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Mumbai

## CRISIL Research assigns IPO grade '4/5' to Greatship (India) Ltd

CRISIL has assigned a CRISIL IPO Grade "4/5" (pronounced "four on five") to the proposed initial public offer (IPO) of Greatship (India) Ltd (Greatship). This grade indicates that the fundamentals of the IPO are **'above average'** relative to the other listed equity securities in India. However, this grade is not an opinion on whether the issue price is appropriate in relation to the issue fundamentals. The grade is not a recommendation to buy, sell or hold the graded instrument, or a comment on the graded instrument's future market price or its suitability for a particular investor.

The assigned grade reflects Greatship's competitive strength attributable to its young, technologically-advanced and diverse fleet. The average age of its vessels is much below the global average. Further, some of its vessels are equipped with high-end technologies such as dynamic positioning, fire fighting and diesel-electric propulsion, increasing their chance of securing charter contracts.

Greatship's fleet has a good mix of long-term and short-term charters. The company operates two rigs which have been chartered to India's largest oil and gas PSU for a long term, providing strong revenue visibility. Greatship also stands to benefit from the fact that the Government of India-owned oil and gas companies prefer to award contracts to domestic players.

The grade also takes into account the experience of top management as well as the second line in the offshore services business. Post-IPO, Greatship will remain a subsidiary of Great Eastern Shipping Company Ltd (GESCO), and hence would benefit from the latter's strong brand and financial strength.

The grade is moderated due to the dependence of E&P spend on future outlook of crude oil prices, which are inherently volatile. Further, the industry is competitive and has established players. The grade is influenced by a high client concentration risk - India's largest oil and gas PSU accounts for a majority of Greatship's revenues (61.2% of 9MFY10 revenues).

### About the company and the issue

Greatship was incorporated in June 2002 as a wholly owned subsidiary of GESCO. In April 2006 it started providing marine logistics and drilling services for offshore oil and gas explorations activities. Recently, it ventured into offshore construction services. The company owns and operates a fleet of jack-up rigs and offshore support vessels.

The consolidated revenues of the company have grown at a two-year CAGR of 282% to Rs 3,159 mn in FY09 and profits have grown at a two-year CAGR of 377% to Rs 475 mn. The strong growth in revenues is primarily on account of higher operating fleet and a smaller base. Revenues for nine months ending December 2009 were Rs 5,374 mn and profits were Rs 656 mn. The consolidated net worth of the company was Rs 13,160 mn.

The company has planned a public issue of 22 mn shares. The proceeds of the issue would be utilised to fund acquisition of certain vessels, early redemption of part of preference share issued to promoters, repayment of portion of debt availed by the company and to meet general corporate purposes.

## About CRISIL IPO Grading

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