

<b>ABG Shipyard Ltd.</b>	Buy   CMP Rs. 334.75	Q1 FY2009 Result Update
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**Stock Data**

Bloomberg : ABGS.IN  
 Reuters : ABGS.BO  
 BSE Code : 532682  
 NSE Code : ABGSHIP  
 BSE Group : B1

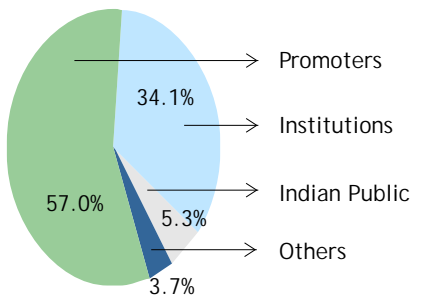
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**Stock Codes**

Benchmark : BSE Midcap  
 52 Week High : 1045.0  
 52 Week Low : 295.20  
 Mkt Cap : Rs. 19,054 Mn  
 Face Value : Rs. 10.0

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**Shareholding Pattern (as on June 08)**



Promoters	57.0%
Institutions	34.1%
Indian Public	5.3%
Others	3.7%

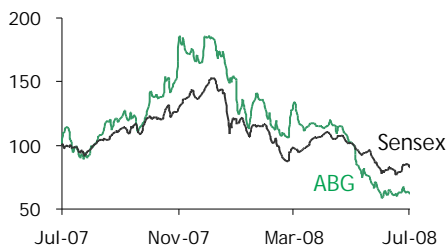
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**Stock Returns**

	1 Mth	3 Mths	6 Mths
ABG	-1.01	-45.53	-55.70
BSEMID	1.90	-23.12	-29.89

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**Price Comparison**



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**Q1 FY09 Performance Review**

The country's largest private sector shipbuilding company - ABG Shipyard Ltd. (ABG) reported flat Q-o-Q performance for the first quarter ended June 2008. The company reported a dip of 1.6% in Operating Revenues from Rs. 2,766.8 Mn. for Q4FY08 to Rs. 2,722.4 Mn. for Q1FY09. With a rise of over 13% in Cost of Materials & decline of over 43% in Employee Cost, the company saw its Operating Profits dip by over 15% on a Q-o-Q basis. Thanks to the almost three-fold jump in Other Income from Rs. 19.7 Mn. in Q4FY08 to Rs. 78.5 Mn. in Q1FY09, and also a decline in Interest Costs & Tax payable by close to 20% Q-o-Q, ABG was able to show a minor growth of 2% in PAT levels from Rs. 460.5 Mn. for Q4FY08 to Rs. 470.1 Mn. for Q1FY09. Except for the PAT margins, the company saw a decline of anywhere between 2% - 4% in Operating & EBITDA margins.

On a Y-o-Y basis however, the company has been able to report better performance. The top-line or Operating Revenues grew by 34% from Rs. 2,033.4 Mn. in Q1FY08 to Rs. 2,722.4 Mn. in Q1FY09. However, the Total Expenditure also increased by 119% on a Y-o-Y basis. With Other Income registering a growth of 136% from Rs. 33.2 Mn. in Q1FY08 to Rs. 78.5 Mn. in Q1FY09, the company reported a Y-o-Y growth of more than 40% in PAT levels. The EPS increase from Rs. 6.6 for Q1FY08 to Rs. 9.2 for Q1FY09.

**Company Profile**

ABG Shipyard Ltd. is India's largest private sector shipyard and has delivered over 100 ships of various types to both domestic & international customers since its inception in 1990. ABG is an established manufacturer of marine ships including bulk carriers, deck barriers, interceptor boats, anchor handling supply ships, driving support ships, tugs and offshore vessels. ABG has its shipbuilding facility at Magdala near Surat. Apart from expanding its capacity at this Surat yard, it is setting up a shipyard at Dahej to manufacture large size (upto 1,20,000 DWT) ships mainly for the dry-bulk segment at a total cost of Rs. 4 billion. In a second expansion phase at the same Dahej yard, ABG plans to manufacture drilling rigs used in the exploration & production activities for the Oil & Gas Industry.

As of June 2008, the order book for the company stands over Rs. 9,000 crores.

