

Asian Oilfield Services Ltd

Sensex: 32575

CMP: INR 177



Oil & Gas

Asian Oilfield Services Ltd. (ASOL) provides high-end 2D and 3D Seismic services for oil and gas companies in India and abroad. Since its inception, the company has gained wide range of experience by executing several seismic data acquisition, seismic job services, shot hole drilling and up hole drilling projects. It has provided range of services to reputed national and multinational companies. Recently, Oilmax Energy became the new Promoter for the company with 57.81% promoter holdings. The company currently has an order book of 2D Seismic contracts in India and Operations and Management contracts in Nigeria.

Seismic Study catching pace in the country

The government has introduced ~INR 20 billion worth of 2D Seismic survey contracts over the past year through National Seismic Program. This program is expected to deliver INR 30-50 billion worth of 2D Seismic study contracts over the next few years into the market. As per our estimates, the available opportunity of 2D Seismic surveys in India is ~INR 139 billion, which is expected to be delivered by FY20.

2D Seismic study to be the major Revenue trigger

The company recently received INR 6 billion worth of 2D Seismic study contracts used for pre-exploration of oil reserves in India under the National Seismic program. Oil India and ONGC are the major contractors for the company in India. These contracts are located in North East, Ganga Basin, and Myanmar, executable over a period of 2-3 years. We expect annual revenues of ~INR 2-2.5 billion from these contracts over the next few years.

Operations and Management contract to contribute ~INR 1.25 bn annually

The company recently ventured into Operations and Management contract in Nigeria. Post Oilmax Energy acquired the promoter shareholding on ASOL, it received an O&M contract in Nigeria. The contract is worth USD 95 million, spread over 5 years. The

company will receive USD 19 million (~INR 1.25 billion) from this contract for five years. The company is also expected to acquire new contracts in O&M over the next few years.

Healthy Margins expected from the two major businesses

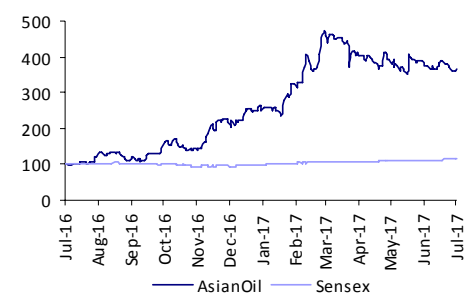
We expect the company to garner 25-30% EBITDA margins from its 2D Seismic study contracts and 30-35% margins from its Operations and Management contract. The company is expected to maintain these margins as it does not intend to immediately enter into new businesses.

Financials and Valuation

The Indian government has introduced multiple 2D Seismic study contracts and plans to increase seismic surveys in the country. ASOL being one of the major companies into Seismic study, has high probability of acquiring more 2D seismic survey contracts. Post the shift in management, the company plans on maintaining healthy revenue flow and consistent margins with inflow of new contracts over the next few years. In FY17, the company reported revenues of INR 1243 million with Adjusted EBITDA of INR 268 million, and is expected to report annual revenues in the range of INR 3-3.5 billion with consistent high margins of ~28%. Currently, the company is trading at TTM EV/Net Sales multiple of 3.8x.

Shareholding (%)	Jun-17
Promoters	57.81
FII's	0.19
DII's	0.00
Others	42.00

Relative Price Performance



Key Data	
BSE Code	530355
NSE Code	-
Bloomberg Code	AOS IN
Reuters Code	AOSL.BO
Shares Outstanding (mn)	26.07
Face Value	10
Mcap (INR mn)	4980.13
52 Week H/L	249.6/39.0
2W Avg. Qty.(Lakhs)	0.20
Free Float (INR mn)	3436.4
Beta	1.53

(INR mn)	FY14	FY15	FY15	FY17
Net Sales	1218	1408	777	1243
Growth	-66.38%	15.60%	-44.85%	60.06%
EBIDTAM	-25	-55	-251	-182
Adj. PAT	-234	-270	-271	-184
Growth	NA	NA	NA	NA
Adj. EPS (INR)	-10.49	-12.10	-12.12	-8.24
P/E (x)	NA	NA	NA	NA
EV/EBIDTA	NA	NA	NA	NA
Debt/Equity	0.72	1.40	6.10	0.92
RoCE	NA	NA	NA	NA
RoNW	NA	NA	NA	NA

