



## “Aban Offshore Limited Q3 FY 2015 Earnings Conference Call”

January 28, 2015



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- Moderator:** Ladies and gentlemen, good day and welcome to Aban Offshore Limited Q3 FY 2015 Earnings Conference Call, hosted by ICICI Securities 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 please signal an operator by pressing “\*” and then “0” on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rohit Ahuja of ICICI Securities. Thank you and over to you Sir!
- Rohit Ahuja:** Good evening everyone and welcome you to Q3 post results conference call of Aban Offshore. From the management we have Mr. C. P. Gopalakrishnan – Deputy Managing Director and CFO and Mr. S. Srinivasan – Senior Vice President from Aban Offshore. Mr. Srinivasan, I hand over the call to you now.
- S. Srinivasan:** Mr. Gopalakrishnan will be making the opening remarks.
- C. P. Gopalakrishnan:** Good day to all of you. Welcome to the conference call. Just to give you the highlights of our quarterly results, the total income was 165.08 million compared to 169 million of last September quarter, in million dollars. EBTIDA was 96 million as compared to 97.87 million and EBITDA percentage was around 58.28% compared to 57.84%. The profit after tax was 19.21% compared to 22.16%. Interest was similar to 46.06% and 46.42% in the September quarter and the PAT was 21.39% in December 2014 compared to 24.72%. The cash accruals was 44.09% compared to 46.98% slightly lower than the last quarter was mainly because we had Aban Abraham on a five yearly certification to be done which was taken about nearly a month and that is the reason we had slightly lower profits. Aban IV, which has got a contract with ONGC, is under refurbishment for the new contract. These are the reasons why there is slight reduction in the profits.
- S. Srinivasan:** As you know we obtained two contracts during this quarter that is for early October that is for the Rigs Aban IV and Aban III of which Aban IV completed its contract around September 7<sup>th</sup> and it is under refurbishment. It is expected to commence the contract sometime in February. So this was completely out of revenue in the Q3. Rig Aban Abraham we had five yearly survey done, for which know it was out of revenues for about 39 days. In spite of this due to better efficiencies in the other rigs, so the net impact in revenues is only 4 million dollars and net impact on the profits is about basically I think 3 million dollar.

So now the floor is opened for questions.



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- Moderator:** Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. Our first question is from Mahantesh Sabarad of SBI Cap Securities. Please go ahead.
- Mahantesh Sabarad:** Good evening Sir. A very good set of results. Congratulations Sir. I just had wanted to read, you mentioned certain numbers in dollar related to EBTIDA and cash accruals, can you repeat them from a benefit once again I could not?
- S. Srinivasan:** Basically I think the EBITDA was about 96.2 million in the December quarter compared to 97.87 million in the September quarter. The Profit after Tax was 21.39 in the December quarter versus 24.72 in the September quarter. I will just give you the exchange rate so that you know it will benefit you. The average exchange rate during December quarter was 60.77 against 60.19 in the September, for P&L the exchange rate is 60.77 in the December quarter against 60.19 in the September quarter. Basically I think you can derive the dollar numbers.
- Mahantesh Sabarad:** Okay so, that is fine. Just wanted to understand on this Aban Abraham you mentioned this we had a almost a 39 days outage related to five year certification, any additional cost there to be borne on that has that been expensed in the quarter gone by or is expected?
- S. Srinivasan:** It has been expensed, whatever was required it is been expensed, it is not significant it is mainly the revenue loss during the period is significant because it is more of a survey type of work.
- Mahantesh Sabarad:** Sir and a status update on the rigs which are still not be placed Aban V and Aban VII?
- S. Srinivasan:** I mean we are still trying. They have not yet been placed.
- Mahantesh Sabarad:** Any other developments that you are seeing in terms of because the crude prices have fallen sharply so are your other oil companies telling you something in terms of deferment of capex or reduction in your capex or something like that?
- S. Srinivasan:** Basically, I think I mean as you know we have some rig which are contracts in the current year but most of them are happening in the Q3 or Q4 of the current year. There are one or two renewals which are happening in the Q2 but most of it is coming in the Q3 or Q4. So I mean like we will hear from them only at the time of renewal, otherwise as you know the oil price reduction know, we were also taken by a surprise. It suddenly happened. It started happening from mid November onwards so I think the oil companies are still evaluating the



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impact of it and they may strike the right balance between I mean like any deferment of expenditure, at the same time, the need to keep up the production know, which should not come down because any reduction in expenditure should not result in a fall in the production, so they are trying to strike the right balance.

