

BUZZING

STOCK

# ABG Shipyard Ltd.

CMP – Rs.647

**Analyst**

Viren Bajalia  
Viren.bajalia@idbicapital.com  
+91-22-6637 1184

**Key Stock Data**

Sensex	17,291
Nifty	5,021
Sector	Forgings - Large
Bloomberg	ABGS IN
Reuters	ABGS.BO
No. of shares (m)	50.9
Market Cap (Rs m)	32,927
Market Cap (US\$ m)	829
52-week H/L	Rs.690/209

**Shareholding Pattern (%)**

Promoters	56.9
Mutual Funds	12.3
FII's	23.11
Corporate Bodies	3.15
Pubic & Others	4.54

**Business overview**

ABG shipyard Ltd, India's largest private sector shipbuilder, is engaged in business of shipbuilding and ship repairs. It builds wide range of specialized and sophisticated vessels like Interceptor Boats, Floating Cranes, Bulk Carriers, Offshore Supply Vessels, Dynamic Positioning Ships, Anchor Handling Tug Supply Vessels, Multi-purpose Support Vessels, Driving Support Vessels, etc for bulk goods transport, coast guard and oil industry.

**Smooth sail on large order win**

ABG Shipyard has recent bagged a large order for construction of 12 handysize bulk carriers of 35,000 deadweight tonnage (DWT) each from Bereederungsgesellschaft H Vogemann GmbH & Co. KG, Hamburg, Germany. The order is valued at Rs.14.39bn. The contract is one of the largest orders bagged by ABG Shipyard.

The company has also bagged an order from Essar Shipping to supply two new Supramax ships. The order is valued at Rs.8.36bn. ABG makes its debut in Supramax ships with the Essar Shipping order. The order book position of the company as on date is Rs.71.21bn.

**Western India Shipyard acquisition - Gain from synergies**

ABG plans to acquire a stake and participate in the revival of ship-repairing company Western India Shipping (WIS) is likely to provide operational synergies to ABG.

Under the scheme, ABG is likely to hold 51% stake in WIS, one of the largest private ship repair yards, once the revival plan is completed. It will infuse Rs.2.5m cash to revive WIS and also aid the company in raising debt.

ABG was earlier looking at four dockyards in the east and west coasts of the country, to repair vessels as demand for sea transport has been robust. The company has been investing in expansion and making strategic acquisitions to improve its ship building capacity. The current acquisition is likely to be positive for ABG because of its strategic location of WIS in the western coast (Goa) thus providing stronger positioning in the high-margin ship and rig repair business.

**Impressive clientele**

The company is catering to various sectors and has an impressive clientele. The client profile includes:

**Oil Support Companies**

- Consolidated Contractors International S.A.L., Abu Dhabi
- Halul Offshore Co. - Qatar, Doha
- Lamnalco Group - Sharjah UAE
- Maridive & Oil Services Egypt
- Zamil Offshore & Maintenance Co, Saudi Arabia

**Fleet Service Provider**

- Sea Tankers of John Fredriksen Group, Norway
- Wijsmuller ( An A.P. Moller Group), Holland
- Vroon B.V., Holland

**Patrol Vessel**

- Indian Coast Guard

**Corporates**

- Lys-Line AS, Norway
- Ambuja Cement International
- L&T Hoctief (Part of L&T)
- Vikram Ispat (Part of AV Birla Group)

### New facility at Dahej

ABG is setting up a second shipbuilding facility at Dahej in Gujarat in two phases with an investment of ~Rs.9.50bn. The first phase of the new yard will start operations in April 2008. The new facility will consist of two dry docks capable of accommodating eight bulk carriers up to a maximum weight of 120,000 DWT. The company expects to leverage this facility to build jack up rigs as there is demand in E&P activities worldwide.

### Q1FY08 – Result highlights

Total revenues grew 24% YoY to Rs.2,067m when compared to 1,672m registered a year back. Operating profits were up 26% YoY to Rs.584m. However, EBIDTA margins remained flat at 27%. PAT during the quarter grew 24% YoY to Rs.334m.

### Outlook

ABG Shipyard is India's largest private shipbuilding company. The company operates in the niche of supplying utility vessels that are in perennial demand and therefore the general downtrends in shipbuilding or the shipping industry do not affect the company. Going forward the company is likely to show a robust growth. The stock is currently trading at 24.5x its annualized Q1FY08 EPS of Rs.26.

## Financial Snapshot

ABG Shipyard Ltd.							Ratios (%)			
	Q1 FY08	Q1 FY07	Chg. (%)	FY07	FY06	Chg. (%)		FY07	FY06	Chg. (%)
<b>Financial Year End: June</b>										
Net Sales	2,033	1,657	23	7,044	5,417	30	Debt -Equity	0.5	0.3	61
Other Income	33	29	14	54	61	(12)	PBIDTM	30.6	28.0	9
Total Income	2,067	1,686	23	7,098	5,479	30	PBDTM	24.7	24.0	3
Total Expenditure	1,483	1,225	21	5,090	4,009	27	RoCE	28.5	42.3	(33)
PBIDT	583	462	26	2,007	1,470	37	RoNW	24.1	31.7	(24)
Interest	61	42	43	267	167	60				
PBDT	523	419	25	1,741	1,303	34				
Depreciation	17	13	33	59	36	64				
Tax	57	46	26	101	38	166				
Reported Profit After Tax	334	269	24	1,163	837	39				
Extra -ordinary Items	-	-	-	-	-	-				
Adj. Profit After Extra-ordinary it	334	269	24	1,163	837	39				
No. of shares (m)	50.9	50.9		50.9	50.9					
EPS (annualised.) (Rs.)	26	21	24	23	16					
P/E	24.50	30.5		28.2	39.2					



For further clarifications contact: Anita Bhat; anita.bhat@idbicapital.com; 91-22-6637 1187 / S. Narasimhan Rao; narasimhan.rao@idbicapital.com; 91-22-6637 1165

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