Arihant Capital
Generating Wealth

Initiating Coverage
4th Dec 2023

SEAMEC Ltd

Long term contracts shows business visibility.

CMP: INR 931

Rating: BUY

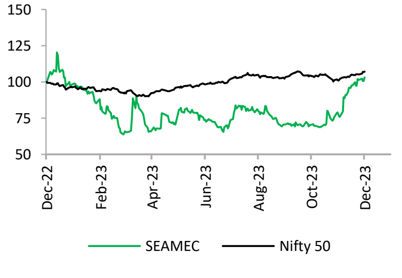
Target Price: INR 1,404

Stock Info	
BSE	526807
NSE	SEAMECLTD
Bloomberg	SEAM:IN
Reuters	SEAM.NS
Sector	Shipping
Face Value (INR)	10
Equity Capital (INR mn)	254
Mkt Cap (INR mn)	23,569
52w H/L (INR)	1,100/562
Avg Yearly Volume (in 000')	53.8

Shareholding Pattern % *(As on Sep, 2023)*	
Promoters	72.05
DII	2.65
FII	0.00
Public & Others	25.31

Stock Performance (%)	3m	6m	12m
SEAMEC	46.0	39.4	3.2
NIFTY	3.6	8.9	7.0

SEAMEC vs NIFTY



Abhishek Jain
abhishek.jain@arihantcapital.com
022-422548871

Balasubramanian A
bala@arihantcapital.com
022-67114780

Seamec Ltd is part of M.M Agarwal group; In 1986, Peerless Leasing Pvt Ltd was incorporated and renamed to Seamec in 2001. Seamec was taken over by HAL Offshore Ltd in 2014 and HAL Offshore holds a 70% stake in Seamec Ltd. HAL Offshore is a leading end-to-end solution provider of underwater and EPC services to the Indian oil & gas industry. Seamec provides Diving Support Services to the offshore Oil & Gas Industry. The company also provides specialized services, covering inspection, maintenance repairs, operating remotely vehicles, etc. The company has long-term contracts with clients like ONGC, L&T Hydrocarbon, etc.

Investment rationale

Long-term contracts show business visibility: Seamec owns and operates 5 Diving Support Vessels (DSV) for facilitating complex subsea operations. Seamec has long-term contracts of 3 to 5 years with clients for DSV which shows business visibility. The company is participating in ONCG tenders and is getting the contracts. The global players are not interested in Indian markets. Seamec is the major listed player to get contracts from ONCG. ONGC is expected to invest around $4bn over the medium term and ONGC's new facilities will provide vessel deployment opportunities for Seamec.

Recovery in freight would improve dry-bulk carriers: Seamec has 3 bulk carriers and provides marine transportation services for dry-bulk materials such as food stables, commodities, and industrial products. Two bulk carriers are operating under Seamec subsidiary of Seamec International FZE and one bulk carrier operates under JV. The JV of Seamec International FZE – Arete Shipping DMCC has a bulk carrier "Asian Pearl" which strengthened the main fleet business. Fleet rates have corrected from $20,000/day to $8,000/day due to global geopolitical tensions and started recovery in fleet rates due to normalization. We believe the recovery in fleet rates would improve the business of dry-bulk carriers.

Capacity expansion and rationalization of assets would improve the business: Seamec is expected to add two offshore support vessels (OSV) in Q4FY24E/Q1FY25E. The capex is expected around INR 1.15bn – INR 1.3bn and payback period is expected around 5-6 years. Seamec III is expected to be scrapped in Jun-2024 and Seamec II is expected to be scrapped in Q4FY26E. The company is expected to replace the vessels of Seamec II and Seamec III and new vessels has higher charter rates which would improve the top line going forward. The company recently acquired Swordfish for INR 2bn. The company is searching for new vessels and capex is expected around INR 4bn in the next 4 years and maintenance capex is expected around INR 300mn to INR 350mn every year. The payback period for new multi-support vessels is expected around 4 years. Seamec is expected to add one more vessel based on demand going forward. India imports around 85% of oil and 50% of gas consumptions and continuous demand leads to more exploration in oil fields. Seamec is the preferred partner for ONGC and other clients for maintaining the oil fields.

The working capital cycle remains robust backed by long-term relationships: Seamec has a long-term business relationship with clients and gets contracts regularly. In the contract period, revenues are billed on a daily basis, whether vessels are deployed or not and payments are in dollar terms. The customer billing cycle is around 45 days and creditors are generally paid in 30 days. The networking capital days stood around 15 days and are expected to maintain going forward.

Outlook & Valuation: Seamec is the major organized player for offshore oil field services and Diving Support Services in India. The company is expected to scrap and replace 2 vessels in the next 4 years. One more new vessel is expected to be deployed based on demand. All the vessels are completely deployed, payments are in dollar terms, and continuous business visibility from ONCG and others. We are estimating revenue is expected to grow at a CAGR of 17% over the period of FY23-26E, backed by long-term contracts. We are estimating EBITDA & PAT margins are expected to be 37.2% & 23.2% by FY26E, backed by cost rationalization and an increase in freight and charter rates. Reverse merger of Seamec and HAL Offshore is on Hold, if the merger happens it will be value accretive for Seamec. We initiate a "BUY" rating with a Target Price of INR 1,404 based on 22x of FY26E EPS of INR 63.8, an upside of 50.8%.

Earlier, we have recommended Seamec at INR 719 for the TP of INR 1,415 via Sales Note.

Seamec Ltd Sales Note: https://bit.ly/3SWHeMe

Arihant Capital Markets Limited | Research Analyst SEBI Registration No: INH000002764
1011, Solitaire Corporate Park, Bldg No.10, 1st Floor, Andheri Ghatkopar Link Rd, Chakala, Andheri (E), Mumbai 400093

Table of Contents

Investment Rationale

Long-term contracts show business visibility: Seamec owns and operates 5 Diving Support Vessels (DSV) for facilitating complex subsea operations. Seamec has long-term contracts of 3 to 5 years with clients for DSV which shows business visibility. While bidding, the company factored inflation and other cost increases, because there is no incremental clause on contracts. The billing is in US dollars and the company is expected to take advantage of the strengthening of US dollars against Indian currency. Seamec offshore services revenue share stood around 85% and is expected to reach 90% backed by strengthened offshore vessel support systems.

The company is participating in ONCG tenders and is getting the contracts. The global players are not interested in Indian markets. Seamec is the major listed player to get contracts from ONCG. ONGC is expected to invest around $4bn over the medium term and ONGC's new facilities will provide vessel deployment opportunities for Seamec.

Exhibit 1: Seamec has long-term contracts with clients. The contract is generally 3-5 years. The contracts are fixed-price contracts and billing is in dollar terms. The company also does short-term contracts for clients with special requirements. The realization varies based on contracts and expenses are based on terms of fuel, crew, crew catering, maintenance, and others.

Vessels	Customer	Contract end date	Contracts and billing details
Seamec II	ONGC	Dec-25	Seamec II has a contract with ONGC. The company is providing vessel along with crew, crew catering, maintenance and projects related expenditure like Diving and ROV. The company is outsourcing the diving and ROV (Remote Operated Vessel).
Seamec III & Princess	LT	May-24	Seamec III and Princess has a contract with LT. The billing is based on milestone achieved during the month.
Seamec Swordfish**	James Fisher	Dec-23	Swordfish has a contract with James Fisher. The charter bears all the expenses like fuel, crew, crew catering, maintenance and spare parts.
Seamec Paladin*	ONGC	Jul-28	Seamec Paladin has a contract with ONGC. The company providing vessel along with crew, crew catering and vessel maintenance.
Seamec Glorious (barge)*	ONGC	May-25	Seamec Glorious got long-term contracts from ONCG. The contract days around 425 days. The contract starts from 15th Oct 2023 to 15th May 2025. It operates in fair weather season from 15th Oct to 15th May in a year.

Source: Company reports, Arihant Capital Research, The billing rates are approx. and it may vary based on contracts.

**Recently signed contract; **Contract up for renewal & negotiation*

Exhibit 2: SEAMEC has 5 DSV vessels and 1 Barge vessel. SEAMEC's offshore fleets include SEAMEC II, SEAMEC III, SEAMEC PRINCESS, SEAMEC PALADIN and SUBTECH SWORDFISH which are multi-support, multi-functional DSVs and SEAMEC GLORIOUS an Accommodation Barge.

Source: Company reports, Arihant Capital Research

Investment Rationale

Exhibit 3: The increase in realization and deployment days is expected to drive the revenue going forward. Out of 5 vessels, 3 vessels are used for long-term contracts (3-5 years), and 2 vessels are used for short-term contracts (less than 1 year). The realization is higher in short-term contracts.

Y/e 31 Mar (INR mn)	FY20	FY21	FY22	FY23	Q1FY24	Q2FY24	Q3FY24E	Q4FY24E	FY24E	FY25E	FY26E
Number of Vessels deployed	6	6	6	6	6	3	6	6	6	5	6
Total Number of days deployed	1,737	921	1,257	1,289	356	249	355	355	1,315	1,315	1,315
Deployment Rate ($/day)	28,805	33,188	30,725	38,599	34,384	32,379	33,850	34,650	33,783	46,800	55,800
USD/INR	73	75	76	80	82	83	83	83	83	84	85
Revenue from Direct Deployment	**3,653**	**2,292**	**2,935**	**3,990**	**1,003**	**665**	**997**	**1,021**	**3,687**	**5,170**	**6,237**
Other Vessel Revenue	-	-	-	-	779	9	21	21	829	111	66
Standalone revenue	**3,653**	**2,292**	**2,935**	**3,990**	**1,782**	**674**	**1,018**	**1,042**	**4,516**	**5,280**	**6,303**
Subsidiary revenue	188	276	561	382	170	171	172	172	684	686	692
Revenue from Operations	**3,841**	**2,568**	**3,496**	**4,372**	**1,952**	**844**	**1,190**	**1,214**	**5,200**	**5,966**	**6,995**

Source: Company Reports, Arihant Capital Research

Revenue from Direct Deployment (INR mn) - FY24E

Deployment Rate ($/day) \ Total Number of days deployed	1,050	1,100	1,150	1,200	1,250	1,300	1,350	1,400	1,450	1,500	1,550
3,687											
28,500	2,484	2,602	2,720	2,839	2,957	3,075	3,193	3,312	3,430	3,548	3,667
29,500	2,571	2,693	2,816	2,938	3,061	3,183	3,305	3,428	3,550	3,673	3,795
30,500	2,658	2,785	2,911	3,038	3,164	3,291	3,418	3,544	3,671	3,797	3,924
31,500	2,745	2,876	3,007	3,137	3,268	3,399	3,530	3,660	3,791	3,922	4,052
32,500	2,832	2,967	3,102	3,237	3,372	3,507	3,642	3,777	3,911	4,046	4,181
33,500	2,920	3,059	3,198	3,337	3,476	3,615	3,754	3,893	4,032	4,171	4,310
34,500	3,007	3,150	3,293	3,436	3,579	3,723	3,866	4,009	4,152	4,295	4,438
35,500	3,094	3,241	3,388	3,536	3,683	3,830	3,978	4,125	4,272	4,420	4,567
36,500	3,181	3,332	3,484	3,635	3,787	3,938	4,090	4,241	4,393	4,544	4,696
37,500	3,268	3,424	3,579	3,735	3,891	4,046	4,202	4,358	4,513	4,669	4,824
38,500	3,355	3,515	3,675	3,835	3,994	4,154	4,314	4,474	4,633	4,793	4,953

Revenue from Direct Deployment (INR mn) - FY25E

Deployment Rate ($/day) \ Total Number of days deployed	1,050	1,100	1,150	1,200	1,250	1,300	1,350	1,400	1,450	1,500	1,550
5,170											
42,000	3,704	3,881	4,057	4,234	4,410	4,586	4,763	4,939	5,116	5,292	5,468
43,000	3,793	3,973	4,154	4,334	4,515	4,696	4,876	5,057	5,237	5,418	5,599
44,000	3,881	4,066	4,250	4,435	4,620	4,805	4,990	5,174	5,359	5,544	5,729
45,000	3,969	4,158	4,347	4,536	4,725	4,914	5,103	5,292	5,481	5,670	5,859
46,000	4,057	4,250	4,444	4,637	4,830	5,023	5,216	5,410	5,603	5,796	5,989
47,000	4,145	4,343	4,540	4,738	4,935	5,132	5,330	5,527	5,725	5,922	6,119
48,000	4,234	4,435	4,637	4,838	5,040	5,242	5,443	5,645	5,846	6,048	6,250
49,000	4,322	4,528	4,733	4,939	5,145	5,351	5,557	5,762	5,968	6,174	6,380
50,000	4,410	4,620	4,830	5,040	5,250	5,460	5,670	5,880	6,090	6,300	6,510
51,000	4,498	4,712	4,927	5,141	5,355	5,569	5,783	5,998	6,212	6,426	6,640
52,000	4,586	4,805	5,023	5,242	5,460	5,678	5,897	6,115	6,334	6,552	6,770

Revenue from Direct Deployment (INR mn) - FY26E

Deployment Rate ($/day) \ Total Number of days deployed	1,050	1,100	1,150	1,200	1,250	1,300	1,350	1,400	1,450	1,500	1,550
6,237											
50,000	4,463	4,675	4,888	5,100	5,313	5,525	5,738	5,950	6,163	6,375	6,588
51,000	4,552	4,769	4,985	5,202	5,419	5,636	5,852	6,069	6,286	6,503	6,719
52,000	4,641	4,862	5,083	5,304	5,525	5,746	5,967	6,188	6,409	6,630	6,851
53,000	4,730	4,956	5,181	5,406	5,631	5,857	6,082	6,307	6,532	6,758	6,983
54,000	4,820	5,049	5,279	5,508	5,738	5,967	6,197	6,426	6,656	6,885	7,115
55,000	4,909	5,143	5,376	5,610	5,844	6,078	6,311	6,545	6,779	7,013	7,246
56,000	4,998	5,236	5,474	5,712	5,950	6,188	6,426	6,664	6,902	7,140	7,378
57,000	5,087	5,330	5,572	5,814	6,056	6,299	6,541	6,783	7,025	7,268	7,510
58,000	5,177	5,423	5,670	5,916	6,163	6,409	6,656	6,902	7,149	7,395	7,642
59,000	5,266	5,517	5,767	6,018	6,269	6,520	6,770	7,021	7,272	7,523	7,773
60,000	5,355	5,610	5,865	6,120	6,375	6,630	6,885	7,140	7,395	7,650	7,905

Source: Company reports, Arihant Capital Research, Please refer Page No 23 for detailed analysis.

- Bull Case - Base Case - Bear Case

Investment Rationale

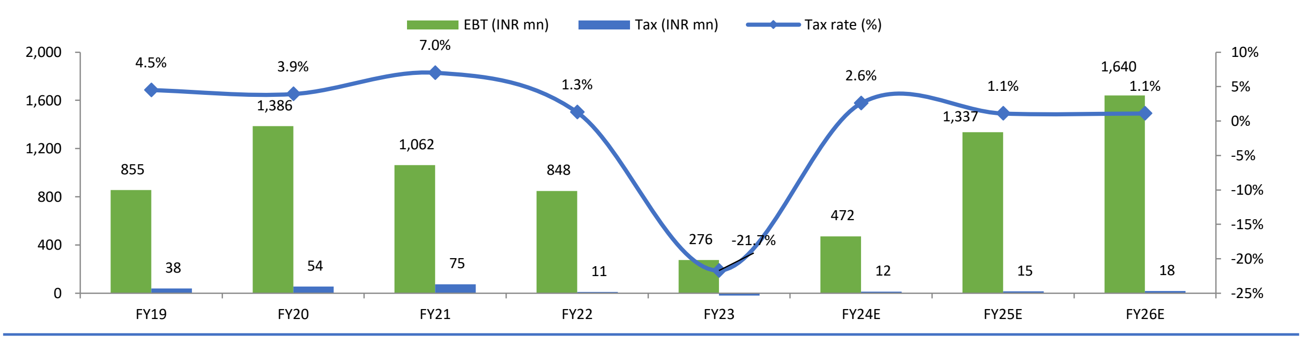
Taxation advantage due to Tonnage taxation scheme: Seamec's taxation is based on a scheme under Chapter XII G of the Income Tax Act, 1961. The scheme provides taxation of the business income based on vessels that are under the tonnage tax scheme. So, the company taxation is less than the general taxation in India. The gross tonnage of the vessel taxation scheme would improve the bottom line going forward.

Exhibit 4: The gross tonnage of the vessel taxation scheme would reduce the taxes and improve the bottom-line going forward.

S.No	Gross tonnage - Vessels	Amount of daily tonnage income for taxation (INR)
1	up to 1,000 tonnes	INR 70 for each 100 tonnes
2	1,000 tonnes to 10,000 tonnes	INR 700 + INR 53 for each 100 tons exceeding 1,000 tonnes.
3	10,000 tonnes to 25,000 tonnes	INR 5,470 + INR 42 for each 100 tonnes exceeding 10,000 tonnes
4	above 25,000 tonnes	INR 11,770 + INR 29 for each 100 tonnes exceeding 25,000 tonnes.

Source: Company reports, Arihant Capital research

Exhibit 5: Taxation is expected to be lower due to scheme is under Chapter XII G of Income Tax Act, 1961.



Source: Company reports, Arihant Capital Research

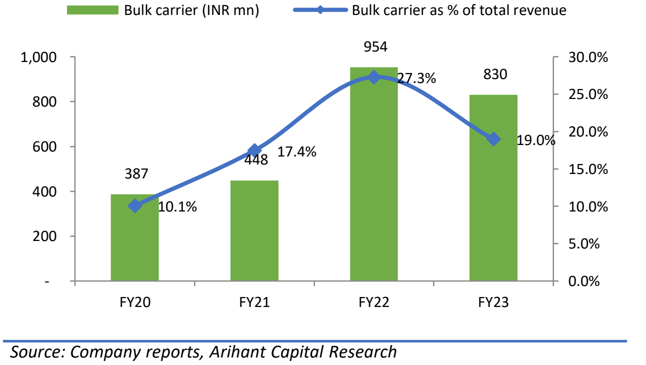
Recovery in freight would improve dry-bulk carriers: In the bulk market, the Atlantic bulk market was under pressure at the end of FY22 and continued till Jan-2023. The fleet rates softened due to less activity. The bulk carrier market is picking up gradually due to an increase in the movement of cargo in coal grains and minerals leading to requirements of different types of bulk carriers. The bulk carrier market is expected to improve due to normalization, and an increase in cargo activities backed by positive supply-demand fundamentals.

