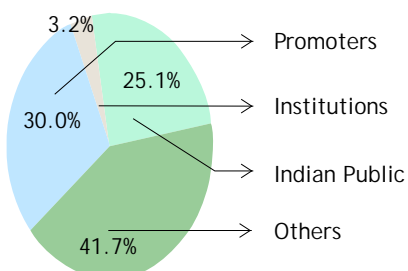
### Stock Data

Bloomberg : GWOS.IN  
Reuters : GRSH.BO  
BSE Code : 501848  
NSE Code : GARWOFFS  
BSE Group : S

### Stock Codes

Benchmark : BSEMLCAP  
52 W High : Rs. 310.0  
52 W Low : Rs. 134.0  
Market Cap : Rs. 4,644 Mn  
Face Value : Rs. 10.0

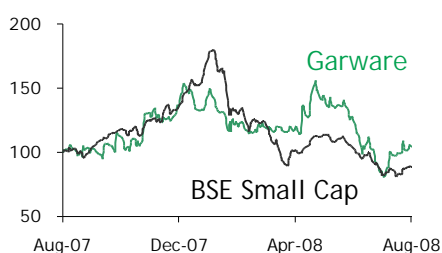
### Shareholding Pattern (as on June 08)



### Stock Returns

	1 Mth	3 Mths	6 Mths
Garware	27.68	-26.52	-12.81
BSE SML	6.24	-21.43	-31.37

### Price Comparison



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### Q1 FY09 Standalone Performance Review

Constant surge in demand for offshore support services have helped Garware Offshore Services Ltd. (GOSL) report handsome results for the first quarter ended June 2008. the company registered a growth of 25.8% in Operating Revenues from Rs. 234 Mn. in Q4FY08 to Rs. 294.3 Mn. in Q1FY09. With a sharp Q-o-Q rise of 130% in Other Expenses due to increase of spares & consumables procured by the company for the deliveries of new vessels taken, the Operating profits of the company rose by 17.3% Q-o-Q. However, the Operating Profit Margins dipped by over 400 bps. With the contribution coming from the rise in Other Income, the company reported a growth of 53% in PAT (Before Extraordinary) levels, from Rs. 58 Mn. in Q4FY08 to Rs. 88.8 Mn. in Q1FY09. During the quarter ended June 2008, the offshore company earned a Profit on Sale of Vessel of Rs. 10.7 Mn. on sale of its asset M. V. Garware II. Besides this, GOSL reported a Non-Cash Foreign Exchange Loss of Rs. 154.7 Mn. in compliance of AS-11.

GOSL reported much better results in comparison to the same quarter last year. The Operating Revenues for the company grew by more than 50% over Q1FY08. This, to some extent, has been due to the fact that its vessel M. V. Kamet operated for the full quarter this time as against only a part of the quarter last year. Correspondingly, all expenses (including depreciation) have registered an increase to that extent. At PAT (Before Extraordinary) levels, the company registered a growth of 71% on a Y-o-Y basis. [Quarterly Financials](#)

### Operational Highlights

- During April 2008, the company sold one of its Anchor Handling Tugs-cum-Supply vessel (AHTSV) - "M. V. Garware II" for around Rs. 120 Mn., earning a Profit on sale of Vessel of Rs. 10.7 Mn.
- On 27th June 2008, the company took delivery of a new Platform Support Vessel (PSV), named as "M. V. Mana". This vessel has been deployed in the North Sea spot market, earning a day rate of around US\$ 40,000.
- Further to this, the company took delivery of a new AHTSV, named as "M. V. Poorna" on 21st July 2008 & has deployed this vessel with a company in Vietnam on a Bareboat Charter contract through a Singapore Bank, earning a day rate of US\$ 13,500.
- GOSL expects to take further deliveries of 2 AHTSVs & 1 PSV in the coming 9-12 months time.
- The company is also taking a Construction Barge & an AHTSV on a Bareboat Charter basis during second quarter FY10.

