

Date: 9<sup>th</sup> May, 2024

## SME IPO Note

Opening Date	May 10, 2024
Closing Date	May 15, 2024
Face Value	₹10 per share
Price	₹140-147 per share
Bid Lot	1000 shares and its multiple thereof
Issue Size (mn shares)	6.55
Issue Size (₹ Cr)	91.70 - 96.29
Shares o/s pre-issue (mn)	18
Shares o/s post-issue (mn)	24.55
Post issue market cap (₹ cr)	343.7 - 360.8

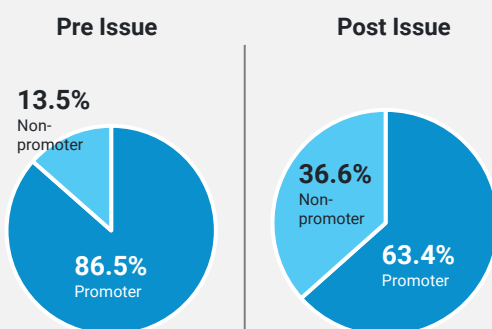
## Issue Structure

QIB	50%
Retail	35%
Non-Institutional Category	15%

## Object of the issue

- Acquisition of offshore vessel
- Funding the working capital requirements of the company
- General corporate purposes

## Shareholding



Source: Company

## Setting sail for success

Established in 1992 and headquartered in Chennai, ABS Marine Services has evolved into a leading force in the maritime industry. The company provides comprehensive solutions, specialising in Ship Management, Vessel Ownership, Marine Services, and Port Services. It also has an international presence, delivering services through strategically positioned offices in Mumbai, Kochi, Singapore, and a satellite office in Kakinada.

They are a fully integrated company with complete in-house vessel management, including commercial management. The company operates over 30 vessels, with 5 owned vessels comprising 2 advanced offshore vessels servicing the Oil & Gas sector and 3 Harbour Crafts serving the Indian Ports sector. They also have one long-term chartered specialised multipurpose offshore vessel serving the Oil & Gas Sector. Income is principally generated from Ship Owning, Ship Chartering, and Ship Management activities, which contribute more than 90% of total income.

Their seafarer pool comprises more than 2,000 highly qualified professionals, selected through a rigorous process to meet and exceed market standards. The company boasts high retention rates, attributed to decades of experience in managing all aspects of the recruitment process, ensuring a skilled and stable workforce. At the upper band of ₹147, the issue is valued at a PE of 14.2x based on FY24 EPS of ₹10.4 on consolidated level post-issue valuations. We assign 'Subscribe' rating.

## Financial Snapshot (Consolidated)

Particulars (₹ crore)	FY24	FY23	FY22
Revenues	135.16	111.58	71.63
Other Income	2.86	2.23	11.21
<b>Total Income</b>	<b>138.02</b>	<b>113.81</b>	<b>82.84</b>
Direct Expenses	77.87	73.87	41.6
Employee costs	6.23	6.31	5.67
Other expenses	9.24	3.32	4.6
Total Expenditure	93.35	83.51	51.87
<b>EBITDA</b>	<b>44.67</b>	<b>30.3</b>	<b>30.97</b>
EBIDTA (%)	33.05	27.16	43.24
Finance Costs	4.84	4.75	4.5
Depreciation	13.51	13.27	16.25
PBT	26.32	12.28	10.21
Tax	0.91	2.06	1.84
<b>PAT</b>	<b>25.41</b>	<b>10.22</b>	<b>8.38</b>
Minority Interest	1.86	0.69	0.28
Total Comprehensive Income	23.55	9.53	8.09
NPM (%)	18.41	8.98	10.11
ROE (%)	20.1	10.19	9.67
ROCE (%)	18.67	11.66	9.8

Source: Company

## Investment Rationale

### Strong Client Base

Customers primarily comprise of the Government of India, large industrial concerns, public sector undertakings, port authorities, and the private sector. The company has entered into 10 strategic contracts with government agencies. Out of the ten contracts, one major contract with the Ministry of Earth and Science (MOES) contributes 23.5% to revenue from operations. The top 10 clients contribute around 90% to revenue.

They have been a long-term service provider to public sector oil companies and also have strong customer relationships with the Ministry of Earth Science, the National Institute of Ocean Technology (NIOT), the National Centre for Polar and Ocean Research (NCPOR), the Centre for Marine Living Resources & Ecology (CMLRE), and Major Ports.



