



“Aban Offshore Limited Q4 FY16 Earnings Conference Call”

May 23, 2016



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- Moderator:** Ladies and gentlemen good day and welcome to the Q4 FY16 Earnings Conference Call for Aban Offshore hosted by Axis Capital Limited. As a remainder 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 call, please signal an operator by pressing '*' then '0' on your touchtone phone. I now hand the conference over to Mr. Amit Mishra. Thank you and over to you sir.
- Amit Mishra:** Thanks Tanvi, Good afternoon everyone, on behalf of Axis Capital, I welcome you to Aban Offshore Q4 FY16 Earnings Conference Call. We have with us Mr. C P Gopalkrishnan and Mr. Srinivasan. At this moment, I would like to handover the call to Mr. Gopalkrishnan for his remarks, followed by the Q&A session. Thank you and over to you sir.
- C P Gopalkrishnan:** I welcome you all to the Earning Conference Call of Aban Offshore Limited for the fourth quarter FY2016. The oil prices after the last call has given a substantial increase and now it has come to around 48, there has been also be the good sign but the market condition continues to be difficult because of the largest supply of the market. With the increase in the oil prices, we expect the activity to increase at least in the next 6 to 8 months, so that we see a better trend in the coming years and this year we had a net loss of 119 crores for the quarter on lower revenue of 629 crores. For the whole year, we have made a profit of 51 crores. I would like to highlight 2 positive drivers; one is the slow easing of Iran sanctions. Iran sanctions were lifted on January 18, 2016, and it is slowly getting eased so you find the banking and other issues are getting resolved much more than that and the second is the recovery of oil prices. These are the main things we had and I will ask Srinivasan to takeover to ask in whatever questions you have.
- S. Srinivasan:** Amit, we can start with Q&A now.
- Moderator:** We will now begin the question and answer session. We will wait for a moment while the question Q assembles. First question is from the line of Jinat Mehta from B&K Securities. Please go ahead.
- Jinat Mehta:** Sorry sir, I missed the opening remarks. Sir, could you give me the revenue and EBITDA in USD terms for the quarter?
- S. Srinivasan:** Yes, revenue is about \$91.85 million. EBITDA is around \$49.38.
- Jinat Mehta:** Okay, and sir, how many of our rigs were out of contract during the quarter.
- S. Srinivasan:** Yes, so basically I think if you look at it in Aban Offshore, Indian company we have 5 rigs working who were off contract and in Singapore you know we had about 4 rigs were working for full quarter and about 2 rigs were working for half quarter.



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- Jinat Mehta:** Okay and sir over the next 6 months any of the rigs are coming of repricing.
- S. Srinivasan:** Yes, we have I think you know we have already announced that the rig Deep Driller 1 is finishing the contract on June 1st and we have the rig Aban Abraham which is finishing the 5 year contract on June 4, so these are the 2 rigs which are coming off contracts.
- Jinat Mehta:** Right, sir what is the color sir that you are getting right now given that oil prices stays still 50 dollars and you know going ahead you have few rigs which are not on contract, so what is the color that you are getting sir.
- S. Srinivasan:** Basically there is slight improvement in the sentiment because of the good oil price. I am happy to inform that the rig Deep Driller 6, basically they have finished a contract in the Middle East some time in December, so we have got a short-term job as an accommodation unit basically it won't be drilling but it will be working as an accommodation unit, so this will last until about July of 2016, so it will be a 3-month job, but probably it will get extended. Similarly, we are working for the other units in the Middle East as well, so we have already 2 units working, Deep Driller 2 and Deep Driller 4 with Deep Driller 6 is going on an accommodation mode, so we are working for our other rigs which is namely Aban 5 and Aban 8. These two rigs also we are working.
- Jinat Mehta:** Alright sir. I will come back and let you know.
- Moderator:** The next question is from the line of Amit Mishra. Please go ahead.
- Amit Mishra:** Sir, just wanted to check on the decline in operating cost in the current quarter because we have seen almost 20% QOQ decline, so any particular reason for that.
- S. Srinivasan:** Basically, I think we have grouped all the ideal rigs in one place, so that is the reason, because see when rigs go off the contract, the expenditure will not be same as we incur when the rigs are working, so that is one reason, second reason is you know like even among the ideal rigs you know we are parking them in the same location and trying to minimize the cost. Basically there is a reduction in the salaries and I mean manpower cost.
- Amit Mishra:** We have seen receivables remaining flat QOQ at around 340 million dollars, so what is the breakup, how much of it would be from Iran and what are the expectations in terms of timeframe for receiving these monies.
- S. Srinivasan:** Yes, from Iran, I think, we will have around 280 or something from Iran out of this 350, balance 70 and as Mr. C P Gopalkrishnan mentioned you know the sanctions are getting eased slowly, so we have started receiving the payments, so in the last you know from April till date we have received about 45 million dollars already, so Yes I think, but still the banking



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channels are not fully open but there is a good sign that you know things will improve in the coming months.

Amit Mishra: So, it is fair to assume that over the next few months we will be in position to pay off the debt that was pending because December we had to postpone the debt payments, so.

