

August 08, 2012

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| Rating | Accumulate |
|----------------|------------|
| Price | Rs394 |
| Target Price | Rs413 |
| Implied Upside | 4.8% |
| Sensex | 17,601 |
| Nifty | 5,338 |

(Prices as on August 08, 2012)

Trading data

| | |
|----------------------------|-------|
| Market Cap. (Rs bn) | 17.2 |
| Shares o/s (m) | 43.5 |
| 3M Avg. Daily value (Rs m) | 397.7 |

Major shareholders

| | |
|----------------|--------|
| Promoters | 54.11% |
| Foreign | 8.05% |
| Domestic Inst. | 3.69% |
| Public & Other | 34.15% |

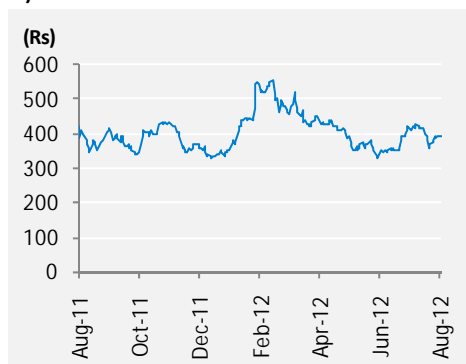
Stock Performance

| (%) | 1M | 6M | 12M |
|----------|-------|--------|--------|
| Absolute | (5.0) | (25.1) | (6.7) |
| Relative | (5.4) | (24.5) | (10.3) |

How we differ from Consensus

| EPS (Rs) | PL | Cons. | % Diff. |
|----------|------|-------|---------|
| 2013 | 59.9 | 93.0 | -35.5 |
| 2014 | 58.7 | 101.9 | -42.3 |

Price Performance (RIC: ABAN.BO, BB: ABAN IN)



- Operational performance in line:** Aban's operational performance was in line with expectations, with top-line at Rs8.5bn (16.2% YoY growth and 5.8% QoQ growth). The depreciation in rupee was the major contributor to the top-line growth. Margins stood at 59.5% as against 62% in Q1FY12 and 52.5% in Q4FY12.
- Interest charges rise sharply with rupee depreciation:** On account of ~70% of the loans being foreign currency loans, interest charges have moved up sharply with rupee depreciation, coupled with an increase in interest costs. Interest charges for the quarter stood at Rs3.1bn, 44% up YoY and 9.4% up QoQ. On account of this, increase in the company's PAT stood at Rs521m, a decline of 41% YoY and 35% QoQ.
- Vessel status:** Of the 18 vessel fleet, 16 are contracted. DD7 started its contract in June 2012 at a day rate of US\$147000/day. Contracts for five vessels will expire in September 2012 and hence, their deployment is the key to watch out for. Other than one asset, all the assets coming up for re-deployment are new and hence, we do not foresee too much trouble in deployment of the same. However, since the company has not yet announced any new contracts, we expect a time lag in deployment.
- Valuations:** We are valuing Aban at 6x FY14 which gives us a value of Rs413. We upgrade the stock to 'Accumulate'.

Key financials (Y/e March)

| | 2011 | 2012 | 2013E | 2014E |
|-----------------|--------|--------|--------|--------|
| Revenues (Rs m) | 33,472 | 31,629 | 32,718 | 33,034 |
| Growth (%) | (0.3) | (5.5) | 3.4 | 1.0 |
| EBITDA (Rs m) | 20,573 | 18,404 | 19,454 | 19,086 |
| PAT (Rs m) | 4,157 | 3,215 | 2,609 | 2,556 |
| EPS (Rs) | 95.5 | 73.9 | 59.9 | 58.7 |
| Growth (%) | (24.7) | (22.7) | (18.9) | (2.0) |
| Net DPS (Rs) | 3.6 | 2.5 | 2.8 | 2.8 |

