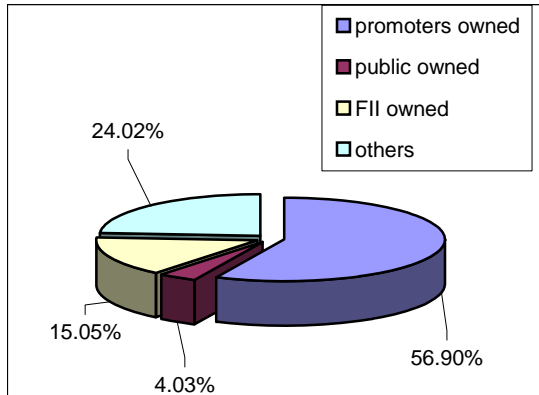


Stock statistics	01 <sup>st</sup> April 2008
Market Cap (Rs Mn)	: 35390.65
52-Week high/low (Rs)	: 1045/327
Face value	: 10.00
BSE Code	: 532682
NSE Code	: ABGSHIP
Industry	: Shipping
Shares outstanding	: 5, 09, 21,801
Avg. daily vol. (30 days):	1.08

**Shareholding Pattern (as on 31 Dec. '07)**



**Key Statistics (as on 01<sup>st</sup> April 2008)**

<b>CMP</b>	: <b>695</b>
<b>BV (FY'07)</b>	: <b>127.82</b>
<b>EPS</b>	: <b>27.17</b>
<b>PE</b>	: <b>25.57</b>
<b>PB</b>	: <b>5.43</b>
<b>Turnover (Rs Mn)</b>	: <b>9.23</b>

**OVERVIEW**

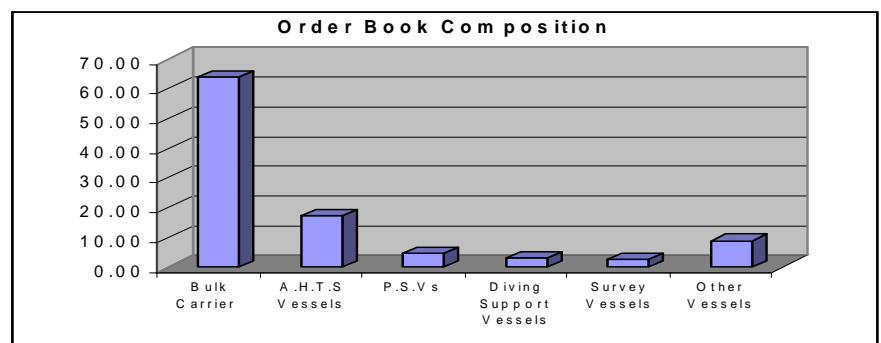
ABG Shipyard is the flagship company of the ABG Group. The Company is one of the India's largest private sector shipbuilding companies. The company is an established manufacturer and service provider of a variety of ships, including bulk carriers, interceptor boats, diving support vessels, anchor handling tugs & other multipurpose vehicles. The company has built 102 ships till date for domestic and international customers. The company has client base worldwide including countries like Europe, Middle East and South East Asia.

**Acquisition of Western India Shipyard**

Company proposes to acquire equity in Western India Shipyard(WISL) which has Restructuring Scheme pending for regulatory approval under Sec 391-394 of the Companies Act 1956. The company intends to acquire equity in WISL once all regulatory approvals are in place and the scheme is approved by the court. WISL is one of the India's largest ship and rig repair facilities in the private sector and is having the capacity to repair upto 60,000 DWT vessels. The acquisition of WISL will add ship and rig repair expertise to company's existing business.

**Robust Order Book**

The company has strong order book as almost 0.38% of world's order book is secured by the company. The existing order book of company is around Rs 83 bn (US\$ 2.1bn) as on December 31, 2007. 90% of the existing order book consists of export orders. Out of the existing order book approximately 46% consists of orders from repeat customers.



**Massive Expansion**

The company is expanding its shipyard capacity at Dahej, Gujarat to build/repair 12 vessels upto 120,000 DWT. For this, the company has planned capex of Rs 4.4bn. The shipbuilding starts in April 2008. The Company plans to expand its Rig yard capacity to build 4 Jack up rigs with planned capex of Rs 6.7bn. The rig building will commence in Dec 2008 and will be fully operational by 2009.

The company also plans Greenfield expansion in Surat with planned capex of Rs 8bn. This seafront shipyard will be capable of building larger vessels upto 350 mtrs in length. The target year of completion for the same will be FY2011.