## Our View

We maintain our positive view for the shipbuilding sector, particularly looking at the demand coming from the offshore segment. We believe that ABG has an order book of almost 3 years forward sales giving a sense of long-term revenue visibility. With over 3 years of business in hand, there is no case of worry for the company. The scrip currently trades at 6.4x FY10E earnings of Rs. 52.5 per share. We maintain our BUY rating for this stock.

## ABG Shipyard : Quarterly Financials

Earnings Statement								
YE March (Rs. Mn.)	Q109	Q408	Q-Q(%)	Q108	Y-Y(%)	FY08	FY07	Y-Y(%)
Net Revenues	2,722.4	2,766.8	-1.61%	2,033.4	33.88%	9,668.4	7,061.6	36.92%
Cost of Materials	1,488.0	1,308.3	13.73%	1,270.4	17.12%	5,353.6	4,230.6	26.54%
Gross Profit	1,234.4	1,458.5	-15.37%	763.0	61.79%	4,314.8	2,831.0	52.41%
Employee Cost	77.8	137.5	-43.38%	41.6	86.97%	293.1	156.5	87.30%
Other Expenses	388.1	414.6	-6.39%	171.1	126.86%	1,105.0	720.8	53.30%
Total Expenditure	465.9	552.0	-15.60%	212.7	119.05%	1,398.1	877.3	59.37%
Operating Profit	768.5	906.5	-15.22%	550.3	39.65%	2,916.7	1,953.7	49.29%
OPM (%)	28.23%	32.76%		27.06%		30.17%	27.67%	
Other Income	78.5	19.7	297.76%	33.2	136.44%	74.0	54.3	36.46%
EBITDA	847.0	926.2	-8.55%	583.5	45.16%	2,990.7	2,008.0	48.94%
Depreciation	22.0	20.3	8.75%	16.8	31.27%	74.0	59.6	24.14%
EBIT	825.0	906.0	-8.94%	566.7	45.57%	2,916.7	1,948.4	49.70%
Interest	153.1	188.6	-18.82%	60.6	152.69%	457.1	266.8	71.32%
PBT	671.9	717.3	-6.34%	506.1	32.75%	2,459.6	1,681.5	46.27%
Tax	201.7	256.8	-21.45%	172.1	17.23%	852.8	518.4	64.49%
PAT	470.1	460.5	2.08%	334.0	40.74%	1,606.8	1,163.1	38.15%
Equity Capital	509.2	509.2		509.2		509.2	509.2	
EPS	9.2	9.0	2.08%	6.6	40.74%	31.6	22.8	38.15%
Ratio Analysis								
Profitability								
YE March (Rs. Mn.)	Q109	Q408	Q-Q(bps)	Q108	Y-Y(bps)	FY08	FY07	Y-Y(bps)
OPM (%)	28.2%	32.8%	(453.41)	27.1%	116.65	30.2%	27.7%	250.05
EBITDA (%)	31.1%	33.5%	(236.30)	28.7%	241.78	30.9%	28.4%	249.79
EBIT (%)	30.3%	32.7%	(244.02)	27.9%	243.39	30.2%	27.6%	257.67
PAT (%)	17.3%	16.6%	62.40	16.4%	84.15	16.6%	16.5%	14.87
Operational Parameters								
YE March (Rs. Mn.)	Q109	Q408	Q-Q(bps)	Q108	Y-Y(bps)	FY08	FY07	Y-Y(bps)
RM Consumed	54.7%	47.3%	737.17	62.5%	(782.09)	55.4%	59.9%	(453.79)
Staff Cost	2.9%	5.0%	(210.93)	2.0%	81.17	3.0%	2.2%	81.56
Other Expenditure	14.3%	15.0%	(72.84)	8.4%	584.28	11.4%	10.2%	122.19
Effective Tax Rate	30.0%	35.8%	(577.35)	34.0%	(397.39)	34.7%	30.8%	384.00