- Mahantesh Sabarad:** So right now you are not seeing any communication from these oil companies?
- S. Srinivasan:** We have not directly heard from all these oil companies so because know we have the renewals slightly later so probably we will come to know more perhaps in the next quarter.
- Mahantesh Sabarad:** I will just take one more question and this pertains to your outstanding bonds one of which is due in the month of March so I believe that would get redeemed in the month of March and there are sufficient cash reserves to do that right?
- S. Srinivasan:** Basically I think we are working on some alternatives on how to redeem this, so which are under discussion.
- Mahantesh Sabarad:** What would be your cash position as of end December because the balance sheet numbers are not there, the last number we know are of September, so what will be the December cash balance status Sir?
- S. Srinivasan:** The balance sheet has not been prepared, September the cash balance was..?
- C. P. Gopalakrishnan:** Any ways Mahantesh, we would anyway meet which is due on March.
- Mahantesh Sabarad:** That is the only sort of confirmation, which I wanted to have.
- C. P. Gopalakrishnan:** In fact we will meet.
- Mahantesh Sabarad:** I think that is about it from my side. May be if I have more questions I will come back in the queue. Thank you.
- Moderator:** Thank you. Our next question is from Vipul Irani of ICICI Securities. Please go ahead.
- Vipul Irani:** Good evening Sir. Thank you for the opportunity for letting me opportunity to ask this question. Just following up from the previous question, if you could provide any kind of outlook on the day rates and also do you have any plans for cost rationalization in terms of there is a falling day rate environment do you have any plans for cost rationalization? Thank you Sir.



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- S. Srinivasan:** Actually, like as I mentioned know the day rate outlook we will come to know at the time of renewals. If you have seen our rigs basically the new rigs, we have two of the rigs which are maturing only in 2016 that is the rig which are contracted to (indiscernible) 9.52 then one rig is contracted to Shell, which is under an option at a very low rate, it is about \$112000. Of the remaining six, we have four rigs which are working in the Middle-East and one in Vietnam and one in Malaysia so we will get some more clarity as and when we are close to the renewals. As far as cost is concerned, I think we are one of the lowest cost operators in terms of operating expenditure, so I mean like we naturally do some introspection on where to improve, the areas which are likely to show better opex or insurance, which generally know there is a reduction so long as there are no catastrophic events, which requires a substantial claim payments. This is one area where we can show a reduction. Other thing is on the maintenance cost because some of it is directly related to the oil prices, some of the spare parts and other cost and since we are one of the lowest cost operator so we can always we feel that you know we can always offer a competitive pricing.
- Vipul Irani:** Thank you Sir.
- Moderator:** Thank you. Our next question is from Bharat Subramaniam of Sundaram Mutual Fund. Please go ahead.
- Bharat Subramaniam:** Good evening Sir. Just a couple of questions; one is you said there is a \$4 million impact because of the outages for Abraham and Aban-4 so where was the offset coming in because when I looking the numbers there is been some offset from other operations right so where has the improvement come from the other rigs, or is there any specific rate resets in any of the other rigs?
- S. Srinivasan:** Bharat, basically I think like there are know what we call it as a day rate deficiencies sometimes the rig is working on a standby mode they will be earning about 95% so instead of 95 if I earn 100 know that is the benefit which we get.
- Bharat Subramaniam:** Because when we look at Abraham in specific you know is it out for say 39 to 40 days so then one should not knock off the entire billing for it?
- S. Srinivasan:** That is right because see sometimes these day rate deficiencies will always be happening.
- Bharat Subramaniam:** Just one another question on this loan book side, if you can just tell us as on date what would be the rupee loan booked at this point of time?



