



“Aban Offshore Limited Q4 FY18 Earnings Conference Call”

**May 30, 2018**



**MANAGEMENT:** **MR. C. P. GOPALKRISHNAN – DEPUTY MD & CFO,**  
**ABAN OFFSHORE LIMITED**  
**MR. S. SRINIVASAN – SENIOR VICE PRESIDENT, ABAN**  
**OFFSHORE LIMITED**  
**MR. RAVI KANNAN – DGM, ABAN OFFSHORE LIMITED**

**MODERATOR:** **MR. MANIKANTHA GARRE – AXIS CAPITAL**



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**Moderator:** Ladies and gentlemen, good day and welcome to the Aban Offshore Limited Q4 FY18 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 Limited. Thank you, and over to you, Mr. Garre.

**Manikantha Garre:** Thank you, Karuna. Good evening, everyone. On behalf of Axis Capital, I welcome you all to the Aban Offshore's Fourth Quarter Conference Call. We have with us today Mr. Gopalkrishnan – CFO; Mr. Srinivasan – Senior Vice President; and Mr. Ravi Kannan – DGM. The call will begin with a brief management discussion and would be followed by Q&A session.

I will now hand over the floor to Mr. Gopalkrishnan. Over to you, sir.

**Gopalkrishnan:** Good afternoon, everybody. I welcome you all to the fourth quarter earnings call of Abban Offshore Limited. In USD terms, our revenue was marginally lower while EBITDA was almost flat quarter-on-quarter. This year, we have also impaired the goodwill and some of the rigs values which was reflected in the net loss. In terms of rig contracts, we have secured two new contracts of four months each for DD3 in Vietnam, Aban-VIII in Malaysia. DD3 contract will start in May and Aban-VIII will commence in July. DD8 also got a 2 months job getting over in June. Aban-III and Aban-IV which were working in India completed their 3-year contracts. DD4 also just completed the short-term job and is back to Dubai.

Please ask any questions you have, we will now take questions. Mr. Srinivasan would be answering.

**Moderator:** Thank you very much sir. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Manikshetty KS, an Individual Investor. Please go ahead.

**Manikshetty KS:** I would like to know about the probable tenders which the company has submitted, what is the hope of getting any tenders passed or getting any work for assets?

**S. Srinivasan:** Thank you for your question. Basically, I think because of confidentiality involved in the tenders, so I think we would not be able to share the names, but there are at least 3-4 leads now for fairly long-term contracts that we have submitted. We will be able to announce it only when we get the results.



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- Manikshetty KS:** That is true. We just wanted to know, we don't want the names of the company.
- S. Srinivasan:** At least 3 or 4 long-term...
- Manikshetty KS:** Long-term you have submitted?
- S. Srinivasan:** Long-term meaning what I am saying is minimum of 2 years and above.
- Manikshetty KS:** Any short-term can you tell?
- S. Srinivasan:** Short-term opportunities, we are getting on a continuous basis. As you may observe, the rig DD6 started with Dubai Petroleum in March of last year, 2017, initially on a 2 months job. I am happy to inform you that it is still working as current charter is there till June. So basically, making it as a 15 months job. We hope that we will get some more extension in this. So always this is a short-term and Mr. Gopalkrishnan mentioned we have got a short-term job for DD8 in India, this is already ongoing for 2 months, then DD3 in Vietnam for 4 months and Aban-VIII in Malaysia for 4 months and the rig DD4 completed clearly 4 months in India from January to May. So we are getting lot of short-term opportunities. Even in the last call, we announced several short-term contracts.
- Manikshetty KS:** Rigs details out of 8, how many are....
- S. Srinivasan:** In the Indian company, we have 7 rigs roughly. Out of which, Aban-II and Aban-Ice are working, both for ONGC. The remaining 5 rigs are idle. In Singapore, we have rig Aban Abraham working for ONGC. Rig DD2 working in Iran, DD3 is working in Vietnam, DD5 working in Shell Brunei, DD6 with Dubai Petroleum in Dubai, DD8 with HOEC in India. And we have a contract for Aban-VIII which is starting in July. So that is our 9 rigs are working for us. So 5 rigs of Indian company and 4 of the Singapore company are idle.
- Manikshetty KS:** Any progress regarding recovery from Iran receivable?
- S. Srinivasan:** I think there has not been any big progress in the last quarter. Of course, we got some drizzle payments, but nothing substantial.
- Manikshetty KS:** Any better future for performance?
- S. Srinivasan:** Yes. Basically, in terms of operational performance, we expect to do better because some of these tenders now which we have participated sometime back, we expect the results to come out quite soon and as you know the oil price increase is also stimulating some of the demand for rigs. So with this, at operational level, we expect that like EBIT better in the next year that is FY19.