## ABG Shipyard : Financials

Earnings Statement										
Particulars (Rs Mn)	FY06	FY07	FY08A	FY09E	FY10E	FY11E	FY12E	FY13E	FY14E	FY15E
Total Revenues (Excl Subsidy)	4,687.4	6,242.2	8,851.6	13,946.1	20,863.1	33,684.4	40,727.0	47,421.6	49,066.9	50,727.8
- Growth (%)	44.0%	33.2%	41.8%	57.6%	49.6%	61.5%	20.9%	16.4%	3.5%	3.4%
Total Expenditure	4,023.2	5,107.9	6,751.7	11,097.4	16,642.0	26,935.9	32,640.4	38,090.9	39,497.9	40,924.0
Operating Profit	664.2	1,134.3	2,099.9	2,848.7	4,221.2	6,748.5	8,086.6	9,330.7	9,569.1	9,803.8
Other Income	61.3	52.7	74.0	0.0	0.0	0.0	40.0	180.0	540.0	920.0
Subsidy	745.3	819.4	816.8	1,651.1	2,476.7	4,009.8	4,848.5	5,644.1	5,832.2	6,020.4
EBITDA	1,470.7	2,006.4	2,990.7	4,499.8	6,697.8	10,758.3	12,975.1	15,154.8	15,941.3	16,744.1
<i>EBITDA (Excl. Subsidy)</i>	<i>725.4</i>	<i>1,187.0</i>	<i>2,173.9</i>	<i>2,848.7</i>	<i>4,221.2</i>	<i>6,748.5</i>	<i>8,126.6</i>	<i>9,510.7</i>	<i>10,109.1</i>	<i>10,723.8</i>
Depreciation	36.5	59.6	74.0	318.1	466.8	650.6	851.8	886.8	921.8	956.8
EBIT	1,434.2	1,946.8	2,916.7	4,181.7	6,231.0	10,107.7	12,123.3	14,268.0	15,019.5	15,787.3
Interest	167.3	266.8	457.1	517.1	832.1	1,822.1	1,822.1	1,822.1	1,822.1	1,822.1
PBT	1,266.9	1,679.9	2,459.6	3,664.6	5,398.9	8,285.6	10,301.2	12,445.9	13,197.3	13,965.2
Tax	429.6	518.4	852.8	1,246.0	1,835.6	2,817.1	3,502.4	4,231.6	4,487.1	4,748.2
PAT Before EI	837.3	1,161.5	1,606.8	2,418.6	3,563.3	5,468.5	6,798.8	8,214.3	8,710.2	9,217.0
- Growth (%)	87.1%	38.7%	38.3%	50.5%	47.3%	53.5%	24.3%	20.8%	6.0%	5.8%
Extra-ordinary Items	-0.2	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PAT	837.1	1,163.1	1,606.8	2,418.6	3,563.3	5,468.5	6,798.8	8,214.3	8,710.2	9,217.0
Ratio Analysis										
Particulars	FY06	FY07	FY08E	FY09E	FY10E	FY11E	FY12E	FY13E	FY14E	FY15E
OPM (%)	14.2%	18.2%	23.7%	20.4%	20.2%	20.0%	19.9%	19.7%	19.5%	19.3%
