



“Asian Oilfield Services Limited
Q3 & 9M FY2020 Earnings Conference Call”

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MANAGEMENT:

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Moderator: Ladies and gentlemen, good day and welcome to the Asian Oilfield Services Limited Q3 and 9 months FY2020 earnings conference call. This conference call may contain forward looking statements about the company which are based on the beliefs, opinions, and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. 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 would like to hand the conference over to Mr. Ashutosh Kumar, Whole Time Director and CEO for his opening remarks. Thank you and over to you Sir!

Ashutosh Kumar: Good afternoon ladies and gentlemen, good afternoon to all of you and welcome to the conference call to discuss the Q3 and 9MFY20 performance of our company, Asian Oilfield Services Limited. I hope all of you had a chance to go through the press release and the financial statement submitted to the Bombay Stock Exchange and uploaded on our website too.

To begin with, I will provide you with a brief background of our company. Asian Oilfield Services specializes in servicing the entire upstream value chain right from seismic data acquisition, data processing, turnkey drilling as well as designing and building the oil and gas production facility and undertaking operation and maintenance of such production facilities, primarily offshore. As I said, the company also offers O&M services to offshore production assets like Floating Production Units, Mobile Offshore Production Units, Floating Production Storage and Offloading Units as well as Floating Storage and Offloading Units - the different types of offshore production assets, which have been used right now in the industry.

The total outstanding orderbook as on December 31, 2019 is Rs. 997 crore of which order for construction of oil and gas facility is approximately 21%, the seismic part is around 58% and the O&M constitutes 21%. In terms of domestic and international orders, the international is 21% and domestic is 79%. During the quarter that we are discussing the Company, received an order for seismic worth Rs. 570 Crore, which excludes GST from a reputed Indian Oil and Gas Company. This order is for acquisition of 2D and 3D seismic data for the blocks located in Rajasthan and Gujarat. The entire duration of project is two years. From the orderbook, we have excluded order worth \$37 million, that is around Rs. 260 Crore, which we had received in Q1 FY2020 for 2D and 3D seismic acquisition in

Republic of Iraq. We have done so because the project is likely to get deferred due to the ongoing sociopolitical situations in that region. We are also incurring a capex of approximately Rs. 70-75 Crore for the seismic order, which we recently got. This will be funded by a mix of internal accruals and short-term debt. The idea that I am trying to share with you guys is there is a great opportunity for seismic business over the next five years in India as well as abroad. The margin and profitability recently has improved in the seismic business as it has become a supplier's market for Indian region. The Middle East market and the African regions are also expected to register one of the highest CAGR in the global seismic services market..

Contract for seismic acquisition worth Rs. 1,500 Crore are likely to be awarded under OALP within next 6-9 months. Asian will bid for the projects selectively where the margins are good, in all rounds of OALP.

As we had shared in our last call, Asian strategy is to take build, own, operate and transfer projects, only for those projects, which are of longer duration and have stable cash flow. We also plan to enter into other related activities with an aim that by FY2023 we do not have a single business or client, which is contributing more than 30% to 40% of our total revenue. Our USP is that we are one of the most economical service providers for the entire value chain with much shorter turnaround time as compared to our peers.

Now I shall hand over the call to our CFO, Mr. Sumit Maheshwari to take you through the financial performance of Q3 FY2020. Thank you.

Sumit Maheshwari:

Thanks Ashutosh. Good afternoon everyone. Asian recorded a total income of Rs. 86.4 Crore in Q3 FY2020, which is up by 73.6% as against Rs. 49.8 Crore in the corresponding quarter of previous year. Ongoing execution of Langley Turnaround Maintenance project in Nigeria is running at a healthy pace, which has primarily contributed to the robust performance in this quarter, which we are discussing. EBITDA for Q3 FY2020 was Rs. 26.6 Crore as compared to Rs. 12.5 Crores in Q2 FY2019 posting a growth of 112.8%. EBITDA margin of Q3 FY2020 was at 30.8%. Profit after tax was at Rs. 14 Crore in the current quarter under review up by 276.3% as compared to Rs. 3.7 Crore in Q3 FY2019. EBITDA margin has improved on account of better operating performance in all the divisions and we expect to sustain our operational performance going forward. The robust performance momentum of Q3 FY2020 is expected to continue in Q4 and the next year on back of all current orderbook and the execution of the projects, which we are currently undertaking. We envisage to add more orders going forward with an aim to diversify our revenue stream across business verticals in which we operate. We have submitted bids for

various seismic projects in India and we are quite hopeful to bag few of them. Over the next one year, our focus is to deliver seismic projects in India and complete Langley Turnaround Maintenance project in Nigeria. We are quite confident of our operating performance in coming quarters on the back of strong orderbook and robust order pipeline. Thanks, that is all from our side. We now leave the floor open for questions and answers.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. We take the first question is from the line of Amit Shah from SS Securities. Please go ahead.