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Company Profile	<p>Garware Offshore Services Ltd. (GOSL) which was formerly known as Garware Shipping Corporation Ltd., was incorporated in the year 1976. It owns &amp; operates offshore supply vessels that cater to the offshore oil and gas drilling companies, largely in India. GOSL currently operates a fleet of eight vessels that it charters out on hire basis to well-known clients across the globe, like ONGC, British Gas, RIL, Transocean, Sedco Forex &amp; Cairn Energy. GOSL currently has a wholly owned subsidiary incorporated in Singapore, 'Garware Offshore International Shipping Pte. Ltd.'</p>
Our View	<p>Looking at the crude oil demand &amp; the consequential surge in global E&amp;P activities, the demand for offshore support services has been very encouraging. We expect this demand to last for a couple of years &amp; have a positive outlook for the offshore sector. We believe that companies within the offshore segment would report good set of numbers going forward. The scrip is trading at 8.4x our FY09E earnings &amp; 5x FY10E earnings. We maintain a BUY on Garware Offshore Services Ltd. with our DCF based target of Rs. 210.</p>

## Garware : Quarterly Financials

Earnings Statement					
YE March (Rs. Mn.)	Q109	Q408	Q-Q(%)	Q108	Y-Y(%)
Net Revenues	294.3	234.0	25.8%	194.1	51.7%
Raw Material	(58.8)	(17.6)	233.3%	(31.4)	87.3%
Gross Profit	353.1	251.6	40.3%	225.4	56.6%
Staff Costs	49.8	50.0	-0.3%	38.0	31.1%
Other Expenses	136.0	59.1	130.3%	72.2	88.5%
Total Expenditure	185.8	109.0	70.4%	110.2	68.7%
Operating Profit	167.3	142.6	17.3%	115.3	45.1%
OPM (%)	56.83%	60.94%	(411.0)	59.40%	(257.1)
Other Income	3.1	2.4	33.4%	2.7	18.3%
EBITDA	170.4	145.0	17.5%	117.9	44.5%
Depreciation	39.2	42.8	-8.4%	29.6	32.4%
EBIT	131.2	102.2	28.4%	88.3	48.5%
Interest	40.3	43.3	-6.8%	34.8	15.7%
PBT	90.9	58.9	54.3%	53.5	69.9%
Tax	2.1	0.9	143.3%	1.6	30.5%
PAT	88.8	58.0	53.0%	51.9	71.1%
Extraordinary Items	(144.0)	(0.3)	43533.0%	0.0	
Profit on Sale of Assets	10.7	0.0		0.0	
Forex Gain / (Loss)	(154.7)	(0.3)		0.0	
Excess/(Short) Provision for earlier years	0.0	0.0		0.0	
Reported PAT	(55.2)	57.7	-195.7%	51.9	-206.4%
Equity Capital	238.2	238.2		192.7	
EPS	-2.32	2.42	-195.7%	2.69	-186.0%
Ratio Analysis					
Profitability					
YE March (Rs. Mn.)	Q109	Q408	Q-Q(bps)	Q108	Y-Y(bps)
OPM (%)	56.83%	60.94%	(411.0)	59.40%	(257.1)
EBITDA (%)	57.89%	61.94%	(404.9)	60.77%	(287.1)
EBIT (%)	44.57%	43.65%	92.1	45.51%	(93.8)
PAT (%)	-18.75%	24.65%	(4,340.9)	26.74%	(4,549.6)
Operational Parameters					
YE March (Rs. Mn.)	Q109	Q408	Q-Q(bps)	Q108	Y-Y(bps)
Raw Material	-19.97%	-7.53%	(1,243.3)	-16.17%	(380.2)
Staff Cost	16.94%	21.36%	(442.7)	19.58%	(265.0)
Other Expenditure	46.20%	25.23%	2,096.9	37.18%	902.2
Effective Tax Rate	2.28%	1.44%	83.2	2.96%	(68.8)