Seamec started a bulk carrier business through its subsidiary in 2017. Seamec has 3 bulk carriers and provides marine transportation services for dry-bulk materials such as food stables, commodities, industrial products, and scraps. Seamec sold SEAMEC GALLANT to its Wholly Owned Subsidiary (WOS) in April 2023. SEAMEC NIDHI and SEAMEC GALLANT are operating under SEAMEC International FZE. The JV of Seamec International FZE – Arete Shipping DMCC has a bulk carrier "Asian Pearl" which strengthened the main fleet business. The company has faced margin pressure due to competition at global levels and not focusing much on adding more vessels into bulk carriers for the short term to the medium term. The bulk carrier business is part of the diversification of the overall business and continue to be profitable going forward. Fleet rates have corrected from $20,000/day to $8,000/day due to global geopolitical tensions and started recovery in fleet rates due to normalization. We believe the recovery in fleet rates would improve the business of dry-bulk carriers.

Exhibit 6: SEAMEC NIDHI and SEAMEC GALLANT is operating under SEAMEC International FZE. ASIAN PEARL is operating under the JV of Seamec International FZE – Arete Shipping DMCC.

Source: Company reports, Arihant Capital Research

Exhibit 7: Bulk carrier business revenue share is around ~19% in FY23 and expected to be 10% going forward.



Source: Company reports, Arihant Capital Research

Investment Rationale

Capacity expansion and rationalization of assets would improve the business: Seamec is operating 5 Diving support vessels (DSV) and 1 barge vessel. The vessel's useful life is around 20-30 years. The company has to replace the vessels after useful life. After the replacement of vessels, depreciation will be higher due to the higher asset value of vessels. Seamec II & Seamec III was procured in 1993 and has a useful life of 30 years. The company is expected to add two offshore support vessels (OSV) in Q4FY24E/Q1FY25E. The capex is expected around INR 1.15bn – INR 1.3bn and payback period is expected around 5-6 years. Seamec III is expected to be scrapped in Jun-2024 and Seamec II is expected to be scrapped in Q4FY26E. The company is expected to replace the vessels of Seamec II and Seamec III and new vessels have higher charter rates which would improve the top line going forward. The replacement of assets would reduce the average life of assets and would improve efficiency.

The company recently acquired Swordfish for INR 2bn. The company is searching for new vessels and capex is expected around INR 4bn in the next 4 years and maintenance capex is expected around INR 300mn to INR 350mn every year. The payback period for new multi-support vessels (MSV) is expected around 4 years. Seamec is expected to add one more vessel based on demand going forward. India imports around 85% of oil and 50% of gas consumptions and continuous demand leads to more exploration in oil fields. Seamec is the preferred partner for ONGC and other clients for maintaining the oil fields.

Exhibit 8: The replacement of two vessels would improve the efficiency and realizations.

Jun-2024

SEAMEC III is expected to be scrapped in Jun-2024. The replacement vessel cost is expected around INR 2bn. The replacement of vessel would lead to higher efficiency and realizations.

Q4FY26E

SEAMEC II is expected to be scrapped in Q4FY26E. The replacement vessel cost is expected around INR 2bn. The replacement of vessel would lead to higher efficiency and realizations.

FY26E/FY27E

SEAMEC is expected to add one more vessel based on demand. One of the major customer is investing around $4bn to expand oil fields which will provide opportunity for SEAMEC.

Source: Company reports, Arihant Capital research

Exhibit 9: Multi-support vessels have a useful life of 20 years and vessels will be depreciated in 20 years through the straight-line method.

Assets	Estimated useful Life (Years)
Fleet (Multi Support Vessels)	15 to 20 Years
Fleet (Utility Vessel)	5 Years
Fleet (Bulk Carrier)	25 Years
Fleet Equipments	2 to 20 Years
Dry Dock	Period from the Dock date till the estimated date next Dry Dock.
Lease hold improvements	Lease period
Office Equipments and Computers	3 to 10 Years
Machinery Spares capex	5 Years
Computers / Laptops	3 Years
Vehicles	8 Years

Source: Company reports, Arihant Capital research

Investment Rationale

Payback period is expected around 4-6 years based on vessels: Seamec is expected to add two offshore support vessels (OSV) in Q4FY24E/Q1FY25E. The OSV vessels capex is expected around INR 1.15bn – INR 1.3bn and payback period is expected around 5-6 years. The company is expected to add two multi-support vessels with a capex of INR 4bn in the next 4 years and payback period is expected around 4-5 years.

Exhibit 10: MSV and OSV payback period is expected around 4-6 years.

Exhibit 10A: Multi-Support Vessels (MSV) Vessels average payback period is expected around 4-5 years.

Particular	MSV Vessels
Ship cost (INR mn)	2,500
Deployment rate ($/day)	$61,000
USD/INR rate	83
Revenue per day (INR)	5,063,000
Margins (%)	40%
Operating profit/day (INR)	2,025,200
No of days deployment	350
Operating profit (ex. Drydock) (INR mn)	**709**
Drydock period expenses (INR mn)	**150**
Annual operating profit (INR mn)	**559**
Payback period (Years)	**4.5**

Source: Company reports, Arihant Capital Research.

Exhibit 11: Offshore Support Vessels (OSV) average payback period is expected around 5-6 years.

Particular	OSV Vessels
Ship cost (INR mn)	623
Deployment rate ($/day)	$9,500
USD/INR rate	83
Revenue per day (INR)	788,500
Margins (%)	40%
Operating profit/day (INR)	315,400
No of days deployment	350
Operating profit INR mn)	**110**
Payback period (Years)	**5.6**

Source: Company reports, Arihant Capital Research.

MSV - Payback Period (Years)

Deployment Rate ($/day)	Operating margins (%)										
4.5	33%	34%	35%	36%	37%	38%	39%	40%	41%	42%	43%
55,000	6.6	6.4	6.1	5.9	5.7	5.5	5.3	5.1	4.9	4.8	4.7
56,000	6.5	6.2	6.0	5.7	5.5	5.3	5.2	5.0	4.8	4.7	4.5
57,000	6.3	6.1	5.8	5.6	5.4	5.2	5.0	4.9	4.7	4.6	4.4
58,000	6.2	5.9	5.7	5.5	5.3	5.1	4.9	4.8	4.6	4.5	4.4
59,000	6.0	5.8	5.6	5.4	5.2	5.0	4.8	4.7	4.5	4.4	4.3
60,000	5.9	5.6	5.4	5.2	5.1	4.9	4.7	4.6	4.4	4.3	4.2
61,000	5.8	5.5	5.3	5.1	4.9	4.8	4.6	4.5	4.3	4.2	4.1
62,000	5.6	5.4	5.2	5.0	4.8	4.7	4.5	4.4	4.2	4.1	4.0
63,000	5.5	5.3	5.1	4.9	4.7	4.6	4.4	4.3	4.2	4.0	3.9
64,000	5.4	5.2	5.0	4.8	4.6	4.5	4.3	4.2	4.1	4.0	3.8
65,000	5.3	5.1	4.9	4.7	4.6	4.4	4.3	4.1	4.0	3.9	3.8

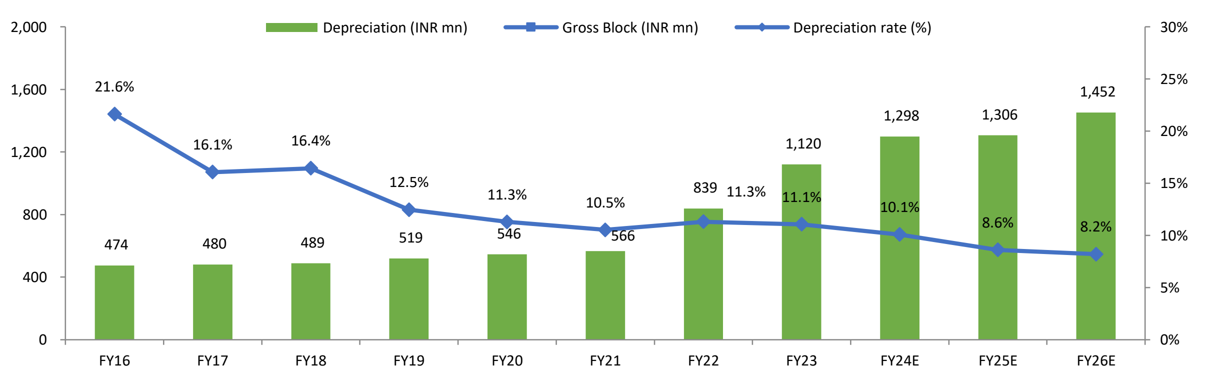
OSV - Payback Period (Years)

Deployment Rate ($/day)	Operating margins (%)										
5.6	33%	34%	35%	36%	37%	38%	39%	40%	41%	42%	43%
8,500	7.6	7.4	7.2	7.0	6.8	6.6	6.5	6.3	6.1	6.0	5.9
8,800	7.4	7.2	7.0	6.8	6.6	6.4	6.2	6.1	5.9	5.8	5.7
9,100	7.1	6.9	6.7	6.5	6.4	6.2	6.0	5.9	5.7	5.6	5.5
9,400	6.9	6.7	6.5	6.3	6.2	6.0	5.8	5.7	5.6	5.4	5.3
9,700	6.7	6.5	6.3	6.1	6.0	5.8	5.7	5.5	5.4	5.3	5.1
10,000	6.5	6.3	6.1	6.0	5.8	5.6	5.5	5.4	5.2	5.1	5.0
10,300	6.3	6.1	5.9	5.8	5.6	5.5	5.3	5.2	5.1	5.0	4.8
10,600	6.1	5.9	5.8	5.6	5.5	5.3	5.2	5.1	4.9	4.8	4.7
10,900	6.0	5.8	5.6	5.5	5.3	5.2	5.0	4.9	4.8	4.7	4.6
11,200	5.8	5.6	5.5	5.3	5.2	5.0	4.9	4.8	4.7	4.6	4.4
11,500	5.6	5.5	5.3	5.2	5.0	4.9	4.8	4.7	4.5	4.4	4.3

Source: Company reports, Arihant Capital Research

The vessels will be depreciated over 20 years using a straight-line method. For Vessels, Dry-dock (major overhaul) should be done every 2.5 years and the cost is capitalized and depreciated over 2.5 years. In FY23, Higher depreciation is due to new acquisition of Vessel SUBTECH SWORDFISH and additional depreciation due to dry dock & modification of SEAMEC II and SEAMEC GLORIOUS.

Exhibit 12: Depreciation rates are expected to be 8% to 10% going forward.



Source: Company reports, Arihant Capital Research

Investment Rationale

Seamec has a competitive advantage compared to competitors: ONGC is floating the tender in the international markets for services & maintenance of offshore oilfields. The tenders are in dollar terms. ONGC mostly preferred Indian flag vessels compared to other country vessels and Seamec's all the vessels are Indian flagged. The vessels need to be modified as per ONGC specifications for the service & maintenance of the offshore oil fields. Seamec has a long-term relationship with ONGC. Seamec has been servicing long years in the Indian offshore markets, the employees in the offshore oilfields are well aware of the situations, weather conditions, etc. so, Seamec is able to operate efficiently and safe manner compared to competitors. ONGC and other clients would prefer existing service and maintenance providers like Seamec.

Seamec has better technical expertise in IMR, ROV operations, Subsea construction, Pollution control, Fire fighting, and Rescue operations compared to competitors in Indian offshore oilfields. During monsoon and dry-dock periods vessels aren't able to operate for servicing to the customers. Seamec has better cost control measures which came from decades of experience compared to international competitors.

Exhibit 13: Seamec has better competitive advantage in Indian offshore oilfields compared to competitors.

Competitive Strengths

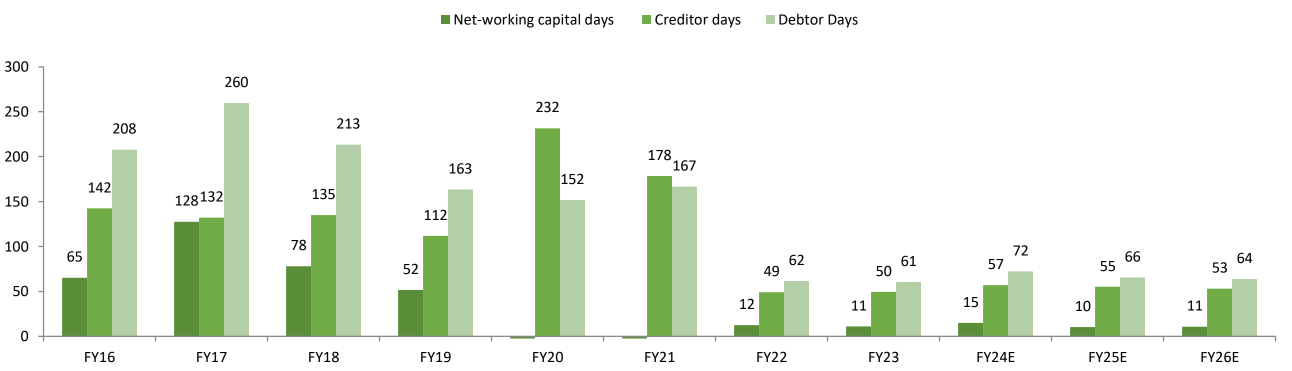
- A formidable player in offshore shipping backed by India's largest fleet of multi-support vessels
- Strong parentage of MMG strengthening financial position and market reputation
- Vibrant leadership and competent management bandwidth having strong executional capabilities
- Technical expertise and financial strength boosting us to a leading position in tendering process
- Healthy Financial position with adequate liquidity providing business flexibility and superior profitability
- Low maintenance cost due to proactive preventive maintenance
- Competent and prudent commercial management facilitating revenue visibility and superior vessel deployment rates

Source: Company reports, Arihant Capital Research

Investment Rationale

The working capital cycle remains robust backed by long-term relationships: Seamec has a long-term business relationship with clients and gets contracts regularly. In the contract period, revenues are billed on a daily basis, whether vessels are deployed or not and payments are in dollar terms. The customer billing cycle is around 45 days and creditors are generally paid in 30 days. The networking capital days stood around 15 days and are expected to maintain going forward. The company is not using inventories to convert finished goods for sales. Inventories are stores and consumables majorly. The company is into DSV and other multi-support vessel services and freight transportation through bulk carriers.

Exhibit 14: Inventories are majorly stores and consumables. Networking capital days (ex. Inventories) is expected to be 10-15 days going forward.



Source: Company reports, Arihant Capital Research

Volatility in crude oil prices won't impact Seamec's business: Seamec is doing service and maintenance for offshore oilfield players like ONGC, L&T, and others. The crude oil price fluctuations might impact Seamec customers, however, Seamec has long-term contracts with customers, and prices are fixed in nature. Seamec continues to receive payments from customers irrespective of crude prices. The capex for crude oil exploration expansion by customers is based on profitability. The customers continue to explore oil when the oil prices make sense for profitability. The customers continue to explore the oil, when the crude oil prices are above \$60, which is the breakeven for the customers. If the crude oil prices are below \$60 for the long term, customers may reduce the capex for oil fields and reduce the exploration which will impact Seamec's business. However, global energy resource dependency of 36% from Oil & Gas and key oil exploration countries always keep crude oil prices above breakeven levels to maintain the profitability of crude oil exploration companies by controlling the supply of crude oil and gas.

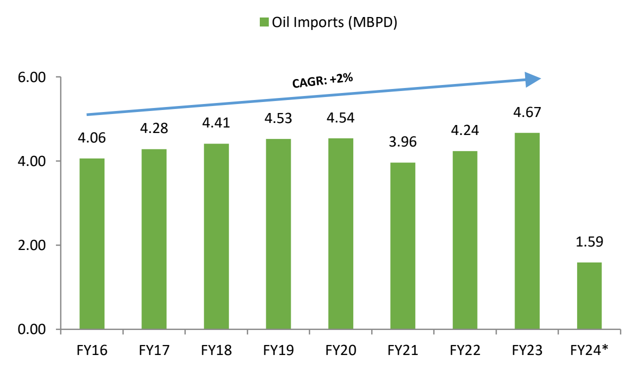
Exhibit 15: Seamec has a long term relationship with Customers.

Source: Company Reports, Arihant Capital Research

Industry Overview

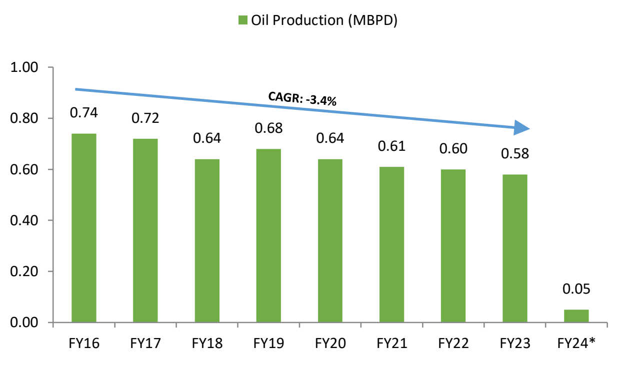
India remains the largest consumer of Oil: India remained 3rd largest consumer of Crude oil as of FY23. India is the net importer of crude oil and imports grew at a CAGR of 2% to 4.67 MBPD over the period of FY16-23. High-speed diesel was the major consumed oil product and accounted for 38.6% of petroleum product consumption in India as of FY23. Rapid economic growth leads to greater output, which increases demand for oil production and transportation. Crude oil production de-grew at a CAGR of 3.4% to 0.58 MBPD over the period of FY16-23, due to limited resources and lower exploration in India.

