Deutsche Bank

28 September 2010

Aban Offshore Limited

Reuters: **ABAN.BO** Bloomberg: **ABAN IN** Exchange: **BSE** Ticker: **ABAN**

Jack-up rig outlook improving; initiating with Buy

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Jack-up demand revival and decline in leverage to benefit Aban
We are initiating coverage on Aban Offshore with a Buy rating. At our INR1,050 target price, the stock offers 25% upside. With 80% jackups in its rig fleet, 60% of which are high-spec, Aban should be a key beneficiary of the uptrend in the global jack-up market. With concerns about high debt receding due to improved cash flow, equity issuance and easier access to credit, Aban's financial leverage to improving industry fundamentals is magnified. We estimate Aban's net debt/equity to fall from 7.7x in FY10 to 3x in FY13 and to less than 1.5x by FY15.

10.6% operating profit CAGR over FY11-13 on improving jack-up outlook
We estimate a 10.6% EBITDA CAGR and a 91.6% EPS CAGR in FY11-13, driven by higher utilisation rates, improving jack-up day rates and a reduction in interest payments as debt falls. Aban's high financial leverage also helps it earn a RoE of c25% vs. 15% for its peer group. We expect jack-up rig demand to improve, particularly for high-specs, as oil prices remain stable above US$70/bbl as many projects requiring jack-up rigs are marginal in nature. With one of the best mixes of high-spec jack-up rig fleets among its peers, Aban is favourably leveraged to the jack-up revival. 42% of Aban's 19 rigs are deployed in India and 32% in Iran.

Robust cash flow to reduce debt and leverage
Concerns about Aban's balance sheet and its massive debt leverage are set to mitigate, with annual free cash flow generation of more than US$225m likely from FY11. We expect Aban's net debt/equity to fall from 7.7x in FY10 to 3x in FY13 and to a more comfortable level of less than 1.5x by FY15. Aban looks well funded to meet its FY11 debt obligations and will need debt refinancing only in FY12/13.

25% upside on DCF-based value of INR1,050; worsening oil demand key risk
We value Aban at INR1,050 on DCF, with a WACC of 11.4% (6.4% rfr and 7.2% risk premium). The favourable resolution of the Deep Venture dispute and the deployment of its six jack-up rigs going off contract are key positive triggers for the stock that will play out over the next three quarters. Key risks are a worsening global economy, a delay in new contracts and cancellation of the bareboat charter for Deep Venture (which could adversely affect our valuation by INR150/sh).

Forecasts and ratios

Year End Mar 31	2009A	2010A	**2011E**	2012E	2013E
Sales (INRm)	30,500.9	33,586.6	**34,881.7**	35,017.6	35,900.4
EBITDA (INRm)	17,723.3	20,354.4	**18,430.2**	22,122.2	22,548.3
DB Net Profit (INR)	6,734.9	2,831.2	**1,950.3**	6,712.8	7,159.2
Reported EPS FD(INR)	178.17	69.64	**44.83**	154.28	164.54
DB EPS FD(INR)	178.17	69.64	**44.83**	154.28	164.54
DB EPS growth (%)	586.8	-60.9	**-35.6**	244.2	6.6
PER (x)	10.4	16.4	**18.8**	5.5	5.1
EV/EBITDA (x)	12.9	9.0	**8.3**	6.5	5.9
DPS (net) (INR)	3.60	3.60	**2.58**	8.04	8.47

Source: Deutsche Bank estimates, company data

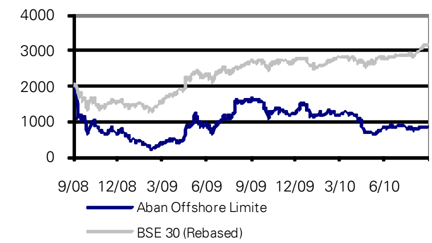
[1] DB EPS is fully diluted and excludes non-recurring items
[2] Multiples and yields calculations use average historical prices for past years and spot prices for current and future years, except P/B which uses the year end close

Coverage Change

Buy

Price at 28 Sep 2010 (INR)	**843.15**
Price target - 12mth (INR)	**1,050.00**
52-week range (INR)	**1,650.60 - 645.90**
BSE 30	**20,117**

Price/price relative



Performance (%)	1m	3m	12m
Absolute	*7.8*	*6.7*	*-46.3*
BSE 30	*11.8*	*13.2*	*20.5*

Stock data

Market cap (INRm)	**36,685**
Market cap (USDm)	**815**
Shares outstanding (m)	**43.5**
Major shareholders	**Promoters (51.3%)**
Free float (%)	**47**
Avg daily value traded (USDm)	**66.0**

Key indicators (FY1)

ROE (%)	**10.0**
Net debt/equity (%)	**597.8**
Book value/share (INR)	**468.15**
Price/book (x)	**1.8**
Net interest cover (x)	**1.4**
Operating profit margin (%)	**37.7**

Deutsche Bank AG/Hong Kong

Model updated:27 September 2010

Running the numbers

Asia

India

Oil & Gas

Aban Offshore Limited

Reuters: ABAN.BO Bloomberg: ABAN IN

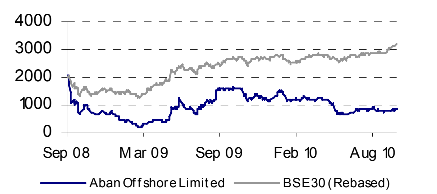
Buy

Price (28 Sep 10)	INR 843.15
Target price	INR 1,050.00
52-week Range	INR 645.90 - 1,650.60
Market Cap (m)	INRm 36,685 USDm 815

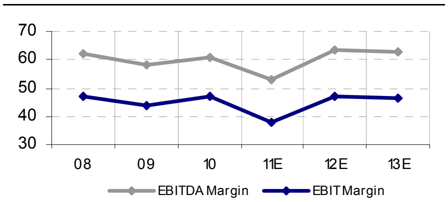
Company Profile

Aban Offshore Ltd., provides oil field services for offshore exploration and the production of hydrocarbons in India and abroad. Services comprise drilling services to manning and management. The Company has two business segments: Offshore Oil Drilling and Production services, and Wind Power generation. Drilling services cover the drilling of exploration wells, appraisal wells and production wells.

