

ABAN SINKS with the RIG

Event

Rig Aban Pearl sinks in Caribbean Sea

Aban Pearl – a 1250 ft water dept Semisubmersible rig, owned by Aban Offshore sunk in the Caribbean Sea on **14th May, 2010**. The rig sank on account of failure of the rig's floatation system. The rig was drilling for gas off the coast of Sucre, a state in northeastern Venezuela in waters near Trinidad and Tobago.

Impact

Revenues and Profitability

Aban Pearl was one of Aban's finest and one of the biggest yielding asset which used to contribute around **~11% of total Aban's revenue**. It was drilling for Petroleos de Venezuela (PDVSA) at a day rate of \$357,000 or Rs.1.6 crore per day. We estimate **a revenue loss of \$ 125 million** on account of this. Further, the contract was up to January 2015 with the total remaining EBIDTA for the contract at **\$360 million**.

Cash Flows and Leverage

As Aban Pearl was among the biggest and the most profitable asset for Aban, we believe the loss of the rig would significantly impact Aban's cash flows, which in turn will impact its Aban debt servicing capability.

Is there a Ray of Hope?

Substitution

The assured cash flow from Aban Pearl was very important to the de-leveraging process. So, the company's endeavour is to keep the contract alive. Aban Offshore's officials said that another rig could possibly be brought to serve in Pearl's place, but they wished to reveal no details.

Insurance

The carrying cost of the asset on the books of Aban is close to **USD 250 million**. It was insured for market value, and hence the Company can expect to receive this amount from Insurance. Though the company is expected to get the insurance claim for the rig, typically it takes **6-9** months for the reimbursement. However we do not have information on the extent of insurance coverage of the rig. Any shortfall on insurance claims will put further strain on Aban's already stretched balance sheet.

*Post the event Aban's stock has corrected by more than 18% and is trading at a 50% discount to its 52 week high price of Rs.1682. We advise investors to remain **CAUTIOUS** on the stock. The Stock may remain weak till management gives more clarity on details of asset insurances.*

Research Analyst: Prashant Kamdar
E Mail Id: <mailto:prashant.kamdar@guinnessonline.net>
Contact No. 033-3001-5555, Extn.5509

Disclaimer

This Document has been prepared by the Research Team of Guinness Securities Ltd. and it is only meant for the use of the recipients only & it is strictly restricted for circulation without prior permission. Every care has been taken while preparing this document, however as the information contained herein is obtained from sources believed to be reliable hence we do not represent it, as accurate and it should not be relied upon as such. We do not take any responsibility for our research recommendation. Investors are advised to use their own judgment while taking any investment decision.

Registered Office: Suite no. 5, Rizvi Nagar, S.V. Road, Milan Subway, Santacruz (West), Mumbai- 400 054. (w.e.f. 1st April 2009)

Corporate Office: Guinness House. 18, Deshapriya Park Road, Kolkata-700 026. Ph: 3001-5555. Fax: 91 33 3001 5566.

Email: research@guinnessonline.net, Website: www.16anna.com
