

## Great Offshore Services Ltd.

Buy | CMP Rs. 412.9  
Target Rs. 569.0

Q1 FY2009  
Result Update

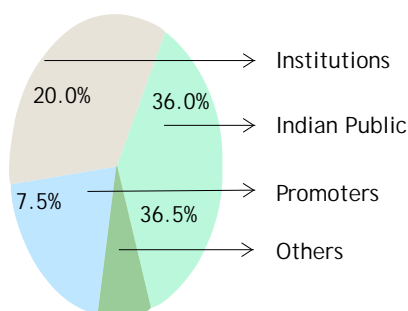
### Stock Data

Bloomberg : GOFF.IN  
Reuters : GOFS.BO  
BSE Code : 532786  
NSE Code : GTOFFSHORE  
BSE Group : A

### Stock Codes

Benchmark : BSEMIDCAP  
52 W High/Low : 1149.9/384.0  
Mkt Cap : Rs. 15,739 Mn  
Free Float : 30.49 Mn Shares  
Face Value : Rs. 10.0

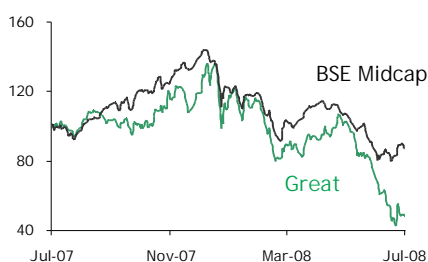
### Shareholding Pattern (as on June 08)



### Stock Returns

	1 Mth	3 Mths	6 Mths
Great	-19.87	-37.38	-52.51
BSEMID	1.90	-23.12	-29.89

### Price Comparison



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### Q1 FY09 Standalone Performance Review

Great Offshore Ltd. (GOFF) reported its first quarter results with a 46% Q-o-Q jump at PAT (Before Extraordinary) levels. The integrated offshore services provider saw its Operational Revenues grow by just 9.6% from Rs. 1,849.8 Mn. in Q4FY08 to Rs. 2,026.8 Mn. in Q1FY09. Even with an increase in Repairs & Maintenance & Direct Operating Expenses of 47% & 65% respectively, and a Q-o-Q decrease in Other Income, the company has been able to report a growth in PAT (Before Extraordinary) levels from Rs. 244 Mn. in Q4FY08 to Rs. 356.5 Mn. in Q1FY09. There has been a decrease in Tax payable from Rs. 88.1 Mn. in Q4FY08 to Rs. 63.1 Mn. in Q1FY09.

For the previous quarter ended March 2008, the company had an extraordinary profit of Rs. 180 Mn. on Sale of a Vessel. In contrast, for the quarter ended June 2008, the company has provided for an extraordinary loss of Rs. 236.4 Mn. arising on translation of its foreign loan liabilities, in compliance of AS-11. This does not represent any cash outflow. Also in an attempt to comply with AS-30 in advance, GOFF has launched an exercise to determine what its effective hedge position would imply, since the company's policy is not to hedge its Dollar loan liability.

However, on a Y-o-Y comparison, even though GOFF has been able show a robust increase of 40% in its top-line, it has failed to show similar growth at PAT levels. In fact, PAT levels have dipped by 36.5% to Rs. 120.1 Mn. for Q1FY09 from Rs. 561.7 Mn. for Q1FY08. This can largely be attributed to the overall increase in Total Expenditure & Current Tax payable.

During the first quarter of current financial year, the Equity Capital of the company has gone down from Rs. 381.2 Mn. as on Q4FY08 to Rs. 376.6 Mn. as on Q1FY09. This is due to GOFF's ongoing equity buy-back scheme, under which it has bought back 8.8 lac shares till date. The EPS on the reduced Equity Capital base stands at Rs. 3.2 as at June 2008.

### Recent Announcements

Great Offshore has been awarded an engineering contract on a turnkey basis of around Rs. 234 crores by ONGC. The contract deals with carrying out engineering, procurement, fabrication & installation of barge bumpers, boat landings, riser protections on 79 offshore platforms operated by ONGC. This contract is to be carried out at the

production platforms in the western India fields of Mumbai High, Bassein & Satellite & Neelam & Heera, and is due to be completed by mid CY2010.

