

Aban Offshore Ltd (ABALLO)

Rs 880

Rating matrix

Rating	: Book Profit
Target	: Rs 884
Target Period	: 12 months
Potential Upside	: 0%

Key Financials

(Rs crore)	FY09	FY10	FY11E	FY12E
Net Sales	3050.1	3358.7	3566.7	3708.0
EBITDA	1776.9	2100.9	2272.8	2306.4
Net Profit	540.7	311.1	250.4	888.7

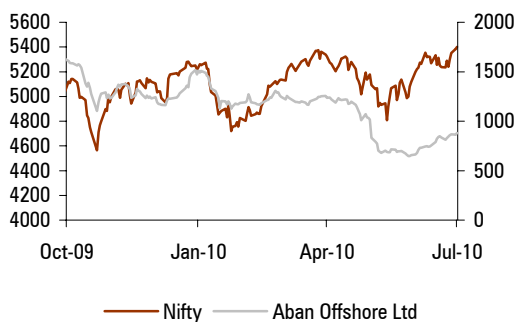
Valuation Summary

	FY09	FY10E	FY11E	FY12E
PE (x)	5.6	11.2	13.9	3.9
Target PE (x)	6.2	12.5	15.5	4.4
EV to EBITDA (x)	11.0	8.2	6.8	6.1
Price to book (x)	1.7	1.6	1.5	1.1
RoNW (%)	31.0	14.3	10.5	27.6
RoCE (%)	6.4	10.0	12.3	12.9

Stock data

Market Cap.	Rs. 3743 crore
Debt (FY10E)	Rs. 14210 crore
Cash (FY10E)	Rs. 382 crore
EV	Rs. 17571 crore
52 week H/L	Rs. 1680 / 637
Equity capital	Rs. 8.7 crore
Face value	Rs.2
MF Holding (%)	14.5
FII Holding (%)	9.6

Price movement



Analyst's name

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WHAT'S CHANGED...

PRICE TARGET	Unchanged
EPS (FY11E)	Unchanged
EPS (FY12E)	Unchanged
RATING.....	Changed from Strong Buy to Book Profit

Book profit and re-enter at lower levels...

Aban Offshore Ltd (Aban) is likely to post a loss in Q1FY11 if the company makes a provision for extraordinary loss on account of the loss of Aban Pearl in Q1FY11.

Expect subdued results in Q1FY11E

Aban is likely to report a 3.6% QoQ drop in topline of Rs 984 crore in Q1FY11E. The loss of Aban Pearl would be the major contributor to the drop in revenue. The operating margin is likely to contract to ~64% with EBITDA at Rs 628 crore.

However, we expect the company to make a provision in excess of Rs 350 crore (to account for the difference in the book value and insured value of the asset), which if provided in the current quarter would result in the company reporting a loss in Q1FY11E. Excluding this one time extraordinary hit the company is likely to report a profit of Rs 267 crore in Q1FY11E.

Fairly valued at current price

The stock price has moved up by 31% since our last **BUY** recommendation at Rs 677 and achieved the price target of Rs 884 ([refer our report](#) on Aban dated May 27, 2010). The stock is fairly valued at the current market price. Hence, investors are advised to book profits and re-enter later.

Exhibit 1: Key Financials

	Q1FY11E	Q1FY10	Q4FY10	YoY Gr. (%)	QoQ Gr. (%)
Net Sales	984.0	793.5	1021.0	24.0	-3.6
EBITDA	628.1	468.9	659.8	33.9	-4.8
EBITDA Margin (%)	63.8%	59.1%	64.6%	470 bps	(80) bps
Depreciation	123.0	98.9	128.1	24.4	-3.9
Interest	229.5	236.4	219.4	-2.9	4.6
Reported PAT	-92.9	110.8	39.8	PL	PL
EPS (Rs)	-	29.3	9.1	-	-

