

## Aban Offshore Limited

April 20, 2017

### Ratings

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Rating Action
Long-term Bank Facilities	642.86	CARE D (Single D)	Reaffirmed
Long term/Short term Bank Facilities	135.00	CARE D/ CARE D (Single D)/(Single D)	Reaffirmed
<b>Total</b>	<b>777.86</b> <b>(Rupees Seven hundred seventy seven crore and eighty six lakh only)</b>		
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). 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 2016 including 15 Jack up rigs, two drill ships and one off shore production unit.

#### Improved financial performance during FY16 and 9mFY17 of AOL

During FY16, income improved by 35% on account of improvement in fleet utilisation. Similarly, the PBILDT margin improved from 51.92% in FY15 to 65.03% in FY16. With reduction in debt level and improvement in networth, the overall gearing ratio improved and stood at 0.34x as on March 31, 2016 as against 0.43x as on March 31, 2015. During 9mFY17, the company reported PAT of Rs.216 crore on a total income of Rs.719 crore as against PAT of Rs.202 crore on a total income of Rs.747 crore during 9mFY16.

### Key Rating Weaknesses

#### Moderate performance of subsidiaries and delays in realisation of receivables

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

At the consolidated level, the company posted PAT of Rs.51 crore (PY: Rs.545 crore) and recorded GCA of Rs.724 crore (PY: Rs.1,157 crore) in FY16. During 9MFY17 (Provisional) at a consolidated level, the company registered after tax loss of Rs.704 crore on total operating income of Rs.1,367 crore as against after tax loss of Rs.41 crore on total operating income of Rs.2,705 crore during 9mFY16. In addition to moderation in financial performance, delays in realisation of receivables also impacted cash flow position. Receivables at the consolidated level has increased from Rs.1,594 crore as on March 31,2015 to Rs.2,320 crore as on March 31, 2016.

**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 2016 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.

**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](http://www.careratings.com). 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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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	-	-	August 2021	464.86	CARE D
Non-fund-based - LT/ ST-BG/LC	-	-	-	135.00	CARE D / CARE D
Fund-based - LT-Cash Credit	-	-	-	178.00	CARE D
Preference Shares-Redeemable	August 2008	10%	June 2016	20.00	CARE D (RPS)
Preference Shares-Redeemable	June 2005	10%	March 2015	105.00	CARE D (RPS)
Preference Shares-Redeemable	March 2007	10%	August 2016	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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Preference Shares-Redeemable	LT	105.00	CARE D (RPS)	-	1)CARE D (RPS) (13-Apr-16)	-	1)CARE C (RPS) (26-Dec-14)
2.	Preference Shares-Redeemable	LT	156.00	CARE D (RPS)	-	1)CARE D (RPS) (13-Apr-16)	-	1)CARE C (RPS) (26-Dec-14)
3.	Fund-based - LT-Term Loan	LT	464.86	CARE D	-	1)CARE D (13-Apr-16)	-	1)CARE BB- (26-Dec-14)
4.	Preference Shares-Redeemable	LT	20.00	CARE D (RPS)	-	1)CARE D (RPS) (13-Apr-16)	-	1)CARE C (RPS) (26-Dec-14)
5.	Non-fund-based - LT/ ST-BG/LC	LT/ST	135.00	CARE D / CARE D	-	1)CARE D / CARE D (13-Apr-16)	-	1)CARE BB- / CARE A4 (26-Dec-14)
6.	Fund-based - LT-Cash Credit	LT	178.00	CARE D	-	1)CARE D (13-Apr-16)	-	1)CARE BB- (26-Dec-14)

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