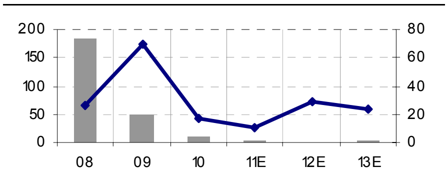
Price Performance



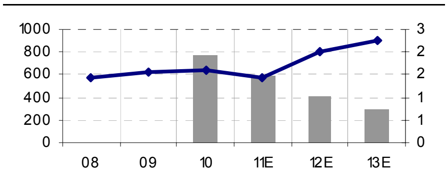
Margin Trends



Growth & Profitability



Solvency



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Fiscal year end 31-Mar	2008	2009	2010	2011E	2012E	2013E
Financial Summary						
DB EPS (INR)	25.94	178.17	69.64	44.83	154.28	164.54
Reported EPS (INR)	25.94	178.17	69.64	44.83	154.28	164.54
DPS (INR)	3.60	3.60	3.60	2.58	8.04	8.47
BVPS (INR)	133.8	375.1	426.3	468.2	613.3	768.2
Weighted average shares (m)	37	38	41	44	44	44
Average market cap (INRm)	131,110	69,919	46,309	36,685	36,685	36,685
Enterprise value (INRm)	251,764	227,843	183,899	153,608	143,163	132,148
Valuation Metrics						
P/E (DB) (x)	135.2	10.4	16.4	18.8	5.5	5.1
P/E (Reported) (x)	135.2	10.4	16.4	18.8	5.5	5.1
P/BV (x)	22.60	1.07	2.73	1.80	1.37	1.10
FCF Yield (%)	nm	nm	25.3	57.4	30.2	31.6
Dividend Yield (%)	0.1	0.2	0.3	0.3	1.0	1.0
EV/Sales (x)	12.3	7.5	5.5	4.4	4.1	3.7
EV/EBITDA (x)	19.8	12.9	9.0	8.3	6.5	5.9
EV/EBIT (x)	26.2	17.1	11.7	11.7	8.7	7.9
Income Statement (INRm)						
Sales revenue	**20,470**	**30,501**	**33,587**	**34,882**	**35,018**	**35,900**
Gross profit	**16,416**	**23,629**	**28,314**	**28,016**	**28,224**	**28,819**
EBITDA	**12,739**	**17,723**	**20,354**	**18,430**	**22,122**	**22,548**
Depreciation	3,140	4,414	4,616	5,271	5,759	5,797
Amortisation	0	0	0	0	0	0
EBIT	**9,598**	**13,309**	**15,739**	**13,159**	**16,363**	**16,751**
Net interest income(expense)	-6,658	-8,553	-9,768	-9,177	-8,103	-7,405
Associates/affiliates	853	1,116	1,250	730	717	789
Exceptionals/extraordinaries	0	0	0	0	0	0
Other pre-tax income/(expense)	-1,133	3,647	-1,540	265	256	251
Profit before tax	**1,807**	**8,403**	**4,430**	**4,246**	**8,517**	**9,597**
Income tax expense	1,430	2,508	2,571	2,747	2,285	3,069
Minorities	0	4	0	0	0	0
Other post-tax income/(expense)	-260	-273	-279	-279	-236	-157
Net profit	**969**	**6,735**	**2,831**	**1,950**	**6,713**	**7,159**
DB adjustments (including dilution)	0	0	0	0	0	0
DB Net profit	**969**	**6,735**	**2,831**	**1,950**	**6,713**	**7,159**
Cash Flow (INRm)						
Cash flow from operations	**3,143**	**14,387**	**15,637**	**11,769**	**11,780**	**12,292**
Net Capex	-35,402	-44,348	-3,935	9,304	-700	-700
Free cash flow	**-32,259**	**-29,961**	**11,701**	**21,074**	**11,080**	**11,592**
Equity raised/(bought back)	2,413	3	6,982	0	0	0
Dividends paid	-464	-478	-510	-407	-635	-578
Net inc/(dec) in borrowings	21,909	36,121	-24,714	-21,074	-10,630	-11,142
Other investing/financing cash flows	-1,708	640	800	0	0	0
Net cash flow	**-10,110**	**6,325**	**-5,739**	**-407**	**-185**	**-128**
Change in working capital	*-1,143*	*3,104*	*-5,911*	*774*	*-928*	*-821*
Balance Sheet (INRm)						
Cash and other liquid assets	8,729	5,968	2,475	2,068	1,883	1,755
Tangible fixed assets	81,958	119,612	97,654	79,583	74,524	69,427
Goodwill/intangible assets	44,289	55,991	55,991	55,991	55,991	55,991
Associates/investments	4,115	5,731	4,836	4,836	4,836	4,836
Other assets	7,637	11,106	12,269	12,766	12,916	13,299
Total assets	**146,728**	**198,408**	**173,225**	**155,244**	**150,150**	**145,308**
Interest bearing debt	133,494	169,615	144,901	123,827	113,197	102,055
Other liabilities	8,170	14,605	9,777	11,048	10,270	9,831
Total liabilities	**141,664**	**184,220**	**154,678**	**134,875**	**123,467**	**111,886**
Shareholders' equity	5,059	14,180	18,547	20,369	26,683	33,422
Minorities	4	8	0	0	0	0
Total shareholders' equity	**5,063**	**14,188**	**18,547**	**20,369**	**26,683**	**33,422**
Net debt	*124,765*	*163,647*	*142,426*	*121,759*	*111,315*	*100,300*
Key Company Metrics						
Sales growth (%)	184.8	49.0	10.1	3.9	0.4	2.5
DB EPS growth (%)	na	586.8	-60.9	-35.6	244.2	6.6
EBITDA Margin (%)	62.2	58.1	60.6	52.8	63.2	62.8
EBIT Margin (%)	46.9	43.6	46.9	37.7	46.7	46.7
Payout ratio (%)	13.9	2.0	5.2	5.8	5.2	5.1
ROE (%)	26.5	70.0	17.3	10.0	28.5	23.8
Capex/sales (%)	172.9	145.4	11.7	2.0	2.0	1.9
Capex/depreciation (x)	11.3	10.0	0.9	0.1	0.1	0.1
Net debt/equity (%)	nm	nm	767.9	597.8	417.2	300.1
Net interest cover (x)	1.4	1.6	1.6	1.4	2.0	2.3

Source: Company data, Deutsche Bank estimates

Investment thesis

Outlook

We rate Aban Offshore a Buy on the revival in global jack-up demand, offsetting concerns about excess supply and the reduction in its debt and leverage led by robust cash flow. We estimate a 10.6% EBITDA CAGR and a 91.6% EPS CAGR over FY11-13, driven by higher utilisation rates, improving EBITDA margins with the deployment of the Deep Driller series of high-spec jack-up rigs and a reduction in interest payments as debt falls. Aban's high financial leverage also helps it earn a RoE of c25%, vs. 15% for its peer group. Jack-up rig demand, particularly for high-spec jack-ups, is likely to surprise on the upside as oil prices remain stable at over US$70/bbl, reviving projects with low capex requirements. With 80% jackups in its rig fleet, 60% of which are high-spec, Aban should be a key beneficiary of the uptrend in the global jack-up market. Moreover, with concerns about high debt receding due to improved cash flow and easier access to credit, Aban's financial leverage to improving industry fundamentals is magnified.

We expect Aban's net debt/equity to fall from 7.7x in FY10 to 3.0x in FY13 and to a more comfortable level of less than 1.5x by FY15. Aban looks well funded to meet its FY11 debt obligations and will need debt refinancing only in FY12/13. The favourable resolution of the dispute on Deep Venture and the placement of its six jack-ups going off contract over the next three quarters would provide potential upside triggers to the stock from current levels.

Valuation

We value Aban at INR1,050 on a DCF basis, with a WACC of 11.4%, based on Deutsche Bank's cost of equity assumptions for India (6.4% risk-free rate and 7.2% risk premium).

We assume target debt/capital of 55%, in line with management guidance of target debt/EBITDA of 3x, which implies a debt/capital of 55-60% as per our estimates. Based on our estimates, the average debt/capital over the explicit forecast period until FY20 is about 60%. Moreover, we assume gross cost of debt at 11%, in line with Aban's cost of borrowing for rupee loans. We assume maintenance capex for our explicit forecast period for Aban of cUS$15m, based on company guidance. However, for our DCF, we assume a long-term (i.e., terminal year) capex of US$175m, which we expect Aban to use to refurbish its rig fleet.

Risks

Key risks are a worsening of the global economy, oil demand and prices, a delay in contracting rigs going off contract or at lower-than-expected day rates, and cancellation of the bareboat charter for Deep Venture (which could adversely affect our valuation by INR150/sh). An additional risk is the potential of equity dilution to raise funds to meet its repayment obligations, although this looks unlikely in FY11.

Executive Summary

We initiate coverage on Aban Offshore (AOL) with a Buy rating and an INR1,050 target price. Our rating is premised on:

- A revival in global jack-up demand offsetting concerns about excess supply, and
- A reduction in Aban's debt and leverage led by robust cash flow.

With 80% jackups in its rig fleet, 60% of which are high-spec, Aban should be a key beneficiary of the uptrend in the global jack-up market. With concerns about high debt receding on account of improved cash flow and easier access to credit, Aban's leverage to improving industry fundamentals is magnified due to high gearing. We see Aban's net debt/equity falling from 7.7x in FY10 to 3.0x in FY13 and to less than 1.5x in the next five years. We estimate the interest coverage ratio (EBIT/interest) to improve from 1.6x in FY10 to 2.3x in FY13. Aban is well funded for meeting its FY11 debt obligations and will need some debt refinancing only in FY12/ 13 to meet its repayment obligations. The favourable resolution of the dispute on Deep Venture and the placement of its six jack-ups going off contract over the next three quarters would provide potential upside triggers to the stock from current levels.

We estimate a 10.6% EBITDA CAGR and a 91.6% EPS CAGR over FY11-13, driven by higher utilisation rates and improving EBITDA margins with the deployment of the Deep Driller series of high-spec jack-up rigs. A significant reduction in interest outgo by 24% over FY10-13e to INR7.4bn in FY13e, driven by a 29% fall in debt to INR101bn in FY13e, also contributes to earnings growth. Aban's high financial leverage also helps it earn a RoE of c25%, vs. 15% for its peer group.

We expect jack-up rig demand, particularly for high-spec jack-ups, to surprise on the upside as oil prices remain stable at over US$70/bbl, reviving marginal projects. With the global economic growth recovery, Deutsche Bank expects the Brent Crude price to rise to US$80/bbl in 2011 and to US$85/bbl in 2012 from US$76/bbl in 2010.

We value Aban using discounted cash flow of its contracted and un-contracted cash flow, net of capex requirements and net debt. For our DCF, we assume a WACC of 11.4%, which is based on Deutsche Bank's cost of equity assumptions for India (6.4% risk-free rate, 7.2% risk premium). At our target price, Aban would trade at 6.8x FY12e PER, 6.8x FY12e EV/E and 1.7x FY12e P/BV. This compares to AOL's 1-year average PER of 21x, EV/EBITDA of 10x and P/BV of 2.5x. At our target price, the stock would trade at a discount on PER to its international peers due to its high leverage, but it would trade at a premium on EV/EBITDA and P/BV, driven by higher EBITDA margins and RoEs, respectively. At our target price, Aban Offshore would trade at a marginal discount to its peers' 2011e target EV/EBITDA despite enjoying strong EBITDA margins in FY12.

Valuation

We value Aban at INR1,050 based on a discounted cash flow analysis of its contracted and un-contracted cash flow, net of capex requirements and net debt. We use DCF to value Aban Offshore to capture the full value of its long-term contracts and upside potential from the rising day rates as rigs roll over to new contract day rates. Aban has long-term contracts for five of its rigs going beyond FY13, whereas some end by early FY12. For our DCF, we assume a WACC of 11.4%, which is based on Deutsche Bank's cost of equity assumptions for India (risk-free rate: 6.4%, risk premium: 7.2%).

We assume the company's target debt/capital is 55%, in line with management guidance of a target debt/EBITDA of 3x, which implies a debt/capital of 55-60% as per our estimates. Based on our estimates, the average debt/capital over the explicit forecast period until FY20 is about 60%. We assume gross cost of debt at 11%, which is in line with Aban's cost of borrowing for rupee loans.

We assume maintenance capex for our explicit forecast period for Aban of cUS$15m, based on company guidance. However, for our DCF, we assume a long-term (i.e., terminal year) capex of US$175m, which we expect Aban to use to refurbish its rig fleet.

