

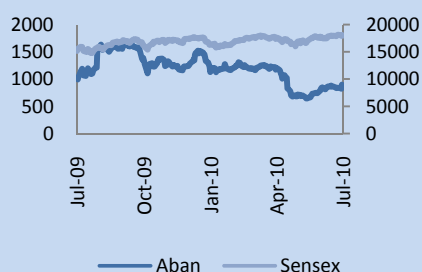
As on July 29, 2010.

Market Price (29/07/10)	890
Market Cap. (₹. Cr.)	5,064
52 Week High/Low	1679/631

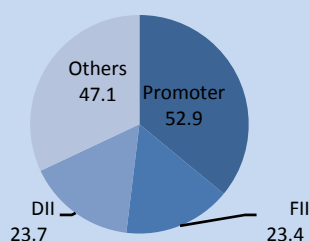
Codes

BSE Code	523204
ISIN No	INE421A01028
Bloomberg Code	ABAN IN
Reuters Code	ABAN. BO
Book Value (FY10)	501
Face Value	2.00

Share price data



Shareholding pattern



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On consolidated basis, Aban suffered loss of ₹1.4bn on account of write off of the rig. Revenue was in line with our expectation while Ebitda was higher than our expectation. Sales have grown 6% y-o-y but declined 17% q-o-q to ₹8.4bn. EBITDA grew by 11% y-o-y and was down 21% q-o-q to ₹5.2bn. The EBITDA margin declined to 61% from 64% in the previous quarter. Depreciation increased by 30% y-o-y and 1% q-o-q to ₹1.2bn and Interest cost was down 4% y-o-y and up 4% q-o-q to ₹2.2bn. Depreciation and interest cost stood at 15.3% and 27% of sales. Net Loss stood at ₹1.4bn. We give a Hold rating with a revised target price of ₹882 per share.

97% of the USD235mn claim received:

Aban pearl has received 97% of the USD235mn insurance claim. The company has written off balance USD70mn against Q1FY11 profits. Another ₹0.13bn extra ordinary item was on account of write off in relation to its ₹1.95bn investment in Norway based drilling company that filed bankruptcy. The company is considering the replacement of Aban Pearl.

Equity dilution a must in near future:

After the sinking of Aban pearl, a high yielding asset of Aban that used to earn \$3,58,000/per day, the company will face the brunt of huge debt repayment. Its debt as on date stands at ~ ₹142bn. USD375m is due in FY11E and 650m in FY12E. Yet there is no clarity on new repayment schedule. We have assumed equity dilution to get earning of ₹107 and ₹130 in FY11E and FY12E.

Valuation:

Aban currently trades at a PER of 8.3x, 6.8x its FY11E and FY12E earnings of ₹108 and ₹132 and EV/EBITDA of 6.6x and 5.7x in the same period. We value Aban by assigning a 4.5x EV/EBITDA multiple to its FY12E EBITDA, considering lack of clarity on debt repayment. Based on this, our target price is ₹.882, which offers a 1% downside, thus we assign a Hold rating on the stock.

₹ mn	FY08	FY09	FY10	FY11E	FY12E
Revenue (₹ mn)	20,211	30,501	33,587	40,649	41,803
Revenue growth (%)	181%	51%	10%	21%	3%
EBITDA	10,473	17,327	21,004	23,581	25,044
EBITDA margin (%)	52.1	56.8	62.5	58.0	59.9
Net Profit (₹)	1,230	5,407	3,110	6,093	7,447
Net Profit margin (%)	6.1	17.7	9.3	15.0	17.8
EPS	21.6	95.0	54.6	107.1	130.8
P/E	41.2	9.4	16.3	8.3	6.8
D/E	16.1	12.1	7.8	2.4	1.7
ROE	15.1	31.0	14.3	10.8	12.2

Valuation Table

Valuation	FY08	FY09	FY10	FY11E	FY12E
P/E	41.2	9.4	16.3	8.3	6.8
Dividend Yield	0.4	0.2	0.2	0.2	0.2
P/ BV	6.2	2.9	2.3	0.9	0.8
EV / EBITDA	16.1	11.8	8.8	6.6	5.7
EV / Sales	8.6	6.9	5.7	3.9	3.5
Market Cap/ Sales	2.5	1.7	1.5	1.2	1.2

Key Concerns:

- Deployment of its fleet
- Clarity on new debt repayment schedule.