S. Srinivasan: Yes see basically I think you know as I told you we have nearly collected around 15% of the receivables in a month and a half, so I think you know we will be able to want to know that the sanctions release will fully in place, we will be able to realize more because we had to also strike the right balance because we need more jobs for the rigs so we will have to negotiate both together.

Amit Mishra: And fair enough to assume that you have opened communication with the Iran government basically to get more contracts, more of your rigs back into.

S. Srinivasan: Yes basically I think these companies are as far as contract deployment is concerned like there are several subsidiaries of National Iranian Oil Company who are our client, so that is how actually if you look at it even the rig Deep Driller 2 and Deep Driller 4, after they have finished their previous contract there was no job which is available but after recent negotiations only we got them redeployed.

Amit Mishra: I will return back to the Q&A, if there are any more queries.

Moderator: The next question is from the line of Adam Baghtadi from HPK. Please go ahead.

Adam Baghtadi: A quick question around the DD1, firstly it is going to coming off contract, just wanted any thoughts on future for that rig and then also specifically the receivables from Pemex in relation to that rigs contract that is about to finish, can you talk a little bit about how those are going and how you expect them to progress?

C P Gopalkrishnan: Basically, I think we tried our best to continue the contract for that rig and even try to get an extension but unfortunately because of the lower oil prices, they did not have adequate budget to support further work program that is why you know like the rig was de-hired. So as of now, we are not having any prospect for the same but we are looking at various option and I think this is the recent development you know we have not been able to market it elsewhere but we are looking at various options and I think I mean there is no further information on the contract availability. As far as payments were concerned, I think Pemex have been not paying for quite some time but they promised that they will release some of the payments. As far as the other rig Deep Driller-7 payment is concerned, they have made the payment, so I hope they will pay for this also here.



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- Adam Baghtadi:** Understood, sir given that there is no cash coming in from Pemex now do you expect with regards to the bond that is secured by that rig that you will be able to make those **amortization 11.32** and interest payments using cash from elsewhere in the company?
- S. Srinivasan:** We are working on it because we have to discuss with our other lenders also so we are discussing with them Yes.
- Adam Baghtadi:** Sir, you are even working with the non-bond holder lenders, is that is what you meant?
- S. Srinivasan:** Yes.
- Moderator:** The next question is from the line of Harshal Mehta from ICICI Securities. Please go ahead.
- Harshal Mehta:** Yes, sir, why has the other income declined?
- S. Srinivasan:** See other income is mainly interest and surplus amount, see that depends on how much surplus we have.
- Harshil Mehta:** Okay and sir regarding that insurance decline, insurance cost?
- S. Srinivasan:** Yes, one more thing there was we were actually providing support services for another rig owned by Vantage working in India, that contract got over so revenue from that also is not there, **(Inaudible) 12.57**.
- Moderator:** The next question is from the line of Prashant Shah from Quantum Advisors. Please go ahead.
- Prashant Shah:** I have two questions, firstly, our rig Aban Abraham is going off contract in the next couple of months, so what is our strategy for deployment given that it is high day rate rig that is number one and second thing any update on the debt payment plans?
- S. Srinivasan:** So as far as Aban Abraham is concerned as you know floater market is even more competitive compared to the jack-ups so we have participated in a ONGC tender, the outcome of which is expected to be known in the next few days, beyond this I mean there is no major opportunity for floaters at the moment. As far as debt repayment as you know we have already rescheduled the bond repayment in December.
- Prashant Shah:** If suppose in unfortunate event, we are unable to deploy Abraham when it expires in June, so would we be in a position to service our debt repayment schedule if that is not deployed.
- S. Srinivasan:** See that we will have to look at you know not only Aban Abraham because you know there were several other rigs which are not working, so we keep discussing with our lenders on how to address this issue.



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Prashant Shah: Okay.

Moderator: Next question is from the line of Abhijit Bora from BNP Paribas. Please go ahead. Mr. Abhijit Bora your line has been unmuted. Please go ahead.

Abhijit Bora: Currently which all rigs are not working currently.

S. Srinivasan: Yes, currently have rigs Aban 5 is not working, and then Tahara is not working, then Deep Driller 3 is not working, Deep Driller 5 is not working, Deep Driller 7 is not working, Deep Driller 8 is not working and Aban 7 is not working and Aban 8.

Abhijit Bora: And which all contracts will be renewed in the next few months for which all?

S. Srinivasan: I mentioned you know, rigs Deep Driller 1 and Deep Driller 1 is expiring on June 1st, Aban Abraham is expiring on June.

Abhijit Bora: Okay.

Moderator: As there are no further questions, I would like to handover the conference to Mr. Amit Mishra for closing comments.

Amit Mishra: Yes, thanks Mr. Gopalakrishnan and Mr. Srinivasan for taking timeout for this and over to you sir if you have any closing comments.

S. Srinivasan: Thanks a lot for taking the call. Thank you for the interest shown in the conference. Thank you very much.

Moderator: Thank you, on behalf of Axis Capital, we conclude this conference. Thank you for joining us and you may now disconnect your lines.