



“Aban Offshore Limited Q3 FY 2018
Earnings Conference Call”

February 12, 2018



ANALYST:

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LIMITED**

MANAGEMENT:

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Moderator: Ladies and gentlemen, good day and welcome to the Aban Offshore Limited Q3 FY2017-2018 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 to Aban Offshore Q3 FY2018 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 will now hand over the floor to Mr. Gopalkrishnan. Over to you Gopal Sir!

S. Srinivasan: Good afternoon. I am Srinivasan here. My apologies, Mr. Gopalkrishnan could not join us, so I and Mr. Ravi will be taking this call. I welcome all of you to third quarter earnings call of Aban Offshore Limited.

As you would have seen from the results, revenues are at \$58 million in Q3 compared to around \$51 million in Q2. The increase in revenue is mainly due to two factors that is we have got a five-year charter for DD5, which is one of the major highlight for this quarter, which started in October and the rig Aban Ice, which was not working in the previous quarter Q2, there was an incident and it started work in Q3. So these are the main reasons why this revenue is up.

As there was mentioning the highlight is we got this five-year charter with Shell in Brunei, it is one of the prestigious contracts and the rig DD6, which is working on a short-term extension mode with Dubai is now having worked till this March, originally it started last March in a two-year charter so after short-term extensions, now it is almost going to complete about 14 month contract.

This is the major highlights for the last quarter, so I leave the floor open for 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 KS Manika Shetty, an Individual Investor. Please go ahead.

KS Manika Shetty: The income has increased from 127 Crores to 158 Crores this quarter; however, compared to the other expenditure of 6 Crores in September quarter this quarter other expenditure has increased to 78 Crores, it seems to be high and this has turned the operational profit into negative, can you throw



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some light on this or are there new items added in this category of other expenditure or there is increased the expenditure on similar items?

S. Srinivasan: Thank you Mr. Shetty for your question. I think you are referring to the standalone results, in this quarter we have had some one time expenses of 31 Crores relating to this drill ship Aban Ice, there was an equipment which was actually lost in the subsea during the previous quarter due to which rig was not working in the previous quarter, so when we have to retrieve it we have to incur some cost, so that is was about 31 Crores, this is the one-time expense, it is not like to recur.

KS Manika Shetty: Is this capital expenditure then?

S. Srinivasan: No it is revenue expenditure Sir because it is not under any project, basically these are working for ONGC, so this equipments got drifted and lost so we have to retrieve it. We have to use some divers and all that. The second item is 41 Crores difference compared to the previous quarter, so in the previous quarter, there is a foreign exchange, when we value our assets and liability, there was a gain in foreign exchange term because most of our assets are in dollar terms, but at this time it is negative, so that difference is about 41 Crores, that is how 6 Crores based on 31 Crores and 41 Crores, that is about 71 Crores difference, it has become an expense of 78 Crores, so that is the difference. But these are all one-time costs.

KS Manika Shetty: Yes, that is what I wanted to know. Thank you.

Moderator: Thank you. We will take a next question from the line of Bhavesh Jain from Alston Capital. Please go ahead.

Bhavesh Jain: Good afternoon Sir. Sir have any rigs been cold stacked in the last quarter? Secondly what is the status on the one-time settlement that has been offered to the banks?

S. Srinivasan: See basically I think as there is no rigs, which has been cold stacked and except that our floating production unit in Sahara which is not likely to secure a contract in the near future, but as far as the settlement, we are constantly engaging with our lenders, but we have not yet reached any I mean like stage now where we will be able to make an announcement.

Bhavesh Jain: Okay Sir. Thank you.

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

KS Manika Shetty: Can you give the position of asset operation rigs?



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S. Srinivasan: So we have the rig in the Indian company we have rigs Aban 2, is having a contract till I think January 2019, working for ONGC. Aban 3 the contract is expiring this year March. Aban 4, the contract is expiring this year February. Aban 5 is without a contract. Aban 6 is currently working; probably it will last till March of this year. Aban Ice we have still May of 2020, then Sahara is without a contract. Deep Driller 2 we have till September 2018. Deep Driller 1 and 3 are not working; Deep Driller 4 is working for Cairn Vedanta on a short-term contract. That is going to last till this year April. Deep Driller 5 is on a five-year charter with Shell in Brunei ending in October 2022. Deep Driller 6 is with Dubai Petroleum in Dubai. Contract till March 2018. Deep Driller 7 is idle. Deep Driller 8 is also idle. Aban Abraham we have charter with ONGC till October 2018 and Aban 7 and Aban 8 are idle.

Moderator: Mr. Shetty do you have any more questions.

KS Manika Shetty: No.

Moderator: Thank you. Next question is from the line of Jigesh Shah, an Individual Investor. Please go ahead.

Jigesh Shah: Good afternoon Mr. Srinivasan. I would like just followup on the question previously asked, I mean can you put a ballpark figure on the overall utilization rate of all the assets?

S. Srinivasan: I think in December quarter, we had somewhere around 38.5%. In all rigs we did an equal so about 38%.

Jigesh Shah: Okay. That is all from my side.

Moderator: Thank you. We have the next question from the line of Manikantha Garre from Axis Capital Limited. Please go ahead.

Manikantha Garre: Sir just I was wondering how do you see the market shaping up from here, I have been seeing some news saying that rig dayrates have bottomed out in Q2 or Q3 and there are some green shoots being visible especially after years US has opened again its offshore for exploration and there are some new discoveries in the North Sea, so I was just wondering what is your view on how the market is going to go from here?