Profitability & Valuation

| | 2011 | 2012 | 2013E | 2014E |
|------------------------|------|------|-------|-------|
| EBITDA margin (%) | 61.5 | 58.2 | 59.5 | 57.8 |
| RoE (%) | 22.7 | 14.7 | 10.6 | 10.3 |
| RoCE (%) | 6.6 | 6.3 | 6.1 | 6.1 |
| EV / sales (x) | 4.2 | 4.8 | 4.5 | 4.3 |
| EV / EBITDA (x) | 6.9 | 8.2 | 7.6 | 7.4 |
| PE (x) | 4.1 | 5.3 | 6.6 | 6.7 |
| P / BV (x) | 0.9 | 0.7 | 0.7 | 0.7 |
| Net dividend yield (%) | 0.9 | 0.6 | 0.7 | 0.7 |

Source: Company Data; PL Research

Exhibit 1: Q1FY13 Result Overview (Rs m)

| Y/e March | Q1FY13 | Q1FY12 | YoY gr. (%) | Q4FY12 | FY13E | FY12 | YoY gr. (%) |
|-------------------------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|
| Sales | 8,500 | 7,313 | 16.2 | 8,032 | 32,718 | 31,629 | 3.4 |
| Expenditure | | | | | | | |
| Consumption Stores & Spares | 334 | 279 | 19.9 | 332 | 1,080 | 1,179 | (8.4) |
| <i>% of Net Sales</i> | <i>3.9</i> | <i>3.8</i> | | <i>4.1</i> | <i>3.3</i> | <i>3.7</i> | |
| Staff cost | 969 | 759 | 27.6 | 825 | 3,108 | 3,378 | (8.0) |
| <i>% of Net Sales</i> | <i>11.4</i> | <i>10.4</i> | | <i>10.3</i> | <i>9.5</i> | <i>10.7</i> | |
| Other exp | 2,136 | 1,742 | 22.6 | 2,654 | 9,076 | 8,668 | 4.7 |
| <i>% of Net Sales</i> | <i>25.1</i> | <i>23.8</i> | | <i>33.0</i> | <i>27.7</i> | <i>27.4</i> | |
| Total Expenses | 3,439 | 2,780 | 23.7 | 3,811 | 13,264 | 13,225 | 0.3 |
| EBITDA | 5,060 | 4,533 | 11.6 | 4,220 | 19,454 | 18,404 | 5.7 |
| <i>EBITDA Margin (%)</i> | <i>59.5</i> | <i>62.0</i> | | <i>52.5</i> | <i>59.5</i> | <i>58.2</i> | |
| Depreciation | 1,281 | 1,231 | 4.0 | 1,152 | 5,627 | 5,160 | 9.0 |
| Other Income | 66 | 58 | 15.2 | 450 | 700 | 658 | 6.4 |
| EBIT | 3,845 | 3,360 | 14.5 | 3,518 | 14,527 | 13,901 | 4.5 |
| Less: Interest | 3,124 | 2,166 | 44.2 | 2,855 | 10,513 | 9,891 | 6.3 |
| PBT | 721 | 1,193 | (39.6) | 663 | 4,014 | 4,011 | 0.1 |
| Tax | 200 | 307 | (35.0) | (142) | 1,405 | 795 | 76.6 |
| <i>Effective Tax Rate (%)</i> | <i>27.7</i> | <i>25.8</i> | | <i>(21.4)</i> | <i>35.0</i> | <i>19.8</i> | |
| PAT | 521 | 886 | (41.2) | 805 | 2,609 | 3,215 | (18.9) |