Exhibit 16: Crude Oil imports grew at a CAGR of 2% to 4.67 MBPD over the period of FY16-23.



Source: Ibef, Arihant Capital Research
** - Apr-23 to Jul-23.*

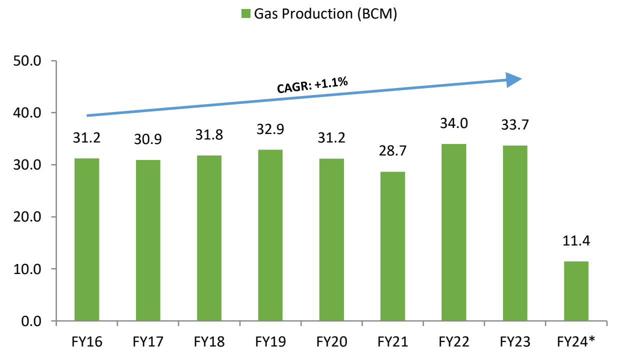
Exhibit 17: Crude Oil production de-grew at a CAGR of 3.4% to 0.58 MBPD over the period of FY16-23.



Source: Ibef, Arihant Capital Research
** - Apr-23 to Jul-23.*

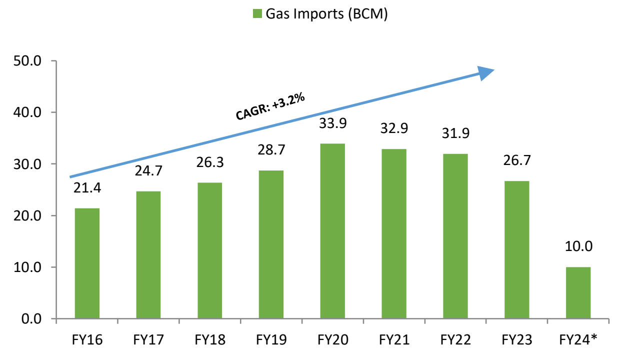
Natural gas consumption remains solid: Natural gas consumption remains solid due to rising infra developments and supporting policies. Industrial consumers are expected to account for 40% of net demand growth. Residential, transport, and energy sectors are expected to further increase demand for Gas. Natural gas production grew at a CAGR of 1.1% to 33.7 BCM over the period of FY16-23, backed by conversion into Diesel/Petrol to Natural gas due to cost advantage to some extent. Natural gas imports grew at a CAGR of 3.2% to 26.7 BCM over the period of FY16-23.

Exhibit 18: Natural Gas production grew at a CAGR of 1.1% over the period of FY16-23.



Source: Ibef, Arihant Capital Research
** - Apr-23 to Jul-23.*

Exhibit 19: Natural Gas imports grew at a CAGR of 3.2% over the period of FY16-23.

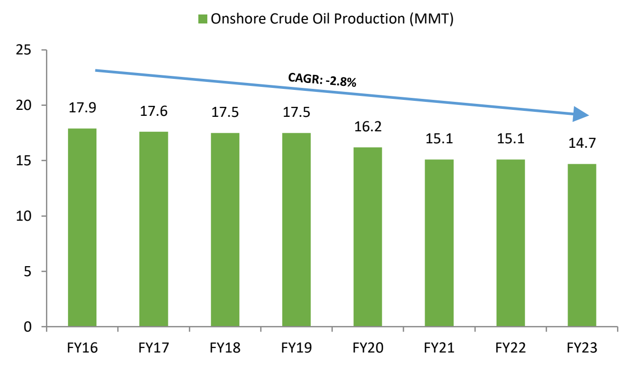


Source: Ibef, Arihant Capital Research
** - Apr-23 to Jul-23.*

Industry Overview

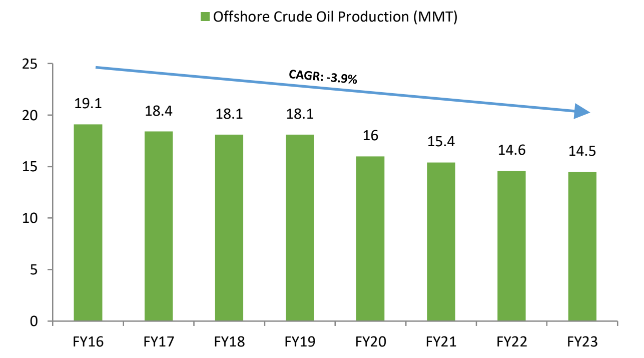
Offshore accounted for ~50% of crude oil production in India: Onshore and Offshore Oil production has de-grew at a CAGR of 2.8% and 3.9% respectively over the period of FY16-23 due to lower production and higher imports. Offshore fields accounted for ~50% of crude oil production in India, despite diminishing production, especially from the Mumbai High field. Onshore crude oil production accounted for 50.34% while Offshore crude oil production accounted for 49.66% as of FY23. ONGC accounted for 67% of total crude oil production in India as of FY23.

Exhibit 20: Onshore Crude Oil production de-grew at a CAGR of 2.8% to 15.1 MMT over the period of FY16-23.



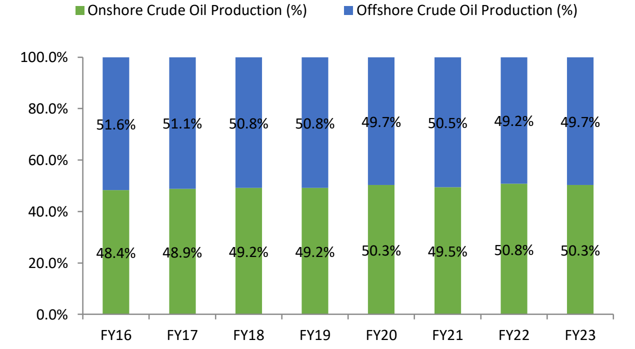
Source: Ibef, Arihant Capital Research
** - Apr-23 to Jul-23.*

Exhibit 21: Offshore Crude Oil production de-grew at a CAGR of 3.9% to 14.5 MMT over the period of FY16-23.



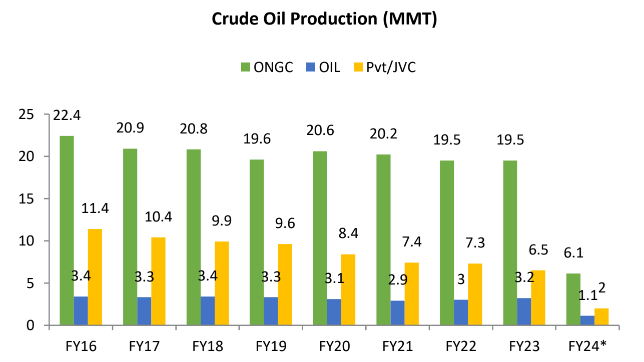
Source: Ibef, Arihant Capital Research
** - Apr-23 to Jul-23.*

Exhibit 22: Offshore Crude Oil production accounts ~50% of total crude oil production in India.



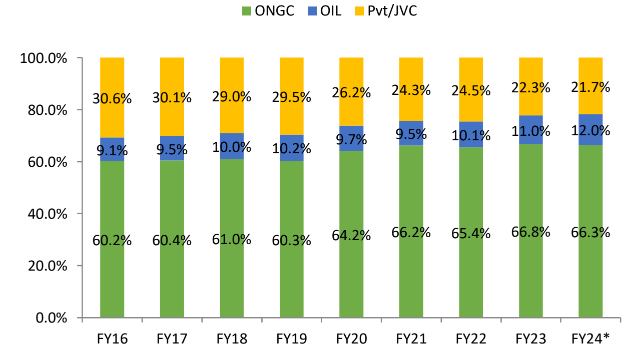
Source: Ibef, Arihant Capital Research

Exhibit 23: Crude Oil production stood at 29.2 MMT as of FY23. ONGC remains major contributor in-terms of production.



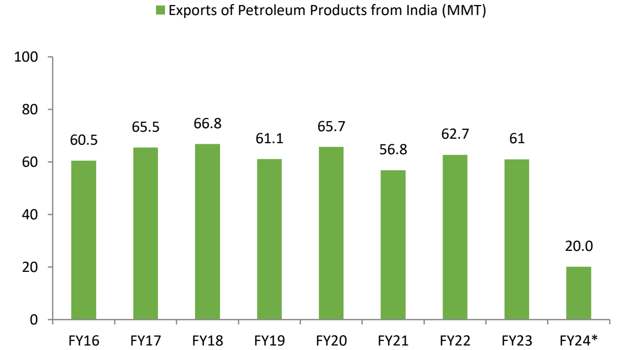
Source: Ibef, Arihant Capital Research
** - Apr-23 to Jul-23.*

Exhibit 24: ONGC crude oil production accounted above 60% of total crude oil production over the period of FY16-23.



Source: ibef, Arihant Capital Research
** - Apr-23 to Jul-23.*

Exhibit 25: India is the largest exporters of refinery products due to the large presence of refineries.

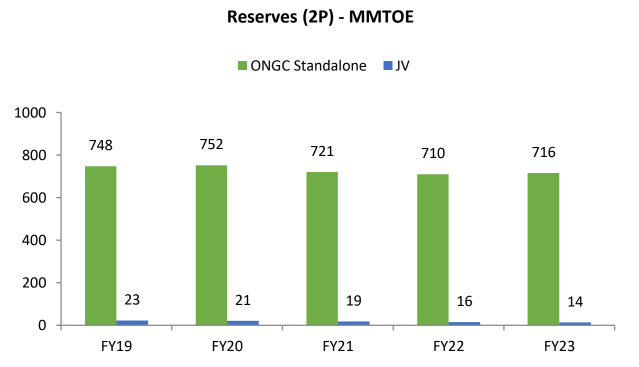


Source: ibef, Arihant Capital Research
** - Apr-23 to Jul-23.*

Industry Overview

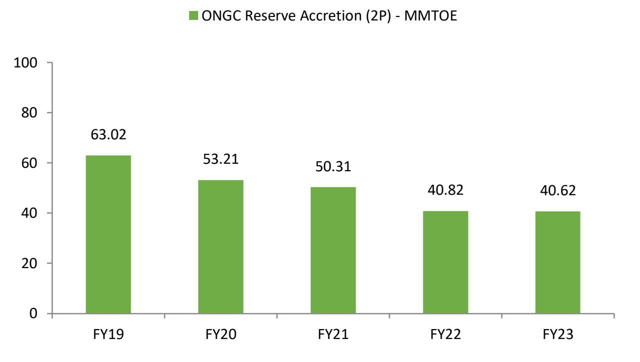
ONGC remains a key player in the Oil & Gas Industry: ONGC has the largest network capacity of 51 MMTPA (34% of the Industry) and a network length of 5,819km (53.2% of the Industry) as of FY23. ONGC production industry share has increased from 60.2% to 66.3% over the period of FY16-23. ONGC has the largest reserve of 716 MMTOE as of FY23. ONGC is planning to invest $4bn to increase its exploration efforts in India over the period of FY22-25. ONGC is the major client for Seamec and Seamec is doing DSV services and maintenance for ONGC oil fields.

Exhibit 26: ONGC reserve stood at 716 MMTOE as of FY23.



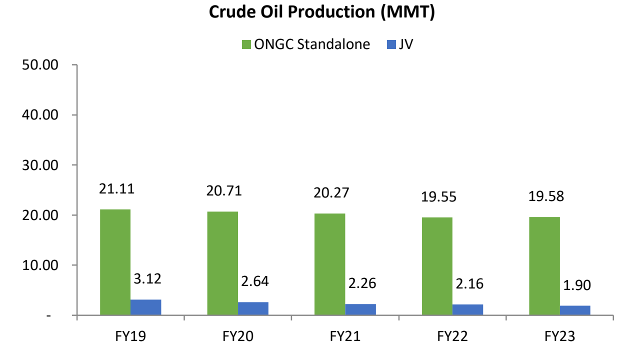
Source: Company reports, Arihant Capital Research

Exhibit 27: ONGC reserve accretion stood at 40.62 MMTOE as of FY23.



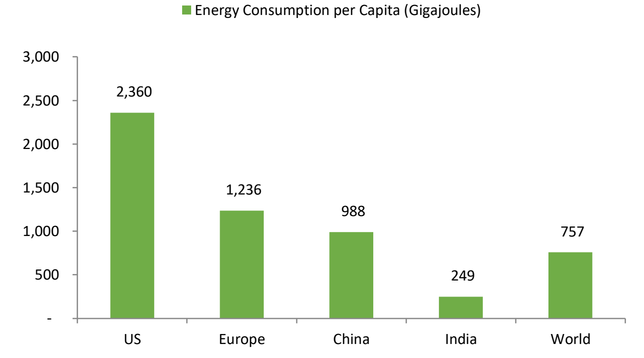
Source: Company reports, Arihant Capital Research

Exhibit 28: ONGC crude oil production stood at 19.58 MMT as of FY23.



Source: Company reports, Arihant Capital Research

Exhibit 29: India's energy consumption is low compared to the world which will be booster for ONGC.



Source: Company reports, Arihant Capital Research

Exhibit 30: ONGC discoveries

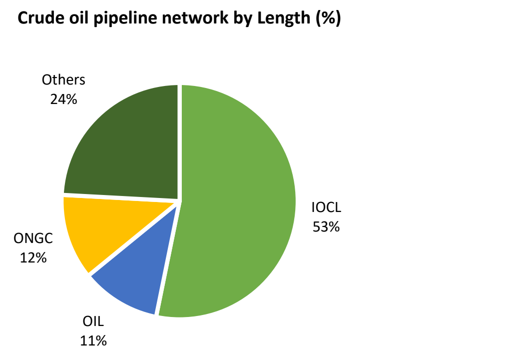
S.No	Basin/Block	Discovery well	Acreage	Discovery Type	Hydrocarbon Type
1	KGOnland	Mandapetta-60 (MSDL)	Mandapeta PML	Pool	Gas
2	KGOnland	Malleswaram-22 /MSADl	Malleswaram PML	Pool	Gas
3	KGOnland	Karugorumilli-1 (KML-AA)	Godavari Onland PML (7 Year)	Pool	Gas
4	Bengal Onland	Kankpul-1 (WBON5-4-NA-E)	NELP: WB-ONN-2005/4	Prospect	Gas
5	KG Offshore	Kesanapalli West Deeo-7 (KWD-AC)	Vainateyam PML	Pool	Oil & Gas
6	KG Offshore	GS-15-22 (GS-15-AU)	Vainateyam PML	Pool	Gas
7	Assam Shelf	Hatipoti-1 (NGAE)	Mekeypore-Santak- Nazira PML	Prospect	Oil & Gas
8	Mumbai Offshore (SW)	MBS171 HAA-1 (MBS171 HAA-A) Amrit	OALP: MB-OSHP-2017/1	Prospect	Gas

Source: Company reports, Arihant Capital Research

Industry Overview

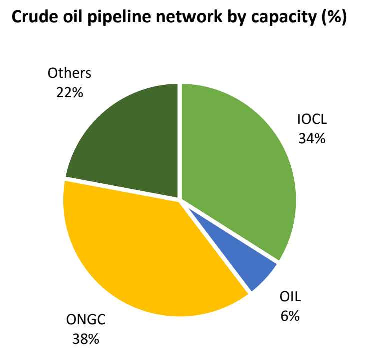
Crude and natural gas pipeline network continuously expanding: In India, the Crude Oil network pipeline length stood at 10,938km with a capacity of 153.1 MMTPA as of Aug-23. Out of 153.1 MMTPA, around 60.6 MMTPA capacity is accounted for ONGC. In terms of length, IOCL accounts for 53.2% (5,819km) of India's crude oil pipeline network, while ONGC leads to an in-terms of capacity of 38% followed by IOCL. The product capacity pipeline stood at 140.3 MMTPA as of FY23. The government is planning to invest INR 700bn to expand the gas pipeline network across India.

Exhibit 31: Crude Oil pipeline network length stood at 10,938km as of Aug-23. IOCL has major share of 53% followed by ONGC (12%).



Source: Ibef, Arihant Capital Research

Exhibit 32: Crude Oil pipeline network capacity stood at 153.1 MMTPA as of Aug-23. ONGC has major share of 38% followed by IOCL (34%).



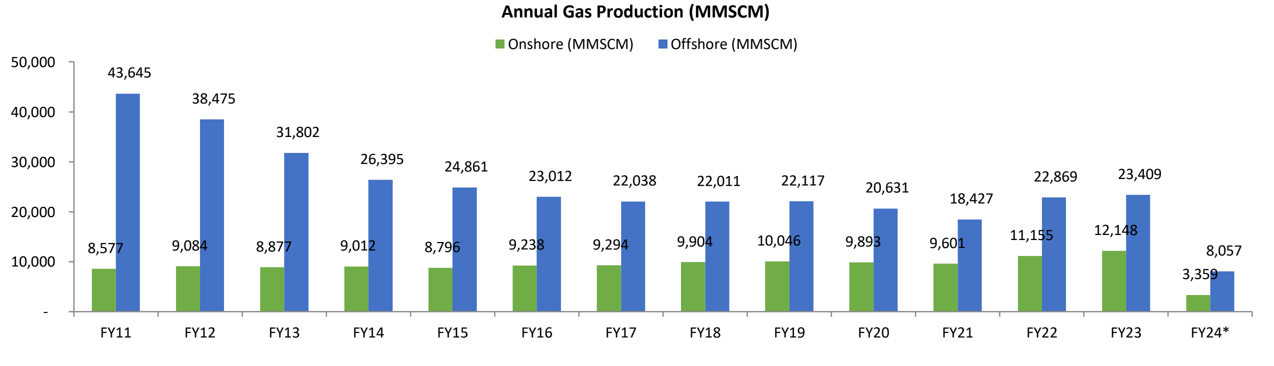
Source: Ibef, Arihant Capital Research

Exhibit 33: Length and capacity of products and crude oil pipeline by company (Aug-23)

Companies	IOCL	BPCL	HPCL	OIL	ONGC	Cairn	HMEL	Others (GAIL and Petronet India)	Total Industry
Length (Kms)									
Product Pipeline	11,861	2,599	5,121	654	-	-	-	2399	22,634
Crude oil pipeline	5,819	937	-	1,193	1,284	688	1,017		10,938
Total	**17,680**	**3,536**	**5,121**	**1,847**	**1,284**	**688**	**1,017**	**2,399**	**33,572**
Capacity of Crude Oil Pipelines (MMTPA)									
Product Pipeline	70.6	22.6	35.2	1.7	0			10.2	140
Crude oil pipeline	53.8	7.8	-	9	60.6	10.7	11.3		153
Total	**124.4**	**30.4**	**35.2**	**10.7**	**60.6**	**10.7**	**11.3**	**10.2**	**294**

Source: Ibef, Arihant Capital Research

Exhibit 34: Offshore Natural gas production has maintained from FY16 onwards.

