

Company Report

Aban Holdings Pte Ltd

31st January 2017

Brickwork Ratings assigns ratings for the Bank Loan Facilities amounting to 2,017.278 Million USD of Aban Holdings Pte Ltd (AHPL or ‘the Company’)

Particulars

Facility Rated	Amount Rated (US \$ Mn)	Tenure	Rating *
Standby Letter of Credit (SBLC)/ Foreign Currency Term Loans (FCTL)/ Bank Guarantee	2017.278	Long Term	BWR D [Pronounced BWR D]
Total	2017.278 US \$ Mn (US \$ Two Thousand and Seventeen Millions and Two Hundred and Seventy Eight Thousand Only)		

* Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financials upto FY16, publicly available information and information/ clarifications provided by the Company’s management.

The rating is constrained by the defaults & delays in servicing loan & interest obligations by the Company due to weak financial position marked by high gearing levels, net losses, below average debt protection metrics and stressed liquidity position. The account is NPA with some of the lenders of the consortium. The rating also takes note of its weak track record of debt servicing, exposure to volatility in global demand for oil & gas and investment in exploration & production (E&P) activities, rigs deployed in politically sensitive region in the middle east, exposure to volatility in rates and uncertainty about charter terms, counter party risks, and increasing competition from newly built rigs impacting charter rates.

The rating assigned indicates the default status of the Company regarding timely repayment of due obligations. If the company clears all current overdues with the lenders, thus paving the way for removing it from NPA classification, the rating will be revised.



About the Company

Aban Holding Pte. Ltd. (“AHPL”), a company incorporated in Singapore in 2007 as a 100% subsidiary of Aban Offshore Ltd (AOL), acts as the holding company for the group’s offshore subsidiaries. AHPL through its step down subsidiaries in Singapore, provides offshore rigs for oil and gas drilling and support services. AHPL owns and operates 11 rigs (10 Jack up rigs and one drill ship). AHPL operates through its WOS Aban Singapore Pte Ltd (ASPL), which holds the Group’s overseas business including all the subsidiaries of Aban Group in Singapore and Norway. In order to expand its fleet base, ASPL then acquired Sinvest AS, a Norwegian company in the year 2007, in two stages, 39.99% directly and 60.01% through Aban International Norway AS (AINAS) SPV incorporated in Norway as a WOS of ASPL). Sinvest AS owned Deep Drilling Invest Pte Ltd (DDIPL), a Singapore incorporated company through its subsidiary DDI Holding AS (DDIHAS) incorporated in Norway. DDIPL through its eight step-down subsidiaries (Deep Drilling 1 Pte Ltd to Deep Drilling 8 Pte Ltd) each incorporated in Singapore owns eight rigs in the Deep Driller series (Deep Driller 1 to Deep Driller 8). In June 2012 Sinvest AS was amalgamated with AINAS and as a result AINAS currently directly holds 100% stake in DDI Holding AS (DDIHAS). DDIHAS which earlier held 100% stake in DDIPL, has also reduced its stake in DDIPL and currently holds 66% stake in the same. The remaining stake (34%) is being held by ASPL directly.

In order to further simplify the corporate structure, DDI Holding AS had been merged with AINAS. With this AINAS will be the only company in Norway in the group’s structure. AOL the parent company owns five rigs, one drillship and a Floating Production Unit by the name Tahara. AHPL through its subsidiaries currently owns 11 rigs. This includes 10 jack up rigs and a drill ship named Aban Abraham each held under a separate step down subsidiary. Mr. .P. Venkateswaran, Mr.C.P. Gopalakrishan and Mr. Sivaramakrishnan are the Directors. All three Directors have an experience of more than 25 years in offshore drilling industry.

SBLC Facility and Debt obligations

The Aban Group’s liability increased following the acquisition of Sinvest AS in Norway along with purchase of 4 additional rigs. Sinvest had high cost outstanding Bond liability of \$ 125 mn in Deep Drilling 1 Pte. Ltd. and \$ 240 mn in Deep Drilling 7 Pte. Ltd. Aban Pearl, the highest earning asset of the Group which accounted for a major portion of the group’s earnings sank in May 2010. The above incidents coincided with the global economic slowdown post Dec 2008, which resulted in slowdown in offshore drilling activity and consequently decrease in rig day rates. This coupled with the liability of servicing the short/medium term loans and bonds availed from acquisition of long term assets resulted in a liquidity mismatch for the Group. Therefore despite having good operational assets the Group was not be able to service its debt obligations and required restructuring. In 2013, the company could not repay the bank loans due to cash flows mismatch and the banks decided to restructure all the facilities granted by 19 banks.

