

June 20, 2014

Aban Offshore Ltd.

BSE Code: 523204

NSE Code: ABAN

Reuters Code: ABAN.NS

Bloomberg Code: ABAN:IN

Aban Offshore Ltd, (AOL) India's largest offshore and amongst the top 12 offshore drilling service providers in the world. Headquartered in Chennai, Aban provides drilling services for offshore Exploration & Production (E&P) of hydrocarbons globally. Diverse rig portfolio comprising fifteen jack - ups, two drill ships and one floating production unit (FPU) to suit diverse customer needs and requirements. Aban owns 18 offshore assets – low vintage fleet with 50% of rigs less than 8 years old with an estimated order backlog of USD 1.1 bn as on 31st March 2014.

Investor's Rationale

Strong asset realization booted topline – AOL registered a 9.6% YoY growth in its topline to ₹147.5 bn in Q4FY14, driven by strong asset realisation along with an increase in revenue from the drilling business by 9.6% YoY to ₹10,502.47 mn. The revenue from wind energy fell by 7.20% at ₹15.32 mn.

Net profit grew impressively by 164.2% on better operational performance – AOL's profit grew sharply by around 164.2% YoY to ₹1,603.7 mn in Q4FY14 as against ₹607.0 mn in Q4FY13 on the back of better operational performance. Consequently, NPM expanded 894 bps YoY to 15.2% from 8.0%.

EBITDA margin expanded 783bps on reduced rental and better utilization – EBITDA grew solidly by 26% YoY to ₹6,336.1 mn against ₹5,029.60 mn, mainly due to higher day rates (primarily ABAN ICE) and lower other expenditure by 22.5% at ₹1663.21 mn. Rental charges for machinery fell by 66% YoY at ₹55.63 mn and cost of material consumed also fell by 4.9% YoY at 534.84 mn. Accordingly, OPM expanded 783 bps YoY to 60.2% from 56.3%.

Orders improve revenue visibility - AOL has secured three major contracts which will provide a much needed financial relief to the company, which includes an order worth USD 61.3 mn bagged in January 2014 for the deployment of jack-up rig Deep Driller 5 at Offshore Vietnam. Apart from this, refinancing the rupee loan with foreign debt at lower costs and improved asset utilisation will contribute to higher EBITDA margins and profitability going forward.

Reforms for E&P industry; would accelerate drilling activities - India's focus on energy security has led to healthy capital spending in domestic E&P. ONGC is planning to monetize 37 discoveries through 13 projects with investment exceeding ₹340 bn. Recent reforms by Government like E&P players allowed putting existing/ new discoveries to production without obtaining Declaration of Commerciality (DoC) from Directorate General of Hydrocarbons (DGH), fuel pricing reforms are positive for E&P industry.

Market Data

Rating	BUY
CMP (₹)	726
Target Price	884
Stop Loss	668
Duration	Short-term
52-week High-Low (₹)	781/188
Rise from 52WL (%)	286.2
Correction from 52WH (%)	7.04
Beta	1.09
1 year Average Volume (mn)	1.25
	3M-
Stock Return (%)	44.74
	6M-
	1Y-
Market Cap (₹bn)	115.6
Book Value (₹)	179.0
	31.71
	780.34

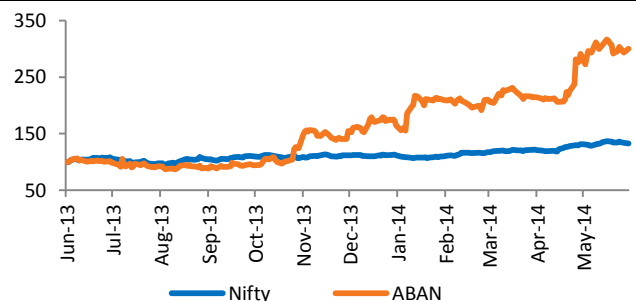
Shareholding Pattern

	Mar'14	Dec'13	Chg
Promoters (%)	54.02	54.1	(0.08)
FII (%)	8.17	7.61	0.56
DII (%)	3.94	4.37	(0.43)
Public & Others (%)	33.87	33.92	(0.05)

Quarterly Performance (Consolidated)

(₹bn)	Q4 FY'14	Q4 FY'13	Q3 FY'14	YoY Change(%)	QoQ Change (%)
Sales	10,517.8	9,597.0	9,943.7	9.6	5.8
Op. exp	4,181.7	4,567.4	4,347.4	(8.4)	(3.8)
EBITDA	6,336.1	5,029.6	5,596.4	26.0	13.2
OPM (%)	60.2	52.4	56.3	783bps	396bps
Net profit	1,603.7	607.0	802.8	164.2	99.7
NPM (%)	15.2	6.3	8.0	894bps	725bps
EPS (₹)	36.9	14.0	18.4	164.2	100.5

One Year Price Chart





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