S. Srinivasan: Definitely, we are seeing some green shoots. We are able to get short-terms contracts, if you see no like I think the last quarter I think I had suggested that we would be getting short term contracts for three or four rigs, so one of the rig is that DD4, which we have a short-term project which is nearly about three to four months with Cairn Vedanta in India, and then there is a rig DD6, which was working in Dubai Petroleum for initial four months charter is now going on for nearly 14 months and



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we are looking at some more short-term contracts may be one or two hopefully we able to get some clarity by the time our next earnings call is, so I think there are definitely positive vibes are there, but these are all mainly in the short term space, so we have to still work on getting long term opportunities there.

Manikantha Garre: I understood Sir. In terms of the short-term contract that you are suggesting may we know the competitors that are very agonist user how many competitors are how is the direct trend? Are they still aggressive?

S. Srinivasan: No I think the tonnage we do not be able to comment on it because even our competitors nobody is mentioned their tonnage and as far as competition is concerned, I think most of these awards have been received amidst very strict competition.

Manikantha Garre: Okay. sure and my last question is I think it is a followup to the previous question on the debt position, Sir at any point can we see that a foreign investor may be coming in and trying to take a stake company is that a possibility?

S. Srinivasan: No, but we will not be able to comment on these kind of speculative questions.

Manikantha Garre: Okay Sir. No problem.

Moderator: Thank you. We will take a next question from the line of Mahesh Sarda an Individual Investor. Please go ahead.

Mahesh Sarda: Just wanted to understand the situation from Iran receivables, any improvement?

S. Srinivasan: Definitely it is coming down but of course much slower than what we would have wanted, but it is coming down, but one good thing is our fresh billings are not very significant because we have only two rigs working there, one from Indian Company, one from Singapore. So the fresh billings are not much.

Mahesh Sarda: So what is the current receivable pending from there?

S. Srinivasan: Current receivable we have around 251 billions from Iran.

Mahesh Sarda: Okay and total debt would be how much now?

S. Srinivasan: Total debt it remains the same, roughly around \$2.1 billion.



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Mahesh Sarda: And Sir regarding this long-term contract, I mean how to just adding to the previous questions, any improvement in outlook?

S. Srinivasan: That is why like people are getting into short-term jobs, even lot of private companies are drilling because as you know private companies always go with the short-term objective because they do not have a vast auditing under their command, but giants like ONGC I mean the rates were very abysmally low in the last tender, so we did not get any of those awards.

Mahesh Sarda: Okay and Sir I just missed the first part regarding the increase in cost, one you said was because of some incident which is 30 Crores, second was forex loss was how much you said?

S. Srinivasan: I will start off from Mahesh question, basically I think as you know we are able to get short-term contract but these are mainly with the private companies but it is only the national oil companies they aware the long-term contracts and the last ONGC tender was extremely competitive where we participated, but to our disappointment we did not get any of those awards, so it was a eight-week tender, so we are hoping that like we will be able to get some awards in the next tender but other than ONGC we are not seeing any major national oil company giving long-term awards, of course we got this Shell aware under very strict competition, and there are couple of other long-term contracts also for which we have bid but due to confidentially clause, we would not be able to reveal it till there is an award.

Mahesh Sarda: Okay and Sir just missed one this other expenditure part you said plus 31 Crores was because of the equipment?

S. Srinivasan: No. 31 Crores basically, not Aban Ice one of this BOP equipment got drifted so we have to recover it, we did a subsea equipment so we have to use some diving and other support that loss was about 31 Crores.

Mahesh Sarda: Yes, the second part I missed it.

S. Srinivasan: Second part is exchange variation because we prepare our balance sheet in Indian Rupees though our function currency typically is US dollars all our assets and liabilities are denominated in USD. So when we translate this sometime there is a gain and sometime there is a loss, last time it was a gain of 24 Crores, this time there is a loss of 17 Crores that is how the difference is about 41 Crores in the increase in expenditure.

Mahesh Sarda: Okay and Sir if I adjust both the 41 Crores and 30 Crores and even I look at the improvement...



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- S. Srinivasan:** Yes, basically I think he was actually referring to a standalone, so I was commenting on that, in the consolidated results there is an additional expenditure of 52 Crores basically this is towards mobilization of this rig, DD5 for the five year starter, we have to spent some money for bring it to the contract requirement so that is about 52 Crores.
- Mahesh Sarda:** Okay, that is what I was thinking otherwise increase in revenue generally leads to improvement in margin?
- S. Srinivasan:** Yes, these are all one of us, which we have to incur.
- Mahesh Sarda:** So 70 plus 50, 120 is one-off which will not recur in next quarter if I am right?
- S. Srinivasan:** Yes.
- Mahesh Sarda:** Okay. Thank you very much Sir.
- Moderator:** Thank you. As there are no further questions from the participants, I now hand the floor back to Mr. Manikantha Garre for closing comments. Over to you Sir!
- Manikantha Garre:** Thank you Inba. Thank you management for taking out time and addressing the investors. Thank you so much.
- S. Srinivasan:** Thanks Mani. Thanks Axis Capital for organizing this.
- Moderator:** Thank you very much. Ladies and gentlemen, on behalf of Axis Capital Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.