The Standby Letter of Credit facility as a part of debt restructuring/ new financial plan, had been established by the respective Domestic Banks in India to help AHPL raise foreign currency loans abroad and use the proceeds of such foreign currency loan to fully close their respective existing loans of their subsidiaries in India. Under the SBLC facility the repayment is spread over a period of 15 years with an initial moratorium of 3 years. All the loans will mature in March-2028. The SBLC facility is secured by pari-passu 1st / 2nd charge on respective rigs and receivables thereon, which are currently available with



respective banks with some realignments to take care of some requirements. The SBLC Facility is also secured by pledge of shares of all overseas companies in the holding chain starting from AOL's shareholding in AHPL right upto the rig owning companies of the Group. The entire Foreign currency debt is on the books of AHPL and all cash flows (which will be after meeting operational and essential capital expenditure) from various subsidiaries come to AHPL, which becomes available primarily for meeting debt obligations.

Credit risk

Defaults/ Irregularity in repayment of term loan obligations to Banks- The account has been declared as NPA with 10 out of 19 lenders

Unstable market conditions for oil industry- Low oil prices, low rig day rates, non-renewal and cancellation of existing contracts have also worsened the Company's financial position.

High receivables- The Company has very high receivables from Iran, which has not been collected since a fairly long time due to economic issues in their country.

Weak Financial position- The Company has overall weak financial risk profile marked by very high gearing levels, net losses, below average ROCE levels, very weak debt protection metrics and stressed liquidity position of the Company.

Highly leveraged Group- The Group is highly leveraged, which is primarily on account of acquisition of long term assets, i.e. overseas rig owning companies which have been funded through loans and bonds with shorter tenor.

Weak Cash Flows- The Company does not have sufficient cash flows Vis-à-vis loans taken for the purpose of acquisition of rigs and related capex, which are now due for repayment.

Operations in sensitive economies- Seven out of eighteen rigs of the Group are operating in the Middle East region, which exposes them to higher concentration risk.

Company Financial Performance

The Company derives revenues mainly from drilling and drilling related contracts at rates established in the relevant contracts. Income from operations declined to 353.25 US\$ Mn in FY16 as against 535.72 US \$ Mn in FY15 mainly due to unstable oil industry conditions resulting in non-renewal and cancellation of existing rig contracts. The Company has reported net losses of (80.13) US\$ Mn in FY16 when compared to Profit after tax of 28.26 US \$ Mn in FY15, on account of very high interest costs and depreciation charges. Total Debt/Tangible Net worth stood at 10.24 times as on March 31, 2016. The total Borrowings stood at 2152.56 US\$ Mn. The Company's financial position is under stress as seen in low cash accruals, below average debt protection metrics, stressed liquidity, net losses and very high receivables days.

The financials are summarized in Annexure II, III & IV.

Rating History for the last three years:

Sl. No.	Instrument/Facility	Current Rating (Year 2017)			Rating History		
		Type	Amount (US \$ Mn)	Rating	Date & Rating assigned in 2016	Date & Rating assigned in 2015	Date & Rating assigned in 2014
1.	Standby Letter of Credit (SBLC)/ Foreign Currency Term Loans (FCTL)/ Bank Guarantee	Long term	2017.278	BWR D	Nil	Nil	Nil

Hyperlink/Reference to Applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [Default Recognition and Default Curing Period](#)

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Aban Holdings Pte Ltd, Singapore

Annexure I: Details of the bank facilities rated

Lender's Name	SBLC/ FCTL/ BG Facility- Amount to be rated (US \$ Mn)
SBM, Mumbai	9.550
Axis Bank	138.112
Axis Bank	4.010
BOB	43.780
IOB, Chennai	184.134
IOB, Chennai	4.911
SBI, Chennai	366.512
SBT, Chennai	24.500
EXIM, Mumbai	60.272
Corporation Bank, Chennai	50.049
IDBI, Chennai	42.931
ICICI	359.970
SBH, Chennai	50.063
BOI	166.150
OBC, Chennai	98.399
Indian Bank, Chennai	86.100
PNB, Chennai	252.482
Canara	46.966
PNB, London	5.035
Union bank of India, Dubai	14.600
Syndicate bank, London	8.751
Total	2,017.278 (US \$ Two Thousand and Seventeen Millions and Two Hundred and Seventy Eight Thousand Only)

