

Key data **30 April 2008**

Sector	Oil&Gas
Market Cap	Rs132.4bn/US\$3.2bn
52 Wk H/L (Rs)	5555/2225
Avg. daily vol. (6 month)	140,639
BSE Code	523204
NSE Code	ABAN
Bloomberg	ABANIN
Reuters	ABAN.BO
Sensex	17,378
Nifty	5,196

Shareholding pattern (%)

	31-Dec-07	31-Mar-08
FII's	18.3	17.8
MFs and institutions	3.7	4.7
Promoters	60.9	60.9
Others	17.1	16.5

Absolute returns (%)

	1mth	3mth	12mth
Aban Offshore	15.7	(9.6)	35.3
Sensex	6.2	(3.9)	24.9
BSE Oil	11.4	4.3	64.8

Dikshit Mittal
 Dikshit.mittal@religare.in
 +91 22 6655 0115

Aban Offshore Ltd.

Buy **Current Price: Rs 3509** **Target price: Rs 5123**

Results below our estimates
Figure 1: Actual Vs Religare Estimates

	Q4FY08A	Q4FY07	Difference%	Q4FY08E	Difference%
Net Sales	1963	1187	65.3%	2533	-22.5%
EBITDA	973	461	111%	1498	-35%
EBITDA margins (%)	49.5	38.8	1070 bps	59	-950 bps
Adj. PAT	415	295	40.6%	857	-51%
Adj. PAT margins (%)	21.1	24.8	-370 bps	33.8	-1270 bps

Source: Religare Institutional Equity Research

Financial highlights

- **Net sales** increased by 65% YoY to Rs 1963 mn. Net sales were lower than our estimates probably because there was delay in deploying rigs at new day rates. Contracts for two of the rigs Aban III and Aban V expired in January 2008, and we believe that after the expiry, there must be some gap before commencement of new contracts. We will verify this from the management once they are available.
- **EBITDA** increased by 111% YoY, EBITDA margins improved by 1070 bps to 49.5 % due to higher day rates as compared to previous year.
- **Interest cost** increased by 124% YoY and depreciation increased by 13.4% YoY. Interest cost increased because of higher debt on account of investment in new vessels.
- **Adj. PAT** rose only by 40% YoY despite strong operating performance mainly due to higher interest cost and lower other income.

Valuations and Recommendation

At the CMP of Rs3509, the stock trades at a P/E of 7.8x and 6.3x FY09 and FY10 earnings respectively. We retain our **Buy** rating on the stock with a target price of Rs 5123.

Figure :2 Quarterly Performance

Y/E March	FY07				FY08				(Rs mn)	
	1Q	2Q	3Q	4Q	1Q	2QA	3QA	4QA	FY07	FY08
Net Sales	1,238	1,289	1,261	1,187	1,276	1,653	1,691	1,964	4,975	6,584
Change (%)	1.6	1.1	4.5	-1.3	3.1	28.3	34.0	65.5	1.5	32.4
EBITDA	665	612	675	461	665	825	898	973	2414	3361
EBITDA margin (%)	53.74	47.48	53.52	38.88	52.12	49.87	53.14	49.54	48.52	51.05
Change (%)	-3.96	-13.08	-1.13	-31.25	-0.02	34.77	33.07	110.85	-12.25	39.25
Depreciation	241	262	241	216	258	214	243	245	961	960
Other Income	32	155	56	349	154	220	248	189	592	812
Interest Expenses	99	129	96	120	139	127	159	269	445	694
PBT	357	375	394	474	422	703	745	648	1599	2519
PBT margin (%)	28.82	29.09	31.22	39.93	33.08	42.55	44.09	32.99	32.15	38.26
PBT growth (%)	-2.28	5.08	5.06	20.31	-10.92	66.66	5.96	-13.07	114.58	57.49
Extraordinary exp/(inc)	0	0	0	0	0	0	0	0	0	0
Tax	166	154	186	179	138	231	269	233	684	871
Effective tax rate (%)	46.53	40.94	47.22	37.67	32.77	32.88	36.05	35.94	42.76	34.59
PAT	191	221	208	295	284	472	477	415	915	1648
Adjusted PAT*	191	221	208	295	284	472	477	415	915	1648
AdjPAT margin (%)	15.4	17.2	16.5	24.9	22.2	28.6	28.2	21.2	18.4	25.0
Change (%)	-7.4	-3.0	12.8	34.5	48.7	113.3	129.3	40.5	9.2	80.0
Equity capital (Rsmn)	73.67	73.66	73.66	73.66	73.66	73.66	73.66	75.66	73.66	75.66
Adj EPS (Rs)	5.18	6.01	5.64	8.02	7.70	12.82	12.94	11.30	24.86	43.56