Source: Company

### Revenue Breakup (₹ crore)

Type of customer	FY24	FY23	FY22
Government	74.49 (54%)	52.91 (46%)	31.17 (38%)
Public Sector Undertakings	53.46 (39%)	29.30 (26%)	29.90 (36%)
Others	10.06 (7%)	31.59 (28%)	21.77 (26%)
<b>Total</b>	<b>138.02</b>	<b>113.81</b>	<b>82.84</b>

Source: Company

### Focus on Government-related contracts

- Focus on bidding for government contracts for ship management.
- Enhance operating efficiency, service quality, and competitiveness.
- Prioritise efficiency, service quality, and responsiveness to meet customer demands.

### Strategies to improve operating efficiency and fleet capacity:

- Acquiring younger vessels to reduce fleet age.
- Investing in advanced efficiency technologies to align with IMO decarbonisation goals.
- Addressing ESG concerns by implementing data collection processes and
- Managing risks/opportunities for sustainable development.

## Industry Boom

Business is directly impacted by levels of economic activity in general, and international shipping volumes, particularly in the energy-related shipping sector.

- India is one of the world's top 5 ship recycling countries.
- India is the 3rd largest globally in terms of ship recycling by tonnage.

1

India is the 16th largest maritime country in the world and the Indian maritime sector contributes to around 95% of the India's trade by volume and 70% by value.

2

The Indian government has introduced various fiscal and non-fiscal incentives to promote enterprises involved in ports, inland waterways, and shipbuilding.

3

Foreign Direct Investment (FDI) is encouraged in the maritime sector, with 100% FDI allowed under both government and automatic routes.

4

India boasts 12 major ports and 200 non-major/intermediate ports, with Jawaharlal Nehru Port Trust being the largest major port and Mudra the largest private port.

5

In 2017, the Sagar Mala Program was initiated with a focus on port-led development and logistics-intensive industries. This program entails a significant investment of \$123 billion across 415 projects.

6

Launched in March 2021, Maritime India Vision 2030 vision outlines over 150 initiatives to accelerate and coordinate the development of India's maritime sector, developed in consultation with public and private stakeholders.

7

Deendayal Port leads in cargo handling, followed by other major ports like Paradip, JNPA, Visakhapatnam, Mumbai, Chennai, SMP Haldia, Kamarajar, NMPA, VOC, Cochin, Mormugao, and SMP Kolkata.

8

Public-private partnership projects worth approximately \$5 billion (₹ 40,000 cr) are underway, with 33 operational projects and 25 projects under implementation, contributing to the sector's growth and development.

## Brand Recognition

ABS Marine Services started operations in 1992 and has been able to establish a reputation and strong customer relationships with various public sector undertakings and the government. With more than four decades of experience among the promoters in the industry, they have been able to maintain long-standing relationships with government customers. They intend to continue leveraging the goodwill of the brand to enhance relationships with existing customers and to seek new customers, aiding growth in the business.

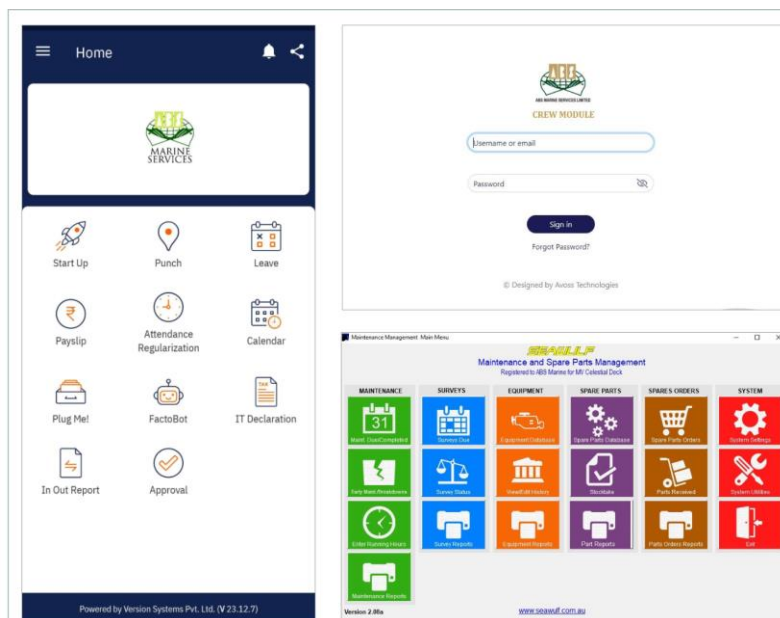
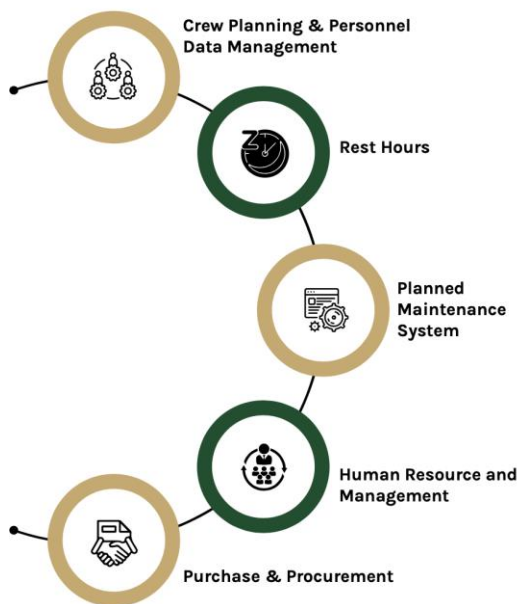
## Diversified Fleet:

