



“Aban Offshore Limited
Q1 FY 2019 Earnings Conference Call”

July 30, 2018



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MANAGEMENT: MR. C. P. GOPALKRISHNAN – DEPUTY MD & CFO – ABAN OFFSHORE LIMITED
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*Aban Offshore Limited
July 30, 2018*

Moderator: Ladies and gentlemen, good day and welcome to the Aban Offshore Limited Q1 FY2019 Earnings Conference Call, hosted by Axis Capital Limited. As a reminder, all participant 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 the conference call, please signal an operator by pressing “*” then “0” on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Manikantha Garre from Axis Capital. Thank you and over to you Sir!

Manikantha Garre: Thank you Inba. Good evening everyone. On behalf of Axis Capital, I welcome you all to Aban Offshore’s Q1 FY2019 Conference Call. We have with us today, Mr. C.P. Gopalkrishnan – CFO, Mr. S. Srinivasan - Senior Vice President and Mr. Ravi K, DGM. The call will begin with a brief management discussion and would be followed by a Q&A session. I now hand over the floor to Mr. Gopalkrishnan. Over to you Gopal Sir!

C.P. Gopalkrishnan: Good evening. I welcome you all to the First Quarter Earnings call for Aban Offshore Limited.

In USD terms, our revenue was 10% lower at percentage wise EBITDA was down by 30%. This was mainly due to some of the rigs going idle and lower day rates prevailing in the market today. In terms of rig contracts, we have achieved the following long-term contracts. DD8 - two years with ONGC, three DD rigs four years and three years with National Drilling Company, Abu Dhabi. Aban8 is commencing its four-month charter now. We have also pulled out large rig DD2 from Iran in July. These are the main happenings of this quarter.

If you have any questions, please feel to ask. Thank you.

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin the question-and-answer session. We will take the first question from the line of Manikantha Garre from Axis Capital Limited. Please go ahead.

Manikantha Garre: First of all I would like to know how do you view the competitive scenario, how it has changed over the past few months and the quarter and if you can please give us any details of the contracts that have been signed. That would be helpful. Thanks.

C.P. Gopalkrishnan: Thanks Manikantha. What was your first question?

Manikantha Garre: The competitive scenario, how it has changed over the past few months and the quarter.



Aban Offshore Limited
July 30, 2018

C.P. Gopalkrishnan: Definitely with oil prices firming up, a lot of oil companies have started taking decisions like if you will see the contracts, which we got, three rigs in Abu Dhabi these bids happened sometime in the middle of last year that is 2017, but with oil prices firming up, so they have been able to take a decision. Likewise, if you see we now have five rigs on long-term charters that are three rigs with National Drilling Company, Abu Dhabi, one with ONGC for two years and one with Shell Brunei for five years. So we have only four more rigs in our new fleet, the DD8 of which I think we have good leads for another two of them. So, if you look at it in terms of competitive scenario, definitely we have gained significantly in the last quarter because in terms of signing contracts but of course, the results will be known after some time because the contracts will commence towards the end of the year. Definitely I think the oil price firming up has helped a lot.

Manikantha Garre: Understand. Would it be possible for you to give any finer details about the contracts?

C.P. Gopalkrishnan: The pricing of the contract is very competitive, so we are not able to give that information, so in terms of the nature of the contract the DD8 as you know it is already working in India for a short-term job, so we have got a two-year, it is like high pressure contract with ONGC and as far as the three DD series rigs which we have received contracts with National Drilling Company, Abu Dhabi, will be working I think for ADNOC, which is the National Oil Company of Abu Dhabi. Two of the rigs are for four years each and the last one is for three years. Third rig is for three years. So all these would commence towards the end of this calendar year.

Manikantha Garre: Sir, if I can ask one other question is mobilization charges also included in the contracts?

C.P. Gopalkrishnan: Cost of mobilizing the rig is included, yes.

Manikantha Garre: Okay and four to five year has become a new normal, I think seven to eight years seems to be a long-term contract?

C.P. Gopalkrishnan: Jackup contracts were never for seven to eight years because at least I have not seen jack-up contracts for seven to eight years. It used to be three years with the ONGC but of course ONGC in this case they have gone for two years but now basically I think probably since the prices are also low, the oil companies would like to secure the rigs so I think we are able to get somewhere between three and five years, but the number of long-term contracts are not many. So, you have to really be competitive to get these contracts.