## Garware : Consolidated Financials

Earnings Statement									
Particulars (Rs Mn)	CY05	CY06	FY08A (15months)	FY09E	FY10E	FY11E	FY12E	FY13E	FY14E
Total Revenues	308.6	523.8	1,194.9	1,459.6	2,416.7	2,600.2	2,574.5	2,597.9	2,504.7
- Growth (%)	-3.2%	69.7%	128.1%	22.2%	65.6%	7.6%	-1.0%	0.9%	-3.6%
Total Expenditure	172.0	229.2	505.5	450.7	847.2	1,001.0	944.6	921.0	968.6
Operating Profit	136.6	294.6	689.4	1,009.0	1,569.5	1,599.2	1,629.9	1,676.9	1,536.1
Other Income	3.1	10.7	10.0	4.9	5.5	7.0	9.0	7.6	7.4
EBITDA	139.7	305.2	699.4	1,013.9	1,575.1	1,606.2	1,639.0	1,684.5	1,543.5
Depreciation	35.7	76.2	180.2	213.3	304.6	338.9	388.1	421.3	435.3
EBIT	104.0	229.0	519.2	800.6	1,270.4	1,267.2	1,250.9	1,263.2	1,108.1
Interest	5.4	67.6	211.2	265.8	318.3	270.0	257.1	210.6	141.3
PBT	98.6	161.4	308.0	534.8	952.1	997.2	993.7	1,052.6	966.8
Tax	8.2	8.5	7.2	19.8	22.1	23.5	24.2	24.9	23.1
PAT Before EI	90.4	152.8	300.8	514.9	930.0	973.7	969.6	1,027.7	943.7
- Growth (%)	-26.9%	69.1%	96.8%	71.2%	80.6%	4.7%	-0.4%	6.0%	-8.2%
Extra-ordinary Items	15.4	3.0	195.4	35.0	0.0	0.0	0.0	0.0	0.0
PAT	105.8	155.8	496.2	549.9	930.0	973.7	969.6	1,027.7	943.7
Ratio Analysis									
Particulars	CY05	CY06	FY08E (15 months)	FY09E	FY10E	FY11E	FY12E	FY13E	FY14E
OPM (%)	44.3%	56.2%	57.7%	69.1%	64.9%	61.5%	63.3%	64.5%	61.3%
EBITDA (%)	45.3%	58.3%	58.5%	69.5%	65.2%	61.8%	63.7%	64.8%	61.6%
PBIT (%)	33.7%	43.7%	43.4%	54.8%	52.6%	48.7%	48.6%	48.6%	44.2%
PAT (%)	29.3%	29.2%	25.2%	35.3%	38.5%	37.4%	37.7%	39.6%	37.7%
Interest Cover (x)	19.4	3.4	2.5	3.0	4.0	4.7	4.9	6.0	7.8
EPS (Rs.)	7.3	8.3	20.8	23.1	39.0	40.9	40.7	43.1	39.6
P/E (x)	26.6	23.6	9.4	8.4	5.0	4.8	4.8	4.5	4.9
P/BV (x)	3.8	3.2	2.3	1.8	1.4	1.1	0.9	0.8	0.7
BVPS (Rs.)	51.7	60.5	85.9	106.7	143.3	181.4	219.2	259.4	296.1
Market Cap (Rs. Mn.)	2,812.2	3,671.4	4,644.7	4,644.7	4,644.7	4,644.7	4,644.7	4,644.7	4,644.7
M Cap/Sales (x)	9.1	7.0	3.9	3.2	1.9	1.8	1.8	1.8	1.9
EV (Rs. Mn.)	3,593.8	5,410.1	7,143.9	8,331.5	9,052.0	8,321.3	8,165.1	7,506.4	6,493.6
EV/EBITDA (x)	25.7	17.7	10.2	8.2	5.7	5.2	5.0	4.5	4.2
EV/Sales (x)	11.6	10.3	6.0	5.7	3.7	3.2	3.2	2.9	2.6
ROCE (%)	6.7%	7.7%	11.2%	12.6%	16.0%	15.5%	14.1%	13.7%	12.2%
RONW (%)	12.1%	13.4%	14.7%	20.3%	27.3%	22.5%	18.6%	16.6%	13.4%
Debt/Equity Ratio (x)	1.1	1.6	1.3	1.5	1.3	0.9	0.7	0.5	0.3
Inventory T/o Days	36.8	41.9	40.0	40.0	40.0	40.0	40.0	40.0	40.0
Debtors T/o Days	172.7	78.1	65.0	65.0	65.0	65.0	65.0	65.0	65.0
Advances T/o Days	153.7	87.0	110.0	87.5	9.3	30.2	20.6	8.6	8.9
Creditors T/o Days	40.2	36.5	40.0	40.0	40.0	40.0	40.0	40.0	40.0
Working Cap T/o Days	317.5	219.2	190.2	165.0	84.0	107.3	90.5	73.6	71.9
Fixed Assets T/o (Gross)	0.2	0.2	0.3	0.2	0.3	0.3	0.3	0.2	0.2
DPS (Rs.)	1.2	1.8	1.8	2.0	2.1	2.3	2.5	2.5	2.5
Dividend Payout (%)	16.4%	21.8%	8.6%	8.7%	5.4%	5.6%	6.1%	5.8%	6.3%
Dividend Yield (%)	0.6%	0.9%	0.9%	1.0%	1.1%	1.2%	1.3%	1.3%	1.3%