Amit Shah: My first question is can you just provide revenue outlook for the next 2 years i.e. FY2020 and FY2021. My second question is whether our current margin sustainable in coming quarters? And how much order inflow can we expect in Q4FY20 and next year FY2021 and in which verticals?

Ashutosh Kumar: So you wanted to know about whether the margins are sustainable or not? I think in the last call also we had given margins guidance about the margins. We would like to stay with that guidance not what you are seeing only in this quarter.

Sumit Maheshwari: Sir the current order book is about Rs. 1000 Crore and as we said we are participating in various upcoming bids and we have already submitted some bids. So as soon as we have some order inflow coming, we will keep announcing it to the stock exchanges. As far as the order book is concerned, our next year orderbook is already filled up and now we will be aiming to add order books for the coming years. And we keep participating in various businesses both internationally and domestically and we are quite hopeful to further buildup our order book, which shall translate into revenue in FY2022 and FY2023.

Moderator: Next question is from the line of Pankaj Jain from Mahavir Investments. Please go ahead.

Pankaj Jain: Thank you for the opportunity. Sir my first question would be what is our order bid pipeline. Can you name a few projects and total value involved or have you declared any projects in L1?

Ashutosh Kumar: Like what I said in my briefing, the total orders, which are up for grabs by all the seismic contractors in India is roughly in the range of Rs.1,500 Crore. We have put our tender for some of the bids, which are in the market. We have not received any feedback in terms of completion of their evaluation. So as such we have not been declared L1 in any one of them. The results are not out yet.

- Pankaj Jain:** Sir you give me some sense on what is our order bid pipeline from Oilmax the parent company and going forward are we seeing any projects from Oilmax?
- Ashutosh Kumar:** There are no new orders from our parent company right now.
- Pankaj Jain:** Anything in pipeline or something?
- Ashutosh Kumar:** When something comes up, obviously we will submit bids and if something tangible happens we will announce it.
- Pankaj Jain:** Sure. Understood. Sir lastly, I would like to know whether the ongoing Coronavirus epidemic going to affect our business in anyway?
- Ashutosh Kumar:** As of now, no. There are few bits and pieces, but I cannot say that corona virus is going to affect our activities as of now. Having said that, we are very closely monitoring.
- Pankaj Jain:** Okay got it. Thanks a lot that Sir. That would be helpful.
- Moderator:** Thank you. The next question is from the line of Ganpat Mehta from Suncity Advisors. Please go ahead.
- Ganpat Mehta:** It is a pleasure to see the good number of this quarter result. I would like to know regarding your note number 6 that is regarding this litigation going on and then out of court settlement in March. Can you put some more highlight how this is going to impact, how it will be settled and what scope we can see in the balance sheet and P&L of the Company? And secondly, when can the shareholders expect dividend from the Company?
- Ashutosh Kumar:** Alright. So let me respond to your comment about note number 6. We are trying to resolve issues with our Koral Energy. There have been very active discussions during the last three-four months and before. The reason why it has not been concluded yet, is because there are certain terms which they want to put and that is not acceptable to us. Even now we are discussing it and we are very hopeful that ultimately, they will see the reason and we will close the discussion in our favor. Very difficult to give a timeline, but my best estimate is maybe by March we should be able to resolve all the issues..
- Ganpat Mehta:** Will it be reflected positively in the last quarter on the P&L account?
- Sumit Maheshwari:** It is not going to have any impact on the P&L because all the liabilities and the expenses related to these projects have already been accounted for. This is a \$ 2 million receivable

from the client and as explained by Mr. Ashutosh we are quite hopeful to resolve all the pending issue with the client in the coming couple of months. And once we reach the settlement, whatever adjustments are required to the books of accounts, if any, will be done at appropriate time., But as of now we do not anticipate or expect any positive or negative changes in our books of accounts.

Ganpat Mehta: But if you receive this \$ 2 million it is income for that quarter?

Sumit Maheshwari: No, that will not be an income for that quarter that will be realization of receivables, which are in dispute.

Ganpat Mehta: Okay it is already shown in the receivables?

Sumit Maheshwari: Yes this will be a recovery of the receivables. It will not have any impact to the P&L. And as I explained earlier all the income and expenditures and liabilities related to these projects have already been accounted for, when we were doing this project. This \$ 2 million receivables from the client are in dispute, which we are trying to resolve. And once we reach the conclusion that we have a concrete agreement signed with them, that time we will make appropriate disclosure to the stock exchange.