At our target price, Aban would trade at 6.8x FY12e PER, 6.8x FY12e EV/E and 1.7x FY12e P/BV. This compares with AOL's 1-year average PER of 21x, EV/EBITDA of 10x and P/BV of 2.5x. At our target price, the stock would trade at a discount on PER to its international peers due to the high leverage, but at a premium on EV/EBITDA and P/BV, driven by higher EBITDA margins and RoEs, respectively. At our target price, Aban Offshore would trade at a marginal discount to its peers' 2011e target EV/EBITDA, despite enjoying strong EBITDA margins in FY12.

Figure 1: DCF calculation

WACC (%)	11.4%
PV of FCF to FY20	100,769
Terminal WACC (%)	11.4%
Terminal growth rate (%)	4.0%
Terminal Value	196,993
PV of terminal value	66,658
EV (INRm)	**167,426**
Less: FY11e net debt	121,759
Equity value (INRm)	**45,667**
Per share value of Aban	**1050**

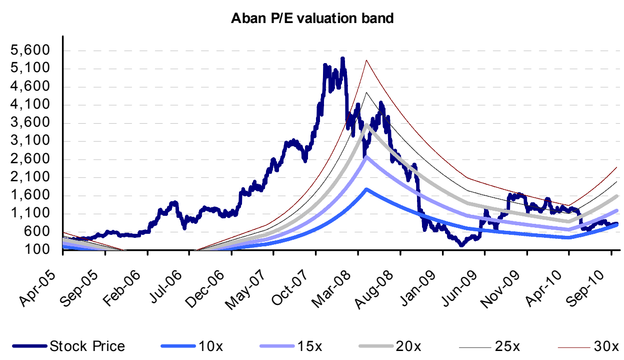
Source: Deutsche Bank

Figure 2: WACC assumptions

Risk-free rate	6.4%
Risk Premium	7.2%
Cost of Equity (CoE)	**16.5%**
Gross cost of Debt	11.0%
Net cost of Debt (post tax)	7.3%
Target debt/capital	55.0%
WACC	**11.4%**

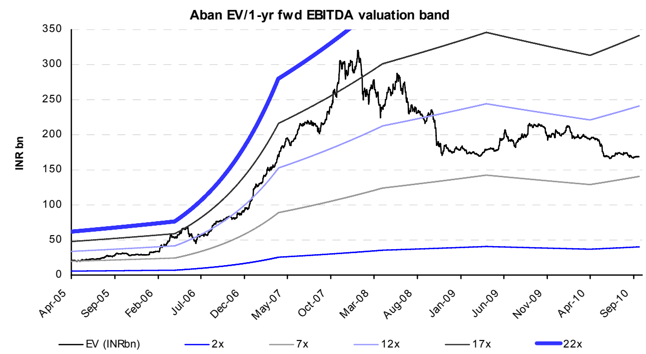
Source: Deutsche Bank

Figure 3: Aban P/E valuation band



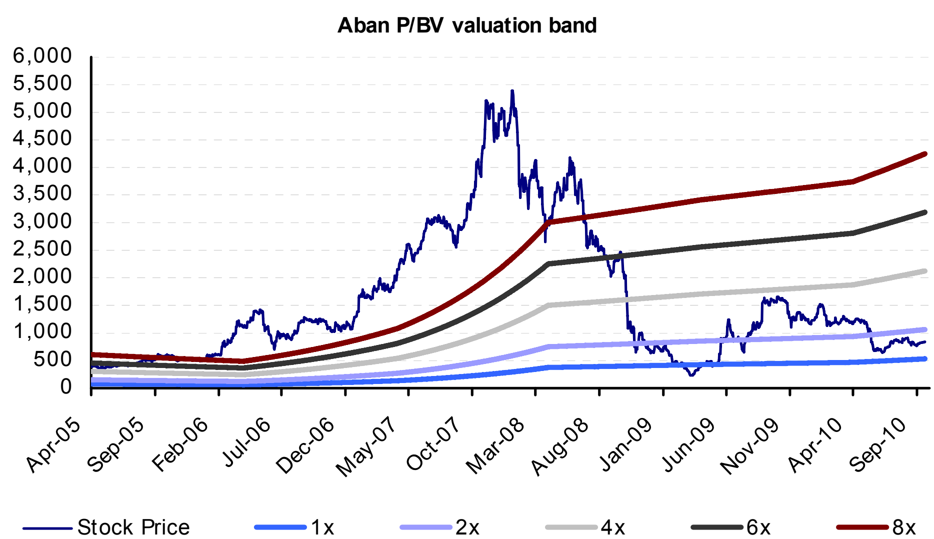
Source: Deutsche Bank, Bloomberg Finance LP

Figure 4: Aban EV/EBITDA valuation band



Source: Deutsche Bank, Bloomberg Finance LP

Figure 5: Aban P/BV valuation band



Source: Deutsche Bank, Bloomberg Finance LP

Peer valuations

Aban trades at a premium to its peer group on an EV/EBITDA basis. However, considering the higher EBITDA margin of about 63% in FY12 for Aban vs. the regional and international peer average of about 44% in 2011, we believe valuation at a premium to its peer group is justified.

Figure 6: International oil services – peer valuations

	Rating	Mkt Cur	LTP	Target price	P/E		EV/EBITDA		EBITDA margins		P/BV		RoE		Mkt Cap
Company			**27-Sep**		**2010e**	**2011e**	**2010e**	**2011e**	**2010e**	**2011e**	**2010e**	**2011e**	**2010e**	**2011e**	**US$bn**
CHINA OILFIELD SERVICES	Hold	HKD	11.5	8	12.2	12.2	7.6	6.9	42.2	43.2	1.3	1.3	14.0	11.5	7.2
ENSCO INTERNATIONAL	Buy	US$	44.7	65	11.7	7.5	6.6	4.3	50.2	57.6	1.1	1.0	9.4	13.7	6.3
HERCULES OFFSHORE	Hold	US$	2.5	3	NM	NM	7.4	5.9	21.7	22.9	0.3	0.3	-7.7	-6.5	0.3
NOBLE CORP.	Buy	US$	33.3	49	7.3	6.1	5.5	4.5	59.6	59.9	1.1	1.0	16.4	17.8	8.5
PRIDE INTERNATIONAL	Buy	US$	29.7	36	17.4	9.9	12.1	7.0	34.6	43.3	1.1	1.0	6.8	11.0	5.2
ROWAN COMPANIES	Buy	US$	29.5	34	10.7	10.9	6.4	5.7	38.6	39.7	0.9	0.9	9.5	8.8	3.5
Average					**11.3**	**8.9**	**7.4**	**5.6**	**41.1**	**44.4**	**1.1**	**1.1**	**11.8**	**13.1**	**31.0**
Aban Offshore Limited	Buy	INR	844.0	1050	18.8	5.5	8.3	6.5	52.8	63.2	1.8	1.4	10.0	28.5	0.8

Source: Deutsche bank, Note: 2010 is equivalent to FY11 (March-end) for Aban

Aban catalyst watch

Figure 7: Catalyst watch – Aban

Catalyst	Type	Timing	Effect
Resolution of dispute on drillship Deep Venture	Event	Q3FY11	Positive for earnings and valuation
Contract for deployment of drillship Deep Venture	Event	Q4 FY11/ Q1FY12	Positive for earnings and valuation
Contract for deployment of six jack-ups going off contract	Event	Q4 FY11/ Q1FY12	Positive for earnings and valuation

Source: Deutsche Bank

Strong cash flow to reduce financial leverage; Buy

We estimate an EBITDA CAGR of 10.6% and an EPS CAGR of 91.6% over FY11-13, driven by higher utilisation rates and improving EBITDA margins with the deployment of the Deep Driller series of high-spec jack-up rigs. Significant reduction in interest outgo by 24% over FY10-13e to INR7.4bn in FY13e, driven by a 29% fall in debt to INR101bn in FY13e, also contributes to earnings growth. Aban's high financial leverage also helps it earn RoE of c25%, vs. 15% for its peer group.

With concerns about high debt receding due to improved cash flow and easier access to credit, Aban's financial leverage to improving industry fundamentals is magnified. We expect Aban's net debt/equity to fall from 7.7x in FY10 to a more comfortable level of less than 1.5x by FY15.

Deutsche Bank vs. consensus

Our EBITDA and EPS estimates are higher than consensus for FY13 but less than Street estimates in FY11 and FY12. Our FY11 numbers are based on a conservative assumption of the Deep Venture rig not earning any day rate for Q211-Q411 (Figure 8).