## Garware : Consolidated Financials

Balance Sheet									
Particulars (Rs Mn)	CY05	CY06	FY08E (15 months)	FY09E	FY10E	FY11E	FY12E	FY13E	FY14E
Equity Capital	144.2	188.3	238.2	238.2	238.2	238.2	238.2	238.2	238.2
Share Warrant	13.7	32.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reserves	587.9	918.5	1,808.4	2,302.6	3,174.1	4,083.7	4,983.6	5,941.6	6,815.7
Shareholders Funds	745.8	1,139.5	2,046.6	2,540.8	3,412.3	4,321.9	5,221.8	6,179.8	7,053.9
Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Borrowed Funds	810.8	1,847.2	2,597.2	3,797.2	4,547.2	3,857.2	3,673.2	3,009.2	2,019.2
Deferred Tax Liability	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Liabilities	1,556.7	2,986.7	4,643.8	6,338.1	7,959.5	8,179.1	8,895.0	9,189.0	9,073.1
Fixed Assets	1,283.6	2,666.5	4,015.7	5,672.4	7,397.8	7,408.9	8,250.8	8,659.4	8,574.1
Investments	4.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6	5.6
Current Assets									
Inventory	31.1	60.1	130.9	160.0	264.8	285.0	282.1	284.7	274.5
Sundry Debtors	146.0	112.1	212.8	259.9	430.4	463.0	458.5	462.6	446.0
Loans & Advances	130.0	124.8	360.0	350.0	61.3	215.3	145.3	61.3	61.3
Cash & Bank Balance	29.2	108.6	98.0	110.5	139.9	180.7	152.8	147.5	170.4
Current Liabilities									
Sundry Creditors	34.0	52.4	130.9	160.0	264.8	285.0	282.1	284.7	274.5
Provisions	33.9	38.7	48.3	60.4	75.5	94.4	118.0	147.4	184.3
Net Current Assets	268.4	314.5	622.5	660.0	556.1	764.6	638.6	524.0	493.3
Miscellaneous Expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Assets	1,556.7	2,986.7	4,643.8	6,338.1	7,959.5	8,179.1	8,895.0	9,189.0	9,073.1
Cash Flow									
Particulars (Rs Mn)	CY05	CY06	FY08E (15 months)	FY09E	FY10E	FY11E	FY12E	FY13E	FY14E
Opening Cash & Bank	19.0	29.2	108.6	98.0	110.5	139.9	180.7	152.8	147.5
Profit After Tax	105.8	155.8	496.2	549.9	930.0	973.7	969.6	1,027.7	943.7
Investment Income	(3.1)	(10.7)	(10.0)	(4.9)	(5.5)	(7.0)	(9.0)	(7.6)	(7.4)
Interest Paid	5.4	67.6	211.2	265.8	318.3	270.0	257.1	210.6	141.3
Depreciation	35.7	76.2	180.2	128.3	304.6	338.9	388.1	421.3	435.3
Others	(94.8)	(3.9)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in Working Cap	(10.7)	33.2	(318.5)	(25.1)	133.4	(167.8)	98.2	109.3	53.5
CF - Operating Activities	38.3	318.4	559.0	914.0	1,680.8	1,407.8	1,703.9	1,761.4	1,566.5
Change in Fixed Assets	(869.3)	(1,455.3)	(1,529.3)	(1,785.0)	(2,030.0)	(350.0)	(1,230.0)	(830.0)	(350.0)
Change in Investments	(0.3)	(1.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Investment Income	3.1	10.7	10.0	4.9	5.5	7.0	9.0	7.6	7.4
CF - Investing Activities	(866.5)	(1,445.7)	(1,519.4)	(1,780.1)	(2,024.5)	(343.0)	(1,221.0)	(822.4)	(342.6)
Increase in Equity	72.3	257.8	493.9	(0.0)	0.0	(0.0)	0.0	(0.0)	(0.0)
Changes in Share Warrants	13.7	19.1	(32.7)	0.0	0.0	0.0	0.0	0.0	0.0
Changes in Borrowings	777.5	1,036.4	750.0	1,200.0	750.0	(690.0)	(184.0)	(664.0)	(990.0)
Interest Paid	(5.4)	(67.6)	(211.2)	(265.8)	(318.3)	(270.0)	(257.1)	(210.6)	(141.3)
Dividend Paid	(19.8)	(39.1)	(50.2)	(55.7)	(58.5)	(64.1)	(69.7)	(69.7)	(69.7)
CF - Financing Activities	838.4	1,206.6	949.8	878.5	373.2	(1,024.1)	(510.8)	(944.3)	(1,201.0)
Net Change in Cash	10.2	79.3	(10.5)	12.4	29.5	40.7	(27.8)	(5.3)	22.8
Closing Cash & Bank Balance	29.2	108.6	98.0	110.5	139.9	180.7	152.8	147.5	170.4

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