Key Assumptions

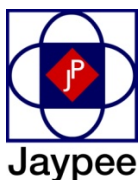
- We have assumed equity dilution at current market price to support the debt repayment schedule, till further clarity is obtained from management.

Valuation

Valuation (FY12E basis)	EBITDA (Rs in mn)	EV/ EBITDA	EV (₹ in mn)
Aban	25,044	4.6	115,204
Less: Net Debt			92,102
Equity Value			23,101
Target price (per share)			882

Sensitivity Analysis on EPS

Sensitivity to 10% change in Re-pricing	Re-pricing at 10% discount	Pricing at Par	Re-pricing at 10% premium
On FY11E EPS	89.1	107.1	125.0
On FY12E EPS	92.5	130.8	172.8



Aban Offshore

July 30 '10

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₹ mn	Q1FY11	Q1FY10	YoY (%)	Q4FY10
Net Sales	8,425	7,935	6	10,210
Other Income	143	99	44	10
Total Income	8,568	8,034	7	10,220
Consumer stores and spares	333	382	(13)	265
Insurance	126	141	(11)	172
Other expenditure	1,648	1,686	(2)	1,737
Rental charges for machinery	129	162	(21)	263
Repair and Maintenance	102	138	(26)	315
Staff Cost	884	736	20	866
TOTAL EXPENDITURE	3,223	3,246	(1)	3,618
PBIDT (wo OI)	5,202	4,689	11	6,592
PBIDT	5,345	4,788	12	6,602
Interest	2,272	2,364	(4)	2,194
PBDT	3,073	2,424	27	4,408
Depreciation	1,291	989	30	1,281
PBT	1,783	1,435	24	3,127
Exceptional item	(3,496)	-	-	-
Profit before tax	(1,713)	1,435	(219)	3,127
Tax	(678)	(608)	11	(541)
Current Rate	(712)	(627)	14	(563)
Deferred Tax	35	19	85	22
Reported Profit After Tax	(2,391)	827	(389)	2,586
Extra-ordinary Items +	-	-	-	(2,408)
Minority int	0	-	-	-
Adjusted PAT After Minority Interest	(2,391)	827	(389)	178
Share of Profit & Loss in Associa	952	-	-	215
Adjusted PAT After EO before MI	(1,439)	827	(274)	393
Equity	87	76		87
EPS (₹)	(33)	21.9		9.0
Margins (%)				
OPM	62	59.1		64.6
NPM	(17)	10.4		3.8

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Profit and Loss Account

Particulars ₹ million	FY08	FY09	FY10	FY11E	FY12E
Net Sales	20,211	30,501	33,587	40,649	41,803
Total Expenditure	9,738	13,174	12,583	17,069	16,759
Consumer stores and spares	1,197	1,890	1,300	2,394	2,462
Insurance	557	628	688	1,081	1,112
Other expenditure	2,954	5,518	6,622	6,990	6,394
Rental charges for machinery	638	1,111	463	1,390	1,430
Repairs and Maintainance	452	584	626	850	874
Staff Cost	2,003	3,442	2,883	4,364	4,488
Goodwill amortized	63	-	-	-	-
Total Expenditure	9,738	13,174	12,583	17,069	16,759
EBIDTA	10,473	17,327	21,004	23,581	25,044
EBIDTA margin (%)	52.1	56.8	62.5	58.0	59.9
Other income	1,070	4,043	218	363	363
Depreciation	3,077	6,015	4,616	7,314	7,406
Interest	6,658	8,553	9,768	8,054	6,756
PBT	1,807	6,802	4,431	8,575	11,245
PBT margin (%)	8.9	22.3	13.2	21.1	26.9
Tax	(1,430)	(2,508)	(2,571)	(4,287)	(5,623)
Adj. PAT	1,230	5,407	3,110	6,093	7,447
PAT (margin)	6.1	17.7	9.3	15.0	17.8
EPS (₹)	21.6	95.0	54.6	107.1	130.8

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