Financials

Income Statement

Y/E Mar (INR mn)	FY14	FY15	FY16	FY17
Gross Sales	1218	1408	777	1243
Less: Excise Duty				
Net Sales	1218	1408	777	1243
EXPENDITURE :				
Power & Fuel Cost	22	48	22	40
Employee Cost	156	230	175	255
Other Manufacturing Expenses	823	826	614	709
General and Administration Expenses	139	348	161	191
Selling and Distribution Expenses	90	6	1	51
Miscellaneous Expenses	14	6	55	179
Total Expenditure	1243	1463	1027	1425
Operating Profit (Excl OI)	-25	-55	-251	-182
Other Income	35	65	285	39
Operating Profit	10	10	35	-143
Interest	95	95	109	77
PBDT	-85	-84	-74	-220
Depreciation	141	181	178	151
Profit Before Taxation & Exceptional Items	-226	-265	-252	-372
Exceptional Income / Expenses	-8	-4	0	190
Profit Before Tax	-234	-270	-252	-182
Provision for Tax	0	0	19	2
Profit After Tax	-234	-270	-271	-184
Earnings Per Share	-10	-12	-12	-8
Adjusted EPS	-10	-12	-12	-8

Key Ratios

Y/E Mar	FY14	FY15	FY16	FY17
BVPS	29.12	16.66	4.51	31.37
Return Ratios (%)				
RoCE	-13.19	-16.01	-12.59	-18.76
RoNW	-34.14	-52.86	-114.50	-24.42
Liquidity Ratios				
Total Debt/Equity	0.72	1.40	6.10	0.92
Interest Coverage Ratio	-1.47	-1.85	-1.31	-2.87
Current Ratio	0.64	0.50	0.45	1.69
Quick Ratio	0.58	0.44	0.41	1.09
Efficiency Ratios				
Asset Turnover Ratio	0.83	0.87	0.48	0.59
Inventory Days	15.18	10.41	22.27	10.10
Debtor Days	39.35	38.67	145.15	79.67
Creditor Days	49.39	41.56	71.10	102.59
Valuation Ratios				
P/E (x)	NA	NA	NA	NA
P/BV (x)	6.56	11.46	42.35	6.09
P/CEPS (x)	NA	NA	NA	NA
Dividend Yield (%)	NA	NA	NA	NA
EV/Net Sales (x)	4.47	3.86	7.01	4.38
EV/EBIDTA (x)	-219.34	-98.77	-21.72	-29.85

Balance Sheet

Y/E Mar (INR mn)	FY14	FY15	FY16	FY17
Share Capital	223	223	223	261
Total Reserves	427	149	-123	77
Money received against share warrants	0	0	0	0
Shareholder's Funds	650	372	101	818
Minority Interest	0	0	0	0
Secured Loans	66	171	47	122
Unsecured Loans	399	350	567	632
Total Debt (Long Term Plus Short Term)	465	521	614	754
Other Long Term Liabilities	361	199	1	0
Long Term Trade Payables	360	199	0	0
Long Term Provisions	1	1	1	0
Source of Funds	1837	1291	716	1571
ASSETS				
Non-Current Assets				
Gross Block	1632	1648	1730	1799
Less: Accumulated Depreciation	465	587	776	965
Net Block	1168	1060	954	834
Capital Work in Progress	82	0	0	0
Long Term Loans & Advances	23	74	51	49
Other Non Current Assets	0	49	56	328
Total Non-Current Assets	1272	1183	1061	1212
Investments	361	199	1	0
Total Current Assets	454	315	645	882
Total Current Liabilities	250	407	990	522
Application of Funds	1837	1291	716	1571

Cash Flow

Y/E Mar (INR mn)	FY14	FY15	FY16	FY17
EBT	-234	-270	-252	-182
Less: Other Income/Exceptionals	12	-14	30	52
Add: Depreciation	142	181	178	151
Add: Interest paid	86	90	86	72
Direct taxes paid	-8	-2	-3	-3
Change in Working Capital	155	-61	-50	-49
Cash Flow from operations (a)	153	-76	-11	41
Change in Fixed Assets	-959	44	-22	-120
Change in CWIP & Investments	60	-35	32	-29
Others	445	-133	-34	-1
Cash Flow from Investing (b)	-454	-124	-24	-150
Change in Equity	151	0	0	0
Debt Raised/(Repaid)	192	231	142	139
Interest paid	-45	-54	-52	-77
Others	0	0	0	244
Cash Flow from Financing (c)	298	177	90	306
Net Change in Cash (a+b+c)	-3	-23	55	195
Opening Cash	44	41	17	97
Closing Cash	41	17	72	291

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