Further, as covered in our Initiating Coverage Report, about GOFF in talks with Sea Dragon Offshore of Cayman Islands, to acquire one of the sixth generation drilling rigs to be owned by the said company, GOFF has formerly communicated its decision to discontinue the said offer. Hence, as of today, Great Offshore Ltd. has completely withdrawn its decision to acquire the sixth generation Jack Up rig from the Overseas offshore company.

## Company Profile

Great Offshore Ltd. (GOFF) is a prominent integrated offshore oilfield services provider offering a broad spectrum of services to the upstream oil & gas producers in India & internationally. From drilling services to marine and air logistics, from marine construction to port/terminal services, GOFF meets a wide gamut of the offshore requirements of an E&P operator. GOFF currently owns & operates a fleet of 40 offshore vessels including 2 drilling rigs, 1 construction barge, 1 heavy lift vessel, 25 offshore support vessels & 11 harbour tugs.

Great Offshore Ltd. currently has two wholly owned subsidiaries - Deep Water Services (India) Limited, established in India & Great Eastern Fujairah LLC - FZC, which operates in the United Arab Emirates.

Great Offshore is also a joint venture partner in United Helicharterers Pvt. Ltd. that provides offshore air logistic services such as Corporate Transportation and Aerial Survey through its fleet of helicopters.

## Our View

The constant surge in crude oil prices over the past few months & the consequential increase in global & domestic Exploration & Production activities, the demand for offshore support services has ballooned & benefitted companies like GOFF in terms of higher day rates for its vessels. We believe this scenario to continue for a couple of years & GOFF to report better results going forward. At CMP of Rs. 413, the scrip trades at 7x FY09E earnings & 6x FY10E earnings. We maintain a BUY recommendation on the stock with our DCF based target of Rs. Rs. 569.

## Great Offshore : Quarterly Financials

Earnings Statement								
YE March (Rs. Mn.)	Q109	Q408	Q-Q(%)	Q108	Y-Y(%)	FY08	FY07	Y-Y(%)
Net Revenues	2,026.8	1,849.8	9.6%	1,450.1	39.8%	6,763.1	5,368.4	26.0%
