

Aban Offshore Limited

March 14, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	575.80 (Reduced from Rs.584.00 crore)	CARE D (Single D)	Reaffirmed
Long-term/Short-term Bank Facilities	94.58 (Reduced from Rs.125 crore)	CARE D/ CARE D (Single D)/(Single D)	Reaffirmed
Total	670.38 (Rupees Six Hundred Seventy Crore and Thirty Eight 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.

Detailed description of the key rating drivers

Key Rating Strengths

Experience of Promoters

AOL 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. Late Mr M A Abraham, a first generation entrepreneur was the key promoter of AOL. The day-to-day affairs of the company are managed by Mr Reji Abraham, the MD, who is the son of late Mr M A Abraham. He is assisted by Mr C P Gopalakrishnan, (CFO& Deputy MD) and Mr P Venkateswaran Deputy MD (in charge of operations). Each rig is managed by a "Rig Manager", who in turn is assisted by an offshore and onshore staff. AOL is the largest private player in India in the offshore drilling industry and is among the top players in the world. The company and its wholly owned subsidiaries had a total of 18 assets by the end of March 2018 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. Out of 15 Jack up rigs, nine rigs are high specification rigs which are capable of operating in water depth of 350+ feet.

Key Rating Weakness

Moderation in financial performance during FY18 & 9mFY19

During FY18, income declined by 30% on account of fall in day rates and fleet utilization. The PBILDT margin during FY18 dropped to 54.30% as against 65.94% in FY17. Overall gearing continues to remain stable at 0.22x as on March 31, 2018 as against 0.23x as on March 31, 2017. During 9mFY19, AOL reported PAT of Rs.8 crore (PY: Rs.35 crore) on a total income of Rs.349 crore (PY: Rs.490 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.2,518 crore (PY: Rs.870 crore loss). It is to be noted that during FY18, AOL written off impairment of goodwill, property, plant to the extent of Rs.1,237 crore due to which AOL reported higher losses. The total income on the consolidated level has declined by around 16% to Rs.1,479 crore in FY18 due to declining demand for offshore drilling services coupled with fall in oil prices globally. During 9mFY19 at consolidated level, the company registered before tax loss of Rs.1,108 crore on total operating income of Rs.822 crore as against after before tax loss of Rs.785 crore on total operating income of Rs.1,144 crore during 9mFY18.

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

Liquidity

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 2018 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)	FY17 (A)	FY18 (A)
Total operating income	937	651
PBILDT	618	353
PAT	211	9
Overall gearing (times)	0.23	0.22
Interest coverage (times)	5.17	3.12

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

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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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	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	448.53	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-Redemable	August 03, 2008	10%	August 03, 2016	20.00	CARE D (RPS)
Preference Shares-Redemable	June 16, 2005	10%	June 16, 2016	105.00	CARE D (RPS)
Preference Shares-Redemable	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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Preference Shares-Redeemable	LT	105.00	CARE D (RPS)	-	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) (21-Mar-18) 2)CARE D (RPS) (20-Apr-17)	1)CARE D (RPS) (13-Apr-16)	-
3.	Fund-based - LT-Term Loan	LT	448.53	CARE D	-	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) (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 (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 (21-Mar-18) 2)CARE D (20-Apr-17)	1)CARE D (13-Apr-16)	-

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