Figure 8: Deutsche Bank vs. consensus

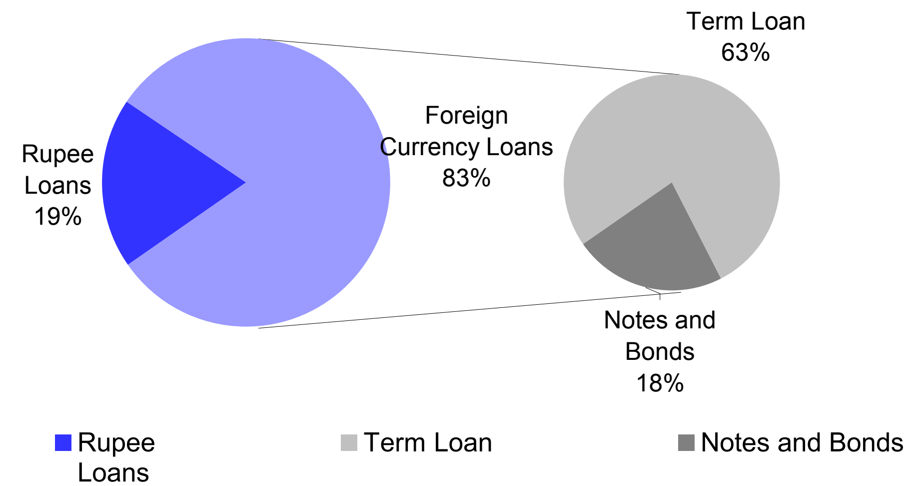
	EBITDA			EPS			Valuation	Recommendation
	FY11e	FY12e	FY13e	FY11e	FY12e	FY13e	INR/sh	
Deutsche Bank estimate	18.4	22.1	22.5	44.8	154.3	164.5	1050	Buy
Bloomberg consensus	22.8	22.5	21.4	134.1	154.4	141.5	866	Sell
% higher/ (less than) consensus	-19%	-2%	5%	-67%	0%	16%	21%	

Source: Deutsche Bank, Bloomberg Finance LP

Concerns about debt and financial leverage mitigating

Concerns about Aban's balance sheet stem from its massive financial leverage. As of 10 March, it had gross debt of US$3.1bn (down from US$3.7bn in FY09), net debt/equity of 7.7x (down from 11.5x in FY09) and FY10 debt servicing coverage of 1.5x. Figure 9 shows Aban's debt composition.

Figure 9: US$3.1bn debt as at end-FY10



Source: Company data

Under pessimistic business assumptions such as lower utilization rates and pricing for its rigs or idle rigs, Aban's debt can be a big overhang. However, the positive outlook for a revival of demand for jack-ups, utilisation and day rates augur well for Aban's cash flow, which offsets the debt overhang.

Out of its fleet of 19 rigs, Aban has already contracted 18 rigs for FY11, providing a utilization rate of 84% for the year. It is currently marketing its drillship Deep Venture, which faced a premature termination of contract, with 80% of the EBITDA compensation for the full year received and accounted for in Q111. We expect utilization rates to remain above 80%.

Robust cash flow and debt refinancing to see through debt repayment obligations

With the large-scale capex and fleet expansion program over, Aban has turned free cash flow positive after five years from FY10. We estimate free cash flow at to be US$234-258m over FY11-13, which would lower the company's debt burden and entail lower interest expense. Aban needs to meet debt repayment obligations of US$1.5bn over the next three years, including FY11. Most of this is likely to be financed out of internal accruals of US$738m and the receipt of US$235m for an insurance claim on Aban Pearl. Aban is well funded for meeting its FY11 debt obligations and will need some debt refinancing only in FY12/13 to meet its repayment obligations. We assume most of the free cash is used to pay down debt, which constraints dividend payments (Figure 10).

As per management's strategy, Aban plans to meet the interest and loan amortization obligations every year from internal accruals while refinancing the bond bullet repayments (which is not prohibited by any debt covenants). The company has successfully followed this strategy to manage its debt servicing over the last two years. It has also improved its net debt/equity by raising fresh equity during November 2009. However, Aban might be constrained from raising new loans for new projects or buying new rigs until its net debt/equity ratio falls to a more comfortable level.

In the FY10 annual general meeting (AGM) held on 24 September 2010, Aban has received shareholder approval to raise US$400m via FCCBs, GDRs, ADRs, etc., and INR250bn (US$5.6bn) through qualified institutional buyers (QIBs). In the FY09 AGM as well, Aban had taken approval from shareholders for the same amounts. As per our discussion with the company, we believe Aban is unlikely to raise any money at current valuations, even more so since it is well funded for meeting its FY11 debt repayment obligations.

Figure 10: Debt repayment and financing over the next three years

US$m	FY11e	FY12e	FY13e
Loan/Bond Amortisations	196	268	298
Loan/Bond Bullet Repayments	160	374	80
Payment to debt holders of Aban Pearl	150	0	0
Preference shares redemption	0	22	19
Total Repayments	**469**	**627**	**359**
Financed through			
Free cash flow	234	246	258
Aban Pearl insurance claim	235		
Debt refinancing	0	381	101
Total Repayments	**469**	**627**	**359**

Source: Deutsche Bank estimates

Significant improvement in debt and leverage position over the next three years

Aban's gross and net debt balance has decreased by US$600m (or 16%) in FY10, helped by robust cash flow and equity raising (through QIP) of US$150m. This has helped ease concerns about leverage, which reached impressive levels in FY07 (net debt/equity of 43.1x) with the acquisition of Sinvest and has been easing off ever since. We see a further reduction in Aban's debt to US$2.3bn and leverage (net debt/equity) to 3x over the next three years, helped by the aforementioned healthy cash flow.

We see Aban's net debt/equity falling from 7.7x in FY10 to 3.0x in FY13e and less than 1.5x in the next five years. It is significant to note that the leverage of 3.0x in FY13e is less than the pre-Sinvest acquisition levels of FY06. If the company is able to place its rigs coming off contracts faster than expected and at higher day rates, the debt repayment financing position and leverage can only improve. We assume utilization rates of 70% in FY12 and 75% in FY13 for un-contracted old rigs and 85% for new rigs throughout.

Figure 11: Debt and leverage that rose with Sinvest acquisition seen easing off over the next three years

	FY06	FY07	FY08	FY09	FY10	FY11e	FY12e	FY13e
Gross debt (US$bn)	0.3	2.5	3.3	3.7	3.1	2.8	2.5	2.3
Net debt (US$bn)	0.3	2.1	3.1	3.6	3.0	2.7	2.5	2.2
Debt/equity (x)	4.7	50.0	26.5	12.0	7.8	6.1	4.2	3.0
Net debt/equity (x)	4.4	43.1	24.6	11.5	7.7	6.0	4.2	3.0
Net debt/EBITDA (x)	4.4	27.9	9.8	9.2	7.0	6.6	5.0	4.4
Interest coverage (Interest/EBIT) (x)	4.1	0.8	1.4	1.6	1.6	1.4	2.0	2.3

Source: Deutsche Bank estimates, company data

Management has indicated that it targets a net debt/ EBITDA of 3x and might not pursue capital investments aggressively until then. According to our estimates, this level should be achieved in FY15, and the net debt/equity at this level would be c1.5x.

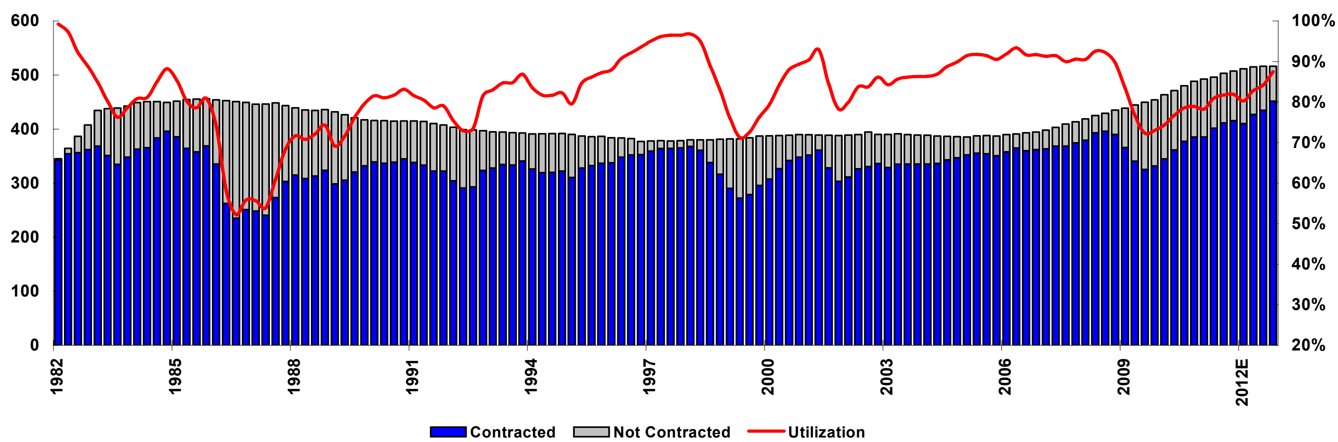
Rig market outlook

Jack-up market outlook

Demand poised for recovery

As stated in his report on the international jack-up rig market, *Time to Shine,* dated 5 February, 2010, Deutsche Bank US Oil Services Analyst Mike Urban believes rig demand will recover over the next two years, as oil prices remain stable for upstream companies to restart their drilling programs. We expect jack-up rig demand to surprise on the upside as many projects requiring jack-up rigs are marginal in nature and E&Ps expect low-risk opportunities to improve production and cash flow as crude oil prices recover. This is well borne out by the 1998-2002 cycle, wherein the 1998-99 fall in jack-up rig utilization was followed by a sharp upturn in 2000-02 (Figure 12). Just as in the current cycle, in the 1998-2002 cycle, oil prices fell c60% from their 1997 high to their late 1998 low, before recovering about 130% in the year after reaching bottom.

