

Aban Offshore Limited (Revised)

March 08, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long-Term Bank Facilities	454.37 (Enhanced from 446.86)*	CARE D (Single D)	Reaffirmed
Long-Term / Short-Term Bank Facilities ^	-	-	Withdrawn
Long-Term Bank Facilities ^	-	-	Withdrawn
Total Bank Facilities	454.37 (Rs. Four Hundred Fifty-Four Crore and Thirty-Seven Lakhs Only)		
Cumulative Redeemable Preference Shares - Series-I	105.00	CARE D (RPS) [Single D (Redeemable Preference Shares)]	Reaffirmed
Cumulative Redeemable Preference Shares - Series-II	156.00	CARE D (RPS) [Single D (Redeemable Preference Shares)]	Reaffirmed
Cumulative Redeemable Preference Shares - Series-III	20.00	CARE D (RPS) [Single D (Redeemable Preference Shares)]	Reaffirmed
Total Long Term Instruments	281.00 (Rs. Two Hundred Eighty-One Crore Only)		

Details of instruments/facilities in Annexure-1

*Increased on account of changes in foreign currency exchange rates

Detailed Rationale & Key Rating Drivers

The ratings assigned to bank facilities and preference share issues of Aban Offshore Ltd (AOL) factor in the instances of delays in debt servicing due to low fleet utilisation

^CARE has withdrawn the Long-term ratings assigned to the Cash Credit facility and Long-term/ Short-term rating assigned to Bank Guarantee/ Letter of Credit facility on receipt of No Dues Certificate from the lenders.

Rating Sensitivities

Positive Factors - Factors that could 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 Weaknesses

Moderation in financial performance in FY21 and ongoing delays in debt servicing: There has been continued drop in fleet utilisation. In FY21, with the outbreak of pandemic consumption of oil was reduced. There were lower exploration activities which affected the drilling industry. During FY21, income declined by 26% and company has a loss. In 9MFY22, the TOI was at Rs. 68.45 crore as against Rs. 182 crore in FY21. The moderation in income was on account of further drop in fleet utilization. On account of losses reported and continuous underutilization of fleets, there are ongoing delays in debt servicing.

Impairment of assets and negative net worth: In FY20, the company has provided for impairment amounting to Rs. 3531.73 crore of its investment in wholly owned subsidiary Aban Holdings Pte Ltd, Singapore and its indirect subsidiaries and for impairment of its PPE aggregating to Rs.1,153.71. Further to this, in FY21, the company has provided another Rs. 116.34 crore in respect of Jack up rigs and Drillship as the carrying amounts of such assets exceeded its estimated value in use which is mainly due to slump in the oil and gas industry. The company has a negative net worth of Rs. 659.49 crore as on March 31, 2021.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Liquidity: Poor

On account of low fleet utilisation and unfavorable industry scenario, AOL has been experiencing liquidity issues resulting in delays in debt servicing.

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).

Analytical approach: Standalone

Applicable Criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Service Sector Companies](#)

[Infrastructure Sector Ratings](#)

[Policy on Withdrawal of Ratings](#)

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 2021.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)	9MFY22 (Prov.)
Total operating income	246	182.12	68.45
PBILDT	67	(31.93)	43.53
PAT (after deferred tax)	(4,457)	(231.33)	(53.61)
Overall gearing (times)	-ve	-ve	NA
Interest coverage (times)	0.70	-ve	NA

A: Audited; Prov.: Provisional

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

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
Fund-based - LT-Term Loan		-	-	Payable on Demand	454.37	CARE D
Non-fund-based - LT/ST-BG/LC		-	-	-	0.00	Withdrawn
Fund-based - LT-Cash Credit		-	-	-	0.00	Withdrawn
Preference Shares-Cumulative Redeemable Preference Shares	INE421A04055	August 03, 2008	10%	August 03, 2016	20.00	CARE D (RPS)

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-Cumulative Redeemable Preference Shares	INE421A04071/ INE421A04063/ INE421A04089	June 16, 2005	10%	June 16, 2016	105.00	CARE D (RPS)
Preference Shares-Cumulative Redeemable Preference Shares	INE421A04097	March 30, 2007	10%	March 30, 2015	156.00	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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Preference Shares-Cumulative Redeemable Preference Shares	LT*	105.00	CARE D (RPS)	1)CARE D (RPS) (05-Apr-21)	1)CARE D (RPS) (01-Mar-21)	1)CARE D (RPS) (04-Mar-20)	1)CARE D (RPS) (14-Mar-19)
2	Preference Shares-Cumulative Redeemable Preference Shares	LT	156.00	CARE D (RPS)	1)CARE D (RPS) (05-Apr-21)	1)CARE D (RPS) (01-Mar-21)	1)CARE D (RPS) (04-Mar-20)	1)CARE D (RPS) (14-Mar-19)
3	Fund-based - LT-Term Loan	LT	454.37	CARE D	1)CARE D (05-Apr-21)	-	1)CARE D (04-Mar-20)	1)CARE D (14-Mar-19)
4	Preference Shares-Cumulative Redeemable Preference Shares	LT	20.00	CARE D (RPS)	1)CARE D (RPS) (05-Apr-21)	1)CARE D (RPS) (01-Mar-21)	1)CARE D (RPS) (04-Mar-20)	1)CARE D (RPS) (14-Mar-19)
5	Non-fund-based - LT/ ST-BG/LC	LT/ST**	-	-	1)CARE D / CARE D (05-Apr-21)	-	1)CARE D / CARE D (04-Mar-20)	1)CARE D / CARE D (14-Mar-19)
6	Fund-based - LT-Cash Credit	LT	-	-	1)CARE D (05-Apr-21)	-	1)CARE D (04-Mar-20)	1)CARE D (14-Mar-19)

*Long Term; ** Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities – Not Applicable
Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - LT/ ST-BG/LC	Simple
4	Preference Shares-Cumulative Redeemable Preference Shares	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us**Media Contact**

Name: Mr Mradul Mishra
Contact no.: +91-22-6754 3573
Email ID: mradul.mishra@careedge.in

Analyst Contact

Name: Mr P Sandeep
Contact no.: 044 2850 1000
Email ID: sandeep.prem@careedge.in

Relationship Contact

Name: Mr Pradeep Kumar V
Contact no.: 044 2850 1001
Email ID: pradeep.kumar@careedge.in

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