



“Aban Offshore Limited Q1 FY 2017
Earnings Conference Call”

August 12, 2016



ANALYST:

MANAGEMENT:

MR. PRASHANT TARWADI – AXIS CAPITAL

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**MR. S. SRINIVASAN - SENIOR VICE
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Moderator: Ladies and gentlemen good day and welcome to the Aban Offshore Q1 FY'17 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. Prashant Tarwadi from Axis Capital Limited. Thank you and over to you Sir!

Prashant Tarwadi: Hi, good afternoon to you all. On behalf of Axis Capital, I welcome all participants on the conference call of Aban Offshore Limited. Today, we have with us Mr. Gopalkrishnan, Deputy Managing Director and Mr. S. Srinivasan, Senior Vice President. They will start with the overview of the company's performance and then we can probably switch to questions and answer session. Gentlemen, thanks a lot for your time and over to you Gopal Sir.

C.P. Gopalkrishnan: Good evening to all of you. I welcome you all for earnings call. You may have seen the results. This is one of the very tough quarters we had faced and while we had only four rigs in Singapore system working, this resulted in a loss of 181.5 Crores for the quarter on a lower revenue of 481 Crores and the good news is that we have got a two year deployment for Aban Abraham on effective rate of \$117,000 and it is likely to work for ONGC by October quarter. That is what we are planning. Regarding the jackups, Aban got short-term contracts, which has already started working. Now you can ask whatever questions you have and Srinivasan would reply.

Moderator: Thank you. We will now begin with the question and answer session. We take the first question from the line of Amit Shah from BNP Paribas, please go ahead.

Amit Shah: Sir, can you just give us an updated schedule of the fleet?

S. Srinivasan: Aban Offshore, we have five weeks working for our Aban 2, Aban 3, Aban 4, Aban 6 and Aban Ice. In the Aban Holdings or Aban Singapore System, we have three rigs working, that is Deep Driller 2, Deep Driller 4 and Aban 8, and we also have a contract for Aban Abraham for two years with ONGC starting sometime in October.

Amit Shah: And the day rates have not changed from what we had discussed last time?

S. Srinivasan: Day rates have not changed except for Aban 8, which is a much lower rate; it is at around 58,500 and the work is also less. It is a work over operation, so in theory it is less, but you can compare it with equivalent rate of around 70,000 for a regular operation.

Amit Shah: Overall, how many contracts are being currently tendering for?



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- S. Srinivasan:** That is many, more than 10, but it is not that the oil companies themselves are not taking decision.
- Moderator:** We take the next question from the line of Adam B from HBK, please go ahead.
- Adam B.:** If you could comment at all on the status of the Pemex receivables from the Deep Driller 1, has any of that money now been received and when do you expect it?
- S. Srinivasan:** We have received up to December. The remaining months have not been received, but it is expected to be received probably, we do not know the date, but since we have received up to December we hope we will receive the balance also.
- Adam B.:** Can you indicate roughly how much is left to be received?
- S. Srinivasan:** Basically five months and each month is around \$4.5 million.
- Adam B.:** You do not have a view on when that is likely to come in?
- S. Srinivasan:** We do not know.
- Moderator:** We take the next question from the line of Sahebrao Pujari, an individual investor, please go ahead.
- Sahebrao Pujari:** Hello, I am Sahebrao Pujari from Pune. I had gone through your quarterly results. I found it very fine on standalone basis but on consolidated basis it is 181 Crores, may I know why?
- S. Srinivasan:** Basically, I think, the rigs owned by our subsidiaries are not working, so out of those 11 rigs, subsidiary we have only 4 which are working, so because of this like the earnings are not high there, but at the same time we have to incur the operating cost, interest and depreciation for all the rigs, that is why even though there is profit in the standalone entity on a consolidated basis, there is a loss.
- Moderator:** We have the next question from the line of Prashant Tarwadi, please go ahead.
- Prashant Tarwadi:** Sir, I had few questions, first is you have highlighted receivable situation from Pemex, so just wanted an update on what is happening on the receivables from Iran side, what is the total outstanding and what kind of approach we have seen over the last four to five months?
- S. Srinivasan:** Just to give you an idea, the last whole year of 2015-2016, we received about \$51 million from Iran whereas in the first quarter itself we have received around \$51 million, but still we have about \$260-270 million as of July 31 to receive from Iran.