*Excluding extraordinary

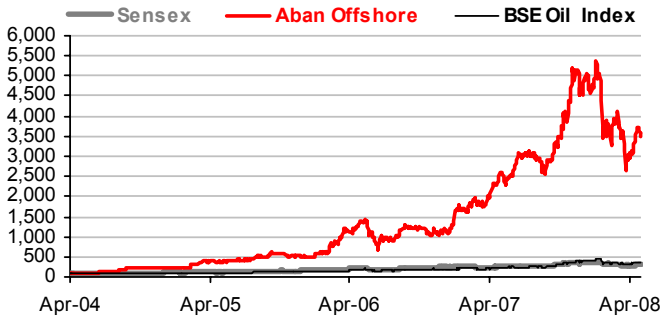
Other business highlights

- The company continues to negotiate expired contracts at higher day rates and during last quarter, two of its contracts were negotiated at 3 times the earlier day rates.
- With all the new assets being added in Singapore Subsidiary, standalone numbers are losing importance as majority of revenues and profitability are expected to flow from Singapore subsidiary. On a consolidated basis, Aban Offshore is expected to post robust bottom-line growth.

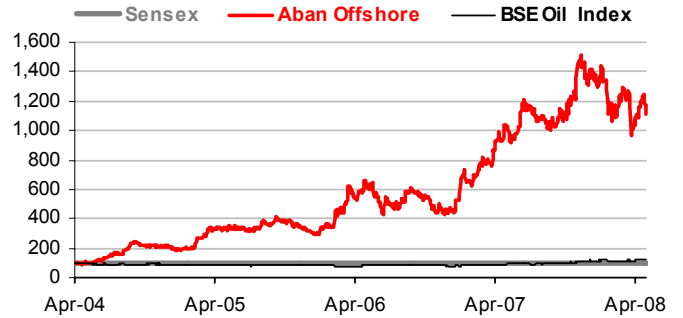
Stock performance

Aban Offshore

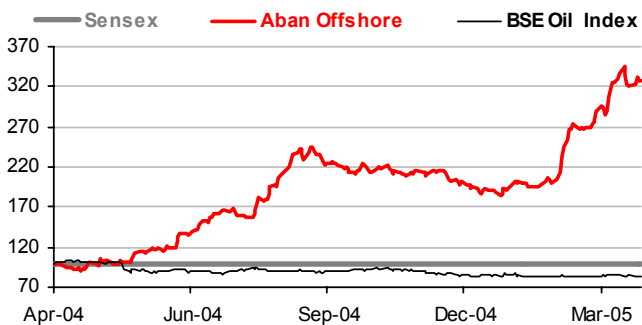
Absolute Perf. From Apr 04



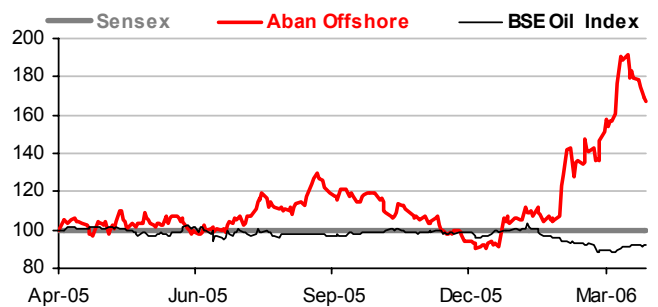
