



“Aban Offshore Limited Q1 FY18
Earnings Conference Call”

August 04, 2017



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Moderator: Ladies and gentlemen good day and welcome to the Aban Offshore Limited Q1 FY18 Earnings Conference Call hosted by Axis Capital Limited. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing “*” then “0” on your touchtone phone. I now hand the conference over to Mr. Prashant Tarwadi from Axis Capital Limited. Thank you and over to you Sir!

Prashant Tarwadi: Good afternoon everyone. On behalf of Axis Capital, I welcome you to Conference Call of Aban Offshore Limited. Today we have with us Mr. C.P. Gopalkrishnan, Deputy Managing Director & Chief Financial Officer and Mr. Srinivasan, Senior Vice President. They will start with the overview about the quarter and later we can switch to question and answer session. Thanks a lot and over to you Gopal Sir!

C.P. Gopalkrishnan: Good afternoon. I welcome you all to the first quarter earnings call of Aban Offshore Limited for FY2018. We earned a total income of 433 Crores approximately 11% growth compared to the March quarter. Rig Aban Ice commenced on a new three-year contract with ONGC. Rig DD5 has acquired a five year contract with Shell Brunei and these are the main highlights of it. Now I leave the field open for questions for which Srinivasan will reply.

Moderator: Thank you. We will now begin the question and answer session. We have the first question from the line of Prashant. Please go ahead.

Prashant Tarwadi: Thanks a lot. Firstly Sir if you can brief us about status of various rigs and what kind of outlook do we have about the deployment that would be great?

S. Srinivasan: Thank you Prashant. In our Aban Offshore Limited we have two rigs Aban III and IV they have contracts expiring in April 2018 and March 2018 respectively. As far as Aban II is concerned we have till January 2019 and Aban Ice as Mr. Gopalkrishnan mentioned commenced its new three-year charter in May 2017, which will go on till May 2020, so only these four rigs are in operation, so the remaining two rigs Aban V and Aban VI they are not operational and the Tahara of course it is intact. So in our Singapore rigs we have DD2 it is working for a contract till March 2018, DD4 till September 2017, DD5 currently idle, recently completed the contract, which came in April, but is going for a five-year charter with Shell Brunei likely to commence in October. Then DD6 the current contract is likely to go till December 2017 and DD8 likely to go till December 2017 again, Aban Abraham till October 2018. So that leaves us about five rigs currently operational and the sixth rig DD5 will start in October and we have five rigs DD1, DD3, DD7, then Aban VII and Aban VIII, which are idle as of now.



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So as far as outlook is concerned, definitely there are more tenders and opportunities as you would find out that the rig DD5, which we could place for a five-year charter that shows that people want good performing drillers to give jobs, but at the same time we still have some idle rigs, so we are participating in many tenders in fact the rigs DD6 originally taken for a very short-term about two months and is getting extended on a month-to-month and probably now it will go on for about 10 months that is from March to December. So likewise people are hiring for a shorter-term and depending on their results in the initial wells they are extending it for a longer-term, so like this of course then this term will not be long enough initially, but it is extended. Similarly DD8 also was taken for four wells, but likely to get extended for eight wells totally. Yes that is it and there are many opportunities for which we are also eagerly awaiting the results.

Prashant Tarwadi: Sir recently this Government of India has announced that under the Make in India initiative they are going to give about 10% differential pricing advantage to the domestic players and apart from that the domestic players is also get a priority in terms of award of any contract that may get announced, so are we expecting any positive development from that side or things are?

S. Srinivasan: That has been I think introduced for the last ONGC tender as well, so it is basically you should have a minimum expenditure from India and we are anyway qualifying in that, but I think others would also qualify that, that you keep in mind, so because there are many Indian players it is basically out of the total expenditure as certain expenditure has to be sourced from India or rather spent in India.

Prashant Tarwadi: Sir could you please give us update on the receivables from Iran and I guess we had something on the Venezuela as well so is there any?