Figure 12: Global jack-up supply, demand and utilization

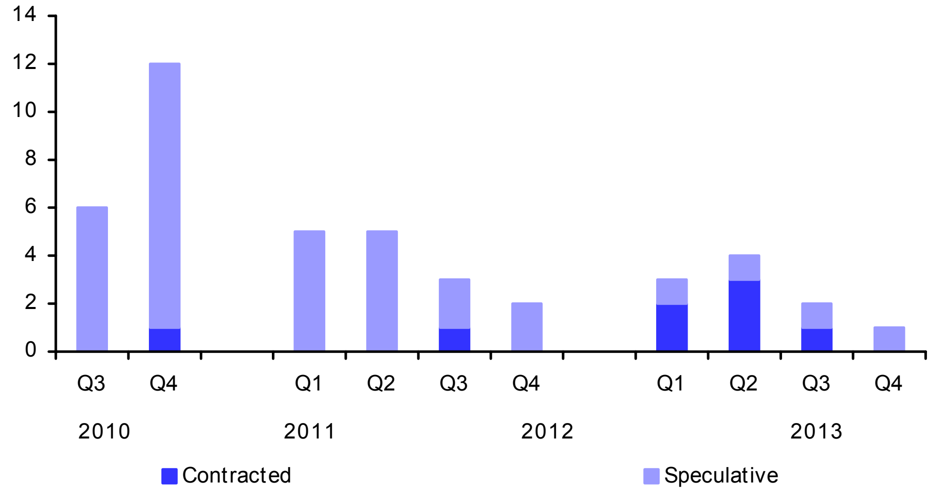


Source: ODS Petrodata and Deutsche Bank

Supply growth not daunting on a net basis

New rig supply is not so daunting if examined on a net basis with a number of old rigs likely to leave the market. There are 12 jack-up rigs likely to be delivered in Q410, relative to the current global fleet of 467 rigs, representing supply growth of 2.5%. Assuming no delays or cancellations, which are unlikely, a total of 37 additional rigs are likely to be delivered by the end of 2012 (Figure 13). This would represent growth in the global supply of 8%.

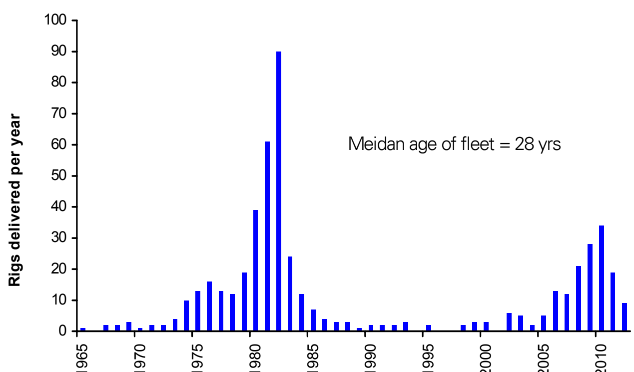
Figure 13: Remaining jack-up newbuild deliveries



Source: ODS Petrodata, Deutsche Bank

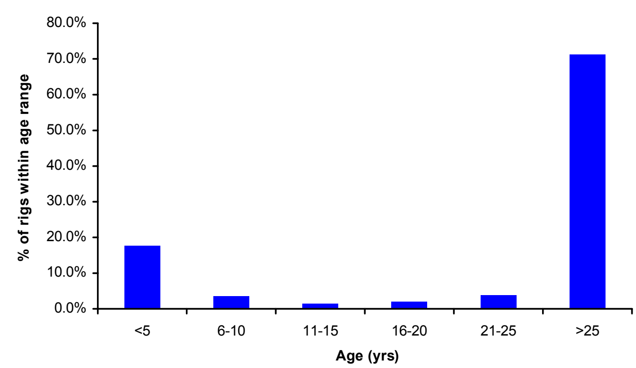
The fleet of old rigs that are likely to go out of supply are not accounted for. The median age of the global jack-up rig fleet is 28 years, with over 70% of rigs more than 25 years old and about 30% of the fleet at or above the critical 30-year mark, which is widely considered to be the useful life of a rig (Figure 14 and Figure 15). Many of these older rigs are mat-supported units with limited marketability outside the US Gulf of Mexico. A good number of these rigs are cold stacked and may never return to the market.

Figure 14: Jack-up deliveries by year



Source: ODS Petrodata and Deutsche Bank

Figure 15: Jack-up age distribution



Source: ODS Petrodata and Deutsche Bank

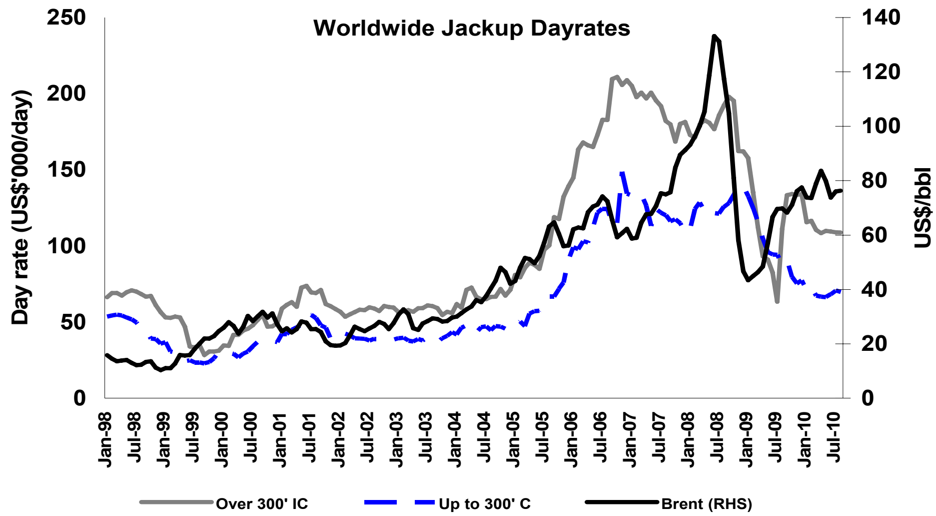
Even assuming that all the new rigs are built and on time and without rig attrition, we foresee a significant tightening in the market. Assuming the same demand recovery scenario as the 2000-02 recovery, we expect international jack-up utilization to reach 87% by year-end 2010, cross 90% by year-end 2011 and above 95% at the end of 2012.

Pricing set for recovery

Given the trajectory of demand and utilization presented above, we expect pricing to stabilize around current levels, begin to recover during 4Q10 and potentially inflect to the upside in 2011 as utilization approaches 90%. Historically, utilization in the 75% to 80% range tends to be supportive of pricing stability; a move past 85% begins to put upward pressure on day rates, with prices beginning to inflect to the upside with utilization north of 90%.

Overall, pricing appears to have bottomed as demand has stabilized at 75% utilization, a level associated with pricing stability. Despite a meaningful pullback over the last 18 months, operating costs remain well above historical levels. As most of the newly build rigs were financed mostly with debt, financing and cash interest costs are also dramatically higher, especially relative to the incumbent drillers that have little to no debt. A final factor on the likely strength of pricing is the rising drilling complexity, as operators are demanding higher spec equipment, the numbers of which are small, to more efficiently drill increasingly complex wells.

Figure 16: Global jack-up day rates vs. Brent crude oil price

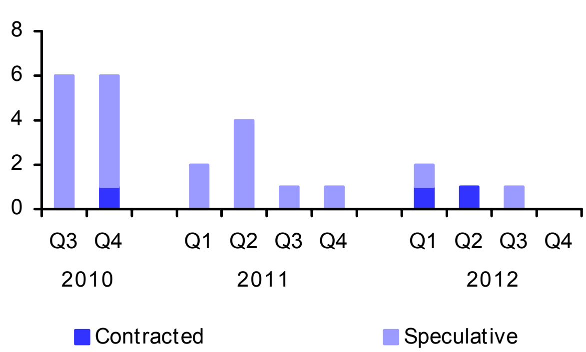


Source: ODS Petrodata and Deutsche Bank

Aban to benefit from strong demand for high-spec jack-up rigs

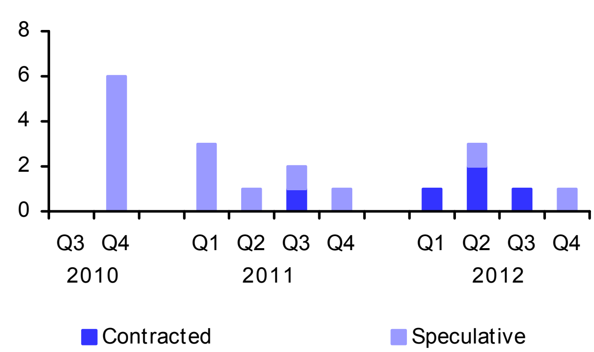
There is strong demand for high-spec and newly built jack-up rigs as operators have started including age limits as a criterion when issuing new contracts. This is creating increased day rate pressure on low-spec jack-up rigs and providing support to day rates of the high-spec jack-up rigs. Owners of un-contracted higher-spec units could also compete for contracts with lower-spec rigs, keeping low-spec jackup day rates suppressed. With 24 high-spec (> 300 feet) jack-up rig newbuild deliveries expected over the next couple of years vs. 19 low-spec (up to 300 feet) ones, market share for high-spec jack-up rigs is likely to continue to grow (Figure 17 and Figure 18). With 80% jackups in its rig fleet, 60% of which are high-spec, Aban should be a key beneficiary of the uptrend in the global jack-up market.