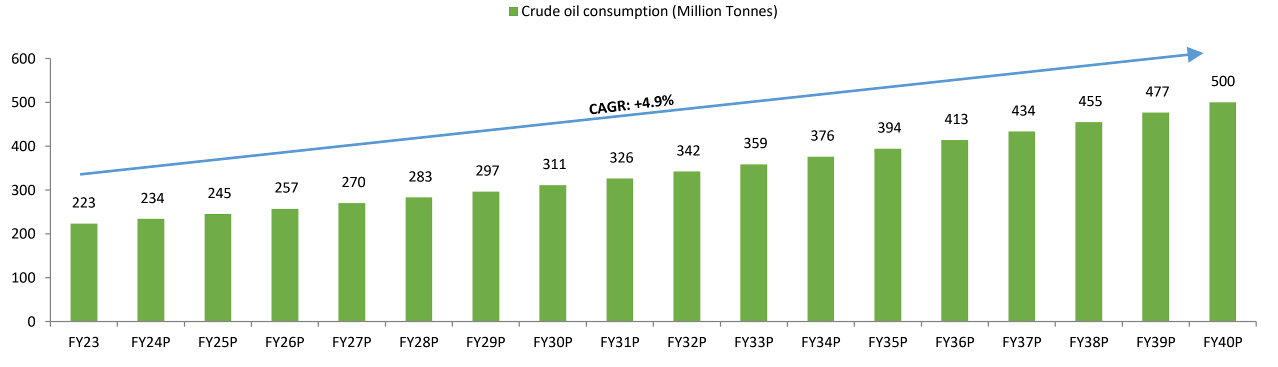


Source: Ibef, Arihant Capital Research
** - Apr-23 to Jul-23.*

Industry Overview

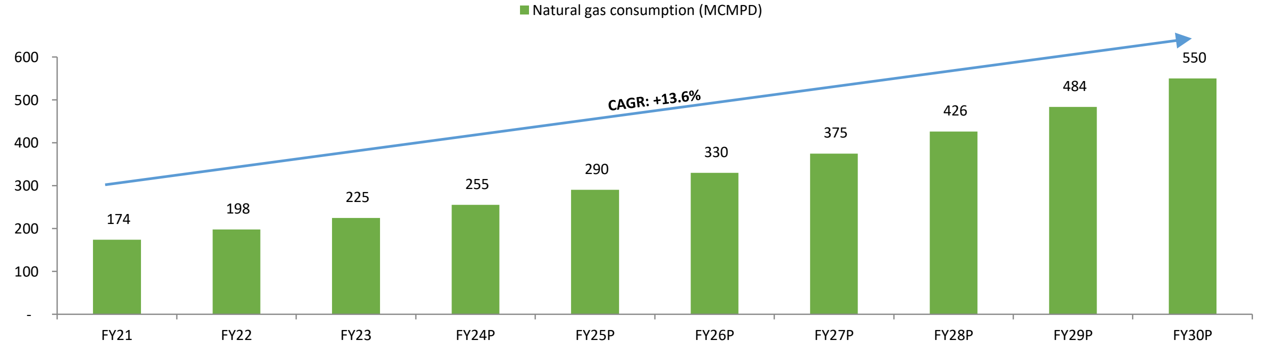
Crude and natural gas consumption to continue: Indian energy demand is expected to grow faster than all the major economies on the back of robust economic growth. Indian energy demand is expected to rise from 6% (2017) to 11% of global energy demand. Crude oil consumption is expected to grow at a CAGR of 4.9% over the period of FY23-FY40P. Natural gas demand is expected to grow at a CAGR of 13.6% over the period of FY21-FY30P. Diesel demand is expected to double to 163MT by 2030 backed by transportation and rising economies.

Exhibit 35: Crude oil consumption is expected to grow at a CAGR of 4.9% over the period of FY23-FY40P.



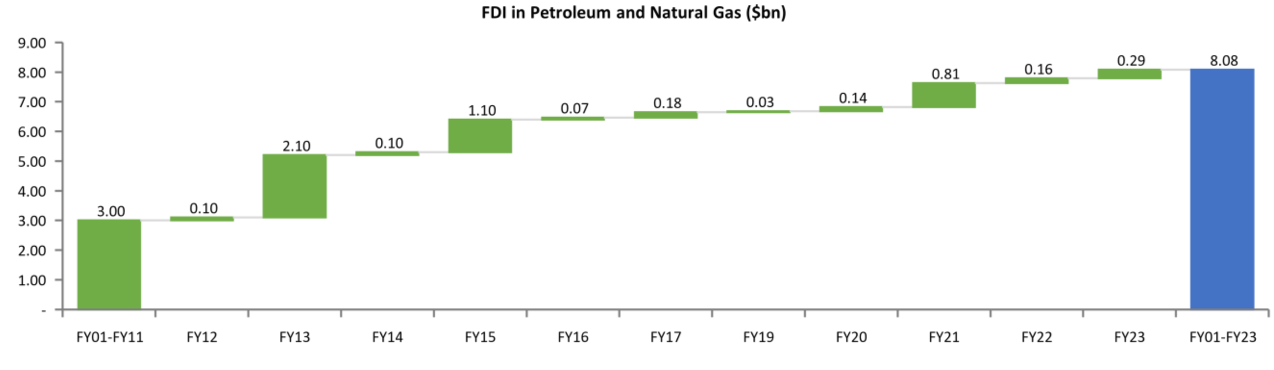
Source: Ibef, Arihant Capital Research, P - Projections

Exhibit 36: Natural gas consumption is expected to grow at a CAGR of 13.6% over the period of FY23-FY30P.



Source: Ibef, Arihant Capital Research, P - Projections

Exhibit 37: FDI inflows stood at $8bn over the period of FY01-23 for Petroleum and Natural gas. India has invited global firms to invest in its strategic petroleum reserves owing to the country rising energy consumption.



Source: Ibef, Arihant Capital Research

Industry Overview

Exhibit 38: Indian Oil & Gas growth drivers in India.

Oil & Gas growth drivers

- **Growing demand**
  - 1) Indian oil demand is expected to be 2x by 2040-45.
  - 2) Indian diesel demand is expected to be double to 163MT by FY30. Diesel and gasoline is expected to account for 58% of oil demand by 2045.
  - 3) Natural gas consumption is expected to reach 25BCM by 2024.
- **Increasing investments**
  - 1) ONGC is plans to invest $4bn to increase its exploration efforts in India over the period of FY22-25.
  - 2) India aims to commercialize 50% of its SPR (strategic petroleum reserves) to raise funds and build additional storage tanks to offset high oil prices.
- **Supportive FDI Guidelines**
  - 1) The government has allowed 100% FDI for upstream and private sector refining projects.
  - 2) The government has allowed 100% FDI under automatic route for oil and gas PSUs.
- **Policy Support**
  - 1) In Sep-21, India and the US agreed to expand their energy collaboration by focusing on emerging fuels.
  - 2) In Union Budget 2022-23, customs duty were reduced for critical chemicals such as methanol, acetic acid and heavy feed stocks for petroleum refining.

Source: ibef, Arihant Capital Research

Exhibit 39: Indian Offshore oilfield Industry

Growth Drivers	1) Rising Oil & Gas demand led to increase in E&P activities.
	2) The current and upcoming oilfields demands for Critical nature of Inspection, Maintenance, and Repair (IMR) services.
	3) The government targeting to lower dependence on oil imports by increasing local production and other alternate measures.
	4) Increasing adoption of advanced technology facilitating deep-water and ultra deep-water drilling projects.

Source: Company reports, Arihant Capital Research

Business Overview

Seamec Ltd is part of the M.M Agarwal group. M.M Agarwal group has businesses of EPC & underwater services (HAL Offshore Ltd), Multi Support Vessel Services & Maintenance Services (Seamec Ltd), Soft drinks (Moon beverages – Unlisted), QSR Chain (McDonald's – presence in North and North East. HAL Offshore Ltd is a for end-to-end solution provider of specialised complex underwater services and EPC services to the Indian oil & gas industry. Seamec is the major organized player for offshore oil field services and Diving Support Services in India. In 1986, Peerless Leasing Pvt Ltd was incorporated and renamed to Seamec in 2001. Seamec was taken over by HAL Offshore Ltd in 2014 and HAL Offshore holds a 70% stake in Seamec Ltd. HAL Offshore is a leading end-to-end solution provider of underwater and EPC services to the Indian oil & gas industry. Seamec provides Diving Support Services to the offshore Oil & Gas Industry. The company also provides specialized services, covering inspection, maintenance repairs, operating remotely vehicles, etc. The company has long-term contracts with clients like ONGC, L&T Hydrocarbon, etc. In freight transportation, the company operates 3 bulk carriers for food stables, commodities and industrial products.

Seamec Journey

1986-2001

Incorporation

Incorporated as Peerless Leasing Pvt Ltd in 1986. in 1999, the company acquired by Coflex Stena. In 2001, the company was become part of Technip Group and renamed as Seamec.

2010

Expansion

Seamec has incorporated Wholly Owned Subsidiary (WOS) “Seamec International FZE”.

2014

Transformation

HAL Offshore acquires Seamec from Technip Group. Its now part of MMG group. HAL Offshore is holding 70% stake of Seamec Ltd.

2020-2021

Further Expansion

Seamec has formed stepdown Subsidiary of “Seamate Shipping FZC”. The company also formed JV “Seamec Nirman Infra Ltd” for Tunnel projects.

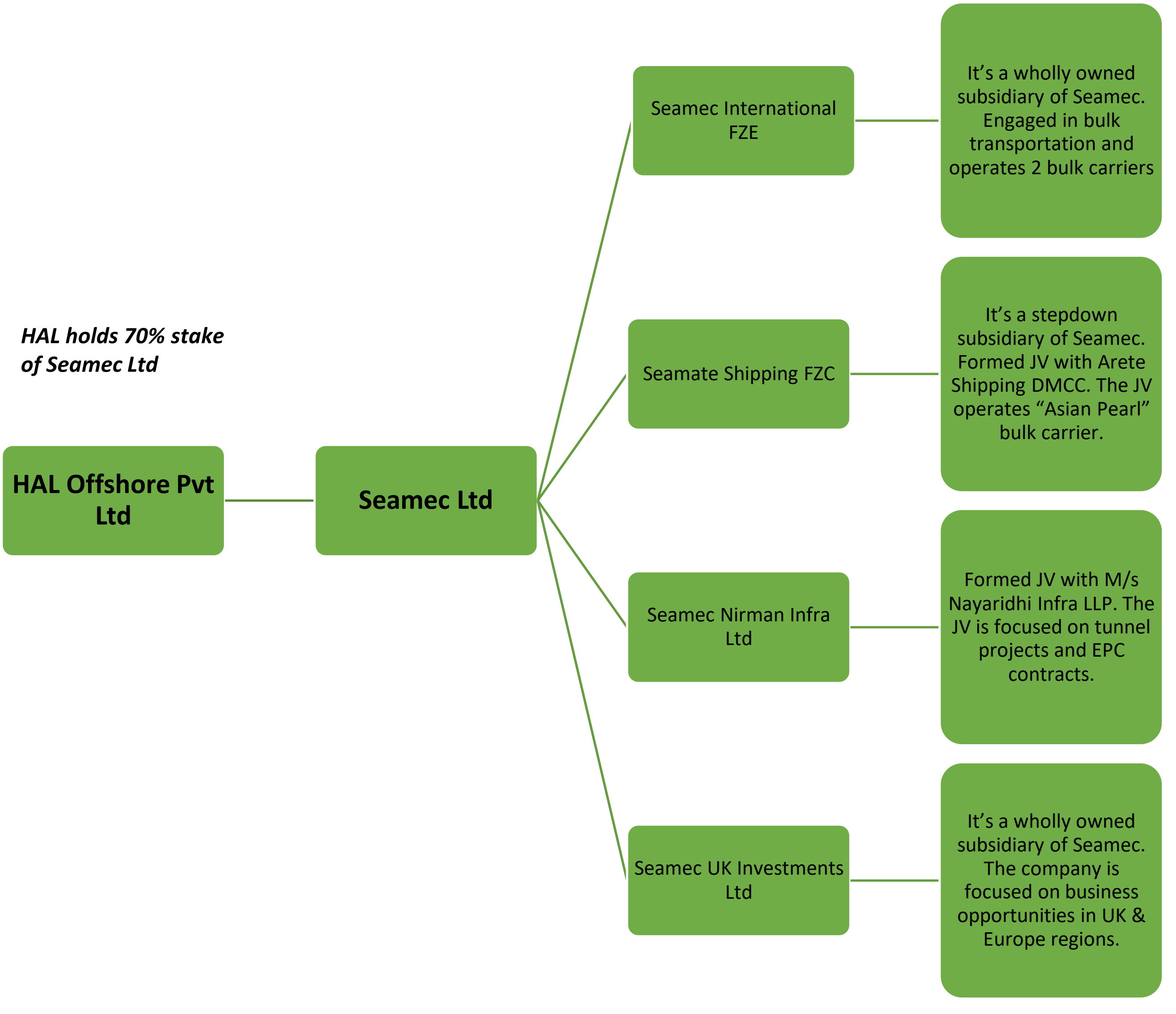
2023

Current Status

Seamec own and operate 5 DSV vessels, facilitating complex subsea operations. The company also operates 3 bulk carriers for marine transportation services of dry-bulk materials such as food stables, commodities and Industrial products.

Seamec Structure

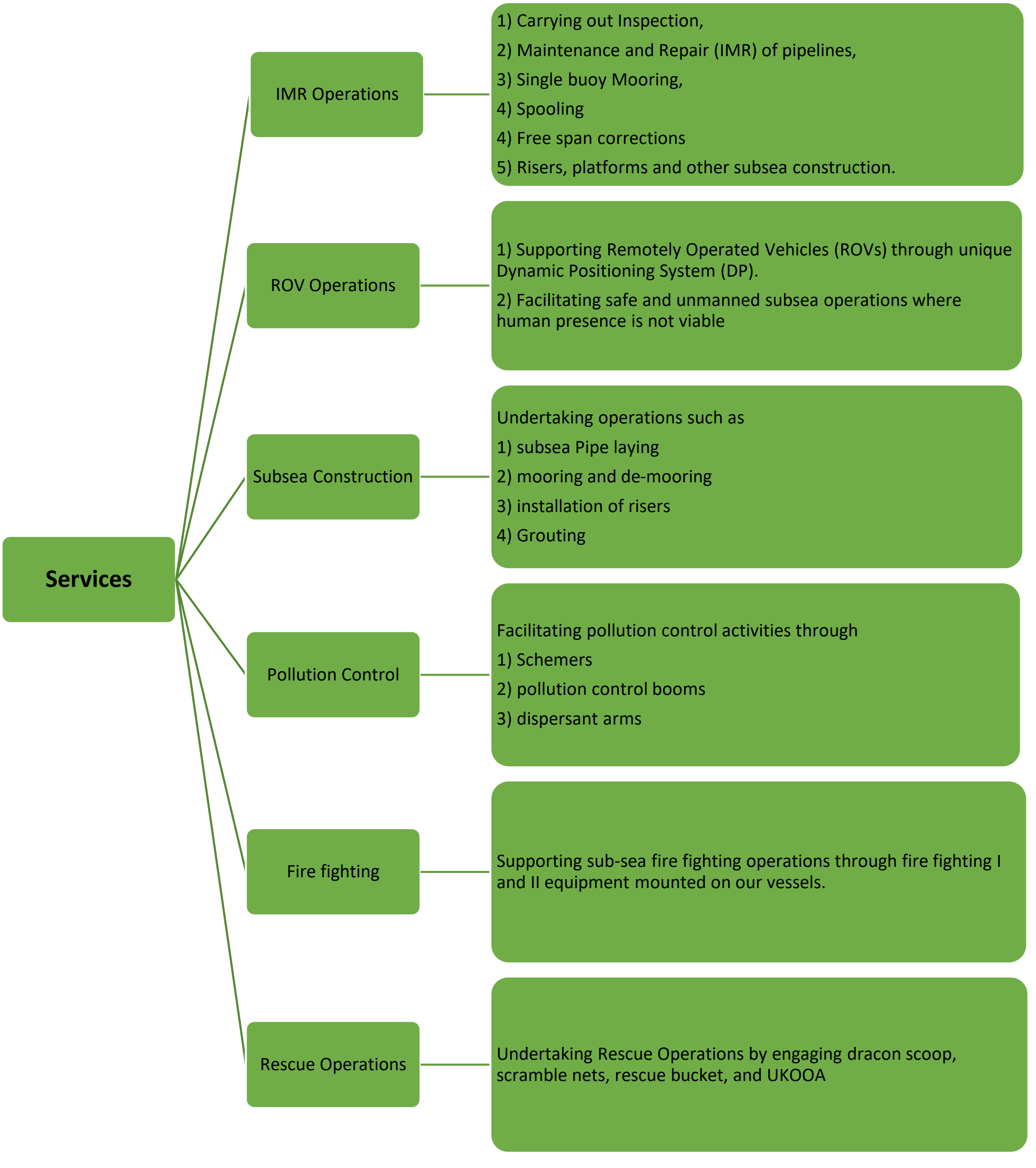
Exhibit 40: Seamec Ltd is part of the M.M Agarwal group. M.M Agarwal group has businesses of EPC & underwater services (HAL Offshore Ltd - Unlisted), Multi Support Vessel Services & Maintenance Services (Seamec Ltd), Soft drinks (Moon beverages – Unlisted), QSR Chain (McDonald's – presence in North and North East. HAL Offshore Ltd is a for end-to-end solution provider of specialised complex underwater services and EPC services to the Indian oil & gas industry. Seamec is the major organized player for offshore oil field services and Diving Support Services in India.