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- Manikshetty KS:** And in fact, ONGC maybe awarding the same quantity of contracts this year also, that is why I wanted to know the tenders pending?
- S. Srinivasan:** See as you know ONGC, we completed the contracts for Aban-III and Aban-IV sometime in March and early April, but they have still not called out for replacement tenders. So of course there was another tender in which we have participated, but it was not for replacing these two rates. So because of this, we are not sure whether like with ONGC whether we are same business, but we are looking at company as an overall whether it is from ONGC or even outside ONGC.
- Manikshetty KS:** Outside, any chances?
- S. Srinivasan:** Yes. That is what I mentioned. There are about 3 or 4 long-term leads, of which only one is ONGC. Remaining are outside ONGC only.
- Moderator:** Thank you. The next question is from the line of Shailesh Purohit, an individual investor. Please go ahead.
- Shailesh Purohit:** I am seeing in the news that Aban Offshore lost 1800 crores. Is it true?
- S. Srinivasan:** Yes because the loss we have taken some impairment of goodwill because now the day rates have come down. There is possibility that goodwill may not be recovered. That is why we have taken an impairment of goodwill plus now there is impairment of some of the rigs which are idle. These two have contributed to the loss. So that is the case like yes, the quarterly loss is about 1,800 crores which includes these impairments to the extent of about 1,257 crores. So without these impairments like it will be about 543 crores.
- Shailesh Purohit:** I am the investor of the Aban Offshore and I have 5,000 equity number of shares. So here any chances to move into some recovery?
- S. Srinivasan:** As I mentioned to the previous queries is like I was mentioning about the outlook for the company. Since the oil prices recover, we hope that we will be able to deploy some more rigs.
- Shailesh Purohit:** I am talking about future contract and further order of this...
- S. Srinivasan:** That is what, the future orders. As of now, we have contracts for 9 rigs and we have participated in some tenders which if some positive decision is taken, so we will be able to deploy some more rigs.
- Moderator:** Thank you. The next question is from the line of Manikantha Garre from Axis Capital. Please go ahead.



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- Manikantha Garre:** Just wanted to check with you on the USD 400 million debt raising as well as the 2,500 crores to QIP that was mentioned in the release. What are the timelines for this?
- S. Srinivasan:** Basically these are enabling approvals which we take every year. For the last several years, we have been taking these because it is otherwise like you require special AGM and all that to pass these resolutions. So for the sake of convenience, we are taking this enabling approvals and nothing is finalized as of now.
- Manikantha Garre:** And in terms of the consolidated balance sheet, debt has been moved from the long-term portion of borrowings through current liability?
- S. Srinivasan:** Yes, that is mainly because like since we are in default, so these are to be treated as current liabilities.
- Manikantha Garre:** And one last question. Are there any new regions that you are looking at other than Iran or Saudi and India?
- S. Srinivasan:** Because we are looking at Middle East, all the countries in the Middle East, not only Iran. Some of the countries if you look at is like UAE, we did not have a presence earlier. So we have secured this Dubai Petroleum contract for the last 15 months. Similarly, we are looking at other countries in the Middle East region and of course we are active in India and South East Asia, but per se we are not looking at any particular region or new region as such. Of course, we have presence in almost all the oil producing countries where rigs can be deployed.
- Manikantha Garre:** And if you can give your view on the rig day rates for the next 6 months to 1 year, how are they in your recent contracts?
- S. Srinivasan:** See, there are about 100 rigs, jackup rigs which are idle. So till these rigs get the job, only after at least 80 of these rigs get job, then only you will see a day rate uptick.
- Manikantha Garre:** And how about your rig contract sir like short-term contract?
- S. Srinivasan:** I think for competitive reasons, we are not sharing the day rates.
- Moderator:** Thank you. The next question is from the line of Vinod Dixit from Shrilions Consultancy. Please go ahead.
- Vinod Dixit:** Just wanted to know like when do you see the company turning around. You have given us an indication of how things could turn out in FY19 like your plans for deployment of the rigs and the uptick that you envisage in the forthcoming year. So when do you think the company could turn around because it is reeling with a debt of about 12,000 crores and now there is also this



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auditors report that I am just going through that as you, yourself mentioned that it has been reclassified as the current liability now.

**S. Srinivasan:** Basically, I think for that turnaround like we need to have some correction in the capital structure and oil prices like the demand should move significantly ahead. So we are working on it.

**Vinod Dixit:** And any plans from the promoters to infuse additional capital to just to recheck the capital structure and to make the debt equity look much more palatable or much more reliable?

**S. Srinivasan:** There are no plans at the moment.

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

**S. Srinivasan:** So we thank Axis Capital and the moderator and all the participants for taking their time off and participating in this call. Thank you and all the best.

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