EBITDA (%)	31.4%	32.1%	33.8%	32.3%	32.1%	31.9%	31.9%	32.0%	32.5%	33.0%
EBITDA % (Excl. Subsidy)	15.5%	19.0%	24.6%	20.4%	20.2%	20.0%	20.0%	20.1%	20.6%	21.1%
PBIT (%)	30.6%	31.2%	33.0%	30.0%	29.9%	30.0%	29.8%	30.1%	30.6%	31.1%
PAT (%)	17.9%	18.6%	18.2%	17.3%	17.1%	16.2%	16.7%	17.3%	17.8%	18.2%
Interest Cover (x)	8.6	7.3	6.4	8.1	7.5	5.5	6.7	7.8	8.2	8.7
EPS (Rs.)	16.4	22.8	28.2	38.4	52.5	80.5	100.1	120.9	128.2	135.7
P/E (x)	20.4	14.7	11.9	8.7	6.4	4.2	3.3	2.8	2.6	2.5
P/BV (x)	3.5	2.9	1.6	1.1	0.9	0.7	0.6	0.5	0.4	0.4
BVPS (Rs.)	94.7	115.4	206.2	301.7	389.8	463.3	554.7	665.1	781.6	904.4
Market Cap (Rs. Mn.)	17,046.1	17,046.1	19,054.6	21,063.1	22,736.8	22,736.8	22,736.8	22,736.8	22,736.8	22,736.8
M Cap/Sales (x)	3.6	2.7	2.2	1.5	1.1	0.7	0.6	0.5	0.5	0.4
EV (Rs. Mn.)	13,990.3	19,740.3	22,612.9	26,282.7	31,106.1	42,458.1	42,314.9	42,513.8	42,449.8	42,270.4
EV/EBITDA (x)	9.5	9.8	7.6	5.8	4.6	3.9	3.3	2.8	2.7	2.5
EV/Sales (x)	3.0	3.2	2.6	1.9	1.5	1.3	1.0	0.9	0.9	0.8
ROCE (%)	24.6%	19.5%	18.4%	16.9%	17.4%	19.5%	20.9%	21.8%	20.5%	19.3%
RONW (%)	17.4%	19.8%	13.7%	12.7%	13.5%	17.4%	18.0%	18.2%	16.4%	15.0%
Debt/Equity Ratio (x)	0.2	0.7	0.3	0.3	0.3	0.6	0.5	0.4	0.4	0.3
Inventory T/o Days	175.3	311.1	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0
Debtors T/o Days	4.8	4.7	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Advances T/o Days	182.4	387.4	300.0	325.0	325.0	325.0	325.0	325.0	325.0	325.0
Creditors T/o Days	281.6	303.2	250.0	250.0	250.0	250.0	250.0	250.0	250.0	250.0
Working Cap T/o Days	383.8	473.1	369.9	385.8	387.3	377.7	378.0	375.6	376.0	377.1
Fixed Assets T/o (Gross)	3.3	3.5	2.6	1.5	1.6	1.8	1.7	1.9	1.9	1.9
DPS (Rs.)	1.2	1.5	2.0	3.0	4.0	6.0	7.5	9.0	10.0	11.0
Dividend Payout (%)	7.3%	6.6%	7.1%	7.8%	7.6%	7.5%	7.5%	7.4%	7.8%	8.1%
Dividend Yield (%)	0.4%	0.4%	0.6%	0.9%	1.2%	1.8%	2.2%	2.7%	3.0%	3.3%