Source: Company reports, Arihant Capital Research

Seamec Services in Offshore Oilfields

Exhibit 41: Seamec Services in Offshore Oilfields



Source: Company reports, Arihant Capital Research

Seamec Services in Offshore Oilfields

Exhibit 42: Asset Portfolio – Diving Support Vehicles (DSV)/ Barge

SEAMEC II
Built Year: 1982
Procurement Year: 1993
Gross Tonnage: 4,503

SEAMEC III
Built Year: 1983
Procurement Year: 1993
Gross Tonnage: 4,327

SEAMEC PRINCESS
Built Year: 1984
Procurement Year: 2006
Gross Tonnage: 11,121

SEAMEC PALADIN
Built Year: 2008
Procurement Year: 2021
Gross Tonnage: 5,648

SEAMEC SWORDFISH
Built Year: 2007
Procurement Year: 2023
Gross Tonnage: 5,372

SEAMEC GLORIOUS (BARGE)
Built Year: 2006
Procurement Year: 2021
Gross Tonnage: 8,950

Source: Company reports, Arihant Capital Research

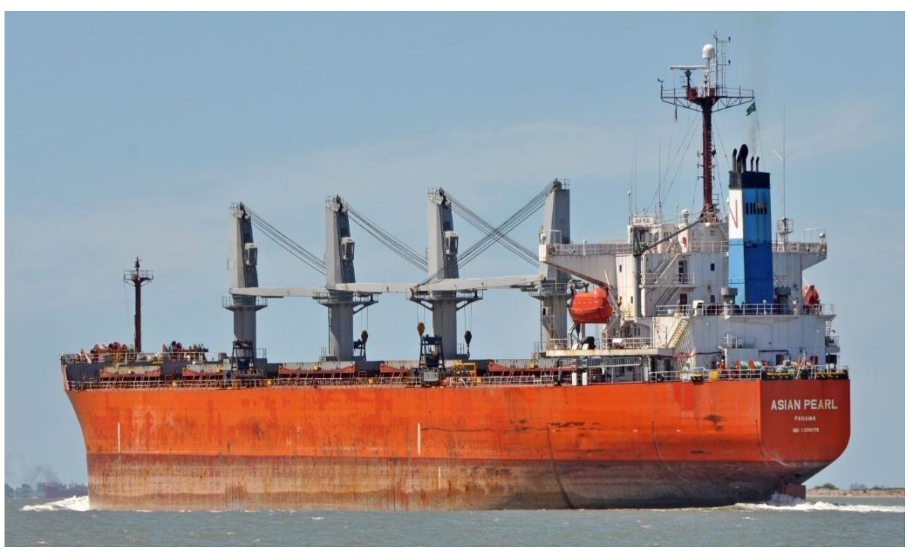
Seamec Services in Bulk Carriers

Exhibit 43: Asset Portfolio – Bulk Carriers

SEAMEC GALLANT
Built Year: 2011
Procurement Year: 2017
Category: Handymax
Gross Tonnage: 32,289

SEAMEC NIDHI
Built Year: 2010
Procurement Year: 2018
Category: Superamax
Gross Tonnage: 56,755

ASIAN PEARL
Built Year: 2003
Procurement Year: 2020
Category: Handymax
Gross Tonnage: 27,989



Source: Company reports, Arihant Capital Research
1) SEAMEC GALLANT and SEAMEC NIDHI are operated under wholly-owned subsidiary "Seamec International FEZ"
2) ASIAN PEARL is operated under Step Down Subsidiary – "SEAMATE Shipping FZC"

Key Management

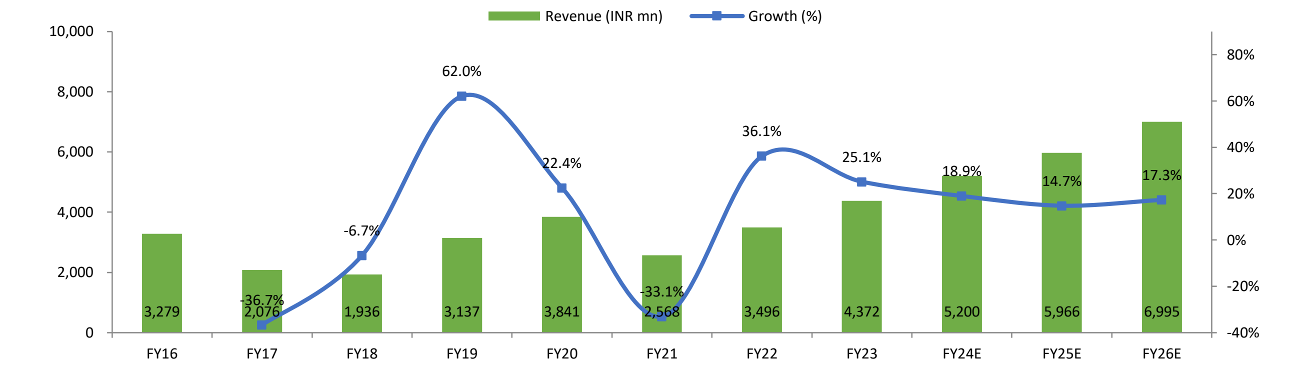
Personnel	Designation	Description
Mr.Sanjeev Agrawal	Chairman	Mr. Sanjeev Agrawal is an eminent and successful entrepreneur who heads the MM Group, to which SEAMEC belongs. He has experience of over 25 years in the fields of Oil & Gas Sector, Soft Drinks, Fast Food Chains, Education, Hospitality, and Real Estate.
Anant Agarwal	Vice Chairman	Mr. Anant Agrawal have Master's degree in Innovation and Entrepreneurship. He is instrumental in the Group's diverse business areas, focusing on oil and gas, consumer businesses, Coca-Cola operations, and McDonald's management. He is also Leading digital transformation, he aims to make McDonald's the first solar-powered QSR in India, prioritizing sustainability through initiatives like eco-friendly packaging and a circular economy.
Mr. Surinder Singh Kohli	Independent Director	Mr.Surinder Singh Kohli have 42 years of experience in banking industry. He held coveted posts as Chairman & Managing Director of Punjab & Sind Bank and Punjab National Bank.
Mr. Deepak Shetty IRS (Retired)	Independent Director	Mr. Deepak Shetty a retired Civil servant, He is a direct recruit of Indian Revenue Services. His illustrious career spans over 36 years, during which he held significant positions and achieved the rank of Chief Commissioner of Customs, Central Excise, and Service Tax.
Mr. Subrat Das	Director	Mr. Subrat Das is a qualified Chartered Accountant, brings 29 years of expertise in Finance, Accounts, Taxation, and Legal Matters. His professional journey includes roles at Shiv-Vani Oil & Gas Exploration Services Ltd, Great Eastern Energy Corporation Limited, Ortel Communications Ltd, UNDP/GEF Project (Steel), New Delhi, Modi Korea Telecommunications Ltd, Usha Ispat Ltd, and Rathi Alloys & Steel Ltd.
Mrs. Ruby Srivastava IRS (Retired)	Independent Woman Director	Mrs. Ruby Srivastava is an Independent Woman Director and a retired Indian Revenue Service Officer from the Government of India, concluded her service in February 2022. She is holding the rank of Principal Chief Commissioner of Income Tax (Apex scale) with over 35 years of extensive experience and held various esteemed positions throughout her illustrious career including Director of Finance and Chief Financial Officer at the Nuclear Power Corporation of India Ltd.
Mr. Naveen Mohta	Whole Time Director	Mr. Naveen Mohta is a qualified Chartered Accountant. He have 23 years of experience with 21 years dedicated to HAL Offshore Limited, the Promoter Company of SEAMEC Ltd. Prior to joining HAL, He has gained professional experience at India Gypsum Limited, a joint venture between the Birla Group and BPB Plc UK. In his current role, he oversees the operations and commercial aspects of offshore fleets, specializing in Commercial and Operations.
Mr. Vinay Kumar Agarwal	Chief Financial Officer	Mr. Vinay Kumar Agarwal is a Chartered Accountant with 28 years of experience and excels in finance, accounting, and SCM. He is known for strengthening financial functions and leading in diverse sectors, he also specializes in financial planning, fund mobilization, and legal matters.
Mr. S. N Mohanty	President - Corporate Affairs, Legal & CS	Mr. S. N. Mohanty have over three decades of expertise in various fields and holds key roles in corporate governance, legal matters, and business development. He is qualified with a Master's in Commerce, Company Secretary, Cost and Management Accountant, and a Law degree, he also serves as a Director on the Boards of overseas subsidiaries, contributing to their operations and business development.

Source: Company reports, Arihant Capital research

Financial Analysis

Revenue is expected to grow at a CAGR of 17% over the period of FY23-26E: Revenue witnessed a growth of 17.7% CAGR to INR 4,372mn over the period of FY18-FY23, backed by deployment of vessels and realizations. The company is expected to be scrapped Seamec III & Seamec II and expected to replace the vessels in the next 4 years. We believe the replacement of assets would improve the deployment days and efficiency. The new vessel's deployment rates are higher and expected to be $50,000/day to $60,000/day going forward. however, deployment rates are based on the contract and various clauses which take care of expenses. We are estimating Seamec would operate around 1,315 deployment days and deployment rates are expected to increase from $33,000-$35,000/day to $50,000-$60,000/day going forward. The steady deployment rates and increase in realization would lead to business and we are estimating revenue is expected to grow at a CAGR of 17% to INR 6,995mn over the period of FY23-26E.

Exhibit 44: Revenue is expected to grow at a CAGR of 17% over the period of FY23-26E.



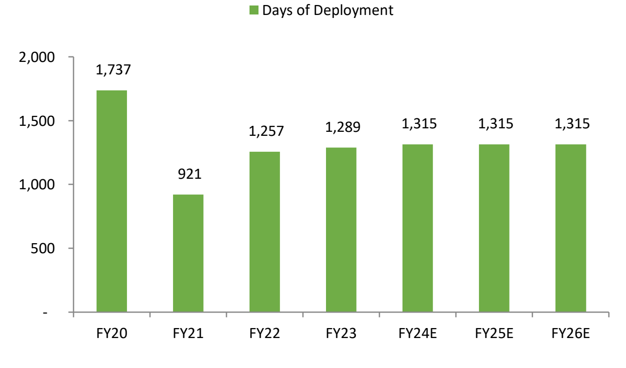
Source: Company reports, Arihant Capital Research

Exhibit 45: Revenue Model

Y/e 31 Mar (INR mn)	FY20	FY21	FY22	FY23	Q1FY24	Q2FY24	Q3FY24E	Q4FY24E	FY24E	FY25E	FY26E
Number of Vessels deployed	6	6	6	6	6	3	6	6	6	5	6
Total Number of days deployed	1,737	921	1,257	1,289	356	249	355	355	1,315	1,315	1,315
Deployment Rate ($/day)	28,805	33,188	30,725	38,599	34,384	32,379	33,850	34,650	33,783	46,800	55,800
USD/INR	73	75	76	80	82	83	83	83	83	84	85
Revenue from Direct Deployment	3,653	2,292	2,935	3,990	**1,003**	**665**	**997**	**1,021**	**3,687**	**5,170**	**6,237**
Other Vessel Revenue	-	-	-	-	779	9	21	21	829	111	66
Standalone revenue	**3,653**	**2,292**	**2,935**	**3,990**	**1,782**	**674**	**1,018**	**1,042**	**4,516**	**5,280**	**6,303**
Subsidiary revenue	188	276	561	382	170	171	172	172	684	686	692
Revenue from Operations	**3,841**	**2,568**	**3,496**	**4,372**	**1,952**	**844**	**1,190**	**1,214**	**5,200**	**5,966**	**6,995**

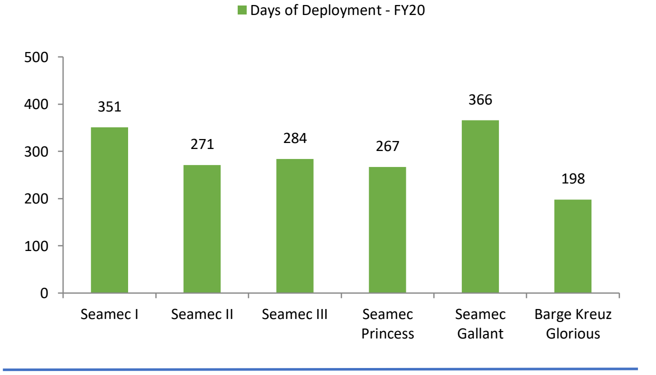
Source: Company Reports, Arihant Capital Research

Exhibit 46: Vessels are expected to operate 1,250-1,350 days on a sustainable basis. The replacement and deployment of new vessels would lead to 1,400-1,700 days of deployment going forward.



Source: Company reports, Arihant Capital Research

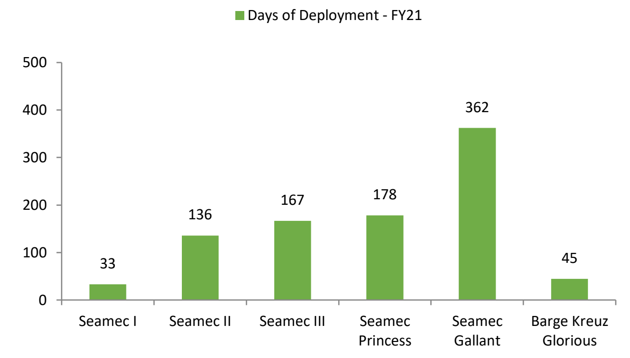
Exhibit 47: Seamec was deployed vessels for 1,737 days in FY20. Seamec I and Seamec Gallant was operated more than 350 days in FY20.



Source: Company reports, Arihant Capital Research

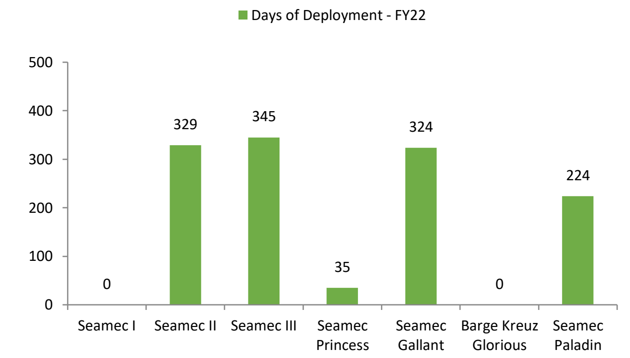
Financial Analysis

Exhibit 48: Seamec was deployed vessels for 921 days in FY21. Seamec Gallant was operated more than 350 days in FY20.



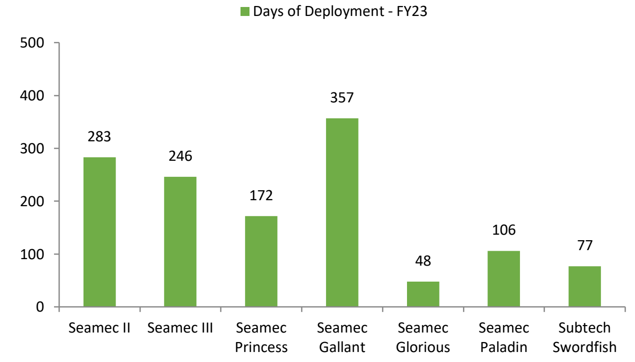
Source: Company reports, Arihant Capital Research

Exhibit 49: Seamec was deployed vessels for 1,257 days in FY22. Seamec, Seamec III and Seamec Gallant was operated more than 300 days in FY22.



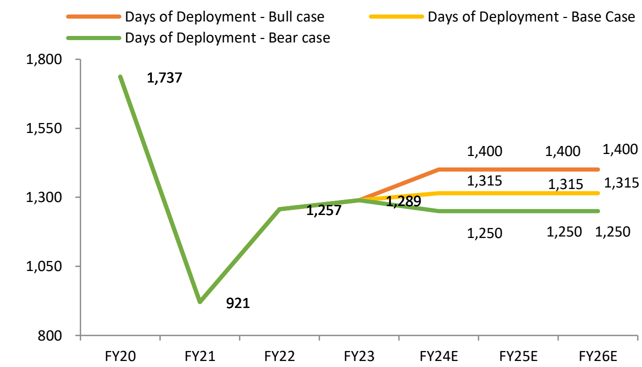
Source: Company reports, Arihant Capital Research

Exhibit 50: Seamec was deployed vessels for 1,289 days in FY23. Seamec Gallant was operated more than 350 days in FY23.



Source: Company reports, Arihant Capital Research

Exhibit 51: We are estimating, Seamec vessels are expected operate 1,250 days to 1,400 days going forward. The replacement and deployment of new vessels would lead to 1,400-1,700 days of deployment going forward.