Relative Perf. From Apr 04



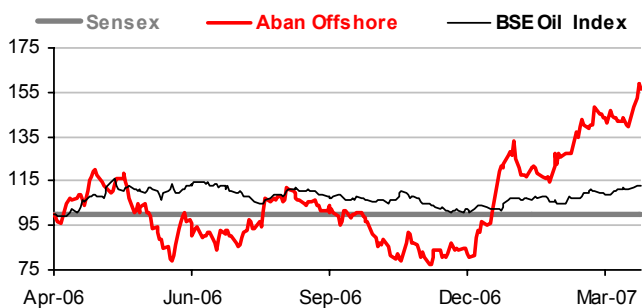
Relative Perf. From Apr 04 to Mar 05



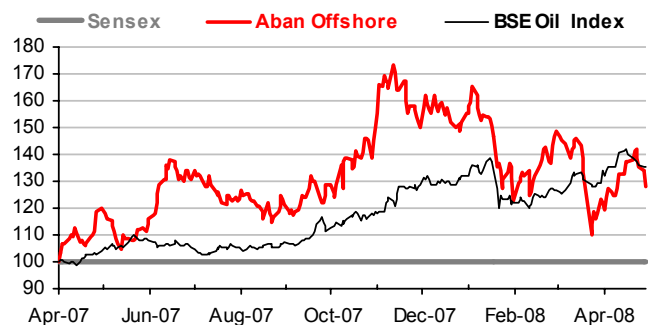
Relative Perf. From Apr 05 to Mar 06



Relative Perf. From Apr 06 to Mar 07



Relative Perf. From Apr 07

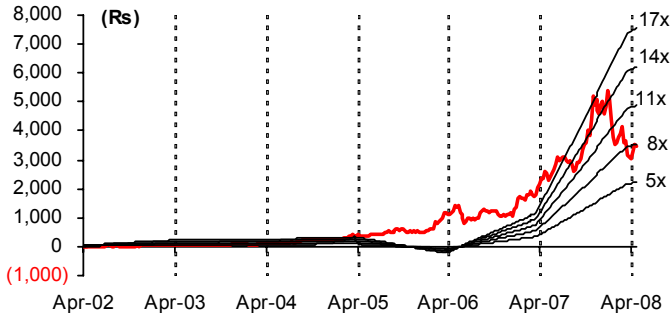


Source: Bloomberg, Religare Institutional Equity Research

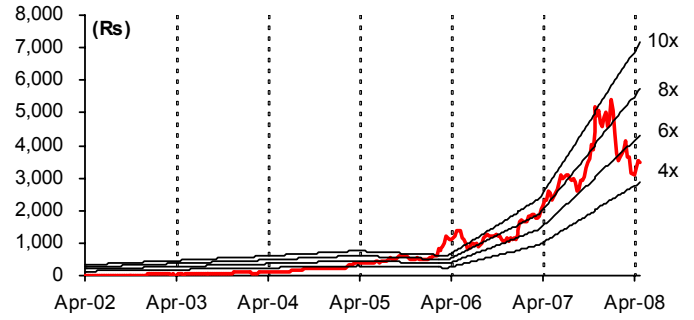
12 month forward rolling band charts

Aban Offshore

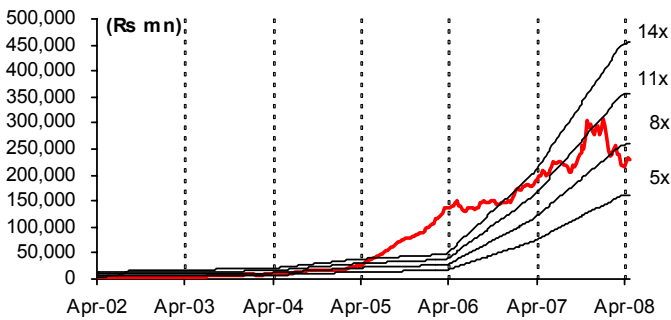
P/E Band



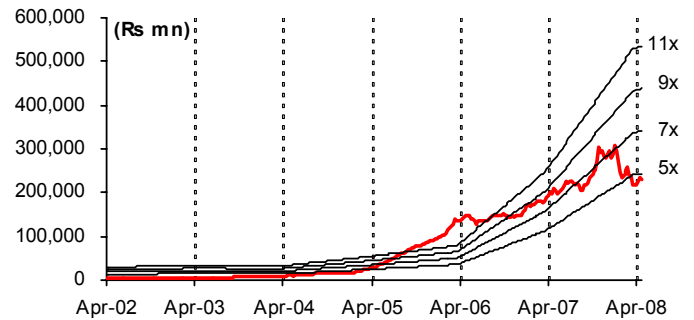
P/BV Band



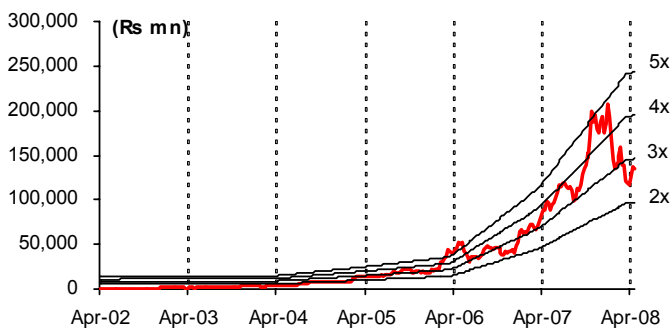
EV/EBITDA Band



EV/Sales Band



Mkt cap/Sales Band



Source: Bloomberg, Religare Institutional Equity Research

Financials

Income statement

(Rs mn)

