

BUY

Rs 312.65

Sensex: Nifty: 3214.9

Bloomberg	ABGS.IN
Reuters	ABGS.BO
Shares outstanding (mn)	51
Market cap (Rs bn)	16
Market cap (USD mn)	354
Three-month daily average volumes	90,102

Share price performance

52-week high/low (Rs)	425/256		
	-1m	-3m	-12m
Abs (%)	-21.8	-11.3	na
Rel* (%)	-13.5	-15.9	na

*to Nifty

Financial snapshot

Rs mn

Ye March	FY06	FY07E	FY08E
Revenue	5417.5	6,536.8	7,023.4
Change (%)	44	19	7
EBIDTA	1,408.7	1,685.2	1,876.0
Change (%)	53	24	11
Net Profit	836.7	959.2	1,044.9
Change (%)	87	23	9
EPS (Rs)	16.4	18.8	20.5
P/E (x)	19.1	16.6	15.3

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ABG Shipyard

May 29, 2006

ABG Shipyard (ABG)'s top line and bottom line grew by 43.8% and 87% for the year ending March 2006 to Rs5,417.5mn and Rs836.8mn, respectively. The top line was in line with our estimates whereas the bottom growth was 7% above our estimates. The bottom line fared better due lower interest costs and higher subsidies. The company's order book stood at Rs22.04bn – an increase of 62% from the time of its initial public offering in November 2005. At the current price of Rs312.65, the company is trading at a P/E of 15.3X FY08E earnings and we maintain our "BUY" with a target price of Rs500 (an upside of 60%).

The key investment highlights are:

- ◆ ABG has seen a 62% increase in the order book to Rs22.04bn from November 2005. The company bagged a repeat Rs2700mn order from Sea Tankers Management Company Ltd. to construct six AHTs. The company also received a repeat order for 11 interceptor boats from the Indian Coast Guard for Rs1,939.40 mn.
- ◆ The company's EBITDA margins excluding subsidy increased from 12.6% in FY05 to 14.2% in FY06.
- ◆ The interest costs reduced 17.3% YoY to Rs167.3mn and subsidy grew 46% YoY to Rs745mn improving the PAT by 87% to Rs836.8mn.
- ◆ In the year, ABG acquired Fujairah, UAE, based Crossocean Ship Repair Ltd FZE.
- ◆ We expect revenues from the new facility at Dahej to start kicking-in by FY08 but have not accounted them in our estimates.
- ◆ ABG reported revenues and net profit of Rs1927.8mn and Rs481.9mn in Q4FY06 – an increase of 44.2% and 65.3% QoQ, respectively.
- ◆ Our FY07E and FY08E EPS estimates for ABG are Rs18.8 and Rs20.5, respectively. At the current price of Rs312.65, the company is trading at a P/E of 16.6X and 15.3X revenues for FY07E and FY08E, respectively. Given the robust expected top line growth and attractive valuations, we continue to rate the company as a 'Buy'.

Financial snapshot

Rs. mn

YE March	FY04	FY05	FY06	FY07E	FY08E
Net Sales	2,955.30	3,766.50	5,417.50	6,536.80	7,023.40
YoY (%)	-	27.4	43.83	18.8	7.4
Total Expenses	2,635.30	2,845.30	4,008.70	4,851.60	5,147.40
EBIDTA	320	921.2	1,408.70	1,685.20	1,876.00
EBIDTA Margin (%)	10.8	24.5	26.0	25.8	26.7
Interest	133.4	202.4	167.30	268.6	317.2
Gross Profit	186.6	718.8	1,241.40	1,416.60	1,558.80
Depreciation	30.2	31.3	36.20	59.9	64.3
Non-operating Income	38.6	1.4	61.20	75	65
PBT	195	688.9	1,266.40	1,431.70	1,559.50
Tax	65.9	241.4	429.60	472.5	514.6
Net Profit	129.1	447.5	836.80	959.2	1,044.90
YoY (%)	-	246.6	86.99	22.7	8.9
NPM (%)	4.4	11.9	15.45	14.7	14.9

Quarterly result table	Rs mn		
	Q4FY06	Q3FY06	QoQ (%)
Net sales from operations	1,927.8	1,336.5	44.2
Total expenses	1,414.6	1,004.3	40.9
% of net sales	73.4	75.1	
(Increase)/decrease in stock	256.3	(40.9)	(726.9)
% of net sales	13.3	(3.1)	
Purchases	885.9	902.3	(1.8)
% of net sales	46.0	67.5	
Staff costs	37.2	27.6	35.2
% of net sales	1.9	2.1	
Other expenses	235.1	115.3	103.9
% of net sales	12.2	8.6	
EBITDA	513.2	332.2	54.5
% of net sales	26.6	24.9	
Depreciation	10.5	9.2	14.1
% of net sales	0.5	0.7	
EBIT	502.7	322.9	55.6
% of net sales	26.1	24.2	
Interest/(interest income)	42.9	37.8	13.3
Other income	22.2	6.5	243.4
PBT	481.9	291.6	65.3
% of net sales	25.0	21.8	
Net profit	481.9	291.6	65.3
EPS (Rs)	7.3	5.1	
Key ratios (%)			
EBITDA margin	26.6	24.9	
Interest/sales	2.2	2.8	
NPM	25.0	21.8	

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