Source: Company reports, Arihant Capital Research

Scenario Analysis

Exhibit 52: Revenue Model - Bull case

Y/e 31 Mar (INR mn)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Number of Vessels deployed	6	6	6	6	6	5	6
Total Number of days deployed	1,737	921	1,257	1,289	1,400	1,400	1,400
Deployment Rate ($/day)	28,805	33,188	30,725	38,599	36,500	49,000	58,000
USD/INR	73	75	76	80	83	84	85
Revenue from Direct Deployment	**3,653**	**2,292**	**2,935**	**3,990**	**4,241**	**5,762**	**6,902**
Other Vessel Revenue	-	-	-	-	829	111	66
Standalone revenue	**3,653**	**2,292**	**2,935**	**3,990**	**5,070**	**5,873**	**6,968**
Subsidiary revenue	188	276	561	382	**684**	**686**	**692**
Revenue from Operations	**3,841**	**2,568**	**3,496**	**4,372**	**5,755**	**6,559**	**7,660**

Source: Company Reports, Arihant Capital Research

Scenario Analysis

Exhibit 53: Revenue Model - Base case

Y/e 31 Mar (INR mn)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Number of Vessels deployed	6	6	6	6	6	5	6
Total Number of days deployed	1,737	921	1,257	1,289	1,315	1,315	1,315
Deployment Rate ($/day)	28,805	33,188	30,725	38,599	33,783	46,800	55,800
USD/INR	73	75	76	80	83	84	85
Revenue from Direct Deployment	**3,653**	**2,292**	**2,935**	**3,990**	**3,687**	**5,170**	**6,237**
Other Vessel Revenue	-	-	-	-	829	111	66
Standalone revenue	**3,653**	**2,292**	**2,935**	**3,990**	**4,516**	**5,280**	**6,303**
Subsidiary revenue	188	276	561	382	684	686	692
Revenue from Operations	**3,841**	**2,568**	**3,496**	**4,372**	**5,200**	**5,966**	**6,995**

Source: Company Reports, Arihant Capital Research

Exhibit 54: Revenue Model - Bear case

Y/e 31 Mar (INR mn)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Number of Vessels deployed	6	6	6	6	6	5	6
Total Number of days deployed	1,737	921	1,257	1,289	1,250	1,250	1,250
Deployment Rate ($/day)	28,805	33,188	30,725	38,599	32,500	44,000	53,000
USD/INR	73	75	76	80	83	84	85
Revenue from Direct Deployment	**3,653**	**2,292**	**2,935**	**3,990**	**3,372**	**4,620**	**5,631**
Other Vessel Revenue	-	-	-	-	829	111	66
Standalone revenue	**3,653**	**2,292**	**2,935**	**3,990**	**4,201**	**4,731**	**5,698**
Subsidiary revenue	188	276	561	382	**684**	**686**	**692**
Revenue from Operations	**3,841**	**2,568**	**3,496**	**4,372**	**4,885**	**5,417**	**6,390**

Source: Company Reports, Arihant Capital Research

Sensitivity Analysis

Revenue from Direct Deployment (INR mn) - FY24E

		Total Number of days deployed									
	3,687	**1,050**	**1,100**	**1,150**	**1,200**	**1,250**	**1,300**	**1,350**	**1,400**	**1,450**	**1,500**	**1,550**
Deployment Rate ($/day)	**28,500**	2,484	2,602	2,720	2,839	2,957	3,075	3,193	3,312	3,430	3,548	3,667
	29,500	2,571	2,693	2,816	2,938	3,061	3,183	3,305	3,428	3,550	3,673	3,795
	30,500	2,658	2,785	2,911	3,038	3,164	3,291	3,418	3,544	3,671	3,797	3,924
	31,500	2,745	2,876	3,007	3,137	3,268	3,399	3,530	3,660	3,791	3,922	4,052
	32,500	2,832	2,967	3,102	3,237	3,372	3,507	3,642	3,777	3,911	4,046	4,181
	33,500	2,920	3,059	3,198	3,337	3,476	3,615	3,754	3,893	4,032	4,171	4,310
	34,500	3,007	3,150	3,293	3,436	3,579	3,723	3,866	4,009	4,152	4,295	4,438
	35,500	3,094	3,241	3,388	3,536	3,683	3,830	3,978	4,125	4,272	4,420	4,567
	36,500	3,181	3,332	3,484	3,635	3,787	3,938	4,090	4,241	4,393	4,544	4,696
	37,500	3,268	3,424	3,579	3,735	3,891	4,046	4,202	4,358	4,513	4,669	4,824
	38,500	3,355	3,515	3,675	3,835	3,994	4,154	4,314	4,474	4,633	4,793	4,953

Source: Company reports, Arihant Capital Research

- Bull Case   - Base Case   - Bear Case

Sensitivity Analysis

Revenue from Direct Deployment (INR mn) - FY25E

		Total Number of days deployed										
	5,170	**1,050**	**1,100**	**1,150**	**1,200**	**1,250**	**1,300**	**1,350**	**1,400**	**1,450**	**1,500**	**1,550**
Deployment Rate ($/day)	**42,000**	3,704	3,881	4,057	4,234	4,410	4,586	4,763	4,939	5,116	5,292	5,468
	43,000	3,793	3,973	4,154	4,334	4,515	4,696	4,876	5,057	5,237	5,418	5,599
	44,000	3,881	4,066	4,250	4,435	4,620	4,805	4,990	5,174	5,359	5,544	5,729
	45,000	3,969	4,158	4,347	4,536	4,725	4,914	5,103	5,292	5,481	5,670	5,859
	46,000	4,057	4,250	4,444	4,637	4,830	5,023	5,216	5,410	5,603	5,796	5,989
	47,000	4,145	4,343	4,540	4,738	4,935	5,132	5,330	5,527	5,725	5,922	6,119
	48,000	4,234	4,435	4,637	4,838	5,040	5,242	5,443	5,645	5,846	6,048	6,250
	49,000	4,322	4,528	4,733	4,939	5,145	5,351	5,557	5,762	5,968	6,174	6,380
	50,000	4,410	4,620	4,830	5,040	5,250	5,460	5,670	5,880	6,090	6,300	6,510
	51,000	4,498	4,712	4,927	5,141	5,355	5,569	5,783	5,998	6,212	6,426	6,640
	52,000	4,586	4,805	5,023	5,242	5,460	5,678	5,897	6,115	6,334	6,552	6,770

Source: Company reports, Arihant Capital Research

- Bull Case - Base Case - Bear Case

Revenue from Direct Deployment (INR mn) - FY26E

		Total Number of days deployed										
	6,237	**1,050**	**1,100**	**1,150**	**1,200**	**1,250**	**1,300**	**1,350**	**1,400**	**1,450**	**1,500**	**1,550**
Deployment Rate ($/day)	**50,000**	4,463	4,675	4,888	5,100	5,313	5,525	5,738	5,950	6,163	6,375	6,588
	51,000	4,552	4,769	4,985	5,202	5,419	5,636	5,852	6,069	6,286	6,503	6,719
	52,000	4,641	4,862	5,083	5,304	5,525	5,746	5,967	6,188	6,409	6,630	6,851
	53,000	4,730	4,956	5,181	5,406	5,631	5,857	6,082	6,307	6,532	6,758	6,983
	54,000	4,820	5,049	5,279	5,508	5,738	5,967	6,197	6,426	6,656	6,885	7,115
	55,000	4,909	5,143	5,376	5,610	5,844	6,078	6,311	6,545	6,779	7,013	7,246
	56,000	4,998	5,236	5,474	5,712	5,950	6,188	6,426	6,664	6,902	7,140	7,378
	57,000	5,087	5,330	5,572	5,814	6,056	6,299	6,541	6,783	7,025	7,268	7,510
	58,000	5,177	5,423	5,670	5,916	6,163	6,409	6,656	6,902	7,149	7,395	7,642
	59,000	5,266	5,517	5,767	6,018	6,269	6,520	6,770	7,021	7,272	7,523	7,773
	60,000	5,355	5,610	5,865	6,120	6,375	6,630	6,885	7,140	7,395	7,650	7,905

Source: Company reports, Arihant Capital Research

- Bull Case - Base Case - Bear Case

Multi-support vessels will lead the business going forward: Seamec multi-support vessels revenue share stood at 80.4% in FY23 and is expected to reach 90% backed by strengthened offshore vessel support systems. The company is replacing the vessels of Seamec III and Seamec II in the next four years would lead to higher efficiency and realizations. Bulk carriers are operating under subsidiaries and revenue share stood at 19% as of FY23. Bulk carrier's revenue share is expected to maintain 10% going forward. because the company majorly focused on offshore oil field services through multi-support vessels.

Exhibit 55: Multi support vessels revenue is stood at 80.4% as of FY23 and expected to back 90% levels.

Segment wise revenue (INR mn)	FY20	FY21	FY22	FY23
Multi Support Vessels	3,454	2,120	2,542	3,515
Bulk carrier	387	448	954	830
others	-		-	27
Total Revenue	**3,841**	**2,568**	**3,496**	**4,372**

Source: Company reports, Arihant Capital Research, Bulk carriers are operating under subsidiaries and JV.

Segment wise revenue (%)	FY20	FY21	FY22	FY23
Multi Support Vessels	89.9%	82.6%	72.7%	80.4%
Bulk carrier	10.1%	17.4%	27.3%	19.0%
others	0.0%	0.0%	0.0%	0.6%
Total Revenue	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: Company reports, Arihant Capital Research, Bulk carriers are operating under subsidiaries and JV.

Financial Analysis

Exhibit 56: Seamec is penetrating to overseas markets for multi support vessels. In overseas, Multi support vessels revenue share increased from 3.9% (FY22) to 9.3% in FY23.

Geography-wise revenue (INR mn)	FY21	FY22	FY23
India			
Multi Support Vessels	2,120	2,406	3,107
Bulk carrier	-	-	-
others	-	-	27
Total India Revenue	**2,120**	**2,406**	**3,134**
Overseas			
Multi Support Vessels	-	136	408
Bulk carrier	448	954	830
others		-	-
Total overseas Revenue	**448**	**1,090**	**1,239**
Total Revenue	**2,568**	**3,496**	**4,372**

Source: Company reports, Arihant Capital Research

Geography-wise revenue (%)	FY21	FY22	FY23
India			
Multi Support Vessels	82.6%	68.8%	71.1%
Bulk carrier	0.0%	0.0%	0.0%
others	0.0%	0.0%	0.6%
Total India Revenue	**82.6%**	**68.8%**	**71.7%**
Overseas	0.0%	0.0%	0.0%
Multi Support Vessels	0.0%	3.9%	9.3%
Bulk carrier	17.4%	27.3%	19.0%
others	0.0%	0.0%	0.0%
Total overseas Revenue	**17.4%**	**31.2%**	**28.3%**
Total Revenue	**100.0%**	**100.0%**	**100.0%**

Source: Company reports, Arihant Capital Research

Exhibit 57: Seamec has increased the business through contracts from Customer A and Customer B.

Revenue (INR mn)	FY19	FY20	FY21	FY22	FY23
Domestic					
Customer A	1,561	2,132	990	1,556	2,069
Customer B	748	611	467	316	798
Customer C	-	563	348	659	-
Customer D	-	-	228	-	-
Others	568	148	126	191	267
Total Domestic revenue	**2,877**	**3,454**	**2,158**	**2,722**	**3,134**
Overseas	-	-	-	-	-
Customer A	-	-	-	-	-
Customer B	-	-	-	479	-
Customer C	-	-	-	-	397
Customer D	-	-	-	136	320
Others	260	387	410	159	522
Total Overseas revenue	**260**	**387**	**410**	**774**	**1,239**
Total Revenue	**3,137**	**3,841**	**2,568**	**3,496**	**4,372**

Source: Company reports, Arihant Capital Research

Financial Analysis

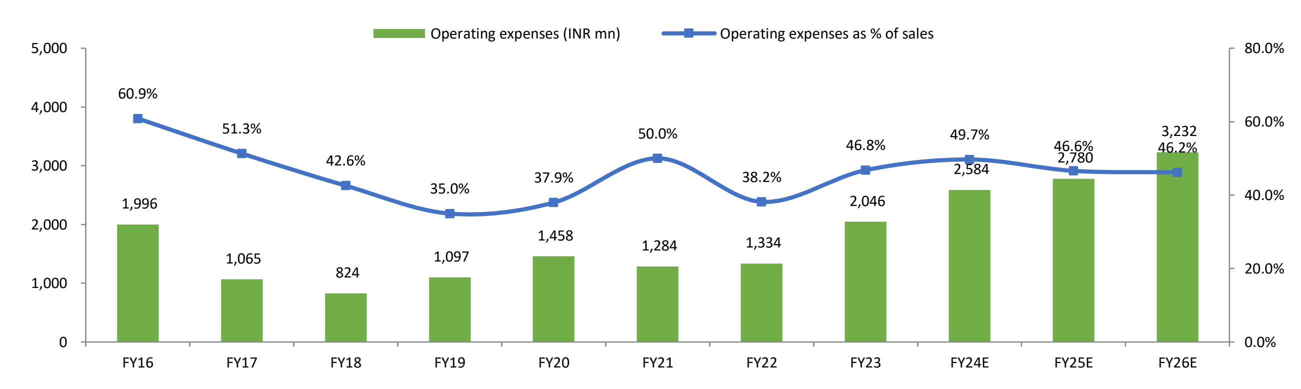
Exhibit 58: Top two customers accounts for 65% of domestic revenue in multi support vessels. There is no major competitor for Seamec and getting regular contracts from the customers.

Revenue (%)	FY19	FY20	FY21	FY22	FY23
Domestic					
Customer A	50%	56%	39%	44%	47%
Customer B	24%	16%	18%	9%	18%
Customer C	0%	15%	14%	19%	0%
Customer D	0%	0%	9%	0%	0%
Others	18%	4%	5%	5%	6%
Total Domestic revenue	**92%**	**90%**	**84%**	**78%**	**72%**
Overseas	0%	0%	0%	0%	0%
Customer A	0%	0%	0%	0%	0%
Customer B	0%	0%	0%	14%	0%
Customer C	0%	0%	0%	0%	9%
Customer D	0%	0%	0%	4%	7%
Others	8%	10%	16%	5%	12%
Total Overseas revenue	**8%**	**10%**	**16%**	**22%**	**28%**
Total Revenue	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Company reports, Arihant Capital Research

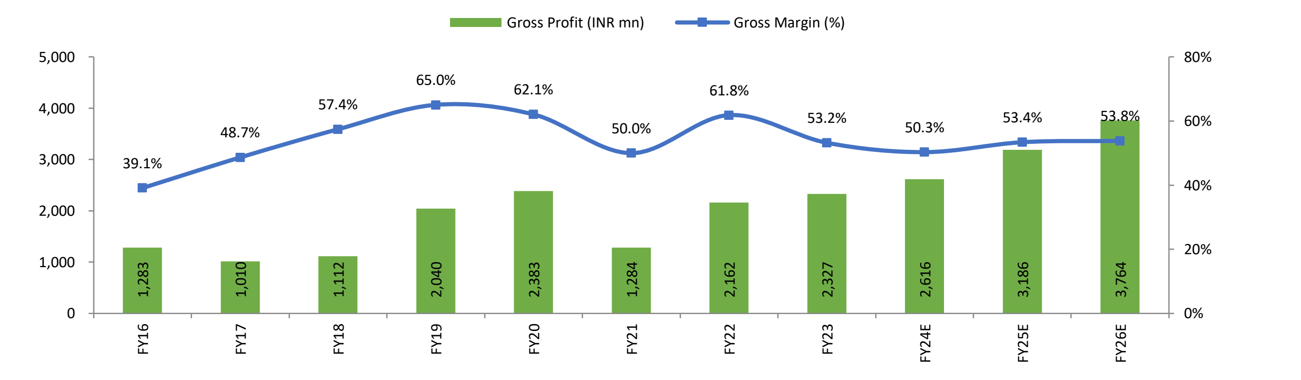
Operating expenses are expected to reduce in terms of sales due to deployments: Operating expenses are based on the deployment of vessels, maintenance, and others. Operating expenses in terms of sales decreased from 60.9% (FY16) to 46.8% in FY23. The margins have fluctuated due to monsoon seasons, maintenance, and replacement of vessels. We believe operating expenses are expected to reduce due to higher days of deployment along with an increase in realization.

Exhibit 59: Operating expenses is expected to be around 45% -50% going forward and fluctuation is based on deployments, maintenance and others.



Source: Company reports, Arihant Capital Research

Exhibit 60: Gross margins are expected improve based on increase in realizations, deployment days and moderation of operating expenses.



Source: Company reports, Arihant Capital Research

Financial Analysis

Total expenditure in terms of sales is expected to reduce going forward: Seamec has reduced its overall expenditure from 89.5% of sales (FY16) to 71.1% of sales in FY23. The cost reduction was mainly from operating expenses followed by employee costs. Provision of doubtful expenses of INR 1,385mn were from Singapore and UAE and others which impacted the profitability. The provision of doubtful expenses and other expenses reduced over the last few years. We believe, operating expenses and employee expenses are expected to moderate for increment of sales.

Exhibit 61: Operating expenses and employee cost has moderated over the period of FY16-23.