Cost of Materials	0.0	0.0		0.0		0.0	0.0	
Gross Profit	2,026.8	1,849.8	9.6%	1,450.1	39.8%	6,763.1	5,368.4	26.0%
Staff Costs	420.8	465.6	-9.6%	312.8	34.5%	1,541.8	1,153.7	33.6%
Repairs & Maintenance	201.1	136.4	47.4%	146.6	37.2%	618.4	543.2	13.8%
Direct Operating Expenses	176.3	106.9	64.9%	106.6	65.4%	382.8	494.6	-22.6%
Other Expenses	385.9	411.0	-6.1%	244.3	58.0%	1,116.2	570.9	95.5%
Total Expenditure	1,184.1	1,119.9	5.7%	810.3	46.1%	3,659.2	2,762.4	32.5%
Operating Profit	842.7	729.9	15.5%	639.8	31.7%	3,103.9	2,606.0	19.1%
OPM (%)	41.6%	39.5%		44.1%		45.9%	48.5%	
Forex Gain/(Loss)	0.0	(62.1)		207.2		285.2	0.0	
Other Income	8.6	82.3	-89.6%	82.8	-89.6%	274.9	78.1	252.0%
EBITDA	851.3	750.1	13.5%	929.8	-8.4%	3,664.0	2,684.1	36.5%
Depreciation	257.8	254.8	1.2%	236.4	9.1%	985.3	696.7	41.4%
EBIT	593.5	495.3	19.8%	693.4	-14.4%	2,678.7	1,987.4	34.8%
Interest	173.9	163.2	6.6%	136.0	27.9%	655.1	359.6	82.2%
PBT	419.6	332.1	26.3%	557.4	-24.7%	2,023.6	1,627.8	24.3%
Tax	63.1	88.1	-28.4%	(4.3)		171.4	213.6	-19.8%
PAT	356.5	244.0	46.1%	561.7	-36.5%	1,852.2	1,414.2	31.0%
Extraordinary Income	(236.4)	179.9		0.0		179.9	0.0	
Profit on sale of Vessel	0.0	179.9		0.0		179.9	0.0	
Other EI	(236.4)	0.0		0.0		0.0	0.0	
Reported PAT	120.1	423.9	-71.7%	561.7	-78.6%	2,032.1	1,414.2	43.7%
Equity Capital	376.6	381.2		381.2		381.2	381.2	
EPS	3.19	11.12	-71.3%	14.74	-78.4%	53.31	37.10	43.7%
Ratio Analysis								
Profitability								
YE March (Rs. Mn.)	Q109	Q408	Q-Q(%)	Q108	Y-Y(%)	FY08	FY07	Y-Y(%)
OPM (%)	41.6%	39.5%	537.2	44.1%	(576.4)	45.9%	48.5%	(545.6)
EBITDA (%)	42.0%	40.6%	358.0	64.1%	(3,449.4)	54.2%	50.0%	835.7
EBIT (%)	29.3%	26.8%	936.2	47.8%	(3,876.2)	39.6%	37.0%	698.9
PAT (%)	17.6%	13.2%	3,334.7	38.7%	(5,459.1)	27.4%	26.3%	396.2
Operational Parameters								
YE March (Rs. Mn.)	Q109	Q408	Q-Q(%)	Q108	Y-Y(%)	FY08	FY07	Y-Y(%)
Staff Cost	20.8%	25.2%	(1,751.5)	21.6%	(375.1)	22.8%	21.5%	608.0
Repairs & Maintenance	9.9%	7.4%	3,455.9	10.1%	(185.6)	9.1%	10.1%	(963.3)
Direct Operating Expenses	8.7%	5.8%	5,051.8	7.4%	1,832.7	5.7%	9.2%	(3,856.5)
Other Expenses	19.0%	22.2%	(1,430.7)	16.8%	1,301.6	16.5%	10.6%	5,519.6
Effective Tax Rate	15.0%	26.5%	(4,331.3)	-0.8%	(204,936.2)	8.5%	13.1%	(3,545.2)

