



“Aban Offshore Limited Q3 FY-17 Earnings
Conference Call”

February 3, 2017



**MANAGEMENT: MR. S. SRINIVASAN - SENIOR VICE PRESIDENT, ABAN
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MODERATOR: MR. PRASHANT TARWADI – AXIS CAPITAL LIMITED



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Moderator: Good day, ladies and gentlemen, and welcome to the Aban Offshore Limited Q3 FY17 Results Conference Call hosted by Axis Capital Limited. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Prashant Tarwadi from Axis Capital. Thank you and over to you, sir.

Prashant Tarwadi: Good afternoon everyone. On behalf of Axis Capital, I welcome you on Aban Offshore's Q3 FY17 Earnings Conference Call. We have with us Mr. S. Srinivasan, who is the Senior Vice President at Aban Offshore Limited. Now let me handover the call to Mr. Srinivasan for a brief on Q3 FY17 earnings formal which will be followed by in an interactive Q&A session. Thanks a lot gentlemen and over to you Mr. Srinivasan.

S. Srinivasan: Thanks Prashant. Good afternoon everyone. I welcome all of you for this Q3 Earnings call of Aban Offshore Limited. The results have already been published and I am sure now you must be having it.

To summarize we have recorded a total income of about Rs. 487 crores in Q3 compared to Rs. 399 crores in Q2. In dollar terms it is about \$72.3 million in Q3 against \$59.6 million in Q2. That is about a 20% growth in revenues. This is mainly driven by the new contract for Aban Abraham which is a two-year contract with ONGC. The ABAN Abraham rig commenced its operations around October 26 of 2016.

So this is one of the main reasons for increase in revenues. Regarding other changes in the rig operations I would like to inform you that the rig ABAN Ice has completed its contract on January 26 of 2017 and as announced during last earnings call the rigs DD5 and DD8 they are likely to start their short-term contract anytime now probably in the next three, four days.

We have also received short term contracts for rig DD6 and ABAN VII in the Middle East region. This is for approximately 60 days each which will commence sometime in the end of February for DD6 and in March for ABAN VII.

So that is all from me for now. And I will be happy to answer your questions.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session.

We have the first question from the line of Abhinav Ganeshan from Canara Bank Securities. Please go ahead, sir.



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Abhinav Ganeshan: Just wanted to understand that you are getting these contracts for DD5 and DD8. So what would be the average realizations on those?

S. Srinivasan: We mentioned last time also because we have bidding in several places. This is a commercially sensitive information. So that is why we are not able to share this. But I hope you understand.

Abhinav Ganeshan: Yeah, I absolutely get that, sir. Second point is sir, one just wanted to understand what is your outlook for crude in the next say six months? Do you see it going beyond \$60 or \$65? What we are seeing is that we are hovering in that \$55 to \$57 range and always this US inventories it is playing spoil spot so to say? So what is your outlook?

S. Srinivasan: See I think it is more or less stable. It is not come down to \$45 and then going to \$60. It is basically stable around \$55. So that itself is a good sign. And in terms of rig market we are finding lot of enquiries even for long term programs. But of course like the decision making process it will take some time for these deals to be fertified. But we find that there is a good pick up in the activity. I mean as you would have seen this we could get short term contracts for four rigs. But of course we are waiting for the long term programs and wherever there are opportunities we are participating.

Abhinav Ganeshan: Sir, one thing we wanted to know is that is there any contract from Indian Government now is there any CAPEX outline from that side from players like ONGC?

S. Srinivasan: Yeah, ONGC is one of the major oil company which is continuing their activities. Because as you know India imports a major portion of their oil requirements. So in all terms to achieve self-sufficiency ONGC has been continuously maintaining its E&P expenditure irrespective of the oil price. So I mean we have now actually three rigs from the Indian company and one rig from our Singapore company working for ONGC. So ONGC has been maintaining its activity, yeah.

Abhinav Ganeshan: And just wanted to understand one thing that I am seeing when I am looking at a standalone basis you are profitable but when on the console numbers there is a huge loss?

S. Srinivasan: No, that is because like the idle rigs are mainly in our Singapore company. So Indian company most of the rigs are operational. If you look at it last quarter we have five out of the seven rigs which are operational in India. So that is why like the Indian standalone company is profitable. But as you know as a group you have to look it as a consolidated basis.

Abhinav Ganeshan: Yeah, absolutely fine. And just wanted to know a little bit. Sir, what would be your debt number right now because I saw huge....