Figure 17: Jack-up (> 300ft) newbuild deliveries



Source: ODS Petrodata, Deutsche Bank

Figure 18: Jack-up (up to 300ft) newbuild deliveries



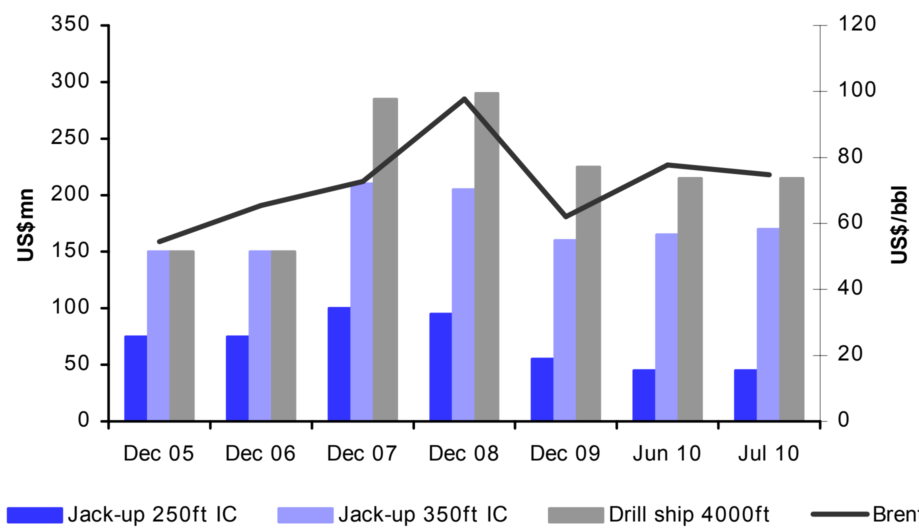
Source: ODS Petrodata, Deutsche Bank

Deepwater market outlook

In his report on the global deepwater market, *Long-term gain; short-term pain*, dated 28 June 2010, Deutsche Bank US Oil Services Analyst Mike Urban believes that although the deepwater market is oversupplied in the short term, the market actually needs more deepwater rigs longer term. According to his estimate, around 70 additional rigs will be required just to develop the reserves discovered in the last 10 years, which would largely absorb the current newbuild order book. This estimate excludes additional exploration activity, and, more importantly, also ignores rising drilling intensity in plays such as the pre-salt in Brazil and the Lower Tertiary in the US Gulf of Mexico (GoM). A 10% rise in drilling intensity relative to long-term averages would drive a need for six to seven additional rigs (above and beyond the 70 rigs noted above).

However, the Deutsche Bank US Oil Services team expects downward pressure on day rates in the near term, driven by deepwater projects delays due to uncertainty surrounding the regulations as a fallout of the US GoM Deepwater Horizon incident and significant newbuild capacity growth, exacerbated in the near term by rigs leaving the GoM due to the six-month deepwater drilling moratorium.

Figure 19: Value of offshore rigs highly correlated to oil price movements



Source: ODS Petrodata, Bloomberg Finance LP, Deutsche Bank

Strong revenue growth

Robust top line and earnings prospects

Under its parent company, Aban operates seven vessels (five jack-up rigs, one FPU and one drillship), while its overseas subsidiary, Aban Singapore Pte Ltd (ASPL), operates 12 vessels (10 jack-ups and two drillships), including nine rigs added through the acquisition of Sinvest in FY07. We estimate an EBITDA CAGR of 10.6% and an EPS CAGR of 91.6% over FY11-13, driven by higher utilisation rates and improving EBITDA margins with the deployment of the Deep Driller series of high-spec jack-up rigs. This is based on the following:

- Average capacity utilization of 83-86% over FY11-13e and long-term utilisation rate of 81%;
- Average day rate of US$139-145k/day over FY11-13e;
- US$/INR of 45 over the forecast period; and
- Tax rate of 33% for Indian operations, 6% on revenue as per international conventions for rigs under Aban Singapore and tax holiday until FY16 for earnings of Aban Singapore. This complex taxation structure leads to volatility in the effective tax rate for the consolidated entity.

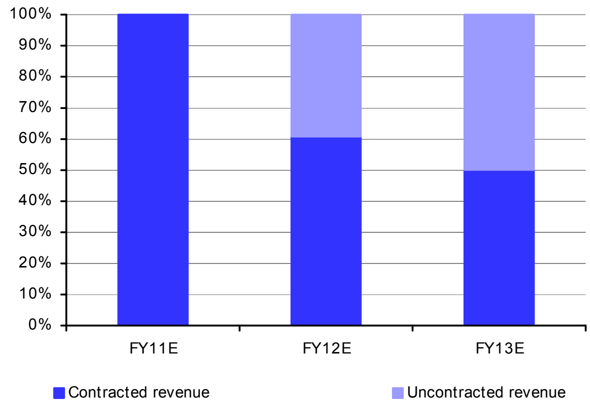
Figure 20: Key assumptions and financials

Year end March	FY11e	FY12e	FY13e
Assumptions			
Brent crude (US$/bbl)	74.9	82.5	87.5
FX rate (INR/US$)	45.0	45.0	45.0
Avg day rate ('000 US$/day)	139	138	145
Avg utilisation (%)	84	86	83
Financials (INR bn)			
Revenue	34.9	35.0	35.9
EBITDA	18.4	22.1	22.5
Net profit	2.0	6.7	7.2
EPS INR/sh	44.8	154.3	164.5

Source: Deutsche Bank estimates

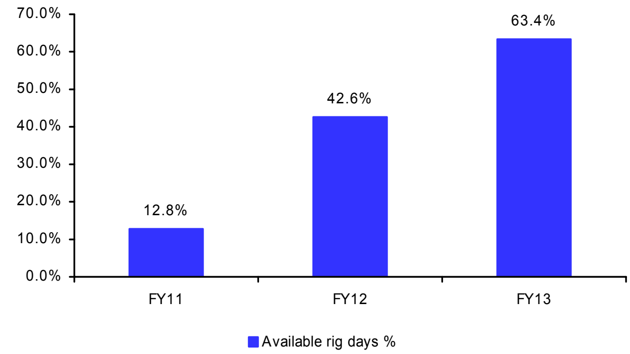
Of its fleet of 19 rigs, Aban has already contracted 18 for FY11, providing a utilization rate of more than 80% for the year. It is currently marketing its drillship Deep Venture, which faced a premature termination of contract, with 80% of the EBITDA compensation for the full year received and accounted for in Q1FY11. We expect utilization rates to remain above 80%.

Figure 21: Revenue >50% for FY12e and FY13e contracted until date…



Source: Deutsche Bank

Figure 22: …with early contracting of idle rigs in FY12e and FY13e implying upside potential



Source: Deutsche Bank

Impressive jack-up fleet offers comfort on EBITDA margins

We model EBITDA margins of 53-63% over FY11-13e, in line with the EBITDA margins reported in the last four quarters, with the new jack-ups having started earning day rates. Our FY11 EBITDA margin estimate is lower at 53% due to the effect of the loss due to the sinking of the Aban Pearl. If we adjust for the loss on the Aban Pearl, our FY11 EBITDA margin estimate is at 63%. The higher EBITDA margin for Aban is explained by its high-spec jack-up rig fleet break-up, which is among the best globally (Figure 23). Moreover, having terminated its rigs operation and maintenance (O&M) contract with Premium Drilling for its Deep Driller series (DD1-8) of rigs from Q2FY10, Aban has started managing its O&M itself. This has enabled Aban to save cUS$15k/day per rig in opex costs.

Figure 23: Aban has one of the best jack-up fleet globally

	Existing jack-ups	High-spec jack-ups in fleet (>350 ft)	
		Number	% of fleet
Transocean	65	15	23%
Noble Drilling	43	8	19%
ENSCO	40	15	38%
Hercules Offshore	33	1	3%
Rowan	23	16	70%
Seahawk Drilling	20	0	0%
Nabors	16	0	0%
Aban	15	9	60%
Diamond Offshore	13	2	15%
Maersk Drilling	12	12	100%
Seadrill	13	11	85%

Source: Deutsche Bank, company data

Figure 24: Aban Offshore rig fleet details

Rig Name	Specification	Water depth (ft)	Yr of construction	Rig location	Contract expiry	Day rate ('000 US$)
Aban Offshore (Standalone)						
Aban II	IS Jack-up	250	1981	India (Ravva)	Q4 FY11	100
Aban III	IC Jack-up	300	1974	India (Mumbai High)	Q1 FY12	157
Aban IV	IC Jack-up	300	1983	India (Mumbai High)	Q4 FY11	157
Aban V	IC Jack-up	300	1982	India (Mumbai High)	Q1 FY12	157
Aban VI	IC Jack-up	250	1975	Iran	Q4 FY14	83
Tahara	Semi-sub	50-800	1988	India (East Coast)	Q4 FY11	49
Frontier Ice	Drillship	2,000	1975	India (Mumbai High)	Q2 FY13	137
Aban Singapore						
Aban VII	IC Jack-up	250	1973	India	Q4 FY11	88
Aban VIII	IC Jack-up	375	2008	Iran	Q1 FY13	170
Deep Driller 1	IC Jack-up	375	2006	India	Q4 FY11	112
Deep Driller 2	IC Jack-up	350	2006	Iran	Q3 FY13	177
Deep Driller 3	IC Jack-up	350	2006	Malaysia	Q3 FY13	165
Deep Driller 4	IC Jack-up	375	2007	Iran	Q3 FY13	177
Deep Driller 5	IC Jack-up	350	2007	Iran	Q2 FY13	177
Deep Driller 6	IC Jack-up	350	2008	Iran	Q1 FY15	128
Deep Driller 7	IC Jack-up	375	2008	Mexico	Q3 FY12	106
Deep Driller 8	IC Jack-up	350	2009	Brunei	Q2 FY15	109
Aban Abraham	Drillship	6,600	1976	Brazil	Q2 FY16	270
Deep Venture	Drillship	4,200	1981	Under marketing		