Source: Company Data, PL Research

Income Statement (Rs m)

| Y/e March | 2011 | 2012 | 2013E | 2014E |
|----------------------------|---------------|---------------|---------------|---------------|
| Net Revenue | 33,472 | 31,629 | 32,718 | 33,034 |
| Raw Material Expenses | 1,049 | 1,179 | 1,080 | 1,090 |
| Gross Profit | 32,423 | 30,450 | 31,638 | 31,944 |
| Employee Cost | 2,754 | 3,378 | 3,108 | 3,138 |
| Other Expenses | 9,096 | 8,668 | 9,076 | 9,720 |
| EBITDA | 20,573 | 18,404 | 19,454 | 19,086 |
| Depr. & Amortization | 4,907 | 5,160 | 5,627 | 5,844 |
| Net Interest | 9,238 | 9,891 | 10,513 | 9,910 |
| Other Income | 260 | 658 | 700 | 600 |
| Profit before Tax | 6,688 | 4,011 | 4,014 | 3,932 |
| Total Tax | 2,531 | 795 | 1,405 | 1,376 |
| Profit after Tax | 4,157 | 3,215 | 2,609 | 2,556 |
| Ex-Od items / Min. Int. | (5,415) | — | — | — |
| Adj. PAT | 4,157 | 3,215 | 2,609 | 2,556 |
| Avg. Shares O/S (m) | 43.5 | 43.5 | 43.5 | 43.5 |
| EPS (Rs.) | 95.5 | 73.9 | 59.9 | 58.7 |

Cash Flow Abstract (Rs m)

| Y/e March | 2011 | 2012 | 2013E | 2014E |
|---------------------|----------|----------|---------|---------|
| C/F from Operations | 2,515 | 10,077 | 8,276 | 8,555 |
| C/F from Investing | 14,860 | (23,306) | (933) | (938) |
| C/F from Financing | (13,784) | (13,663) | 11,273 | (9,474) |
| Inc. / Dec. in Cash | 3,590 | (26,892) | 18,616 | (1,856) |
| Opening Cash | 2,360 | 5,951 | 845 | (2,325) |
| Closing Cash | 5,951 | 845 | (2,325) | (4,182) |
| FCFF | 15,328 | (13,524) | 7,343 | 7,617 |
| FCFE | 4,165 | (9,721) | 1,607 | (1,718) |

Key Financial Metrics

| Y/e March | 2011 | 2012 | 2013E | 2014E |
|-------------------------|---------|---------|---------|---------|
| Growth | | | | |
| Revenue (%) | (0.3) | (5.5) | 3.4 | 1.0 |
| EBITDA (%) | (2.1) | (10.5) | 5.7 | (1.9) |
| PAT (%) | (24.7) | (22.7) | (18.9) | (2.0) |
| EPS (%) | (24.7) | (22.7) | (18.9) | (2.0) |
| Profitability | | | | |
| EBITDA Margin (%) | 61.5 | 58.2 | 59.5 | 57.8 |
| PAT Margin (%) | 12.4 | 10.2 | 8.0 | 7.7 |
| RoCE (%) | 6.6 | 6.3 | 6.1 | 6.1 |
| RoE (%) | 22.7 | 14.7 | 10.6 | 10.3 |
| Balance Sheet | | | | |
| Net Debt : Equity | 7.1 | 5.3 | 5.7 | 4.8 |
| Net Wrkng Cap. (days) | (1,337) | (1,726) | (2,241) | (2,614) |
| Valuation | | | | |
| PER (x) | 4.1 | 5.3 | 6.6 | 6.7 |
| P / B (x) | 0.9 | 0.7 | 0.7 | 0.7 |
| EV / EBITDA (x) | 6.9 | 8.2 | 7.6 | 7.4 |
| EV / Sales (x) | 4.2 | 4.8 | 4.5 | 4.3 |
| Earnings Quality | | | | |
| Eff. Tax Rate | 37.8 | 19.8 | 35.0 | 35.0 |
| Other Inc / PBT | 3.9 | 16.4 | 17.4 | 15.3 |
| Eff. Depr. Rate (%) | 3.0 | 2.8 | 3.0 | 3.1 |
| FCFE / PAT | 100.2 | (302.3) | 61.6 | (67.2) |

Source: Company Data, PL Research.