Particular (INR mn)	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Operating expenses	1,996	1,065	824	1,097	1,458	1,284	1,334	2,046
Employee Cost	806	636	611	645	631	532	601	761
Management fees	-	-	-	-	-	-	52	162
Legal & Professional fees	28	25	30	50	19	10	18	33
Travelling & Conveyance	9	7	9	7	10	6	9	13
Rent	37	52	27	25	4	4	3	7
Bad debts	23	2	54	-	5	-	85	3
Provision for doubtful debts	-	1,385	-	167	3	22	43	10
Office expenses	-	3	4	4	4	3	7	6
Bank charges	5	5	3	6	6	9	7	4
Payment to auditors		3	3	3	4	3	4	4
CSR		-	1	-	0	14	20	20
Director remunaration	2	1	2	2	0	-	5	8
Electricity expenses	-	2	2	2	2	1	1	1
MTM loss on forward exchange	-	-	-	-	-	-	-	11
Other Expenses	29	35	40	17	12	14	17	19
Total Expenditure	**2,935**	**3,221**	**1,609**	**2,025**	**2,157**	**1,901**	**2,205**	**3,108**

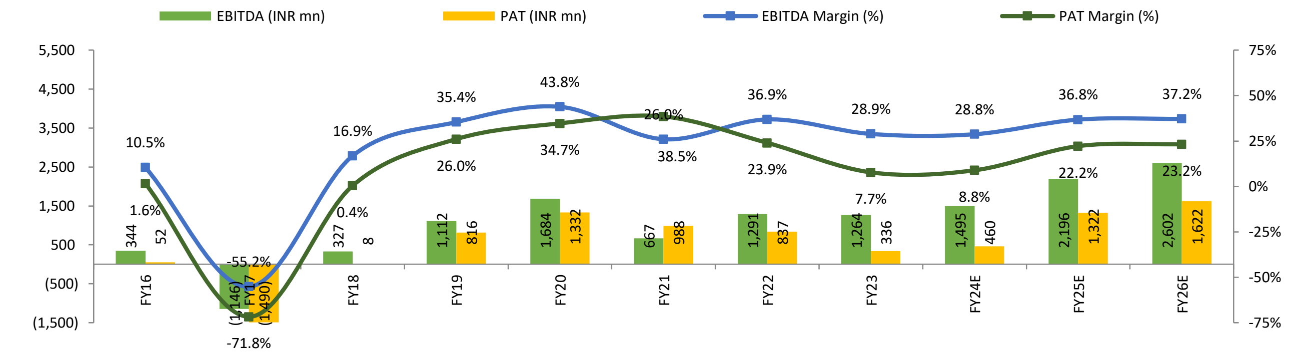
Expenses as % of sales	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Operating expenses	60.9%	51.3%	42.6%	35.0%	37.9%	50.0%	38.2%	46.8%
Employee Cost	24.6%	30.6%	31.6%	20.6%	16.4%	20.7%	17.2%	17.4%
Management fees	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.5%	3.7%
Legal & Professional fees	0.9%	1.2%	1.5%	1.6%	0.5%	0.4%	0.5%	0.8%
Travelling & Conveyance	0.3%	0.3%	0.5%	0.2%	0.3%	0.2%	0.3%	0.3%
Rent	1.1%	2.5%	1.4%	0.8%	0.1%	0.1%	0.1%	0.2%
Bad debts	0.7%	0.1%	2.8%	0.0%	0.1%	0.0%	2.4%	0.1%
Provision for doubtful debts	0.0%	66.7%	0.0%	5.3%	0.1%	0.9%	1.2%	0.2%
Office expenses	0.0%	0.2%	0.2%	0.1%	0.1%	0.1%	0.2%	0.1%
Bank charges	0.1%	0.2%	0.1%	0.2%	0.2%	0.3%	0.2%	0.1%
Payment to auditors	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
CSR	0.0%	0.0%	0.0%	0.0%	0.0%	0.5%	0.6%	0.4%
Director remunaration	0.1%	0.1%	0.1%	0.1%	0.0%	0.0%	0.1%	0.2%
Electricity expenses	0.0%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%
MTM loss on forward exchange	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.3%
Other Expenses	0.9%	1.7%	2.1%	0.5%	0.3%	0.5%	0.5%	0.4%
Total Expenditure	**89.5%**	**155.2%**	**83.1%**	**64.6%**	**56.2%**	**74.0%**	**63.1%**	**71.1%**

Source: Company reports, Arihant Capital Research

Financial Analysis

Improvement expected in margin levels: The operating cost reduction led to an increase in gross margin and EBITDA margin levels. Seamec has reduced total expenditure in terms of sales to 1840 bps & 293 bps over the period of FY16-23 & FY21-23. The increase in deployment days along with an increase in realization and increase in efficiency through new vessels led to an improvement in EBITDA margin levels. The payments are in dollar terms which are expected to positive impact on realization and margins.

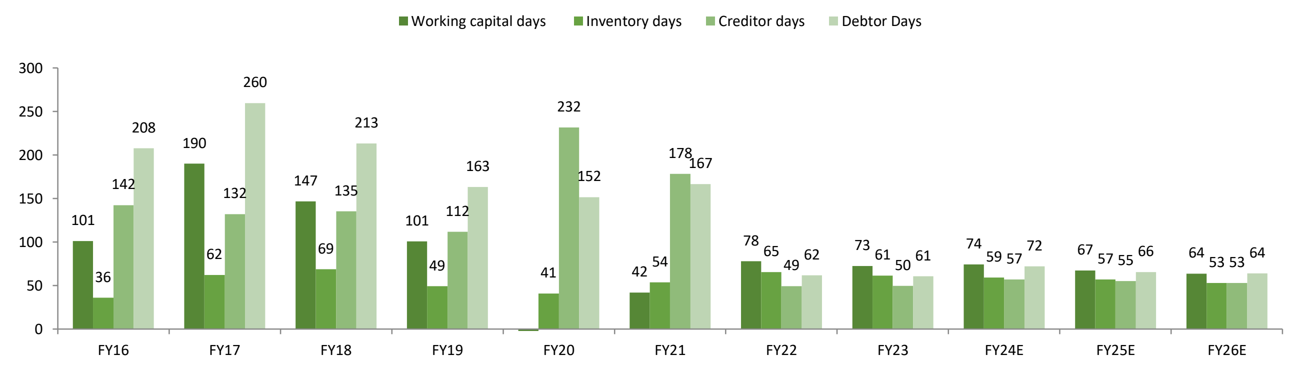
Exhibit 62: EBITDA and PAT margins are expected to maintain above 35% and 20% respectively going forward.



Source: Company reports, Arihant Capital Research

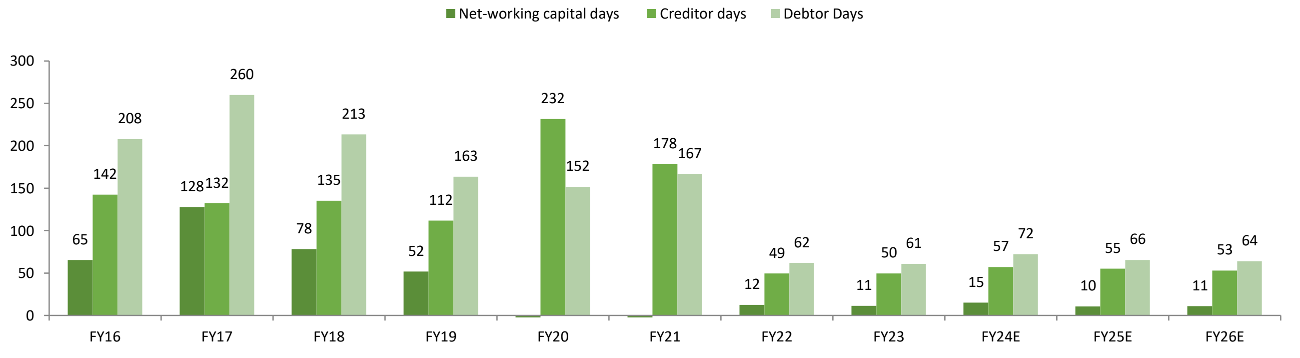
Working Capital Cycle to Improve: Seamec has a long-term business relationship with clients and gets contracts regularly. In the contract period, revenues are billed on a daily basis, whether vessels are deployed or not and payments are in dollar terms. The customer billing cycle is around 45 days and creditors are generally paid in 30 days. The net-working capital days stood around 15 days and are expected to maintain going forward. The company is not using inventories to convert finished goods for sales. Inventories are stores and consumables majorly. The company is into DSV and other multi-support vessel services and freight transportation through bulk carriers.

Exhibit 63: Working Capital cycle to be improve going forward.



Source: Company reports, Arihant Capital Research

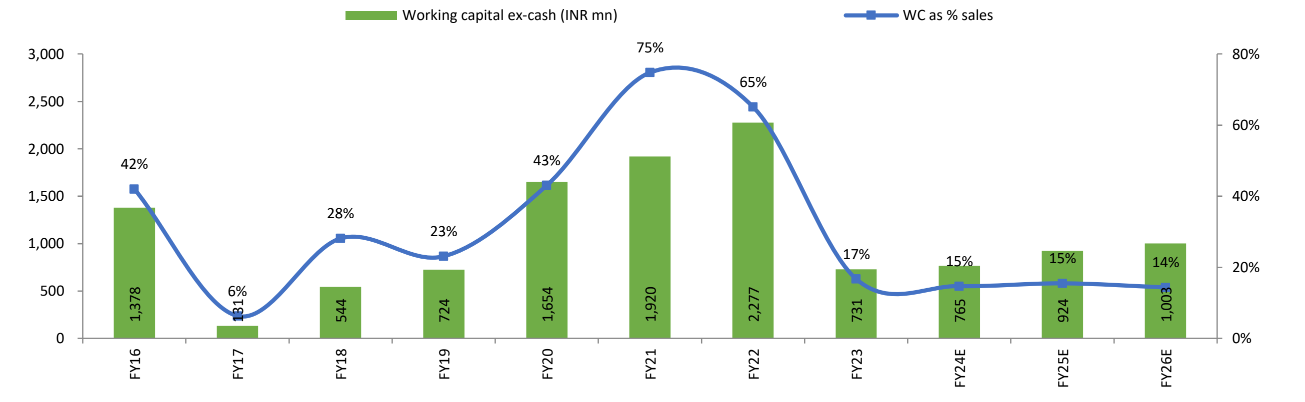
Exhibit 64: Inventories are majorly stores and consumables. Networking capital days (ex. Inventories) is expected to be 10-15 days going forward.



Source: Company reports, Arihant Capital Research

Financial Analysis

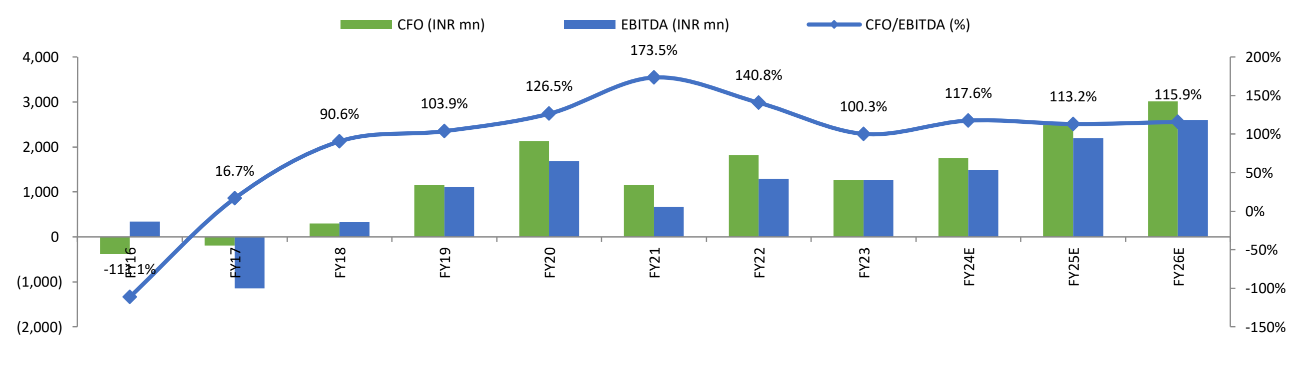
Exhibit 65: Working capital in-terms of sales are expected to be around ~15% going forward.



Source: Company reports, Arihant Capital Research

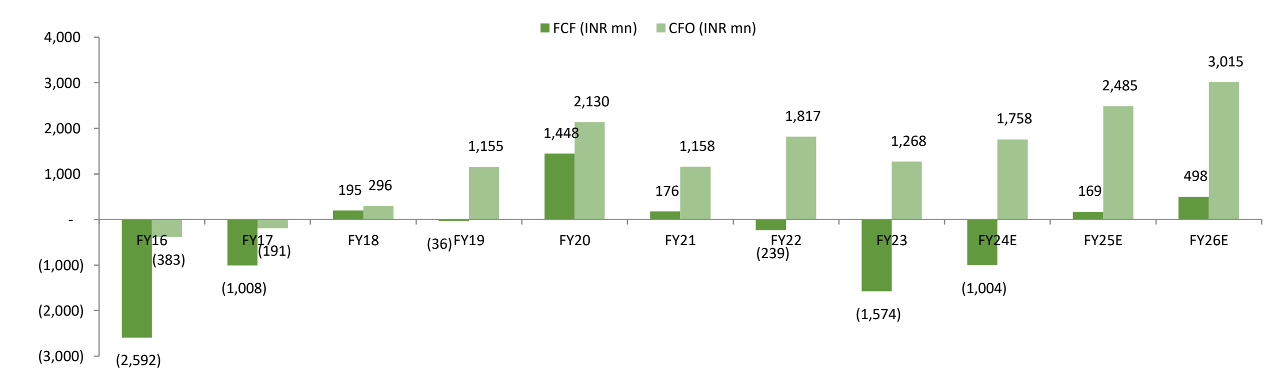
Improvement of Cash flow generation: Seamec has a healthy track record of operating profit into cash flow conversions. CFO/EBITDA is maintained around 100% or above in the past few years. Free cash flow has been negative in some years due to capex for the replacement of vessels and the addition of vessels. The maintenance capex is expected around INR 300mn to INR 350mn every year regularly going forward. The vessels are depreciated over 20 years through the straight-line method. The vessels are acquired in different time periods, and the company is expected to replace the vessels after the depreciation. The company is expected to replace two vessels and capex is expected around INR 4bn in the next 4 years. Seamec is expected to add one more vessel based on demand going forward. The capex is expected through internal accruals and borrowings. We are estimating EBITDA growth of 27.2% of CAGR to INR 2,602mn over the period of FY23-FY26E and EBITDA margins would be 37.2% in FY26E. We are estimating EBITDA would convert into CFO and post capex, free cash flow (FCF) would turn positive in FY25E and FY26E.

Exhibit 66: Operating profits were completely converted into cash flow from operations over the period of FY19-23 and expected to continue over the period of FY23-26E.



Source: Company reports, Arihant Capital Research

Exhibit 67: Free cash flows is expected to be positive in FY25E and FY26E.



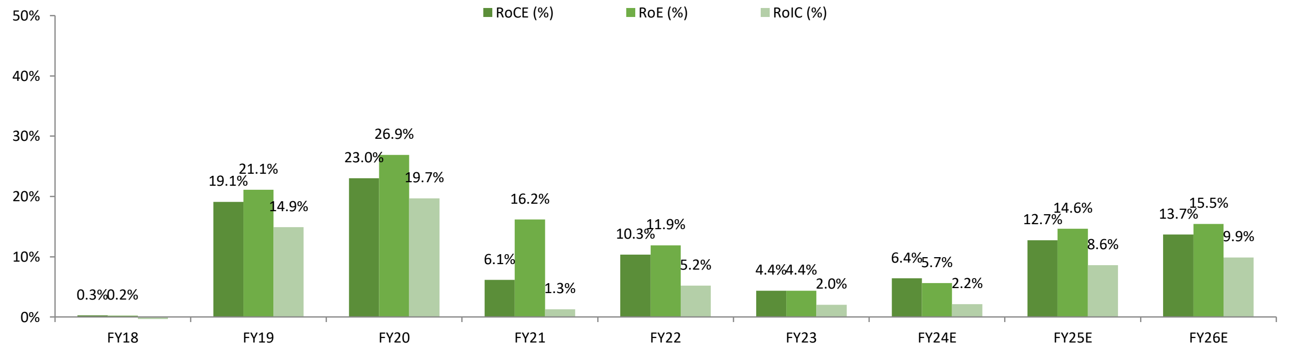
Source: Company reports, Arihant Capital Research

Financial Analysis

Return ratios to Improve: In comparison to revenue growth of 17%, and EBIT growth of 99.8%, capital employed is expected to grow by 10.4% over the period of FY23-FY26E.

Due to the healthy EBITDA margin expansion and PAT growth, we expect return ratios to improve significantly going forward. We estimate RoCE to expand from 4.4% in FY23 to 13.7% in FY26E. RoIC to improve from 2% in FY23 to 9.9% in FY26E and RoE to improve from 4.4% in FY23 to 15.5% in FY26E.

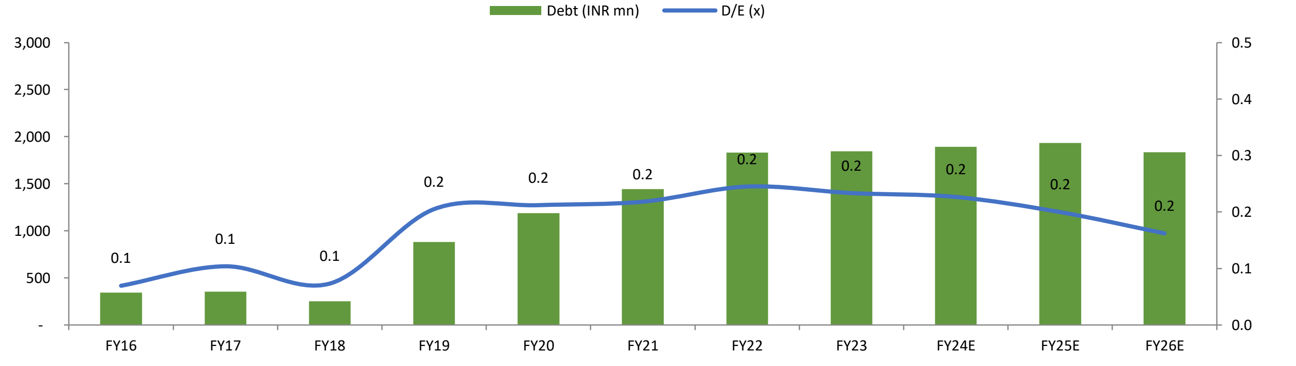
Exhibit 68: Return ratios to be improve going forward.