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- S. Srinivasan:** In rupees we have very little loss. Our rupee loan is about less than 100 Crores the entire thing is in US Dollars only. We can say practically our entire loan book is in US Dollar very; very insignificant say about a 1% of a total debt is in Indian Rupees the remaining debt is in US Dollar only.
- Bharat Subramaniam:** The rig in Middle East which was due in October 2014 Aban-8 so that has been renewed without any?
- S. Srinivasan:** Not that, basically I think we are working for them, typically it has to finish a certain number of wells so that number of wells is still not over. That is why we are continuing to drill there. It was working for the full quarter of last I mean the third quarter as also the full till date it has been working in the month of January also.
- Bharat Subramaniam:** Is there any extension option there Sir?
- S. Srinivasan:** There are no extensions, like it has to drill a certain number of well.
- Bharat Subramaniam:** So there what are the chances of that being renewed on the same terms or you know by the same customer Sir?
- S. Srinivasan:** I think there is a very good chance.
- Bharat Subramaniam:** As per the current Q4 it is still we expected to be there for the entire three months?
- S. Srinivasan:** Yes.
- Bharat Subramaniam:** That is it from my end. Thank you.
- Moderator:** Thank you. Our next question is from Badrinath Srinivasan of Credit Suisse. Please go ahead.
- Badrinath Srinivasan:** Thank you for taking my question. Two questions; firstly Sir how confident are we getting the rigs recontracted given, we have a fair numbers coming up in the second half basically my question is are we trying to let us say what you think will happen in terms of lower day rate, shorter durations and so on?
- C. P. Gopalakrishnan:** As we always, I mentioned know to the previous question, we are one of the lowest cost operators so we believe that we can always offer a competitive pricing for our contracts so that should help us to get the contracts and keep the rigs occupied. As far as the day rate is



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concerned I mean as I mentioned know like we will get some clarity as we get closer to the renewal date.

**Badrinath Srinivasan:** Sir and the second question I had was, could you please help with the net debt number as of December and also do we think we have enough contracts growing for the December bond ready payment, December 2015?

**C. P. Gopalakrishnan:** Actually December 2015 know it is nearly a year away so I think you know we are confident. The amount is very small it is only \$87.5 million. Actually our net debt number should be about \$2.1 billion.

**Badrinath Srinivasan:** Thank you Sir.

**Moderator:** Thank you. Our next question is from Amit Murarka of Deutsche Bank. Please go ahead.

**Amit Murarka:** Good evening. Just again on the rig utilization front so basically how I see it is there seven rigs of which you do not have a contract in FY'16 so I just wanted to cross check on that the Aban II, Aban V, VI, VII and then DD V & VI am I correct?

**S. Srinivasan:** Pardon.

**Amit Murarka:** Sir basically?

**S. Srinivasan:** It is Aban II you want to know the likely opportunities or something?

**Amit Murarka:** This is factual check, so Aban II, Aban V then Aban VII and then Aban VIII and then DD V & VI. So as of now they do not have any contract for these rigs right?

**S. Srinivasan:** No, we Aban II we have a contract running contract. It is expiring in sometime in April or May. Similarly Aban VI we have a running contract it is expiring sometime in February. DD V is expiring sometime in April and DD VI is expiring sometime in August.

**Amit Murarka:** So DD VI is still August?

**S. Srinivasan:** Aban V and Aban VII yes we do not have a contract.

**Amit Murarka:** Aban VIII is also that you said is anyways?



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- S. Srinivasan:** As I explained to Bharat you know, basically I think we are continuing that contract because we have to drill a specified number of well.
- Amit Murarka:** About Aban VI then you have been marketing that rig or that is also likely to expire?
- S. Srinivasan:** Aban VI mostly probably it will continue to work for the same client. Basically we are marketing, because see as of now we have not concluded the deal but there is a good chance that it will continue to work for the same client.
- Amit Murarka:** As of now only Aban V and VII are completely off contracts others are operating in some way or the other?
- S. Srinivasan:** Yes.
- Amit Murarka:** Thanks.
- Moderator:** Thank you. A next question is from Dixit Mittal of Shubkam Ventures. Please go ahead.
- Dixit Mittal:** Good evening Sir. Sir I just wanted to know in the light of current fall in oil prices because we have been reading in the news that some of the companies are cancelling the oil contract so how vulnerable existing contracts to the cancelation Sir?
- S. Srinivasan:** Basically I think, I mean these are all fixed term contracts. Generally there are no provisions for cancellation any termination for convenient so typically it would happen like if there is an option people may not exercise that option or let us say contracts gets over then they may not renew it for a further period.
- Dixit Mittal:** So basically there is no precedent of contracts being cancelled midway?
- S. Srinivasan:** Unless, I mean if there was a provision for termination for convenience then it might happen but where there is no provision it might not happen.
- Dixit Mittal:** So normally what is the receivable cycle in our contract?
- S. Srinivasan:** Typically you can say about 45 days.
- Dixit Mittal:** So every 45 days you get the receivables?