## FINANCIAL STATEMENT ANALYSIS

Particulars	Rs. Mn				
	Q3FY07	Q4FY08	Q1FY08	Q2FY08	Q3FY08
Revenues	<b>1775.81</b>	<b>1930.69</b>	<b>2033.43</b>	<b>2118.47</b>	<b>2749.64</b>
Growth (%)	----	8.72	5.32	4.18	29.79
Total Expenditure	1249.97	1433.86	1483.13	1474.37	1933.87
EBITDA	<b>525.84</b>	<b>496.83</b>	<b>550.30</b>	<b>644.10</b>	<b>815.77</b>
Growth (%)	----	-5.52	10.76	17.05	26.65
EBITDA Margin	29.61	25.73	27.06	30.40	29.67
Other Income	9.04	29.03	33.21	1.25	19.82
Depreciation	15.25	16.96	16.79	17.13	19.81
EBIT	519.63	508.90	566.72	628.22	815.78
Interest	69.26	92.65	60.61	108.71	99.16
PBT	450.37	416.25	506.11	519.51	716.62
Tax	157.37	86.39	172.08	178.43	245.45
PAT	<b>293.00</b>	<b>329.86</b>	<b>334.03</b>	<b>341.08</b>	<b>471.17</b>
Growth (%)	----	12.58	1.26	2.11	38.14
NPM	16.50	17.09	16.43	16.10	17.14
Extraordinary Item	0.00	0.00	0.00	0.00	0.00
Adjusted PAT	<b>293.00</b>	<b>329.86</b>	<b>334.03</b>	<b>341.08</b>	<b>471.17</b>
Equity Capital	509.22	509.22	509.22	509.22	509.22
Equity Shares	50.92	50.92	50.92	50.92	50.92
EPS	5.75	6.48	6.56	6.70	9.25
CEPS	7.41	8.63	8.08	9.17	11.59

The company has performed exceptionally well from last few quarters. The topline of the company has registered 54% growth in current qtr ended Q3FY08 from last qtr ended Q3FY07. The EBITDA in the current qtr has risen by 55% as compare to last year's qtr ended Q3FY07. The PAT of the company in the current qtr ended Q3FY08 has surge by 61% in comparison to last year's qtr ended Q3FY07. The EPS of the company has witnessed whopping surge of 61% in Q3FY08 as compare to last qtr ended Q3FY07.

### Sector Outlook

With a steady flow of earnings from the tanker segment and strong dry bulk rates, shipping industry is expected to post net sales higher by 10 per cent during the March quarter. The industry's PBDIT is expected to grow by 12.6 per cent, while PBDIT margin is expected to remain flat at 40.4 per cent during the quarter. In January and February 2008, four new projects of value Rs 3,487 crore were announced in the shipping sector. During December quarter, Gujarat topped the states with 26 projects under implementation at an investment of Rs.24, 884 crore, followed by Maharashtra and Andhra Pradesh with Rs.12, 535.2 crore and Rs.6, 515.7 crore, respectively. The plan outlay for ports announced for ports in budget 2008–09 accounted for 5.7 per cent of the total government port projects under implementation during the December 2007 quarter valued at Rs.35,686.5 crore.

### VALUATION

The company has strong future potential due to its -De-Risked Business Model as the company has capability to manufacture vessels for different sectors viz oil & Gas, bulk trade and short sea trade, -strategically located ship-yards which helps the company in consolidation of overheads and in turn lowering the cost as well as getting synergies of scale and low cost of production due to lower capex.

The stock is currently trading at p/e multiple of 25.57 while the price to book value ratio of the company stood at 5.43.

Looking at the present financials and future growth prospects of the company we initiate the "Buy" signal on the stock with the price target of 870 in medium term.

E-Mail: [research@hemonline.com](mailto:research@hemonline.com)

Disclaimer: This document is prepared on the basis of publicly available information and other sources believed to be reliable. Whilst we are not soliciting any action based on this information, all care has been taken to ensure that the facts are accurate and opinions given fair and reasonable. This information is not intended as an offer or solicitation for the purchase or sell of any financial instrument. Hem Securities Limited, Hem Finlease Private Limited, Hem Multi Commodities Pvt. Limited and any of its employees shall not be responsible for the content. The companies and its affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material may from time to time, have long or short positions in, and buy or sell the securities there of, company (ies) mentioned here in and the same have acted upon or used the information prior to, or immediately following the publication