Manikantha Garre: If I can ask any colour on the debt position?

C.P. Gopalkrishnan: I think it remains the same compared to what we mentioned in the last earnings call. It is around \$2 billion.



Aban Offshore Limited
July 30, 2018

- Manikantha Garre:** Thank you so much.
- Moderator:** Thank you. Our next question is from the line of Nitin Gandhi from KIFS Trade Capital. Please go ahead.
- Nitin Gandhi:** Can you throw some light on other income?
- C.P. Gopalkrishnan:** This is nothing but an exchange gains, because we have like some of the receivables denominated in dollars they get revalued. That is the other income. It is not a cash settlement.
- Nitin Gandhi:** Right now this quarter how many rigs were deployed?
- C.P. Gopalkrishnan:** In the Indian company, we have two rigs, which are working. In Singapore we have about seven rigs working, but some of them part of the quarter you can say on an average about five and a half rigs are working.
- Nitin Gandhi:** Which will increase by the guidance, which you gave?
- C.P. Gopalkrishnan:** I think the contracts, which we mentioned they will start, some of them will start in the last quarter of the current calendar year and some of them will start in the first quarter of the next calendar year.
- Nitin Gandhi:** So, towards the exit of this year we can see average deployment rising to at least four, so may be five and a half, which will jump?
- C.P. Gopalkrishnan:** Yes, because some contracts are expiring, so this five and a half will probably become about seven or eight.
- Nitin Gandhi:** Thank you.
- Moderator:** Thank you. Our next question is from the line of Sourabh Doshi from NVS Brokerage. Please go ahead.
- Sourabh Doshi:** I actually had one question. Can you throw some light on the oil prices going forward?
- C.P. Gopalkrishnan:** I think we feel it could hover around the current levels somewhere between \$70 and \$75.
- Sourabh Doshi:** Thank you.
- Moderator:** Thank you. Our next question is from the line of Rina Shah an individual investor. Please go ahead.



Aban Offshore Limited
July 30, 2018

- Rina Shah:** I just wanted to ask I could see that it is difficult to even cover cash operating cost from the financials. The new contracts that you have entered in, is it providing cash operating cost?
- C.P. Gopalkrishnan:** Even now we are covering cash operating cost. We are EBITDA positive. Even in the current quarter that is this quarter we have earned an EBITDA of \$13 million. It is very much covering the cash operating cost, so you have gone by that finance cost, you have to exclude the depreciation of that.
- Rina Shah:** I have included finance cost into that. I have included in my calculation finance cost.
- C.P. Gopalkrishnan:** Okay, I am talking about EBITDA.
- Rina Shah:** No issues. Thank you.
- Moderator:** Thank you. Our next question is from the line of Manika Shetty an individual investor. Please go ahead.
- Manika Shetty:** We would like to know what is the position of deployment of the remaining assets?
- C.P. Gopalkrishnan:** Basically as I mentioned earlier, as far as our nine new rigs are concerned, we have long-term charters for five of those rigs and we are looking at of course, one of the rig has a short-term opportunity. So we are looking at some kind of medium to long-term opportunities for two more rigs. So that will take about seven rigs having contracts. As far as our old rigs are concerned, we have nine old rigs of which we have three rigs which are working and there we are trying to place them in appropriate tenders but that I think it is taking time mainly because these rigs are also competing with the new rigs.
- Manika Shetty:** Do you expect the next quarter any of these tenders should fructify?
- C.P. Gopalkrishnan:** Yes, I think whatever I mentioned about the new rigs which I said two more rigs are likely to be placed, I think there is a very good possibility of getting the tender results out in the current quarter that is Q2 of current financial year.
- Manika Shetty:** Congratulations. You have already got five rigs deployed. Recently saw your intimation of three rigs plus one more rig.
- C.P. Gopalkrishnan:** Thank you.
- Manika Shetty:** Thank you.



Aban Offshore Limited
July 30, 2018

Moderator: Thank you. As there are no further questions from the participants, on behalf of Axis Capital Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.

C.P. Gopalkrishnan: On behalf of Aban we thank Axis Capital and Manikantha in particular and the moderator for organizing this call. Thank you very much.