*Source: Company data; * Note: Aban has a 50% share in the Joint Venture "Venture Drilling AS" which covers Deep Venture; Deep Venture is under a bareboat charter with "Arktik" of Russia*

Figure 25: Rig day rate and utilization assumptions

	Day Rate ('000 US$)			Utilization (%)		
Rig Name	**FY11e**	**FY12e**	**FY13e**	**FY11e**	**FY12e**	**FY13e**
Aban Offshore (Standalone)						
Aban II	100	100	115	60	70	75
Aban III	157	100	115	95	70	75
Aban IV	157	100	115	95	70	75
Aban V	157	100	115	95	70	75
Aban VI	83	83	83	95	95	95
Tahara	49	70	74	80	70	75
Frontier Ice	137	137	137	95	95	75
Aban total (standalone)	**123**	**100**	**107**	**88**	**77**	**78**
Aban Singapore						
Aban VII	88	100	115	50	70	75
Aban VIII	170	170	170	95	95	85
Deep Driller 1	112	143	172	90	85	85
Deep Driller 2	177	177	177	95	95	85
Deep Driller 3	165	165	165	95	95	85
Deep Driller 4	177	177	177	95	95	85
Deep Driller 5	177	177	177	95	95	85
Deep Driller 6	128	128	128	75	95	95
Deep Driller 7	106	106	172	95	85	85
Deep Driller 8	109	109	109	75	95	95
Aban Abraham	270	270	270	45	95	95
Deep Venture	0	368	404	90	85	85
Aban Singapore total	**150**	**159**	**167**	**82**	**90**	**87**
Consolidated total	**139**	**138**	**145**	**84**	**86**	**83**

*Source: Deutsche Bank, company data; * Note: Aban has a 50% share in the Joint Venture "Venture Drilling AS" which covers Deep Venture; Deep Venture is under a bareboat charter with "Arktik" of Russia.*

Deep Venture case resolution important for the company

Aban has a 50% interest in the JV "Venture Drilling AS," which has a bareboat charter on the drillship Deep Venture with owner Arktikmorneftegazrazvedka (Arktik) of Russia. The Russian Federal State Property Agency (SPA) has sought to invalidate the charter and has asked for the return of the vessel to Arktik on grounds that the advance statutory approval was not obtained by Arktik for the bareboat charter. The Commercial Court of the Murmansk ruled in favor of the SPA in a June 2009 ruling that was upheld by the Appeals Court in December 2009, when an appeal was filed by Venture Drilling against the ruling.

However, Aban's management believes the charter is governed under Norwegian law under which it is valid, and that Venture Drilling has the legal right to enjoy the use of the vessel for the remaining charter period. The charter expires in December 2010, and according to Aban, it has the right to extend it for two six-year periods or until December 2022. Venture Drilling AS has also commenced arbitration proceedings in Norway according to the charter, which is subject to Norwegian law and arbitration. The purpose of these proceedings is to have an arbitration award that the charter is valid under the Norwegian law, which is the governing law of the charter, or alternatively, to be awarded economic compensation according to Arktik's representations and warranties that all Russian law requirements had been complied with. It is the opinion of the management and legal counsel believe Venture Drilling has a strong case under Norwegian law to claim compensation against Arktik to cover economic loss that it would suffer if the charter is eventually cancelled.

Venture Drilling is paying a charter rate of US$21,000/day. Deep Venture has been hot-stacked since its contract with Maersk Oil & Gas in Angola was terminated early in May 2010. The dispute seems to affect the unit's marketability as it has not been able to receive a new contract yet.

Our discussion with management indicated that it believes the charter will not be cancelled and only the charter rate may be renegotiated upwards, but not exceeding US$40,000/day. Arktik only owns the hull of the Deep Venture, while Venture Drilling owns the drilling equipment that was installed at a cost of US$50m. We assume no utilization for Deep Venture for the remainder of FY11 and 85% utilisation from FY12. We increase the charter rate that Venture Drilling pays on Deep Venture to US$40,000/day from FY12. If the bareboat charter on the Deep Venture were cancelled, it would imply a potential downside of 11% to our FY12e EPS, 12% to our FY13e EPS and 14% (INR150/sh) to our base-case valuation of INR1,050.

Sensitivity analysis

We analyzed the sensitivity of Aban's earnings and valuations to changes in rig day rates and the US$/INR exchange rate. A 5% fall in rig day rates to perpetuity implies a potential 3.8% reduction in FY12e EPS and a 22.4% reduction in valuations. Similarly, 5% rupee depreciation implies a potential 10.7% reduction in FY12e EPS and a 23.9% reduction in valuations. The sensitivity of day rates on FY12e EPS is lower than on valuations because Aban has firm contracts for 11 out of its fleet of 19 rigs for FY12. The large effect on valuations from the fall in day rates comes from FY16, when all of Aban's rigs are off contract. The sensitivity of day rates on FY12e EPS is lower than the sensitivity of US$/INR as exchange rate variation affects revenues from all rigs, while day rate variation only affects un-contracted rigs.

Figure 26: Sensitivity analysis on FY12e EPS and valuation

	EPS	Change %	Valuation	Change %
Base Case	**154.5**		**1,050**	
Day rate – up 5%	160.1	3.8%	1,285	22.4%
Day rate – down 5%	148.4	-3.8%	813	-22.4%
US$/INR – 5% depreciation	170.8	10.7%	1,300	23.9%
US$/INR – 5% appreciation	137.8	-10.7%	800	-23.9%

Source: Deutsche Bank

Risks

Industry risks

Global economy downturn: E&P capex, which determines rig demand and day rates, is the key driver for the rig industry. E&P capex in turn depends on oil demand and price outlook. If the global economy were to face a double-dip recession, as is widely discussed, it would negatively affect oil demand and prices, thereby reducing E&P capex spend, and negatively affect Aban's rig outlook.

Regulatory risks: Any regulation on the drilling front such as the deepwater drilling moratorium in other geographies similar to that of the US Gulf of Mexico, environmental regulations, age limit on rigs that can be allowed for drilling, etc., pose significant risks to day rates by affecting rig supply.

Company risks

Financial leverage: High financial leverage has been a key risk for Aban for a long time. Although net debt/equity has fallen significantly to the current 7.7x (from 43.1x in FY07) and although Aban restructured its debt book last year, there is still a risk of debtors calling for early termination of debt in the event of a liquidity crisis or a breach of any debt covenants.

Deep Venture bareboat charter termination: Any unfavorable resolution of the Deep Venture dispute poses significant downside risk. If the bareboat charter on drillship Deep Venture is terminated, it would imply a potential downside of INR150/sh to our valuation.

Potential equity dilution: With our estimate of US$1.5bn in debt repayment obligations over FY11-13, there is always a looming risk of equity dilution to raise funds for repayment. However, if this were to occur, the actual effect on diluted earnings would depend on the pricing, the amount raised and the benefits from savings on interest on loans repaid through the above equity placement.

Rigs outage: An added risk is any rig being forced out of use due to sudden repair/failure or an event like the sinking of Aban Pearl.

Appendix A: Company background

Aban has attained scale through acquisitions

Aban Offshore Limited (AOL) was established in 1986, when Indian entrepreneurs were encouraged to provide offshore drilling services to the Oil and Natural Gas Corporation Ltd. (ONGC) to meet India's growing energy needs. AOL contracted its first drills to ONGC in 1987 with two modern jack-up drilling rigs acquired from the USA.

By the 1990s, many private sector companies in India had exited the drilling business. However, AOL increased its focus on the sector with newer rigs, acquisitions and mergers.

Figure 27: Aban expanded through purchases and acquisitions

1993	**Fleet Addition**	AOL purchased a 300-ft. jack-up rig from Mahindra & Mahindra Ltd.
2000-01	**Hitech Acquisition**	AOL acquired Hitech Drilling Services (India) Ltd., belonging to the Tata Group, boosting AOL's fleet to four rigs. This also enabled AOL to enter the FPSO business with the FPU 'Tahara' owned by Hitech.
2005	**Fleet Addition**	AOL added two jack-up rigs (Aban V and Aban VI) and a drillship (Frontier Ice).
2005	**International Expansion**	In line with its global expansion strategy, AOL launched Aban Singapore Pte Ltd (ASPL) in November as its vehicle for international operations. ASPL, in turn, set up three SPVs as step down subsidiaries, each equipped with a rig or drillship.
2006	**Sinvest Acquisition**	ASPL acquired a 33.7% stake in Sinvest ASA, a Norwegian company with eight new premium jack-ups on order. ASPL subsequently completed the acquisition in stages, including a mandatory offer to all shareholders.
2007	**Aban Pearl**	Bought by ASPL for US$211m in November 2007 and refurbished for a year. The rig sank while drilling in offshore Venezuela in May 2010.