Source: Company reports, Arihant Capital Research

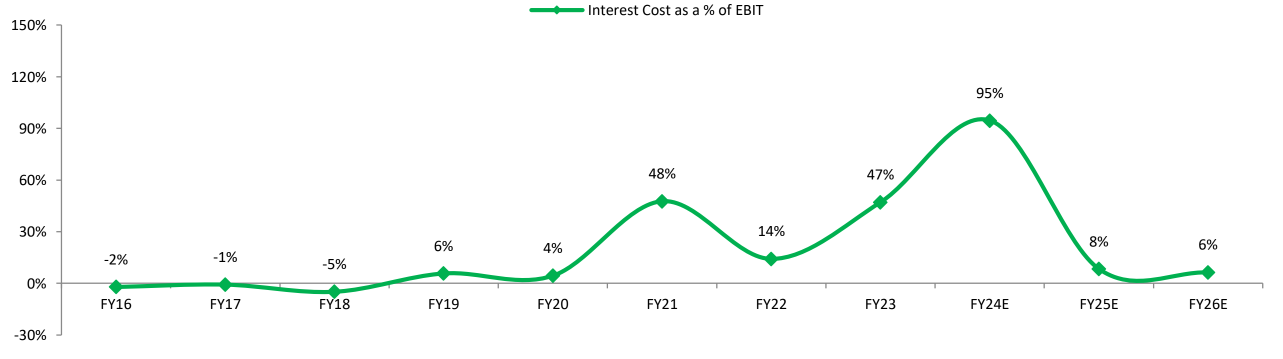
Maintaining debt levels while execution of Capex: The company is expected to maintain the debt and Capex funding is expected through internal accruals and debt going forward. The company is searching for new vessels and capex is expected around INR 4bn in the next 4 years. Post Capex, the company is expected to have sufficient cash to repay the debt along with interest. The company will continue to maintain its debt going forward. The maintenance of debt and increase in profitability will lead to reducing the interest cost in terms of EBIT.

Exhibit 69: Seamec's Debt to Equity is expected to maintain going forward.



Source: Company reports, Arihant Capital Research

Exhibit 70: Interest cost as a % of EBIT is expected to normalize to less than 10% going forward. In FY24E, Interest cost of INR 109mn in Q2FY24 is expected to impact interest cost as % of EBIT.



Source: Company reports, Arihant Capital Research

Key Risks

S.No	Risk Type	Impact	Comments
1	Cyclicality Risk	During monsoon season, Seamec can't able to operate and business will be impacted. Generally, monsoon period is around 5 months and any change in the weather would impact the business.	Seamec has decades of experince and able to grow annual basis. The company is well versed on control measures during monsoon and operational period.
2	Contract Risk	Seamec has 5 vessels, 3 vessels are operating long term contracts and 2 vessels are operating in short term contracts. In short term contract, the company may not get/renew the contract immediately which will impact the business.	Short term contracts are yielding higher realization compared to long term contracts. Seamec can able to manage the balance between short term and long term contracts.
3	Geo Political Risk	The conflict in Ukraine and the boycott of Russian gas are causing uncertainty and potential disruptions in the oil and gas industry worldwide affecting the prices.	The company needs to carefully handle uncertainties arising from global events for stability and progress.
4	Interest Rate Risk	The company might be taking a chance by not worrying about how changes in interest rates could affect its money and future cash.	The company feels pretty secure and doesn't expect interest rate changes to cause big problems for its finances. The company is engaged in Swaps to save interest costs.
5	Foreign Currency Risk	The company knows that changes in currency exchange rates can affect its money, especially when dealing with the US Dollar.	The company is prepared for the ups and downs of currency values, showing that it's taking steps to protect itself from any problems that might come up.
6	Credit Risk	The business faces potential financial instability due to credit risk associated with customer creditworthiness.	CRISIL A/Positive.The company is watching its money closely, making sure they get paid by checking who owes them.
7	Liquidity Risk	worries about having enough money to meet its financial commitments due to potential difficulties in quickly selling assets at their fair value.	keeps a close eye on its funds to make sure it can meet future commitments, and it shares a clear summary of when it has to pay its financial obligations.
8	Liability Estimation Risk	Affecting the reliability of recognizing the need for resources to settle these obligations.	The company does its best to estimate and set aside money for future obligations.
9	Business Risk	The company's decision to enter the bulk carrier market reduced its business risk and is showing positive outcomes.	Diversifying into bulk carriers was a smart move, making the company less risky and offering growth opportunities in the shipping business.
10	Regulatory Risk	Failing to promote equal opportunity and non-discrimination can result in legal issues, talent loss, and damage to the company's reputation.	Embracing diversity not only avoids issues but sparks innovation, improves customer understanding, and boosts the company's image and loyalty.
11	Health and Safety Compliance Risk	Neglecting employee safety may lead to legal issues, reputation damage, discontent among staff, and negatively impact the company's performance.	Keeping employees safe is not just a rule, it's important for the company to look good, keep employees happy, and run smoothly.
12	Anti-Corruption Risk	Not preventing corruption can damage the company's reputation, lead to legal fines, and hurt its finances.	Actively combating corruption not only prevents issues but also builds trust with customers, investors, and regulators, enhancing the company's overall image.
13	Environmental Compliance Risk	Non-compliance with environmental rules may damage the company's reputation, result in legal repercussions, and incur financial costs.	The company is adopting eco-friendly practices through compliance with regulations and cleaner technologies, yet ongoing vigilance is essential to prevent potential issues impacting its image and finances.

Source: Company reports, Arihant Capital Research

Outlook & Valuation: Seamec is the major organized player for offshore oil field services and Diving Support Services in India. The company is expected to scrap and replace 2 vessels in the next 4 years. One more new vessel is expected to be deployed based on demand. All the vessels are completely deployed, payments are in dollar terms, and continuous business visibility from ONCG and others. We are estimating revenue is expected to grow at a CAGR of 17% over the period of FY23-26E, backed by long-term contracts. We are estimating EBITDA & PAT margins are expected to be 37.2% & 23.2% by FY26E, backed by cost rationalization and an increase in freight and charter rates. Reverse merger of Seamec and HAL Offshore is on Hold, if the merger happens it will be value accretive for Seamec. We initiate a "BUY" rating with a Target Price of INR 1,404 based on 22x of FY26E EPS of INR 63.8, an upside of 50.8%.

Exhibit 71: Bull Case Scenario

Y/e 31 Mar (INR mn)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Number of Vessels deployed	6	6	6	6	6	5	6
Total Number of days deployed	1,737	921	1,257	1,289	1,400	1,400	1,400
Deployment Rate ($/day)	28,805	33,188	30,725	38,599	36,500	49,000	58,000
USD/INR	73	75	76	80	83	84	85
Revenue from Direct Deployment	**3,653**	**2,292**	**2,935**	**3,990**	**4,241**	**5,762**	**6,902**
Other Vessel Revenue	-	-	-	-	829	111	66
Standalone revenue	**3,653**	**2,292**	**2,935**	**3,990**	**5,070**	**5,873**	**6,968**
Subsidiary revenue	188	276	561	382	**684**	**686**	**692**
Revenue from Operations	**3,841**	**2,568**	**3,496**	**4,372**	**5,755**	**6,559**	**7,660**
EBITDA				1,264	2,050	2,414	2,850
EBITDA Margin (%)				28.9%	35.6%	36.8%	37.2%
PAT				336	1,014	1,589	1,920
PAT Margin (%)				7.7%	17.6%	24.2%	25.1%
EPS (INR)				16.7	39.9	62.5	75.5

Valuation - P/E (FY26E)	
EPS (INR)	75.5
P/E (x)	25.0
Target Price (INR)	**1,888**
CMP (INR)	**931**
Upside/Downside (%)	**102.7%**

Source: Company, Arihant Capital Research

Exhibit 72: Base Case Scenario

Y/e 31 Mar (INR mn)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Number of Vessels deployed	6	6	6	6	6	5	6
Total Number of days deployed	1,737	921	1,257	1,289	1,315	1,315	1,315
Deployment Rate ($/day)	28,805	33,188	30,725	38,599	33,783	46,800	55,800
USD/INR	73	75	76	80	83	84	85
Revenue from Direct Deployment	**3,653**	**2,292**	**2,935**	**3,990**	**3,687**	**5,170**	**6,237**
Other Vessel Revenue	-	-	-	-	829	111	66
Standalone revenue	**3,653**	**2,292**	**2,935**	**3,990**	**4,516**	**5,280**	**6,303**
Subsidiary revenue	188	276	561	382	**684**	**686**	**692**
Revenue from Operations	**3,841**	**2,568**	**3,496**	**4,372**	**5,200**	**5,966**	**6,995**
EBITDA				1,264	1,495	2,196	2,602
EBITDA Margin (%)				28.9%	28.8%	36.8%	37.2%
PAT				336	460	1,322	1,622
PAT Margin (%)				7.7%	8.8%	22.2%	23.2%
EPS (INR)				16.7	18.1	52.0	63.8

Valuation - P/E (FY26E)	
EPS (INR)	63.8
P/E (x)	22.0
Target Price (INR)	**1,404**
CMP (INR)	**931**
Upside/Downside (%)	**50.8%**

Source: Company, Arihant Capital Research

Outlook & Valuation

Exhibit 73: Bear Case Scenario

Y/e 31 Mar (INR mn)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Number of Vessels deployed	6	6	6	6	6	5	6
Total Number of days deployed	1,737	921	1,257	1,289	1,250	1,250	1,250
Deployment Rate ($/day)	28,805	33,188	30,725	38,599	32,500	44,000	53,000
USD/INR	73	75	76	80	83	84	85
Revenue from Direct Deployment	**3,653**	**2,292**	**2,935**	**3,990**	**3,372**	**4,620**	**5,631**
Other Vessel Revenue	-	-	-	-	829	111	66
Standalone revenue	**3,653**	**2,292**	**2,935**	**3,990**	**4,201**	**4,731**	**5,698**
Subsidiary revenue	188	276	561	382	**684**	**686**	**692**
Revenue from Operations	**3,841**	**2,568**	**3,496**	**4,372**	**4,885**	**5,417**	**6,390**
EBITDA				1,264	1,180	1,993	2,377
EBITDA Margin (%)				28.9%	24.2%	36.8%	37.2%
PAT				336	145	1,074	1,351
PAT Margin (%)				7.7%	3.0%	19.8%	21.1%
EPS (INR)				16.7	5.7	42.3	53.1

Valuation - P/E (FY26E)	
EPS (INR)	53.1
P/E (x)	20.0
Target Price (INR)	**1,063**
CMP (INR)	**931**
Upside/Downside (%)	**14.1%**

Source: Company, Arihant Capital Research

Financial Statements

Income statement summary

Y/e 31 Mar (INR mn)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Revenue	3,841	2,568	3,496	4,372	5,200	5,966	6,995
Operating expenses	1,458	1,284	1,334	2,046	2,584	2,780	3,232
Gross Profit	**2,383**	**1,284**	**2,162**	**2,327**	**2,616**	**3,186**	**3,764**
Gross Margin (%)	**62.1%**	**50.0%**	**61.8%**	**53.2%**	**50.3%**	**53.4%**	**53.8%**
Employee Cost	631	532	601	761	654	585	693
Other Expenses	68	85	270	302	466	406	469
EBITDA	**1,684**	**667**	**1,291**	**1,264**	**1,495**	**2,196**	**2,602**
EBITDA Margin (%)	**43.8%**	**26.0%**	**36.9%**	**28.9%**	**28.8%**	**36.8%**	**37.2%**
Depreciation	(546)	(566)	(839)	(1,120)	(1,298)	(1,306)	(1,452)
Interest expense	(51)	(48)	(64)	(68)	(186)	(75)	(73)
Other income	299	390	460	200	461	522	563
Exceptional Items	-	619	-	-	-	-	-
Share of profits associate & JV	-	-	-	-	-	-	-
Profit before tax	**1,386**	**1,062**	**848**	**276**	**472**	**1,337**	**1,640**
Taxes	(54)	(75)	(11)	60	(12)	(15)	(18)
Minorities and other							
PAT	**1,332**	**988**	**837**	**336**	**460**	**1,322**	**1,622**
PAT Margin (%)	**34.7%**	**38.5%**	**23.9%**	**7.7%**	**8.8%**	**22.2%**	**23.2%**
Other Comprehensive income	(18)	75	32	89	-	-	-
Total Comprehensive income	**1,314**	**1,063**	**869**	**425**	**460**	**1,322**	**1,622**
EPS (INR)	51.7	41.8	34.2	16.7	18.1	52.0	63.8

Source: Company Reports, Arihant Capital Research

Balance sheet summary

Y/e 31 Mar (INR mn)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity capital	254	254	254	254	254	254	254
Reserves	5,357	6,367	7,230	7,649	8,109	9,430	11,052
Net worth	**5,611**	**6,621**	**7,485**	**7,903**	**8,363**	**9,685**	**11,307**
Minority Interest	-	23	27	12	12	12	12
Provisions	13	13	16	21	14	16	19
Debt	1,189	1,443	1,832	1,843	1,893	1,933	1,833
Other non-current liabilities	23	51	61	2	78	89	105
Total Liabilities	**6,837**	**8,152**	**9,421**	**9,781**	**10,361**	**11,736**	**13,276**
Fixed assets	2,481	2,908	4,106	5,848	7,299	8,306	9,369
Capital Work In Progress	11	0	19	-	13	15	18
Other Intangible assets	0	1	1	2	2	2	2
Goodwill	-	-	-	-	-	-	-
Investments	2,350	2,996	2,713	1,366	1,352	1,492	1,609
Other non current assets	59	50	68	289	120	137	140
Net working capital	**219**	**615**	**474**	**661**	**661**	**804**	**863**
Inventories	175	202	276	412	425	442	496
Sundry debtors	1,556	788	395	1,059	997	1,144	1,303
Loans & Advances	15	-	-	-	-	-	-
Other current assets	31	62	87	51	57	65	77
Sundry creditors	(1,504)	(353)	(243)	(601)	(558)	(578)	(698)
Other current liabilities & Prov	(54)	(85)	(42)	(259)	(260)	(268)	(315)
Cash	281	277	238	1,546	810	861	1,136
Other Financial Assets	1,435	1,305	1,803	70	104	119	140
Total Assets	**6,837**	**8,152**	**9,421**	**9,781**	**10,361**	**11,736**	**13,276**

Source: Company Reports, Arihant Capital Research

Financial Statements

Cashflow summary

Y/e 31 Mar (INR mn)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Profit before tax	1,386	1,062	848	276	472	1,337	1,640
Depreciation	546	566	839	1,120	1,298	1,306	1,452
Tax paid	(54)	(75)	(11)	60	(12)	(15)	(18)
Working capital Δ	252	(396)	141	(188)	0	(144)	(59)
Change in Goodwill	-	-	-	-	-	-	-
Operating cashflow	**2,130**	**1,158**	**1,817**	**1,268**	**1,758**	**2,485**	**3,015**
Capital expenditure	(683)	(982)	(2,056)	(2,842)	(2,763)	(2,315)	(2,518)
Free cash flow	**1,448**	**176**	**(239)**	**(1,574)**	**(1,004)**	**169**	**498**
Equity raised	(18)	45	31	67	(0)	-	-
Investments	(931)	(645)	283	1,346	14	(139)	(117)
Others	(1,169)	137	(515)	1,512	135	(33)	(23)
Debt financing/disposal	308	254	389	11	50	40	(100)
Dividends paid	-	-	-	-	-	-	-
Other items	18	28	12	(55)	70	14	18
Net Δ in cash	**(344)**	**(4)**	**(39)**	**1,308**	**(736)**	**51**	**275**
Opening Cash Flow	**625**	**281**	**277**	**238**	**1,546**	**810**	**861**
Closing Cash Flow	**281**	**277**	**238**	**1,546**	**810**	**861**	**1,136**

Source: Company Reports, Arihant Capital Research

Ratio analysis

Y/e 31 Mar	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Growth matrix (%)							
Revenue growth	22.4%	-33.1%	36.1%	25.1%	18.9%	14.7%	17.3%
Op profit growth	51.5%	-60.4%	93.5%	-2.1%	18.3%	46.8%	18.5%
Profitability ratios (%)							
OPM	43.8%	26.0%	36.9%	28.9%	28.8%	36.8%	37.2%
Net profit margin	34.7%	38.5%	23.9%	7.7%	8.8%	22.2%	23.2%
RoCE	23.0%	6.1%	10.3%	4.4%	6.4%	12.7%	13.7%
RoNW	26.9%	16.2%	11.9%	4.4%	5.7%	14.6%	15.5%
RoA	19.5%	12.1%	8.9%	3.4%	4.4%	11.3%	12.2%
Per share ratios (INR)							
EPS	51.7	41.8	34.2	16.7	18.1	52.0	63.8
Dividend per share	-	-	-	-	-	-	-
Cash EPS	73.9	61.1	65.9	57.3	69.1	103.4	120.9
Book value per share	220.7	260.4	294.4	310.8	328.9	380.9	444.7
Valuation ratios (x)							
P/E	18.0	22.3	27.2	55.8	51.5	17.9	14.6
P/CEPS	12.6	15.2	14.1	16.3	13.5	9.0	7.7
P/B	4.2	3.6	3.2	3.0	2.8	2.4	2.1
EV/EBITDA	13.2	32.7	17.5	17.9	15.6	10.6	8.7
Payout (%)							
Dividend payout	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Tax payout	3.9%	7.0%	1.3%	-21.7%	2.6%	1.1%	1.1%
Liquidity ratios							
Debtor days	152	167	62	61	72	66	64
Inventory days	41	54	65	61	59	57	53
Creditor days	232	178	49	50	57	55	53
WC Days	-	42	78	73	74	67	64
Leverage ratios (x)							
Interest coverage	22.5	2.1	7.0	2.1	1.1	11.9	15.7
Net debt / equity	0.2	0.2	0.2	0.0	0.1	0.1	0.1
Net debt / op. profit	0.5	1.7	1.2	0.2	0.7	0.5	0.3

Source: Company Reports, Arihant Capital Research

Arihant Research Desk

Email: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park	
Building No. 10, 1st Floor	Arihant House
Andheri Ghatkopar Link Road	E-5 Ratlam Kothi
Chakala, Andheri (E)	Indore - 452003, (M.P.)
Mumbai – 400093	Tel: (91-731) 3016100
Tel: (91-22) 42254800	Fax: (91-731) 3016199
Fax: (91-22) 42254880	

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	SMS: 'Arihant' to 56677	www.arihantcapital.com	instresearch@arihantcapital.com

Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800Fax. 022-42254880