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- S. Srinivasan:** We bill at the end of every calendar month and then the credit period given is another one calendar month, so on an average I said about 45 days.
- Dixit Mittal:** Sir out of the \$2.1 billion debt how much is due in this year?
- S. Srinivasan:** In this year it is only \$259 million.
- Dixit Mittal:** That is March 2015.
- S. Srinivasan:** March 2016 is only \$108 million.
- Dixit Mittal:** Thank you Sir.
- Moderator:** Thank you. Our next question is from Amit Shah of BNP Paribas. Please go ahead.
- Amit Shah:** I dialed in a little late, so I might have you know or you must have already mentioned this, two things I want to understand, let's assume that day rate loan really, not day rates but your ability to recharter the rigs is not hampered by the decline in oil prices, having said that then do you see a material benefit from oil prices falling considering fuel cost is a very significant part of the expense?
- S. Srinivasan:** No actually fuel is typically passed through the client, because these clients themselves where oil company so normally the cost for jack-ups is borne by them only for floater is borne by us. We are a significantly a jack-up player.
- Amit Shah:** I thought it is the other way round, I thought for jack-ups you actually bear the cost of fuel?
- S. Srinivasan:** No jack-ups is typically passed on. Rather they provide the material.
- Amit Shah:** So then basically in the event if we see delays then that kind of impacts the margin?
- S. Srinivasan:** Yes, but as we were selling you know we are basically working in market like Middle-East then Mexico, I mean which are very large market for jack-ups. So I mean and being one of the lowest cost operators we feel that know we have a competitive advantage to get contract.
- Amit Shah:** I completely agree but what I am trying to get that, as of now you got Aban V let us forget Tahara but Aban VII and VIII which are already under marketing right?



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- S. Srinivasan:** Aban VII and Aban VI only two rigs.
- Amit Shah:** Aban VIII has started?
- S. Srinivasan:** Aban VIII, already I explained its already working for the same client because we have to completely drill a specified number of well.
- Amit Shah:** So Aban VIII is still with Petro Park?
- S. Srinivasan:** Yes.
- Amit Shah:** So that will last how long?
- S. Srinivasan:** Basically I think we are drilling a specified number of wells as required by the client and also looking for fresh opportunities for that.
- C. P. Gopalakrishnan:** It will continue for sometime. Exact numbers of wells are not known.
- Amit Shah:** Just as a follow up, would be comfortable in saying that, the rigs to rechartering is not as high as the rigs to falling day rates?
- C. P. Gopalakrishnan:** You are right.
- Amit Shah:** Would that be a fair statement to make?
- S. Srinivasan:** Yes, in the falling market yes. See one of the thing what we have done know because in the last cycle in 2009 if you see most of our new rigs were working in South East Asia like the places like India then Bangladesh all these places, they are very small markets for this new jack-ups, that is why know there was sometime taken to move from this to the well established markets like Mexico and Middle-East. The reason is there is a constant requirement in Mexico and in the Middle East that is why we feel that you know the rechartering opportunities are good given the competitive advantage in operating cost.
- Amit Shah:** Also now would Iran would be an option again or that is something that you want to avoid?
- S. Srinivasan:** We will have to see the time.
- C. P. Gopalakrishnan:** It all depends you know where we are getting the contract.



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- Amit Shah:** What I am coming at is...?
- C. P. Gopalakrishnan:** See we were able to pull out one rig from Iran know in 2013-2014 so basically I think we will have to match it with the opportunity elsewhere right, what is the point in pulling out a rig and keeping it idle.
- Amit Shah:** Thank you very much.
- Moderator:** Thank you. A next question is a follow up from Mahantesh Sabarad of SBI Cap Securities. Please go ahead.
- Mahantesh Sabarad:** Thank you. May be this is an immaterial question but then I notice that your credit ratings were upgraded but since you have only almost the entire debt in dollar denominative terms what is that rating upgrades signify. Is there any borrowing program that you are lining up ahead in India?
- S. Srinivasan:** No not that. See even though we have this is basically given to the domestic company that is the Indian company Aban Offshore we have some debt of the order of about \$140 million are something though primarily denominated in dollar still they have a rating, because it is a banks debt because part of it is in Dollar this rating is applicable for this debt, whether it is in Rupee or Dollar the rating applies.
- Mahantesh Sabarad:** Right. I just wanted to clarify that because when we notice that I was wondering what that signifies. Just another follow up question you know is about this question on rigs chartering versus rigs to fall in day rate, some of your rigs have got very low day rates you yourself said there is one in which Shell in Brunei which is at a extremely low or a day rate so in fact if one were to assume that contract gets renewed you might actually see an upgrade in day rates?
- S. Srinivasan:** Shell, it would not because it is a priced option, already granted an option so I mean if they exercise the auction it will be at the same rate I mean adjusted for inflation know very minor effect.
- Mahantesh Sabarad:** There are other rigs also which are at even one of the rigs in Tenax is at a huge discount the current day rates are somewhere around \$170,000 or thereabouts.
- S. Srinivasan:** Our Tenax Rig is that 149000 both the rigs are at 149000.