S. Srinivasan: Venezuela is basically it is a very old one. As far as Iran is concerned we have about 281 million from Iran as on June 30, 2017.

Prashant Tarwadi: And lastly Sir if you can just brief us about the current debt levels that would be great?

S. Srinivasan: It is roughly about 2.1 million.

Prashant Tarwadi: That is it from my side. Thank you so much.

Moderator: Thank you. Next question is from the line of KS Manikashetty, Individual Investor. Please go ahead.

KS Manikashetty: We have been receiving the declaration of promoters offloading, may I know the reason for that?



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S. Srinivasan: No, there has been no offloading by the promoter except by Ms. Shema Abraham she is relative of our main owner she has been selling some very minor stakes, which we hold for her expenses and she is any way not currently connected with the business.

KS Manikashetty: My second question is about the receivables from Iran during the last quarter how much you have required last quarter means April 2017 to again June 2017?

S. Srinivasan: Yes we must have received about very small amount nothing significant.

KS Manikashetty: And it remains the same 250 to...

S. Srinivasan: Yes it remains almost the same.

KS Manikashetty: When you expect to go in plus profit last two quarters it was minus?

S. Srinivasan: Yes we cannot say that, that depends on the rig deployment.

KS Manikashetty: Thank you.

Moderator: Thank you. The next question is from the line of Akash Kumar from ICICI Prudential. Please go ahead.

Akash Kumar: Sir just wanted to get your view on the offshore market like E&P spends have been decreasing from last two, three years and I do not know if it is unprecedented or we have had this in history, how do you see the rig deployment going forward and do you believe that in terms of per day rates at least that the market has bottomed out, also the second part of the question would be how do you see the new supplies coming to the market?

S. Srinivasan: I will answer the last question first. I think new supplies are not coming now because it is very difficult to finance them, but they are all getting deferred because most of these supplies are from the Chinese yards so they are also happy to defer. As far as the market is concerned, as I mentioned there are lot of opportunities you would have seen like we may not have got this five year opportunity sometime back if you are asking one year back this five year opportunity was not at all on the radar, so there are opportunities, but oil companies are taking more time to decide, so definitely their decrease in budget in one way yes of course the rates have also come down, but some of them are also looking this as an opportunity to lock in for longer period.

Akash Kumar: Sir what could be the potential triggers according to if I can ask like when you see that presently the scenario is that we have excessive oil or prices are low, people are refraining from going for E&P



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spend, but what could be the triggers going forward you think that where you can see a revival in the sector again?

S. Srinivasan: I think that whatever is that price has to move substantially high. We believe now it is at least to a 60 level if it moves there will be some more positive movement.

Akash Kumar: So 60 would be the trigger point according to that?

S. Srinivasan: Yes because it has been hovering around 50 for a long time, but whether it has bottomed out it is very difficult to say, but our objective has always been to place more rigs into operation because rigs earning lower income it does not take you so badly as the rig, which is idle.

Akash Kumar: Yes absolutely, so at least you have some income from the drills.

S. Srinivasan: Yes.

Akash Kumar: Thank you Sir!

Moderator: Thank you. We have a followup question from the line of KS Manikashetty, Individual Investor. Please go ahead.

KS Manikashetty: Recently in parliament that CAG report was plus and it was mentioned about the ONGCs allotting rigs and drills, etc., has it any consequences up on Aban Offshore?

S. Srinivasan: No, there are no consequences because we have always been awarded contracts based on tenders in which we participated and won.

KS Manikashetty: Not on nomination basis?

S. Srinivasan: Yes.

KS Manikashetty: Thank you.

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

S. Srinivasan: So I thank the moderator and Axis Capital for arranging this conference call. We thank all the participants for taking time off and participating in this call. Thank you very much.



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Moderator: Thank you. On behalf of Axis Capital Limited, we conclude this conference. Thank you for joining us. You may now disconnect your lines.