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- Prashant Tarwadi:** But just to get the perspective right, the receivable situation has improved a lot based on whatever you have commented just now, so are we expecting that probably in next four to five months the entire receivables to come down to normal situation?
- S. Srinivasan:** It may not happen in four to five months, but we hope the trend will continue.
- Prashant Tarwadi:** Sir if you could throw some light on the current day rate situation not only for jack-up rigs but also for the deep driller kind of rigs that would be helpful.
- S. Srinivasan:** The deep driller are mainly jack ups only, the going rate currently for these jack ups are maybe somewhere from even 70,000 to 90,000, so that is the day rate which these jack up rigs are getting.
- Prashant Tarwadi:** What I meant was both for jack-ups as well as semi-submersibles?
- S. Srinivasan:** We do not have a semi-submersible; the drill ship which we have the deep one we have contracted it around as Mr. Gopalkrishnan stated effective day rate of around 117,000 for two years.
- Prashant Tarwadi:** Sir what is the impact of IndAS implementation for our company, is there anything that you would like to highlight?
- Vijay Saheta:** Basically I think there are two items of change, one is on account of depreciation basically on calculated because assets have been allocated based on fair value concept, so because of this there is minor change in depreciation and there is preference shares also about 281 Crores in our balance sheet, so the same will move from capital to debt and the coupon payable on these preference shares get classified from dividend to financial cost, these are the main changes.
- Prashant Tarwadi:** So when you say there would be minimal changes?
- Vijay Saheta:** Basically I think if you may recall most of our businesses the number of rigs is from our Singapore subsidiary, which is always following the SFRL; this is already tuned to IndAS. That is why the changes on depreciation are also not very significant.
- Moderator:** We take the next question from the line of Hitesh Nandha, an individual investor, please go ahead.
- Hitesh Nandha:** Hi Sir, this is Hitesh, I am a retail investor. I just want to ask the remaining idle rigs, any plans of the liquidation or selling of that and my second question is related to what is the current debt level right now?
- S. Srinivasan:** Current debt level, we have about 2184 that is 2.183 billion.



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- Hitesh Nandha:** Any plan of selling the idle rigs right now?
- S. Srinivasan:** There are no plans.
- Hitesh Nandha:** Are you looking for some customers or something like that?
- S. Srinivasan:** We are always marketing our rigs.
- Hitesh Nandha:** With the help of Indian Government any plans since the Iran sanctions have already been lifted out any plans for getting the remaining receivables?
- S. Srinivasan:** We are working on it. That is how we could improve the collections. As I was mentioning, the last whole year FY 2016 we got about 54 million from Iran. In the first quarter itself this year we have already received about \$51 million, so we are taking the help of all agencies.
- Hitesh Nandha:** There are some payment dues, bond amount is due in the month of December I think so, what is the amount and can you give me the details for that?
- S. Srinivasan:** Bond amount, we have actually rolled over for another two years, so now it is payable over two years, in quarterly installments of about 8.125 million each from March 2016 to December 2017.
- Moderator:** We take the next question from the line of Khush Gonatra from Luv Kush Financial Service, please go ahead.
- Khush Gonatra:** Sir just want to know what is the major reason of sales number decreasing continuously since the last few quarters?
- S. Srinivasan:** If you look at it most of the rigs in our Aban Singapore system they have contracts till the third quarter of financial year 2016 and that is why till December quarter of 2015 the revenue was more or less stable, but there is lot of contract required in the third quarter of 2016, that is financial year 2016, the March quarter there was dip in revenues and there were some rigs which ended the contract even in the first quarter, that is why the revenues for the first quarter of 2017 is still lower.
- Khush Gonatra:** Sir, are any contracts getting renewed in next few quarters?
- S. Srinivasan:** We have given what is the feed contract status in response to Mr. Amit Shah's question and there are other rigs, which we are marketing, so we will know the result. As soon as we know the result, then basically it will get reflected in the revenues.



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Moderator: That was the last question. I now hand the conference over to the management for their closing comments.

S. Srinivasan: Thank you for participating in the call. On behalf of the management we thank all the investors and analysts who have taken part in this call. Thank you.

Moderator: On behalf of Axis Capital Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.