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- Mahantesh Sabarad:** So that is still is discount of the current day rates as we see here so, when the renewals happen?
- S. Srinivasan:** We will have to see because the Tenax Rigs are coming up for renewal only in 2016. So we will have to wait and see.
- Mahantesh Sabarad:** There were other rigs also which were at a lower rate the Vietnam Rig is 153, if I am correct?
- S. Srinivasan:** Yes but that is the tax adjusted, it is a tax free so equivalent to 151, if we assume a 5% into the 5% tax so there a fairly market rate now.
- Mahantesh Sabarad:** Essentially what I am trying to understand is that assuming and it is a follow up related to rigs to charter in which you mentioned is far lower than the day rates, so in a sense I am trying to interpret and say probably you will probably be managing to renew your contracts but then since some of the rigs are at lower day rates we might actually see an upgrade and degrade, is that what it is?
- S. Srinivasan:** We have to wait and see till the, because know in the last three months the oil price has come down so much, probably I would have supported such a view in the last quarter because this time the change in oil price is significant so we will have to wait till the actual renewal.
- Mahantesh Sabarad:** Are there any reference rig contracts that have been stuck recently at extremely low day rates or desperate day rates kind of thing, are there any example?
- S. Srinivasan:** After our ONGC rate, ONGC contracts for we announced two contracts they were at \$83000 per day. No major long term contracts have been announced. There has been some contracts for a shorter tenure know three months, six months and all that, long term it has they have not announced.
- Mahantesh Sabarad:** Sir these shorter mid term contracts would be what, sub one lakh kind of?
- S. Srinivasan:** No not sub 1 lakh. It is for new rig it is at a much higher rate the rates which you indicated earlier it was around that, but we have not been know like after this fall from after November 15 the oil price fall we have not seen significant contract announcement.
- Mahantesh Sabarad:** Right. That is a fair enough answer. Thank you very much.



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- Moderator:** Thank you. Next question is from Amit Murarka from Deutsche Bank. Please go ahead.
- Amit Murarka:** Just again on the Rigs Iran, you are getting the payments on time or how is the payment being settled right now?
- S. Srinivasan:** Basically we are getting, there are some delays are there but we have been collecting the payment.
- Amit Murarka:** For delays, there is a couple of I mean one or two months or delays are longer also?
- S. Srinivasan:** One or two months.
- Amit Murarka:** If I am not wrong the Rig Aban VIII when it was originally deployed in Iran it was supposed to be for six months which was in June 2014 it was supposed to get and gotten over by October 2014?
- S. Srinivasan:** That is right, because normally we indicate an expiry date. There are some contracts which are for a specified number of well, some contracts are for a fixed duration. This is one such contract which is for a specified number of well. The period of October 2014 was indicated as a likely expiry date based on our expectation when those wells would be completed.
- Amit Murarka:** So this extension is because of some delays?
- S. Srinivasan:** There is no extension basically I think it is for that period, for completing that well has taken longer but we are anyway getting paid on a five day basis.
- Amit Murarka:** That money you are receiving?
- S. Srinivasan:** Because the contracts are always priced on a per day basis; however, long whether it is for a specified number of wells or specified number of days, they are always priced on a per day basis.
- Amit Murarka:** Thanks.
- Moderator:** Thank you. Our next question is from Abhishek Agarwal from Macquarie Capital. Please go ahead.
- Abhishek Agarwal:** Thank you for letting you ask you questions. The first question is to do with a bit of a stress testing scenario, given that Aban V and VII do not have contracts yet and given that



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possibly Aban VI might also go up of contract and I believe Aban II goes off contract sometime in April, assuming that these do not get a contract or let say the remainder of the year, are we still confident of being able to make the payments of the bullet bonds at the end of the year?