Ganpat Mehta: I just want to know if for any reason the amount is not received, then will it be charged to the P&L or it has already been provided?

Ashutosh Kumar: The chance of not receiving is not there. We definitely receive it. It is only a matter of time.

Ganpat Mehta: Second regarding the dividend?

Ashutosh Kumar: Regarding the dividend, we will go by our company policy.As and when Board approves, so we will be very happy to declare dividend., But we will have to go by the policy and approval of Board.

Ganpat Mehta: So right now, there is no dividend policy?

Ashutosh Kumar: What I am saying is regarding declaration of dividend we will go by the Company policy, which we have. As and when board approves we will declare dividend. We cannot tell you right now in terms of timing.

Ganpat Mehta: Thank you.

- Moderator:** Thank you. We take the next question from the line of Karthikeyan Vk from Suyash Advisors. Please go ahead.
- Karthikeyan Vk:** Can you elaborate a bit on the Rs. 570 Crore order in terms of the schedules for delivery. Is that cleared today. How exactly will this progress as you have broadly indicated a two-year timeline?
- Ashutosh Kumar:** Alright, so this order that we have received is for total six blocks and the way the LoAis structured is, the client is supposed to issue us callout orders for these blocks. When they issue callout orders, then will lead to mobilize our team to execute the order. As of now we have received callout order for three blocks and the mobilization date is March 12, 2020. We are on schedule to complete the mobilization by March 12, 2020.
- Karthikeyan Vk:** Between 2D and 3D what would be the breakup for the order value and is the profitability different between the two segments?
- Ashutosh Kumar:** Profitability is broadly same between two segments.
- Sumit Maheshwari:** Roughly around 70% is a 3D work and 30% is a 2D work and the entire order is executable over a period of two years. And our mobilization is based on the callout order issued by the client. So the client has already issued callout order for three blocks, for which currently the mobilization is under progress. We expect to complete the entire work over a period of two years. It is very difficult to give numbers in terms of the quarterly revenue or the 6-monthly revenue. Overall the entire work will get completed over a period of the next two years.
- Karthikeyan Vk:** Sure. What I wanted to understand is will the payment terms be like at the end of the delivery because these used to be based on specific deliverables. So therefore would the receivables be paid on milestone basis or would it be at the end of the deliverables?
- Ashutosh Kumar:** No, the payment is progressive - in the sense we complete the job, we raise invoice and we get paid. So it will be monthly.
- Karthikeyan Vk:** So it will be monthly okay fine. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Kranthi Bathini from WealthMills Securities. Please go ahead.
- Kranthi Bathini:** Congratulations for a good set of numbers.

Sumit Maheshwari: Thank you.

Kranthi Bathini: I just wanted to understand given the kind of nature of cyclicity of the business how is the sustainability of these kind of earnings going ahead? And what are the measures from the management side to overcome this cyclical nature of the business? Due to the low oil prices will there be any impact on your business? And how the visibility is looking for your business?

Ashutosh Kumar: So let us take it up one by one. When you say cyclicity there are two types of cyclicity. One is activities, which are dependent on monsoon, the other one activity which is not dependent on monsoon. The other cyclicity is in terms when the tenders are issued and when the tenders are not issued. Now like what I was saying in my initial briefing, the demand for seismic activities in country is so high, that for the next two - three years there is no scarcity of tenders, so that cyclicity is gone. Now in terms of weather dependency for execution of project we are very careful in selecting the tenders, which we intend to bid, such that the weather dependency is to a great extent neutralized, so that we have stable cash flow across the year. Right now, the one tender that we are talking about - the activities are spread between Rajasthan and Cambay. So in Cambay there will be some effect of monsoon, but in Rajasthan there is no effect of monsoon.

Kranthi Bathini: About the oil prices, do you foresee any kind of impact on our business on the orders front and oil exploration activity altogether?

Ashutosh Kumar: I do not think so.

Kranthi Bathini: So, despite low oil prices, the activity remains the same and there will not be any impact?

Ashutosh Kumar: From an Indian context I think we all must be already aware that this open acreage licensing policy has opened up lot of opportunities for seismic activities over next two to three years and that is despite the oil prices where they are. So these activities have to be completed. The first activity in the overall value chain is seismic, which is already visible. So I do think for the next two or three years, at least seismic needs to worry about oil price.

Kranthi Bathini: So we can see in the next two, three years the order book is likely to get double from the current?