Source: Company data

With its fleet of 19 offshore drilling rigs (15 jack-ups, three drillships and one FPSO), Aban figures among the largest offshore drilling asset owners in the world.

Aban Singapore Pte Ltd. (ASPL)

Aban Singapore Pte. Ltd. (ASPL) was incorporated on 18 November 2005 under the Companies Act of Singapore as a private limited company. In the first nine months of operations, it acquired two operational rigs and placed an order for a further rig. In March 2007, ASPL acquired Sinvest ASA, which at that time owned three premium operational jack-up rigs and had five premium jack-up rigs under construction or on order, as well as an additional jack-up rig and a deepwater drillship under bareboat charter.

Sinvest acquisition

ASPL acquired Sinvest AS, a Norwegian oil services company, in a bid to expand its assets. In March 2007, it completed the acquisition of all ordinary shares of Sinvest. The principal rationale for the acquisition of Sinvest, according to Aban, was to accelerate its expansion plan and achieve the scale necessary to compete globally in the offshore drilling rig market. However, this acquisition has burdened Aban's books with debt acquired from Sinvest and debt raised to fund the acquisition.

Management

Aban's board is comprised of eight directors—one promoter director, two executive directors, four non-executive independent directors and one nominee non-executive independent director representing ICICI Bank Ltd. (lender).

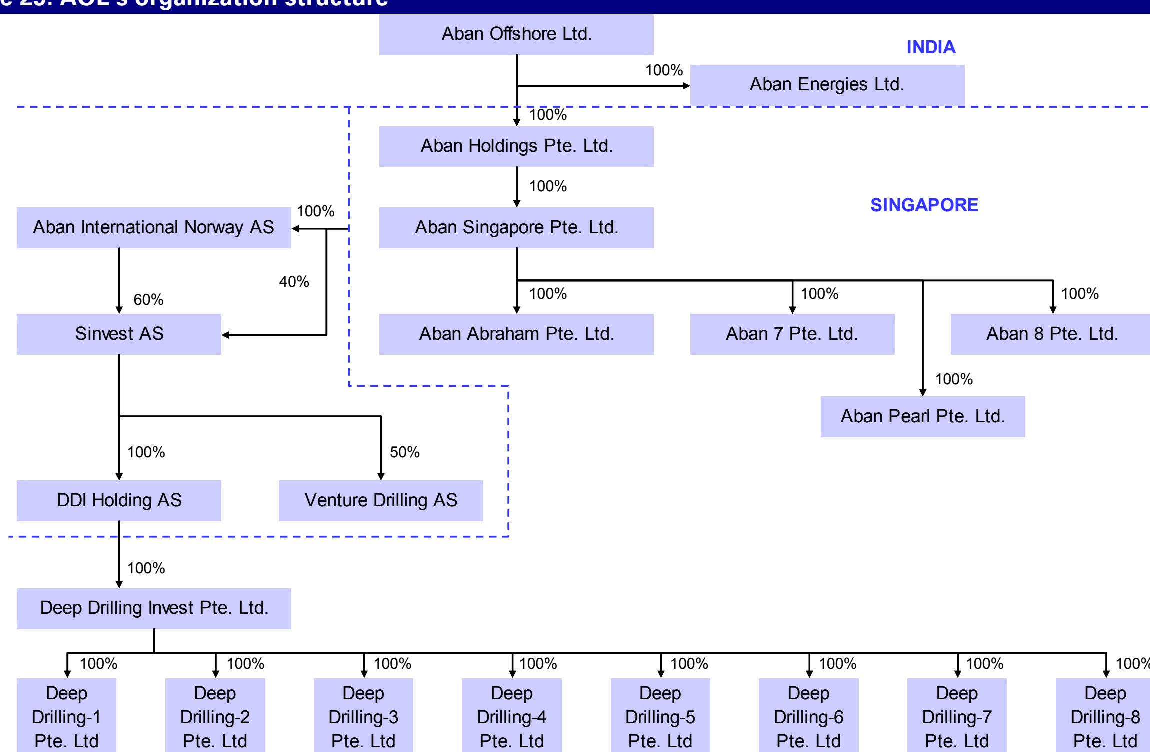
Figure 28: AOL's board of directors

Sr. No	Name	Designation	Category of Directorship
1	Mr. V S Rao	Chairman	Non-executive independent
2	Mr. P Murari	Vice Chairman	Non-executive independent
3	Mr. Reji Abraham	Managing Director	Executive - promoter
4	Mr. P Venkateswaran	Deputy Managing Director	Executive – non-promoter
5	Mr. C P Gopalkrishnan	Deputy Managing Director & Secretary	Executive – non-promoter
6	Mr. K Bharathan	Director	Non-executive independent
7	Mr. K M Jaya Rao	Nominee Director ICICI Bank	Non-executive independent nominee – ICICI Bank Ltd.(lender)
8	Mr. Satish Chandra Gupta	Director	Non-executive independent

Source: Company

Organization structure

Figure 29: AOL's organization structure



Source: Company

Appendix 1

Important Disclosures

Additional information available upon request

Disclosure checklist			
Company	**Ticker**	**Recent price***	**Disclosure**
Aban Offshore Limited	ABAN.BO	843.15 (INR) 28 Sep 10	NA

*Prices are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank and subject companies.

For disclosures pertaining to recommendations or estimates made on securities other than the primary subject of this research, please see the most recently published company report or visit our global disclosure look-up page on our website at http://gm.db.com/ger/disclosure/Disclosure.eqsr?ricCode=ABAN.BO.

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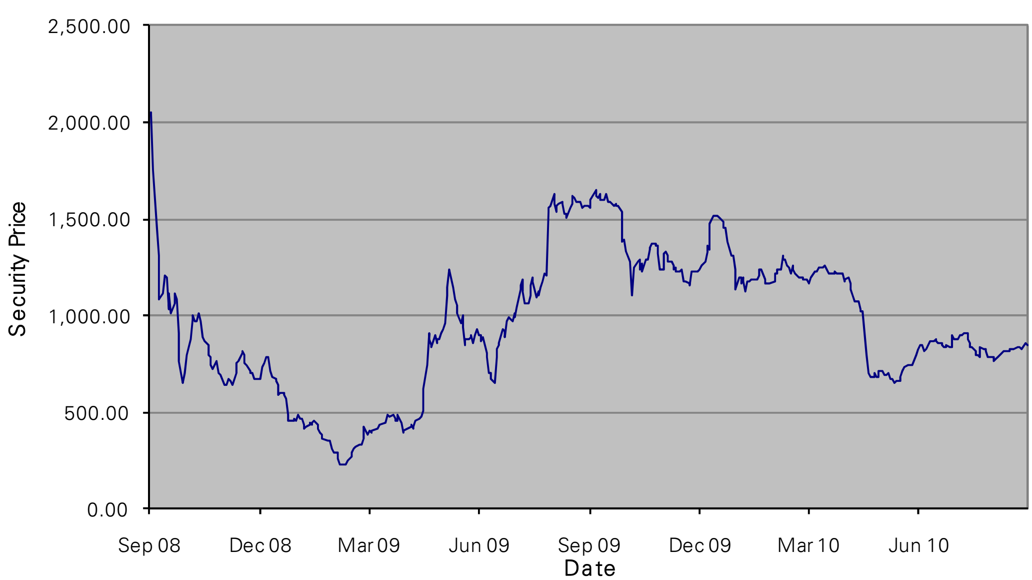
Historical recommendations and target price: Aban Offshore Limited (ABAN.BO)

(as of 9/28/2010)



Previous Recommendations

Strong Buy
Buy
Market Perform
Underperform
Not Rated
Suspended Rating

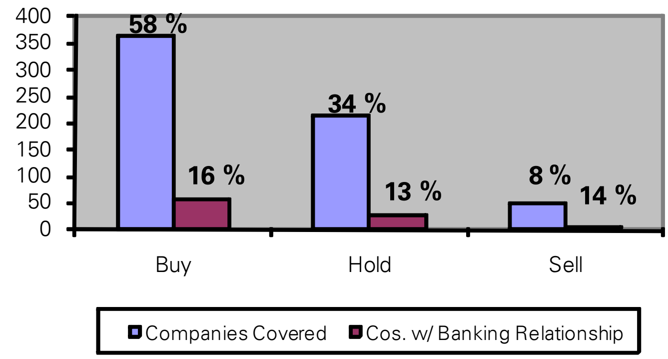
Current Recommendations

Buy
Hold
Sell
Not Rated
Suspended Rating

*New Recommendation Structure as of September 9, 2002

Equity rating key	Equity rating dispersion and banking relationships

Buy: Based on a current 12- month view of total share-holder return (TSR = percentage change in share price from current price to projected target price plus projected dividend yield) , we recommend that investors buy the stock.
Sell: Based on a current 12-month view of total share-holder return, we recommend that investors sell the stock
Hold: We take a neutral view on the stock 12-months out and, based on this time horizon, do not recommend either a Buy or Sell.
Notes:
1. Newly issued research recommendations and target prices always supersede previously published research.
2. Ratings definitions prior to 27 January, 2007 were:
   Buy: Expected total return (including dividends) of 10% or more over a 12-month period
   Hold: Expected total return (including dividends) between -10% and 10% over a 12-month period
   Sell: Expected total return (including dividends) of -10% or worse over a 12-month period



Asia-Pacific Universe

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