Source: Company, ICICIdirect.com Research

Exhibit 2: Coverage Universe

					Sales (Rs. Crore)	EPS (Rs.)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
ESPLL										
Idirect Code	ESSSHI	CMP (Rs.)	85	FY10E	3000.5	1.5	52.6	12.4	1.2	3.7
		Target (Rs.)	93	FY11E	3416.7	2.9	89.5	11.8	0.9	3.7
MCap	5234.3	% Upside	9	FY12E	4511.0	6.7	20.9	9.0	3.3	5.2
G.E Shipping										
Idirect Code	GESHIP	CMP (Rs.)	300	FY10E	2856.5	33.7	8.9	8.7	9.1	4.7
		Target (Rs.)	387	FY11E	3184.0	34.0	8.8	6.8	9.5	5.7
MCap	4560.0	% Upside	29	FY12E	3747.0	46.8	6.4	4.8	12.4	7.5
Mercator Lines										
Idirect Code	MERLIN	CMP (Rs.)	49	FY10E	1808.7	2.2	22.2	4.9	2.3	5.2
		Target (Rs.)	61	FY11E	1826.2	1.3	37.9	4.7	1.3	4.6
MCap	1156.4	% Upside	24	FY12E	2103.8	5.0	9.8	3.3	4.9	6.4
SCI										
Idirect Code	SCI	CMP (Rs.)	161	FY10E	3485.6	7.9	20.4	15.7	5.3	5.9
		Target (Rs.)	159	FY11E	3590.9	8.5	18.9	14.5	5.6	6.0
MCap	6818.4	% Upside	-1	FY12E	3738.8	7.3	22.1	11.2	4.7	5.4
Varun Shipping										
Idirect Code	VARSHI	CMP (Rs.)	43	FY10E	666.2	0.8	52.5	12.9	1.5	0.1
		Target (Rs.)	36	FY11E	667.7	-	-	11.0	-	1.0
MCap	645.0	% Upside	-16	FY12E	734.7	-	-	8.2	-	3.5
Aban Offshore										
Idirect Code	ABALLO	CMP (Rs.)	880	FY10E	3358.7	71.5	12.3	8.2	14.3	10.0
		Target (Rs.)	884	FY11E	3566.7	57.6	15.3	6.8	10.5	12.3
MCap	3326.4	% Upside	0	FY12E	3708.0	204.4	4.3	6.1	27.6	12.9
Garware Offshore										
Idirect Code	GARSHI	CMP (Rs.)	132	FY10E	163.2	17.8	7.4	9.1	15.4	7.9
		Target (Rs.)	182	FY11E	232.3	17.4	7.6	7.8	16.2	9.3
MCap	314.2	% Upside	38	FY12E	234.7	21.1	6.3	7.4	14.4	9.2
Great Offshore										
Idirect Code	GREOFF	CMP (Rs.)	437	FY10E	1172.7	54.6	8.0	7.5	19.4	12.2
		Target (Rs.)	468	FY11E	1198.9	39.7	11.0	5.7	17.8	11.1
MCap	1621.3	% Upside	7	FY12E	1515.9	69.3	6.3	4.4	20.0	15.1
ABG Shipyard										
Idirect Code	BHASHI	CMP (Rs.)	259	FY10E	1812.4	42.8	6.0	7.2	19.6	13.3
		Target (Rs.)	239	FY11E	2307.8	41.7	6.2	6.0	17.2	13.8
MCap	714.8	% Upside	-8	FY12E	2452.0	43.0	6.0	5.4	15.7	13.7
Bharati Shipyard										
Idirect Code	BHASHI	CMP (Rs.)	242	FY10E	1349.0	47.4	5.5	8.3	16.0	10.3
		Target (Rs.)	327	FY11E	1334.1	55.6	4.7	7.6	10.1	10.1
MCap	667.9	% Upside	35	FY12E	1287.2	74.5	3.5	7.4	8.4	9.7

Source: Company, ICICIdirect.com Research

Exhibit 3: Global Peers

Company	Country	P/BV (x)			P/E (x)			EV/EBITDA (x)			ROE (%)		
		CY09	CY10E	CY11E	CY09	CY10E	CY11E	CY09	CY10E	CY11E	CY09	CY10E	CY11E
Offshore													
Transocean*	USA	0.8	0.7	0.7	4.4	6.5	5.9	4.1	5.1	4.9	18.7	12.2	12.0
Hercules Offshore*	USA	0.3	0.3	0.4	-	-	-	6.7	7.0	6.3	-	-	-
ENSCO*	USA	1.0	0.9	0.9	7.5	10.6	9.4	4.2	5.5	4.8	14.9	9.5	10.4
Diamond Offshore*	USA	2.4	2.3	2.1	6.3	8.4	8.5	4.2	4.8	4.8	39.8	29.5	28.9
Aban Offshore#	India	1.6	1.5	1.1	11.2	13.9	3.9	8.2	6.8	6.1	14.3	10.5	27.6
Garware Offshore#	India	1.2	1.1	1.0	7.8	13.9	7.8	7.5	10.4	8.1	15.4	8.1	12.9
Great Offshore#	India	1.6	1.5	1.3	7.1	14.8	6.0	7.7	8.1	4.9	23.0	10.3	20.8

*consensus

With regards to Indian companies, three year data represents FY10, FY11 and FY12 (financial year ending in March)

Source: Company, ICICIdirect.com Research

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Strong Buy: 20% or more;

Buy: Between 10% and 20%;

Add: Up to 10%;

Reduce: Up to -10%

Sell: -10% or more;

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