

Aban Offshore Limited

March 04, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating1	Rating Action
Long term Bank Facilities	572.83 (Reduced from Rs.575.80 crore)	CARE D (Single D)	Reaffirmed
Long-term/Short-term Bank Facilities	94.58	CARE D / CARE D (Single D)/(Single D)	Reaffirmed
Total Facilities	667.41 (Rs. Six hundred sixty seven crore and forty one lakh only)		
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 the bank facilities and various preference share issues of Aban Offshore Ltd (AOL) factor in the instances of delays in debt servicing on account of significant delays in realisation of receivables and resultant tight liquidity position experienced by AOL.

Rating Sensitivities

Positive Factors

- 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, Mr C P Gopalakrishnan, (CFO& Deputy MD) and Mr P Venkateswaran Deputy MD (in charge of operations). 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.

Key Rating Weaknesses

Moderation in financial performance during FY19 & 9mFY20

During FY19, income declined by 40% to Rs.390 crore from Rs.651 crore during FY18 on account of drop in fleet utilisation. The PBILD margin during FY19 stood at 54.07% as against 54.30% in FY18. Overall gearing continues to remain stable at 0.21x as on March 31, 2019 as against 0.22x as on March 31, 2018. During 9mFY20, AOL posted before tax loss of Rs.147 crore (PY: Rs.2 crore) on a total income of Rs.173 crore (PY: Rs.349 crore). The moderation in income was on account of further drop in fleet utilization.

Deterioration in the performance of subsidiaries

At the consolidated level, the company posted before tax loss of Rs.5,217 crore (PY: Rs.2,518 crore loss) in FY19. It is to be noted that during FY19, AOL written off impairment of goodwill, property, plant to the extent of Rs.3,627 crore due to which AOL reported higher losses. The total income on the consolidated level has declined by around 37% to Rs.929 crore in FY19 due to drop in fleet utilisation. During 9mFY20 at consolidated level, the company registered before tax loss of Rs.1,303 crore on total operating income of Rs.627 crore as against after before tax loss of Rs.1,108 crore on total operating income of Rs.822 crore during 9mFY19.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Liquidity : Poor

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

Analytical approach:

Standalone

Applicable Criteria

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[Criteria for Short Term Instruments](#)

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)	FY18 (A)	FY19 (A)
Total operating income	651	390
PBILDT	353	211
PAT (after deferred tax)	9	(69)
Overall gearing (times)	0.22	0.21
Interest coverage (times)	3.12	1.94

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

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	ISIN	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	Payable on demand	445.56	CARE D
Non-fund-based - LT/ ST-BG/LC	-	-	-	-	94.58	CARE D / CARE D
Fund-based - LT-Cash Credit	-	-	-	-	127.27	CARE D
Preference Shares-Redeemable	August 03, 2008	INE421A04055	10%	August 03, 2016	20.00	CARE D (RPS)
Preference Shares-Redeemable	June 16, 2005	INE421A04097	10%	June 16, 2016	105.00	CARE D (RPS)
Preference Shares-Redeemable	December 30, 2006	INE421A04071	10%	December 29, 2014	55.00	CARE D (RPS)
Preference Shares-Redeemable	March 01, 2007	INE421A04063	10%	February 28, 2015	40.00	CARE D (RPS)
Preference Shares-Redeemable	March 31, 2007	INE421A04089	10%	March 30, 2015	61.00	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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Preference Shares-Redeemable	LT	105.00	CARE D (RPS)	-	1)CARE D (RPS) (14-Mar-19)	1)CARE D (RPS) (21-Mar-18) 2)CARE D (RPS) (20-Apr-17)	1)CARE D (RPS) (13-Apr-16)
2.	Preference Shares-Redeemable	LT	156.00	CARE D (RPS)	-	1)CARE D (RPS) (14-Mar-19)	1)CARE D (RPS) (21-Mar-18) 2)CARE D (RPS) (20-Apr-17)	1)CARE D (RPS) (13-Apr-16)
3.	Fund-based - LT-Term Loan	LT	445.56	CARE D	-	1)CARE D (14-Mar-19)	1)CARE D (21-Mar-18) 2)CARE D (20-Apr-17)	1)CARE D (13-Apr-16)
4.	Preference Shares-Redeemable	LT	20.00	CARE D (RPS)	-	1)CARE D (RPS) (14-Mar-19)	1)CARE D (RPS) (21-Mar-18) 2)CARE D (RPS) (20-Apr-17)	1)CARE D (RPS) (13-Apr-16)
5.	Non-fund-based - LT/ ST-BG/LC	LT/ST	94.58	CARE D / CARE D	-	1)CARE D / CARE D (14-Mar-19)	1)CARE D / CARE D (21-Mar-18) 2)CARE D / CARE D (20-Apr-17)	1)CARE D / CARE D (13-Apr-16)
6.	Fund-based - LT-Cash Credit	LT	127.27	CARE D	-	1)CARE D (14-Mar-19)	1)CARE D (21-Mar-18) 2)CARE D (20-Apr-17)	1)CARE D (13-Apr-16)

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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