1. PNB: USD 127.78 mio is yet to be disbursed in AHPL and is currently outstanding in AINAS (USD 67.12 mio), AAPL (USD 12.66 mio) and DD6PL (USD 48 mio); ASPL, AINAS, AAPL and DD6PL are wholly owned subsidiaries of AHPL.
2. SBM: Current outstanding SBLC facility is in ASPL

Aban Holdings Pte Ltd, Singapore

Annexure II

Profit & Loss (Million USD)

Particulars	31/Mar/2014	31/Mar/2015	31/Mar/2016
Result Type	Audited	Audited	Audited
Income from operations	515.49	535.72	353.25
Total Operating Income	515.49	535.72	353.25
Operating Expenses	208.24	208.09	162.19
OPBDIT	307.25	327.63	191.06
Depreciation/Amortization/Impairment	112.58	113.03	114.34
OPBIT	194.67	214.60	76.72
Interest and Finance Charges	163.50	166.75	147.12
OPBT	31.17	47.85	-70.40
Non-Operating Income(Expenses)	0.02	-0.22	0.19
PBT	31.19	47.64	-70.21
Provision for Taxes	19.13	19.37	9.91
PAT	12.06	28.26	-80.13

Aban Holdings Pte Ltd, Singapore

Annexure III

Balance Sheet (Million USD)

Particulars	31/Mar/2014	31/Mar/2015	31/Mar/2016
Result Type	Audited	Audited	Audited
EQUITY AND RESERVES	407.43	446.09	365.97
Share capital	598.55	608.95	608.95
Reserves and Surplus	-191.11	-162.85	-242.98
Non-current liabilities	1723.08	2067.57	2030.27
Long-Term Borrowings	1723.08	2067.57	2030.27
Current liabilities	611.91	189.46	257.96
Short-Term Borrowings	490.38	89.27	122.29
Trade Payables	22.96	17.11	12.85
Other Current Liabilities	86.53	74.67	114.58
Short-Term Provisions	12.03	8.41	8.25
Total Liabilities	2742.42	2703.12	2654.19
ASSETS			
Non-current assets	2499.13	2410.93	2300.26
Net Fixed assets	2342.12	2251.71	2142.72
Capital Work-In-Progress	0.00	0.00	0.00
Net Intangible assets	155.68	155.68	155.68
Non-Current Investments	0.82	1.56	1.86
Other Non-Current Assets	0.51	1.98	0.00
Current assets	243.29	292.19	353.93
Inventories	46.69	43.96	46.68
Trade Receivables < Six Months	157.97	210.30	280.41
Cash and Cash Equivalents	10.80	14.12	10.42
Short-Term Loans and Advances	0.27	0.25	0.23
Other Current Assets	27.55	23.58	16.19
Total Assets	2742.42	2703.12	2654.19

Aban Holdings Pte Ltd, Singapore

Annexure IV

Key Ratios

Particulars	31/Mar/2014	31/Mar/2015	31/Mar/2016
Result Type	Audited	Audited	Audited
Long Term Borrowings (Million USD)	1723.08	2067.57	2030.27
Short Term Borrowings (Million USD)	490.38	89.27	122.29
Current Portion Of Long Term Debt (Million USD)	490.38	89.27	122.29
Total Debt (Million USD)	2213.47	2156.84	2152.56
Tangible Net Worth (Million USD)	251.75	290.42	210.29
Capital Employed (Million USD)	2465.22	2447.26	2362.84
Total Debt/TNW (Times)	8.79	7.43	10.24
Long Term Debt/TNW (Times)	6.84	7.12	9.65
TOL/TNW (Times)	9.27	7.44	10.39
ISCR (Times)	1.88	1.96	1.30
DSCR (Times)	1.76	0.75	0.41
Net Cash Accruals/Total Debt (Times)	0.06	0.07	0.02
Net Cash Accruals/Long Term Debt (Times)	0.07	0.07	0.02
Net Profit Margin (%)	2.34	5.28	-22.68
Operating Profit Margin (%)	59.60	61.16	54.09
ROCE (%)	7.90	8.74	3.19
Current Ratio (Times)	0.40	1.54	1.37
Days Receivables (Days)	112	125	254
Days Inventory (Days)	87	85	113
Days Payable (Days)	811	633	795
Conversion Cycle (Days)	-612	-423	-429