## Great Offshore : Financials

Earnings Statement									
Particulars (Rs Mn)	FY06	FY07	FY08A	FY09E	FY10E	FY11E	FY12E	FY13E	FY14E
Total Revenues	3,884.5	5,821.9	7,459.0	7,942.5	9,639.8	11,142.6	11,142.6	11,142.6	10,585.5
- Growth (%)		49.9%	28.1%	6.5%	21.4%	15.6%	0.0%	0.0%	-5.0%
Total Expenditure	2,258.0	3,193.5	4,334.6	3,853.4	4,787.1	5,753.7	6,019.9	6,308.1	6,621.0
Operating Profit	1,626.5	2,628.4	3,124.4	4,089.1	4,852.7	5,388.9	5,122.7	4,834.5	3,964.4
Other Income	30.9	42.6	214.7	155.5	151.7	167.1	154.1	159.7	289.8
Forex Gain/(Loss)	(8.6)	36.2	285.2	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	1,648.8	2,707.2	3,624.3	4,244.6	5,004.3	5,556.0	5,276.8	4,994.3	4,254.3
Depreciation	448.9	709.0	985.5	1,098.9	1,237.5	1,278.7	1,320.0	1,361.2	1,402.5
EBIT	1,199.9	1,998.2	2,638.8	3,145.7	3,766.9	4,277.2	3,956.9	3,633.0	2,851.8
Interest	173.4	360.6	683.9	611.3	451.3	211.3	0.0	0.0	0.0
PBT	1,026.5	1,637.6	1,954.9	2,534.4	3,315.6	4,065.9	3,956.9	3,633.0	2,851.8
Tax	55.8	185.8	173.4	286.3	439.0	606.0	600.3	567.1	486.0
PAT Before EI	970.7	1,451.8	1,781.5	2,248.1	2,876.5	3,459.9	3,356.6	3,065.9	2,365.8
- Growth (%)		49.6%	22.7%	26.2%	28.0%	20.3%	-3.0%	-8.7%	-22.8%
Extra-ordinary Items	0.0	0.0	234.8	0.0	0.0	0.0	0.0	0.0	0.0
PAT	970.7	1,451.8	2,016.3	2,248.1	2,876.5	3,459.9	3,356.6	3,065.9	2,365.8
Ratio Analysis									
Particulars	FY06	FY07	FY08E	FY09E	FY10E	FY11E	FY12E	FY13E	FY14E
OPM (%)	41.9%	45.1%	41.9%	51.5%	50.3%	48.4%	46.0%	43.4%	37.5%
EBITDA (%)	42.4%	46.5%	48.6%	53.4%	51.9%	49.9%	47.4%	44.8%	40.2%
PBIT (%)	30.9%	34.3%	35.4%	39.6%	39.1%	38.4%	35.5%	32.6%	26.9%
PAT (%)	25.0%	24.9%	27.0%	28.3%	29.8%	31.1%	30.1%	27.5%	22.3%
Interest Cover (x)	6.9	5.5	3.9	5.1	8.3	20.2	-	-	-
EPS (Rs.)	25.5	38.1	52.9	59.0	68.9	82.9	80.4	73.4	56.7
P/E (x)	16.2	10.8	7.8	7.0	6.0	5.0	5.1	5.6	7.3
P/BV (x)	3.2	2.5	1.8	1.6	1.3	1.1	1.0	0.9	0.8
BVPS (Rs.)	131.1	162.0	232.9	266.2	327.6	381.2	433.5	481.2	518.0
Market Cap (Rs. Mn.)	15,739.7	15,739.7	15,739.7	15,739.7	17,240.3	17,240.3	17,240.3	17,240.3	17,240.3
M Cap/Sales (x)	4.1	2.7	2.1	2.0	1.8	1.5	1.5	1.5	1.6
EV (Rs. Mn.)	18,527.3	22,628.9	21,974.8	22,028.1	19,540.7	16,800.1	14,045.9	11,443.4	9,245.6
EV/EBITDA (x)	11.2	8.4	6.1	5.2	3.9	3.0	2.7	2.3	2.2
EV/Sales (x)	4.8	3.9	2.9	2.8	2.0	1.5	1.3	1.0	0.9
ROCE (%)	13.6%	14.6%	14.5%	16.2%	19.5%	23.0%	21.9%	18.1%	13.2%
RONW (%)	19.4%	23.5%	22.7%	22.2%	21.0%	21.7%	18.5%	15.3%	10.9%
Debt/Equity Ratio (x)	0.8	1.2	1.1	0.9	0.4	0.2	0.0	0.0	0.0
Inventory T/o Days	6.8	4.0	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Debtors T/o Days	71.8	77.7	74.0	72.0	72.0	72.0	72.0	72.0	72.0
Advances T/o Days	22.5	25.5	22.0	22.0	22.0	22.0	22.0	22.0	22.0
Creditors T/o Days	98.3	96.9	90.0	90.0	90.0	90.0	90.0	90.0	90.0
Working Cap T/o Days	95.8	45.0	160.7	145.9	133.0	107.4	111.1	196.4	282.2
Fixed Assets T/o (Gross)	0.4	0.4	0.5	0.4	0.4	0.5	0.5	0.5	0.4
DPS (Rs.)	5.1	8.0	16.0	18.0	21.0	25.0	24.0	22.0	17.0
Dividend Payout (%)	20.0%	21.0%	30.2%	30.5%	30.5%	30.2%	29.9%	30.0%	30.0%
Dividend Yield (%)	1.2%	1.9%	3.9%	4.4%	5.1%	6.1%	5.8%	5.3%	4.1%