Y/E, 31st March	FY06	FY07	FY08E	FY09E	FY10E
Net sales	4,902	7,187	22,505	48,518	55,269
EBITDA	2,744	3,418	14,541	32,400	36,828
EBITDA margin (%)	56.0	47.6	64.6	66.8	66.6
Depreciation	951	1,203	3,523	3,733	3,943
EBIT	1,793	2,215	11,018	28,667	32,885
Other income	99	710	713	236	215
Interest Exp/(Inc)	436	2,686	7,870	7,450	6,330
PBT (Operating)	1,456	239	3,861	21,454	26,770
PBT margin (%)	29.7	3.3	17.2	44.2	48.4
Extra ord (inc)/exp	-45	-164	0	0	0
Taxes	678	747	965	4,291	5,354
Minority interest	0	0	0	0	0
PAT (Reported)	823	-344	2,896	17,163	21,416
Less: Extra ordinary income / Others					
Adj PAT	778	-508	2,896	17,163	21,416
Adj PAT margin (%)	15.9	-7.1	12.9	35.4	38.7

Quarterly – Financials

(Rs mn)

(Rs mn)	Q4FY07	Q1FY07	Q2FY08	Q3FY08	Q4FY08
Net sales	1187	1276	1653	1691	1964
Changes (%)	-1.3	3.1	28.3	34.0	65.5
EBITDA	461	665	825	898	973
Changes (%)	-31.3	0.0	34.8	33.1	110.9
Margin (%)	38.9	52.1	49.9	53.1	49.5
PAT	295	284	472	477	415
PAT adj	295	284	472	477	415
Changes (%)	34.5	48.7	113.3	129.3	40.5
Margin (%)	24.9	22.2	28.6	28.2	21.1
EPS adj (Rs)	8.0	7.7	12.8	12.9	11.0
EPS dil (Rs)	7.7	7.4	12.3	12.4	10.8

Ratios

Y/E, 31st March	FY06	FY07	FY08E	FY09E	FY10E
Growth	69.3	46.6	213.2	115.6	13.9
Net sales (%)	88.9	24.5	325.5	122.8	13.7
EBITDA (%)	59.3	NA	NA	492.7	24.8
PAT adjusted (%)	59.3	NA	NA	492.7	24.8
EPS adjusted (%)	59.3	NA	NA	492.7	24.8
EPS diluted (%)	59.3	NA	NA	492.7	24.8

Valuations

P/E (x)	166.3	-254.6	46.5	7.8	6.3
P/BV (x)	46.1	57.5	14.8	5.2	2.8
EV/EBITDA (x)	87.5	70.2	16.5	7.4	6.5
EV/Sales (x)	48.9	33.4	10.7	4.9	4.3

Profitability

EBITDA margin (%)	55.9	47.5	64.6	66.8	66.6
Adj PAT margin (%)	15.9	-7.1	12.9	35.4	38.7
RoE (%)	29.1	-8.1	18.3	69.5	48.7
RoCE (%)	13.8	3.4	9.2	22.4	25.1
RoIC (%)	6.2	-1.9	6.7	17.8	21.0

B/S ratios

Inventory days	234	405	190	190	190
Creditor days	377	1798	280	280	280
Debtor days	52	103	50	50	50
Working Capital days	207	30	622	73	55
Net debt/equity	3	5	6	3	1

* ROIC is calculated on post tax basis.

Balance sheet

(Rs mn)

Y/E, 31st March	FY06	FY07E	FY08E	FY09E	FY10E
Liabilities					
Equity share capital	74	74	77	77	77
Total Res. & Surplus	4230	5234	12080	29095	50363
Total Shareholders' fund	4304	5308	12156	29172	50440
Convertible Debt		10805.42	6705.42	6705.42	6705.42
Others Debt	11098	97720	105720	93720	73720
Total Loans	11098	108525	112425	100425	80425
Deferred tax liability (net)	656	737	737	737	737
Total liabilities	16058	114571	125319	130335	131603
Assets					
Net fixed assets & others	7158	75203	108124	118391	114448
Capital WIP & others	8308	22444	8000	0	0
Total non-current assets	15466	97648	116124	118391	114448
Total investments – non current	192	4683	4683	4683	4683
Current assets					
Inventories	489	1022	1464	3157	3596
Sundry debtors	699	2033	3083	6646	7571
Cash & cash equivalents	135	13264	1678	1665	6160
Cash	98	144	450	970	1105
Liquid investments	37	13120	1228	695	5055
Other current assets	181	2871	2855	2855	2855
Total current assets	1505	19190	9081	14324	20183
Total current liabilities	832	6624	4244	6738	7386
Total provisions	273	325	325	325	325
Net current assets	400	12241	4512	7261	12472
Misc. expenditure					
Total assets	16058	114571	125319	130335	131603