**S. Srinivasan:**

Yes.

**Abhishek Agarwal:**

So we are comfortable enough despite the utilization of these being nearly nil, we will still be able to...?

**S. Srinivasan:**

But if you look at it you know these two rigs you know the contribution to our bottomline is not significant right. These are all running at very low day rate, 50000 and 52000.

**Abhishek Agarwal:**

The second thing was to do with the same question which I think was raised earlier some of your rigs for example Aban II itself is at a very low day rates so even for these given the way crude is can day rates actually go down further or in the worst case you expect them to only flat line?

**S. Srinivasan:**

In the case of Aban II, basically I think it depends on job. It is a very unique type of rig which is a MAT supported rig is not an independent leg rig so and it is one of the low end of the spectrum so probably it will be I mean flat. I mean we pointed out, the earlier rigs Aban III and Aban IV probably there will be an uptick in the day rate that is what exactly happened. We got 30% more than the previous rate.

**Abhishek Agarwal:**

Given that ONGC tender was for quite a bit more of demand do you still see active interest coming in from the likes of ONGC or have their crude prices somewhat dampened the amount of interest that they had?

**S. Srinivasan:**

But as far as Aban II is concerned know it is a (indiscernible) 33.01 type of rig, so if they need a rig, definitely I mean there is an indication that they need similar type of rigs, probably know they will ask for I mean those type of Rig but on the lights of Aban III and Aban IV probably they may not ask know, because even though their requirement was not fulfilled so we are not very sure how they will see this, because anyway we do not have any further rigs to we are only Aban V to offer. That requirement of ONGC was anyway fulfilled.

**Abhishek Agarwal:**

Sir in a falling crude scenario from your experience could you tell me what you are comfortable with as a rig company and what the E&P companies themselves would be



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comfortable with in terms of a contract periods. I mean would short term contracts become a bit of a norm or would companies be more comfortable in possibly locking you in at low rates for longer periods of time and what would you be comfortable?

**S. Srinivasan:**

See we have always articulated a philosophy of continuous deployment for the rigs. I think know even during the last conference call, I made this point. One month, I mean \$10000 reduction for a one full year will cost us about \$3.6 million but a one month idling period will cost about \$4.5 million. So we always prefer longer term contracts because it is in-between two contracts where most of the idle period happens. So long as the rig is in continuous utilization then the revenues will accrue on a better basis so, always we have gone for longer term contracts, so we prefer longer term contracts. Probably oil companies, may have some incentive to lock in for longer term but it also depends on how much work program they have. So it is typically the natural oil companies which lock in for longer periods. They are anywhere doing it know whether I mean they also do not do it for indefinitely long like ten years and all that. They have been doing typically for three years like ONGC, Tenax and all that. The private oil companies know, it will be based on the program, like suppose if they have planned to drill ten wells they will hire only for 10 wells know, because they have a very small field under their command.

**Abhishek Agarwal:**

The idea of behind that question was that a lot of the problems that the companies faced in the recent past were because unluckily enough the last time crude crashed we handled a quite a few rigs to be deployed and they got stuck with low price contracts?

**S. Srinivasan:**

But that happens, like when you have such a portfolio of 18 rigs you will have some rigs coming off contracts and if it comes off contract when the market is weak, it is your misfortune. I mean like that is the part of the business right, nobody can hedge it completely.

**C. P. Gopalakrishnan:**

It is a part of business at what point you are...

**S. Srinivasan:**

No even if the ledger has got five years there will be some expiry right.

**Abhishek Agarwal:**

My final question was as you would have indicated in one of the questions earlier that for the deep water rigs you tend to have a fuel on your own cost and for the jack-ups you tend to pass it through, so given that there has been a significant decline do we expect an improvement in margins for those assets at least and there I suppose the amount of expenditure on fuel must be a lot larger?



