

## Aban Offshore Limited

March 01, 2021

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
CRPS issue – Series I	105.00	CARE D (RPS) [Single D (Redeemable Preference Shares)]	Reaffirmed
CRPS issue – Series II	156.00	CARE D (RPS) [Single D (Redeemable Preference Shares)]	Reaffirmed
CRPS issue – Series III	20.00	CARE D (RPS) [Single D (Redeemable Preference Shares)]	Reaffirmed

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The ratings assigned to various preference share issues of Aban Offshore Ltd (AOL) factor in the instances of delays in debt servicing on account of significant delays in realization of receivables and resultant tight liquidity position experienced by AOL.

#### Rating Sensitivities:

*Positive Factors; Factors that could, individually or collectively, lead to positive rating action/upgrade*

- Satisfactory track record of timely servicing of debt obligation on a sustained basis.

### Detailed description of the key rating drivers

#### Key Rating Strengths

##### *Experience of Promoters*

AOL, largest private player in India in the offshore drilling industry was promoted in 1986 by Aban Constructions Private Limited, in collaboration with Chiles Offshore Inc. (COI), USA, an offshore drilling company in the Gulf of Mexico. Company's management team includes by Mr Reji Abraham (Managing Director), Mr C P Gopalakrishnan, (CFO& Deputy MD) and Mr P Venkateswaran, (Director). The company and its wholly owned subsidiaries had a total of 18 assets by the end of March 2020 including 15 Jack up rigs, two drill ships and one-off shore production unit.

#### Key Rating Weaknesses

##### *Moderation in financial performance during FY20 & 9mFY21 and ongoing delays in debt servicing*

During FY20 (refers to the period of April to March), income declined by 37% to Rs.246 crore from Rs.390 crore during FY19 on account of drop in fleet utilization. The PBILDT margin during FY20 stood at 27.24% as against 54.07% in FY19. It is to be noted that during FY20, AOL written off impairment of property and plant to the extent of Rs.4,693 crore due to which AOL reported higher losses. During 9mFY21 (refers to the period of April to December), AOL before tax loss of Rs. 26 crore (PY: Rs. 147 crore) on a total income of Rs.153 crore (PY: Rs. 173 crore). The moderation in income was on account of further drop in fleet utilization. On account of losses reported and delays in realization of receivables, there are ongoing delays in debt servicing.

##### *Deterioration in the performance of subsidiaries*

At the consolidated level, the company posted before tax loss of Rs.8,973 crore (PY: Rs.5,273 crore loss) in FY20. It is to be noted that during FY20, AOL written off property and plant to the extent of Rs.8,973 crore due to which AOL reported higher losses. The total income on the consolidated level has marginally increased by 6% to Rs.982 crore in FY20. During 9mFY21 at consolidated level, the company registered before tax loss of Rs.688 crore on total operating income of Rs.832 crore as against after before tax loss of Rs.1,303 crore on total operating income of Rs.627 crore during 9mFY20.

#### Liquidity: Poor

On account of delay in realization of receivables and unfavourable industry scenario, AOL has been experiencing liquidity issues resulting in delays in debt servicing.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

**Analytical approach:**

Standalone

**Applicable Criteria**[CARE's Policy on Default Recognition](#)[Financial ratios – Non-Financial Sector](#)[Rating methodology for service sector](#)**About the Company**

Aban Offshore Limited (AOL), the flagship company of Aban group, provides offshore drilling services to companies engaged in exploration and production of oil and gas. AOL is the largest private player in India in the offshore drilling industry and is one of the largest in the world. The company and its wholly owned subsidiaries had a total of 18 assets by the end of March 2019 including 15 Jack up rigs, two drill ships and one-off shore production unit. Out of these 18 assets, AOL directly holds only seven rigs and rest of the assets held by its step-down subsidiaries.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	390	246
PBILDT	211	67
PAT (after deferred tax)	(69)	(4,457)
Overall gearing (times)	0.21	-1.92
Interest coverage (times)	1.94	0.70

A: Audited

**Status of non-cooperation with previous CRA:**

Not Applicable

**Any other information:**

Not Applicable

**Rating History for last three years:** Please refer Annexure-2**Complexity level of various instruments rated for this company:** Annexure 3**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Preference Shares- Redeemable	INE421A04071/ INE421A04063/ INE421A04089	June 16, 2005	10%	June 16, 2016	105.00	CARE D (RPS)
Preference Shares- Redeemable	INE421A04097	March 30, 2007	10%	March 30, 2015	156.00	CARE D (RPS)
Preference Shares- Redeemable	INE421A04055	August 03, 2008	10%	August 03, 2016	20.00	CARE D (RPS)

## Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Preference Shares- Redeemable	LT	105.00	CARE D (RPS)	-	1)CARE D (RPS) (04-Mar-20)	1)CARE D (RPS) (14-Mar-19)	1)CARE D (RPS) (21-Mar-18) 2)CARE D (RPS) (20-Apr-17)
2.	Preference Shares- Redeemable	LT	156.00	CARE D (RPS)	-	1)CARE D (RPS) (04-Mar-20)	1)CARE D (RPS) (14-Mar-19)	1)CARE D (RPS) (21-Mar-18) 2)CARE D (RPS) (20-Apr-17)
3.	Fund-based - LT-Term Loan	LT	445.56	CARE D	-	1)CARE D (04-Mar-20)	1)CARE D (14-Mar-19)	1)CARE D (21-Mar-18) 2)CARE D (20-Apr-17)
4.	Preference Shares- Redeemable	LT	20.00	CARE D (RPS)	-	1)CARE D (RPS) (04-Mar-20)	1)CARE D (RPS) (14-Mar-19)	1)CARE D (RPS) (21-Mar-18) 2)CARE D (RPS) (20-Apr-17)
5.	Non-fund-based - LT/ST-BG/LC	LT/ST	94.58	CARE D / CARE D	-	1)CARE D / CARE D (04-Mar-20)	1)CARE D / CARE D (14-Mar-19)	1)CARE D / CARE D (21-Mar-18) 2)CARE D / CARE D (20-Apr-17)
6.	Fund-based - LT-Cash Credit	LT	127.27	CARE D	-	1)CARE D (04-Mar-20)	1)CARE D (14-Mar-19)	1)CARE D (21-Mar-18) 2)CARE D (20-Apr-17)

**Annexure 3: Complexity level of various instruments rated for this Company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Preference Shares-Redeemable	Simple

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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**About CARE Ratings:**

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