Sr. No	Type of Vessel	Number of Vessel	Owned / Ship Management / Chartered
1	DP Anchor Handling Towing Supply Vessel	1	Owned & Managed
2	DP Multi Purpose Platform Supply Vessel	1	Owned & Managed
3	DP Multi Purpose Offshore Support Vessel	1	Chartered & Managed
4	Harbour Crafts	3	Owned & Managed
5	DP Ocean Research Vessels	2	Managed
6	Coastal Research Vessels	3	Managed
7	Fishery Oceanographic Research Vessel	1	Managed
8	Bulk Carriers	4	Managed
9	Oil Tankers	10	Managed
10	Pasenger Vessels	10	Managed

Source: Company

## Tech-Driven Capabilities

Business is seamlessly connected through cutting-edge satellite and land-based communication systems, supported by advanced specialised software.



Source: Company

## Strategic Focus

- With high energy prices and a focus on energy security and transition, it is expected that both Oil & Gas and Renewable energy activity will continue at a high level going forward.
- The company will refocus on higher value vessels to increase fleet yields by purchasing specific types of vessels to expand the fleet.
- Invest in Offshore Supply Vessel(s).
- Invest in Bulk Carrier(s).
- Supplement the fleet with chartered vessels.
- Maximise returns through increased utilisation and rates in the rising market.
- Increase income through Efficient Ship Management Services.
- Increase focus on growth in Fire & Safety Services across India.
- Capital management balancing investment in growth with future returns for shareholders.

## Strong management

### Captain P.B. Narayanan Managing Director

Captain P.B. Narayanan is a Master Mariner with over 15 years at sea, including 5 years in commercial vessels.

After honing his skills at sea, he transitioned ashore to refine his commercial acumen. In October 1992, he founded ABS Marine Services.

Under his leadership, the company has experienced substantial growth and now stands at the forefront of ship management, marine services, and project management.

### Captain Jeevan Krishnan Sanjeevan Whole Time Director

Captain Jeevan Krishnan Sanjeevan is a Master Mariner with 12 years of sailing experience on various types of ships, including bulk carriers, oil tankers, gas carriers, and offshore vessels.

He joined ABS Marine Services in 2016 as Manager (Operations).

He brings an eye for detail and knowledge gained from sailing on various types of vessels.

### Ms. Arathi Narayanan FICS Director & Chief Financial Officer

Ms. Arathi Narayanan is an honors graduate in Law and a postgraduate in Maritime Law from the University of Southampton.

She oversees administrative and legal affairs while implementing system changes by leveraging technology to suit the need.

She currently serves as Honorary Vice Chairman-ICS East India Branch (2023-2025) and Honorary Vice President-WISTA India (2023-2024).

### Mrs. Shreelatha Narayanan Non-Executive Director

Mrs. Shreelatha Narayanan holds a Postgraduate Diploma in Special Education.

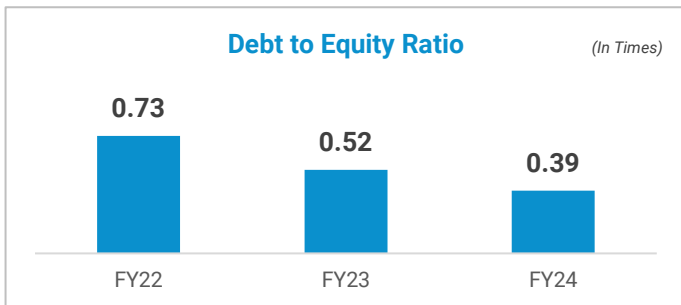
She has been actively involved in CSR activities even before the concept came to the fore.