## Great Offshore : Financials

Balance Sheet									
Particulars (Rs Mn)	FY06	FY07	FY08E	FY09E	FY10E	FY11E	FY12E	FY13E	FY14E
Equity Capital	381.2	381.2	381.2	381.2	417.5	417.5	417.5	417.5	417.5
10% OCR Preference Capital			1,500.0	1,500.0	0.0	0.0	0.0	0.0	0.0
Reserves	4,618.0	5,794.6	6,998.0	8,267.9	13,262.3	15,501.0	17,685.2	19,676.5	21,211.9
Shareholders Funds	4,999.2	6,175.8	8,879.2	10,149.1	13,679.9	15,918.6	18,102.8	20,094.0	21,629.4
Borrowed Funds	3,811.6	7,465.6	9,345.6	9,321.4	5,641.4	2,641.4	0.0	0.0	0.0
Deferred Tax Liability	28.6	(32.9)	(65.7)	0.0	0.0	0.0	0.0	0.0	0.0
Total Liabilities	8,839.4	13,608.5	18,159.1	19,470.5	19,321.3	18,560.0	18,102.8	20,094.0	21,629.4
Fixed Assets	7,817.1	12,889.5	14,874.0	16,295.1	15,807.7	15,278.9	14,709.0	14,097.8	13,445.3
Goodwill on Consolidation	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Current Assets									
Inventory	72.8	63.1	92.0	97.9	118.8	137.4	137.4	137.4	130.5
Sundry Debtors	763.8	1,239.6	1,512.2	1,566.7	1,901.6	2,198.0	2,198.0	2,198.0	2,088.1
Loans & Advances	239.8	406.4	449.6	478.7	581.0	671.6	671.6	671.6	638.0
Other Current Assets	0.0	5.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash & Bank Balance	1,024.0	576.4	3,110.5	3,033.1	3,341.0	3,081.7	3,194.4	5,796.9	7,994.7
Current Liabilities									
Sundry Creditors	1,045.8	1,545.7	1,839.2	1,958.4	2,376.9	2,747.5	2,747.5	2,747.5	2,610.1
Provisions	35.3	27.2	40.9	43.5	52.8	61.1	61.1	61.1	58.0
Net Current Assets	1,019.3	718.1	3,284.2	3,174.5	3,512.7	3,280.1	3,392.9	5,995.3	8,183.2
Miscellaneous Expenditure	2.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Total Assets	8,839.4	13,608.5	18,159.1	19,470.5	19,321.3	18,560.0	18,102.8	20,094.0	21,629.4
Cash Flow									
Particulars (Rs Mn)	FY06	FY07	FY08E	FY09E	FY10E	FY11E	FY12E	FY13E	FY14E
Opening Cash & Bank	563.1	1,024.0	576.4	3,110.5	3,033.1	3,341.0	3,081.7	3,194.4	5,796.9
Profit After Tax	970.7	1,451.8	2,016.3	2,248.1	2,876.5	3,459.9	3,356.6	3,065.9	2,365.8
Investment Income	(30.9)	(42.6)	(214.7)	(155.5)	(151.7)	(167.1)	(154.1)	(159.7)	(289.8)
Interest Paid	173.4	360.6	683.9	611.3	451.3	211.3	0.0	0.0	0.0
Miscellaneous Exp W/Off	2.1	2.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation	448.9	709.0	985.5	1,098.9	1,237.5	1,278.7	1,320.0	1,361.2	1,402.5
Deferred Taxation	28.6	(61.5)	(32.8)	65.7	0.0	0.0	0.0	0.0	0.0
Others	80.5	(3.2)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in Working Cap	89.8	(146.4)	(32.0)	32.3	(30.2)	(26.8)	0.0	0.0	9.9
CF - Operating Activities	1,763.1	2,269.8	3,406.2	3,900.7	4,383.4	4,756.1	4,522.4	4,267.4	3,488.4
Change in Fixed Assets	(2,194.9)	(5,778.2)	(2,970.0)	(2,520.0)	(750.0)	(750.0)	(750.0)	(750.0)	(750.0)
Investment Income	30.9	42.6	214.7	155.5	151.7	167.1	154.1	159.7	289.8
CF - Investing Activities	(2,164.0)	(5,735.6)	(2,755.3)	(2,364.5)	(598.3)	(582.9)	(595.9)	(590.3)	(460.2)
Increase in Equity	0.5	72.5	(0.0)	0.0	3,180.0	(0.0)	0.0	(0.0)	(0.0)
Changes in Preference Capital	0.0	0.0	1,500.0	0.0	(1,500.0)	0.0	0.0	0.0	0.0
Changes in Borrowings	1,256.6	3,654.0	1,880.0	(24.2)	(3,680.0)	(3,000.0)	(2,641.4)	0.0	0.0
Interest Paid	(173.4)	(360.6)	(683.9)	(611.3)	(451.3)	(211.3)	0.0	0.0	0.0
Dividend Paid - Equity	(221.9)	(347.7)	(713.5)	(802.7)	(1,025.8)	(1,221.2)	(1,172.4)	(1,074.7)	(830.4)
Dividend Paid - Preference	0.0	0.0	(99.3)	(175.5)	0.0	0.0	0.0	0.0	0.0
CF - Financing Activities	861.8	3,018.2	1,883.2	(1,613.7)	(3,477.1)	(4,432.5)	(3,813.8)	(1,074.7)	(830.4)
Net Change in Cash	460.9	(447.6)	2,534.1	(77.5)	308.0	(259.3)	112.8	2,602.5	2,197.8
Closing Cash & Bank Balance	1,024.0	576.4	3,110.5	3,033.1	3,341.0	3,081.7	3,194.4	5,796.9	7,994.7

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