Cash flow

Y/E, 31st March	FY06	FY07E	FY08E	FY09E	FY10E
Cash from operations					
PBT	1,501	403	3,861	21,454	26,770
Tax paid	678	747	965	4,291	5,354
Dep & amortization	951	1,203	3,523	3,733	3,943
Working capital changes	-384	-1,287	3,857	2,762	717
Others	-1	268	0	0	0
Net cash from operations	2,156	2,414	2,562	18,134	24,642
Cash from investments					
Capital expenditure	8,340	83,652	22,000	6,000	0
Sale/purchase of inv & others	-39	4,490	0	0	0
Net cash from investments	8300	88142	22000	6000	0
Cash from financing					
Issue of shares & share premium	0	24	4,100	0	0
Dividend paid	217	288	408	408	408
Debt change	3,919	97,427	3,900	-12,000	-20,000
Others	1,587	1,693	260	260	260
Net cash from financing	5289	98856	7852	-12148	-20148
Net change in cash	-855	13,129	-11,586	-13	4,495

Per share data

Y/E, 31st March	FY06	FY07	FY08E	FY09E	FY10E
EPS adjusted	21.1	-13.8	75.4	447.1	557.9
EPS diluted - wtd	21.1	-13.2	75.4	447.1	557.9
CEPS	46	20	160	538	654
Book value	76	61	237	680	1234
Dividend	2.6	3.0	3.0	3.0	3.0
O/s shs.-actual (mn)	36.84	36.86	38.39	38.39	38.39
O/s shs.-diluted (mn)	36.84	38.39	38.39	38.39	38.39
O/s shs wtd / diluted (mn)	36.84	38.39	38.39	38.39	38.39

Rating definition

Buy	: > 15% returns relative to Sensex	Accumulate	: +5 to +15% returns relative to Sensex
Sell	: > (-)15% returns relative to Sensex	Reduce	: (-) 5 to (-) 15% returns relative to Sensex
Hold	: Upto + / (-) 5% returns relative to Sensex		

Religare Securities Ltd. Taj Building, 210, D.N. Road, Mumbai - 400001

For inquiries contact:
Email: institutionalsales@religare.in
Phone: 6655 0000

DISCLAIMER: Religare Securities Limited (Religare) has two independent equity research groups: Institutional Equities (Institutional Equity Research) and Priority Client Group (Religare Research). Religare Institutional Equity Research is aimed to service the institutional clients of Religare Securities Limited including the Portfolio Management Services of Religare whereas Religare Research is published with a view to service all segments of clients including Retail, HNIs and Institutional clients and PMS.

This document has been prepared by Religare Securities Limited – Institutional Equities. Affiliates of Religare- Institutional Equities may have issued other reports that are contrary with and reach different conclusion from the information presented in this report. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating and target price of the Priority Client Group of Religare Securities Limited.

We are not soliciting any action based upon this material. This report is not to be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. It is for the general information of clients of Religare-Institutional Business. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Religare-Institutional will not treat recipients as customers by virtue of their receiving this report. We have reviewed the report, and in so far as it includes current or historical information, it is believed to be reliable. It should be noted that the information contained herein is from publicly available data or other sources believed to be reliable. Neither Religare, nor any person connected with it, accepts any liability arising from the use of this document.

This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for any investment decision. The investment discussed or views expressed may not be suitable for all investors. The user assumes the entire risk of any use made of this information. The recipients of this material should rely on their own investigations and take their own professional advice. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. Price and value of the investments referred to in this material may go up or down. Past performance is not a guide for future performance. Certain transactions -including those involving futures, options and other derivatives as well as non investment grade securities - involve substantial risk and are not suitable for all investors. Reports based on technical analysis centers on studying charts of a stock's price movement and trading volume, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals.

Opinions expressed are our current opinions as of the date appearing on this material only. We do not undertake to advise you as to any change of our views expressed in this document. While we would endeavor to update the information herein on a reasonable basis, Religare, its subsidiaries and associated companies, their directors and employees are under no obligation to update or keep the information current. Also there may be regulatory, compliance, or other reasons that may prevent Religare and affiliates from doing so. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Religare and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

Religare and its affiliates, officers, directors, and employees may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company (ies) discussed herein or act as advisor or lender / borrower to such company (ies) or have other potential conflict of interest with respect to any recommendation and related information and opinions. Without limiting any of the foregoing, in no event shall Religare, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind.

Copy right in this document vests exclusively with Religare. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose, without prior written permission from Religare. We do not guarantee the integrity of any e-mails or attached files and are not responsible for any changes made to them by any other person.

The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report. Analyst's holding in the stocks mentioned in the report: **NIL**