Her involvement in social service has earned her the National Women Achievers Award in Social Service.

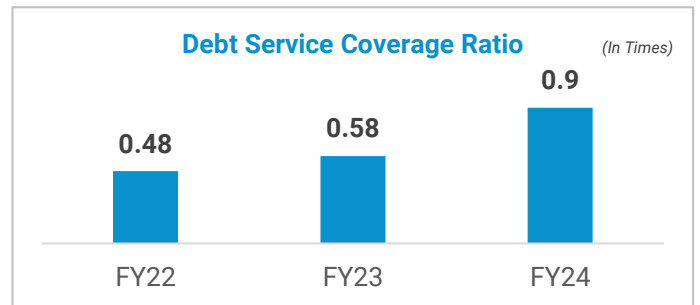
## Liabilities & Assets

Equity & Liabilities (₹ crore)	FY24	FY23	FY22
Equity	18.00	0.01	0.01
Reserves	99.17	93.51	83.69
Net Worth	117.17	93.52	83.7
Minority Interest	9.65	7.79	7.1
<b>Non Current Liabilities</b>			
Non-Current Borrowings	26.82	28.97	44.27
Long Term Provision	0.78	0.87	0.72
Other Non-Current Liabilities	0.01	0.01	0.01
Total Non-Current Liabilities	27.61	29.85	45
<b>Current Liabilities</b>			
Short Term Borrowings	18.86	19.69	16.88
Trade Payables	5.00	16.93	9.02
Short Term Provisions	3.28	0.2	0.16
Other Current Liabilities	3.24	7.54	4.77
Total Current Liabilities	30.38	44.36	30.83
<b>Total Liabilities</b>	<b>184.81</b>	<b>175.53</b>	<b>166.63</b>

Assets (₹ crore)	FY24	FY23	FY22
<b>Non-Current Assets</b>			
Fixed Assets	81.79	85.85	91.39
Long Term Loans And Advances	9.6	9.12	13.93
Good Will On Consolidation	0.01	0.01	0.01
Deferred Tax Assets (Net)	9.75	2.65	1.7
Other Non-Current Assets	20.69	23.66	0.2
Total Non-Current Assets	121.84	121.3	107.23
<b>Current Assets</b>			
Current Investment	10.55	5.33	30.82
Trade Receivables	32.06	24.21	12.66
Cash & Bank Balance	7.06	18.25	11.58
Short Term Loan And Advances	13.3	6.43	4.33
Total Current Assets	62.97	54.23	59.4
<b>Total Assets</b>	<b>184.81</b>	<b>175.53</b>	<b>166.63</b>



Source: Company



## PL's View

With a strong client base and strategic contracts with government agencies, this company maintains stability in its revenue streams. Notably, its long-standing relationships with key players like the Ministry of Earth Science and other major ports underscore its brand recognition and reputation.

Leveraging over four decades of industry experience, the company aims to further solidify its position by focusing on government-related contracts, enhancing operational efficiency, and investing in advanced technologies for sustainable growth. With a diversified fleet and a strategic focus on higher value vessels, including offshore supply and bulk carriers, alongside a commitment to technology-driven solutions, the company is poised to capitalise on the ongoing industry boom, particularly in energy-related shipping sectors.

Moreover, with a keen eye on capital management and shareholder returns, it seeks to maximise its potential for growth while maintaining a sustainable business model. ABS Marine Services is expected to grow at ~26% YoY to ₹170 crore and EBITDA and PAT margins are expected around ~30% & ~20% in FY25E. The acquisition of OSV is expected to bring revenue from Q3FY25E onwards. The focus on ship ownership business (~60% margin), government-related ship management contracts, in-house management for better cost controls, and maritime sector tailwind would lead to business visibility. At the upper band of ₹147, the issue is valued at a PE of 14.2x based on FY24 EPS of ₹10.4 on consolidated level post-issue valuations.

### ANALYST CERTIFICATION (Indian Clients)

We/I Ms. Kunj Dilip Lalka - Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. Investment in securities market are subject to market risks, read all the related documents carefully before investing.