## ABG Shipyard : Financials

Balance Sheet										
Particulars (Rs Mn)	FY06	FY07	FY08E	FY09E	FY10E	FY11E	FY12E	FY13E	FY14E	FY15E
Equity Capital	509.2	509.2	569.2	629.2	679.2	679.2	679.2	679.2	679.2	679.2
Reserves	4,315.2	5,369.2	11,169.5	18,353.9	25,799.3	30,791.1	36,993.9	44,493.0	52,408.6	60,751.6
Shareholders Funds	4,824.4	5,878.4	11,738.7	18,983.2	26,478.6	31,470.3	37,673.1	45,172.2	53,087.8	61,430.8
Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Borrowed Funds	997.0	4,095.8	4,095.8	5,745.8	9,245.8	20,245.8	20,245.8	20,245.8	20,245.8	20,245.8
Deferred Tax Liability	667.2	1,080.3	1,675.3	2,481.6	3,669.3	5,492.1	7,758.4	10,496.5	13,399.9	16,472.2
Total Liabilities	6,488.6	11,054.5	17,509.8	27,210.5	39,393.6	57,208.2	65,677.2	75,914.4	86,733.5	98,148.8
Fixed Assets	1,560.4	2,962.8	8,538.8	12,470.7	17,253.9	22,353.3	22,501.5	22,614.6	22,692.8	22,736.0
Investments	0.0	0.0	0.0	0.0	0.0	0.0	1,000.0	4,500.0	13,500.0	23,000.0
Current Assets										
Inventory	2,251.2	5,320.4	7,275.3	11,462.6	17,147.8	27,685.8	33,474.3	38,976.7	40,329.0	41,694.0
Sundry Debtors	61.2	81.2	121.3	191.0	285.8	461.4	557.9	649.6	672.1	694.9
Loans & Advances	2,341.8	6,624.6	7,275.3	12,417.8	18,576.7	29,992.9	36,263.8	42,224.7	43,689.7	45,168.5
Cash & Bank Balance	4,052.8	1,401.5	537.5	526.2	876.5	524.5	667.7	468.7	532.7	712.2
Current Liabilities										
Sundry Creditors	3,615.8	5,185.8	6,062.7	9,552.1	14,289.8	23,071.5	27,895.2	32,480.6	33,607.5	34,745.0
Provisions	163.0	150.1	175.5	305.7	457.3	738.3	892.6	1,039.4	1,075.4	1,111.8
Net Current Assets	4,928.2	8,091.7	8,971.0	14,739.8	22,139.7	34,854.9	42,175.8	48,799.8	50,540.7	52,412.8
Miscellaneous Expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Assets	6,488.6	11,054.5	17,509.8	27,210.4	39,393.6	57,208.1	65,677.2	75,914.4	86,733.5	98,148.8
Cash Flow										
Particulars (Rs Mn)	FY06	FY07	FY08E	FY09E	FY10E	FY11E	FY12E	FY13E	FY14E	FY15E
Opening Cash & Bank	486.5	4,052.8	1,401.5	537.5	526.2	876.5	524.5	667.7	468.8	532.7
Profit After Tax	837.1	1,163.1	1,606.8	2,418.6	3,563.3	5,468.5	6,798.8	8,214.3	8,710.2	9,217.0
Investment Income	(61.3)	(52.7)	(74.0)	0.0	0.0	0.0	(40.0)	(180.0)	(540.0)	(920.0)
Interest Paid	167.3	266.8	457.1	517.1	832.1	1,822.1	1,822.1	1,822.1	1,822.1	1,822.1
Miscellaneous Exp W/Off	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation	36.5	59.6	74.0	318.1	466.8	650.6	851.8	886.8	921.8	956.8
Deferred Taxation	389.0	413.1	595.0	806.2	1,187.8	1,822.8	2,266.3	2,738.1	2,903.4	3,072.3
Others	20.1	19.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in Working Cap	190.3	(5,814.8)	(1,743.3)	(5,780.0)	(7,049.6)	(13,067.1)	(7,177.7)	(6,823.0)	(1,676.9)	(1,692.7)
CF - Operating Activities	1,578.9	(3,945.5)	915.6	(1,720.0)	(999.7)	(3,303.1)	4,521.3	6,658.3	12,140.7	12,455.6
Change in Fixed Assets	(617.3)	(1,481.2)	(5,650.0)	(4,250.0)	(5,250.0)	(5,750.0)	(1,000.0)	(1,000.0)	(1,000.0)	(1,000.0)
Change in Investments	0.0	0.0	0.0	0.0	0.0	0.0	(1,000.0)	(3,500.0)	(9,000.0)	(9,500.0)
Investment Income	61.3	52.7	74.0	0.0	0.0	0.0	40.0	180.0	540.0	920.0
CF - Investing Activities	(556.0)	(1,428.6)	(5,576.0)	(4,250.0)	(5,250.0)	(5,750.0)	(1,960.0)	(4,320.0)	(9,460.0)	(9,580.0)
Increase in Equity	2,513.5	(19.7)	4,386.6	5,046.7	4,250.0	0.0	0.0	0.0	0.0	0.0
Changes in Borrowings	266.9	3,098.8	0.0	1,650.0	3,500.0	11,000.0	0.0	0.0	0.0	0.0
Interest Paid	(167.3)	(266.8)	(457.1)	(517.1)	(832.1)	(1,822.1)	(1,822.1)	(1,822.1)	(1,822.1)	(1,822.1)
Dividend Paid	(69.7)	(89.4)	(133.2)	(220.8)	(317.8)	(476.8)	(596.0)	(715.2)	(794.6)	(874.1)
CF - Financing Activities	2,543.3	2,722.8	3,796.3	5,958.7	6,600.0	8,701.1	(2,418.1)	(2,537.3)	(2,616.7)	(2,696.2)
Net Change in Cash	3,566.3	(2,651.3)	(864.1)	(11.3)	350.3	(352.0)	143.2	(199.0)	64.0	179.4
Closing Cash & Bank Balance	4,052.8	1,401.5	537.5	526.2	876.5	524.5	667.7	468.8	532.7	712.2

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