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- S. Srinivasan:** It is not very high I mean like probably may be there will some savings will be there. I do not have the exact amount but it cannot be very significant compared to our size.
- Abhishek Agarwal:** Thank you.
- Moderator:** Thank you. The next question is from Sumit Pokharna of Kotak Securities. Please go ahead.
- Sumit Pokharna:** Just need some clarity on your dividend policy will there be any change on it for this year and next year?
- S. Srinivasan:** I think we believe that our current dividend policy will continue.
- Sumit Pokharna:** Secondly I am just trying to work out that if I assuming that EBITDA for FY 2015 remains around the \$392 million and the proceeds from warrants will be around \$8 to \$9 million US so that is around US \$400 million which will get in terms of inflows as against that we are talking about a bullet repayment of US \$259 million and there is a preferential shares redemption of almost US \$25 million and as you said that the dividend policy will be maintained so that will consume both equity and preferential shares combined together including the taxes will be around US \$8 million so this will take away almost US \$290 to US \$292 million and the remaining...?
- S. Srinivasan:** We have raise the equity know, we have raised the equity of \$125 million.
- Sumit Pokharna:** That I have considered in your warrants and other things the EBITDA and the warrants I am taking together which come to almost US \$400 million?
- S. Srinivasan:** It will be US \$500 know, how you are saying US \$400?
- Sumit Pokharna:** Sir, part of it has already been 25% we received in the initial year?
- S. Srinivasan:** That is 25% is for the warrants, but for the equity we have got the full money in the current financial year.
- Sumit Pokharna:** So you are saying US \$500 million and as against our outflow is coming almost US \$520 million in considering the interest payment of US \$180 dollar and taxes around US \$28 million and the capex of US \$20 million which the company has guided earlier so there was some shortfall?
- S. Srinivasan:** How there will be shortfall?





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- Sumit Pokharna:** US \$500 million will be the inflows in terms of EBITDA and deposits from the share equity, issue of equity?
- S. Srinivasan:** US \$125 million, I mean our actually warrants plus equity is about US \$140, EBITDA for the three quarter is around nearly US \$300 million and if you project on the similar basis plus this it should come to nearly about US \$540 and US \$550. The interest plus principal is about US \$440.
- Sumit Pokharna:** So you are saying there will be not the debt repayment?
- S. Srinivasan:** You have the actual EBITDA numbers for three quarters right?
- Sumit Pokharna:** Yes, so I believe there will be no issue so far the bullet payment debt repayment will be there and there is no need to raise any debt?
- S. Srinivasan:** We have mentioned that you know somebody had asked this question
- C. P. Gopalakrishnan:** We said that you know we would be.
- Sumit Pokharna:** Sorry I did not get you come again.
- C. P. Gopalakrishnan:** Actually Mahantesh of SBI Caps had asked this question earlier.
- Sumit Pokharna:** Can you give repeat this for the sake of clarity?
- C. P. Gopalakrishnan:** He had asked whether the bonds will be prepaid or not and we said yes.
- Sumit Pokharna:** But we were not going to raise any debt further right?
- C. P. Gopalakrishnan:** Yes.
- Sumit Pokharna:** So far receivables are concerned any delays are something is happening?
- C. P. Gopalakrishnan:** These are normal one, which is happening.
- Sumit Pokharna:** Some clarity on Aban VIII for how far those for how many well they are planning to drill furthermore so that we can get an idea for how many months or how many quarters?



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- S. Srinivasan:** It is very difficult to give that because these wells if they are all long wells the exact period it is very difficult to estimate.
- C. P. Gopalakrishnan:** What are the wells they going to drill, which are not within our total information. We are taking rough year figure, so each well how long it will take what is the composition of the well, these are which the technicians have to decide and the client has to decide that.
- Sumit Pokharna:** Thank you Sir.
- Moderator:** Thank you. Our next question is from Dixit Mittal from Shubkam ventures. Please go ahead.
- Dixit Mittal:** Sir how much is the maintenance capex annually that we need to incur?
- C. P. Gopalakrishnan:** This year will be about US \$25 to US \$30 million.
- Dixit Mittal:** Thank you Sir.
- Moderator:** Thank you. Ladies and gentlemen that was the last question. I now hand the floor back to Mr. Rohit Ahuja for closing comments. Over to you Sir!
- Rohit Ahuja:** I thank everyone for this call and especially the management, Mr. Gopalakrishnan and Mr. Srinivasan for giving us the opportunity to host this call. Thanks a lot everyone.
- S. Srinivasan:** Thank you.
- Moderator:** Thank you. On behalf of ICICI Securities Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.