Balance Sheet Abstract (Rs m)

| Y/e March | 2011 | 2012 | 2013E | 2014E |
|-------------------------------|----------------|----------------|----------------|----------------|
| Shareholder's Funds | 18,078 | 25,806 | 23,639 | 26,056 |
| Total Debt | 130,478 | 134,281 | 128,545 | 119,210 |
| Other Liabilities | 3,552 | 3,079 | 3,079 | 3,079 |
| Total Liabilities | 152,108 | 163,166 | 155,262 | 148,345 |
| Net Fixed Assets | 139,234 | 157,220 | 152,526 | 147,620 |
| Goodwill | — | — | — | — |
| Investments | 153 | 34 | 34 | 34 |
| Net Current Assets | 12,720 | 5,913 | 2,703 | 691 |
| <i>Cash & Equivalents</i> | <i>5,951</i> | <i>845</i> | <i>(2,325)</i> | <i>(4,182)</i> |
| <i>Other Current Assets</i> | <i>15,375</i> | <i>14,988</i> | <i>16,580</i> | <i>18,346</i> |
| <i>Current Liabilities</i> | <i>8,605</i> | <i>9,920</i> | <i>11,552</i> | <i>13,473</i> |
| Other Assets | — | — | — | — |
| Total Assets | 152,108 | 163,166 | 155,262 | 148,345 |

Quarterly Financials (Rs m)

| Y/e March | Q2FY12 | Q3FY12 | Q4FY12 | Q1FY13 |
|--------------------------|--------------|--------------|--------------|--------------|
| Net Revenue | 7,626 | 8,659 | 8,032 | 8,500 |
| EBITDA | 4,588 | 5,007 | 4,220 | 5,060 |
| <i>% of revenue</i> | <i>60.2</i> | <i>57.8</i> | <i>52.5</i> | <i>59.5</i> |
| Depr. & Amortization | 1,337 | 1,441 | 1,152 | 1,281 |
| Net Interest | 2,299 | 2,570 | 2,855 | 3,124 |
| Other Income | 126 | 79 | 450 | 66 |
| Profit before Tax | 1,079 | 1,075 | 663 | 721 |
| Total Tax | 286 | 344 | (142) | 200 |
| Profit after Tax | 793 | 731 | 805 | 521 |
| Adj. PAT | 793 | 731 | 805 | 521 |

Key Operating Metrics

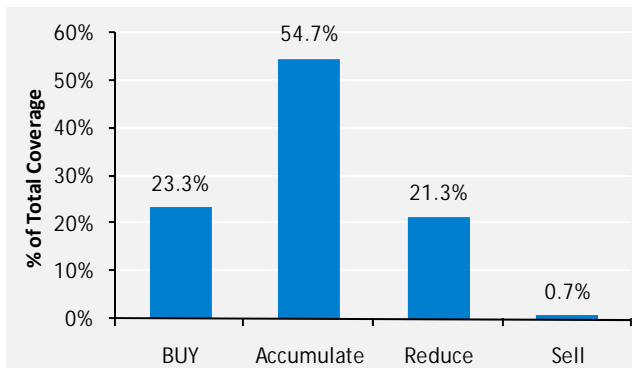
| Y/e March | 2011 | 2012 | 2013E | 2014E |
|----------------------------------|------|------|-------|-------|
| Fleet Size | 18.0 | 18.0 | 18.0 | 18.0 |
| No. of uncontracted rigs | — | — | — | — |
| No. of vessels under dry-docking | — | — | — | — |

Source: Company Data, PL Research.



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Rating Distribution of Research Coverage



PL's Recommendation Nomenclature

| | | | |
|-----------------------|--|--------------------------|--|
| BUY | : Over 15% Outperformance to Sensex over 12-months | Accumulate | : Outperformance to Sensex over 12-months |
| Reduce | : Underperformance to Sensex over 12-months | Sell | : Over 15% underperformance to Sensex over 12-months |
| Trading Buy | : Over 10% absolute upside in 1-month | Trading Sell | : Over 10% absolute decline in 1-month |
| Not Rated (NR) | : No specific call on the stock | Under Review (UR) | : Rating likely to change shortly |

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