S. Srinivasan: Debt number as of December 31st is around \$2,140 million.



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- Abhinav Ganeshan:** And we expect what will be the average pay back time which we expect as of now what is the maturity period is what?
- S. Srinivasan:** No, maturity period is 12 years.
- Moderator:** Thank you. The next question is from the line of Prashant Tarwadi from Axis Capital. Please go ahead.
- Prashant Tarwadi:** Sir, my question is on the receivable side. What is the situation on the receivable especially from Iran how is it panning out?
- S. Srinivasan:** So it has actually from Iran it has reduced marginally. In the previous quarter we had about \$263 million and currently it is about \$256 million. So there has been some collection in the third quarter. But still we have \$256 million to be collected from Iran.
- Prashant Tarwadi:** And second question is how do you see the global jack up rig market panning out going ahead as the crude is now falling?
- S. Srinivasan:** Yeah, I was just explaining like after this stability in the oil price around \$55 there has been a good amount of activity mainly in the short-term contract space. So we could actually place four of our rigs in short term tractors. And there are some long-term opportunities as well. But the long-term opportunities the decision making process itself is fairly long. So it will take sometime. Compared to the previous quarter we definitely see some signs of improvement.
- Prashant Tarwadi:** If it is just possible for you to just highlight which are the rigs which are currently idle that will be really helpful?
- S. Srinivasan:** Yeah, see as I was just mentioning so we have in the Indian company we have rig Aban Ice just now completed its contract on January 26. Apart from that we have this Sahara and ABAN V which are idle. So in the Singapore system we have rigs DD1, DD3 and DD7. So these are idle. And four of the rigs DD5, DD6, DD8 and ABAN VII they are having short term contracts which will commence sometime in February or early March. So this is the short term program. As of now they are idle but we are having short term programs. The other three rigs like DD2, DD4 and ABAN Abraham are on long term status.
- Moderator:** Thank you. The next question is from the line of Maneka Shetty who is an individual investor. Please go ahead.
- Maneka Shetty:** So how many tenders the company has responded to for deployment of rigs or drills? And of the above what are the reasonable hopes of deployment?



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- S. Srinivasan:** Sir, basically the number of tenders it is basically commercially sensitive information. So we have participated in many tenders. Now that time we have been able to get these contracts. So I have given you a fair assessment of how the market looks. So till we get the contracts we will not be able to confirm it to you. So that is why I am saying in relative terms if I have to what we mentioned in the earnings call of Q2 I think the situation looks slightly better.
- Maneka Shetty:** Are these tenders for a longer period or like short period which you have?
- S. Srinivasan:** We have a mixture of both. But till sometimes back there were not many long-term tenders because now there are some long-term tenders as well.
- Maneka Shetty:** They are Indian or you are trying outside also?
- S. Srinivasan:** No, they are there all places.
- Moderator:** Thank you. The next question is from the line Rajesh from Span Power. Please go ahead.
- Rajesh:** Sir, can you tell the period of short time contracts I mean is it how much long, one month, two months, three months?
- S. Srinivasan:** Yeah, it can be anywhere between 60 to 120 days.
- Rajesh:** And one of the promoter is selling the stakes in the company so I mean will it be the continuous process or is it onetime?
- S. Srinivasan:** No, but could you tell the name because?
- Rajesh:** I have gone through the BSE website and in that one of the disclosure regarding our stakes in one of the promoter is selling a small part of stake in the company like say 25,000 shares, 75,000 shares etcetera?
- S. Srinivasan:** Yeah, so basically I think see it must be a very small holding. I do not know when you have noticed this. It must be Ms. Shema Abraham.
- Rajesh:** Yeah, that is true.
- S. Srinivasan:** So she is basically our Managing Director's brother's wife. So she must be selling for some personal requirement or may be some other alternative investment. Because she is not involved in the day-to-day management of the company. But she is related to our MD. And she has a very small holding. Her total holding itself is not very high.
- Rajesh:** Yes, that is true.



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Moderator: Thank you. The next question is from the line of Abhinav Ganeshan from Canara Bank Securities. Please go ahead.

Abhinav Ganeshan: Sir, one follow-up question. Actually, now you are having a small component in wind energy so are we planning to harness that further and focus on little bit of green tech as well or how is it though it is a very small?

S. Srinivasan: No, we are not planning.

Abhinav Ganeshan: So you may be exiting?

S. Srinivasan: Basically I think as you know we want to see it is a very small percentage of our business. So I think we are not expanding it for the time being.

Abhinav Ganeshan: Would you go ahead and divest it off or how is it?

S. Srinivasan: It is a very, very small activity.

Moderator: Thank you. As there are no further questions from the participants, I would now like to hand the conference over to the management for their closing comments.

S. Srinivasan: So I thank everyone for participating in this Q3 Earnings Call of Aban Offshore Limited. And I thank Axis Capital and Prashant for organizing this and the moderator for conducting the call. Thank you very much.

Moderator: Thank you very much members of the management. Ladies and gentlemen, on behalf of Axis Capital Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.