Ashutosh Kumar: I would love to but there are other parameters also in doubling our order book in terms of capex requirement, effective utilization of existing assets. So all I can tell you right now is that we are being very careful in terms of choosing the tenders for bidding so that we do not

pile up capex, which later on is idle as well as we do not miss opportunities, which we can capitalize on.

Kranthi Bathini: Okay you are very choosy in terms of selecting the orders.

Ashutosh Kumar: Yes.

Kranthi Bathini: Okay Sir. Thank you.

Moderator: Thank you. The next question is from the line of Amit Shah from SS Securities. Please go ahead.

Amit Shah: Sir I wanted to know in the presentation it is mentioned that you plan to enter new verticals like EOR, de-commissioning, etc. Can you provide us the timeline and the opportunity size?

Ashutosh Kumar: EOR opportunities are there. They have been there for quite some time in Indian context. In terms of when do we enter into that, I guess giving a timeline is difficult for us. What I can share with you is that we are evaluating those opportunities vis-à-vis the resources and management bandwidth and capex that we need. When the right time comes, we will definitely get into it and if we secure order we will announce and share with everyone.

Amit Shah: How will the pessimistic global oil prices affect our overall business prospects?

Ashutosh Kumar: If you heard what we said before, we claim to be a very cost effective operator. So when the oil prices started going down, all the operators want to minimize the operating cost and that is where we come in both in terms of both O&M opportunities as well as designing and building facilities. So lower all prices in a way, an opportunity for us.

Amit Shah: How much mobilization advance we received for a recently awarded Rs. 570 Crore seismic project?

Ashutosh Kumar: Mobilization advance we will receive when we complete mobilization, that is in March '20.

Amit Shah: And any capex plans going forward?

Ashutosh Kumar: We will need some capex. But capex we are going to manage with a mix of internal accruals as well as short-term debt.

Amit Shah: Can you just provide revenue outlook for FY2020 and FY2021?

- Sumit Maheshwari:** In terms of FY2020, as mentioned earlier also, we would like to maintain our revenue guidance, which we have communicated at the last concall. So there will be a definitely some good amount of growth from compared to the last year, which we have posted in FY2019. And in FY2021, definitely there will be growth from what we will be doing in FY2020, as we already have some order book in hand and the execution of various project has started. We will not be able to put any numeric numbers to those guidelines. But definitely there will be a growth both in FY2020 and FY2021 as compared to the previous year.
- Amit Shah:** You said that mobilization advance would be received in March or after March, so can you just quantify the amount of mobilization?
- Sumit Maheshwari:** The mobilization advance is different for each and every contract and each and every client. What we tried to say that the mobilization is under process and once we complete the mobilization, after that we are going to receive the mobilization advance. And as we explained to you earlier the entire contract is being done on the callout order value basis. So whatever the callout order, which we have received - our mobilization advances and our billing will be commensurate to those callout order and not for the full order value.
- Amit Shah:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Priyanka Singh from Atidhan Securities. Please go ahead.
- Priyanka Singh:** So as you had mentioned in your press release, one of your customers has encashed performance bank guarantee of somewhere around Rs. 12.5 Crore provided for Manipur seismic project. So how it is likely to impact our P&L going forward?
- Ashutosh Kumar:** Yes you are right that PBG has incurred. We are in dispute with that customer and we have documentation and reasons to believe that the customer has been unreasonable in this case. We are first trying to resolve with amicably. If not there is a dispute resolution mechanism in the contract. We are going to use that and take the dispute to arbitration and get the arbitration award.
- Priyanka Singh:** Post the delay in the seismic project in Iraq, are we looking for other opportunities for seismic business in international market?
- Ashutosh Kumar:** We are looking for seismic opportunities anywhere. So Iraq has no link with that, but to answer your question, the answer is yes.

- Priyanka Singh:** In reference to Rs. 570 Crore of seismic project, from which quarter can we expect the revenue inflow?
- Ashutosh Kumar:** Next quarter.
- Priyanka Singh:** Another question is what is your outstanding orderbook for Langley project. Looking ahead, what could be the run rate of revenue per quarter from this project?
- Sumit Maheshwari:** The overall value of the Langley project is roughly around \$50 million and out of that we have booked almost 45% to 50% in our revenue. And in terms of the run rate, this is a progressive billing based and activity based project. We do expect to complete the entire project by September 2020. So all the revenue of the Langley project will be booked according to the percentage completion.
- Priyanka Singh:** Fair enough okay that has been helpful. Thank you.
- Moderator:** Thank you. We take the next question from the line of Rahul Shah from Individual Investor. Please go ahead.
- Rahul Shah:** Do we have any plans to list the stock on NSE and come out of the ex-group of BSE?
- Ashutosh Kumar:** We would prefer now to consolidate on our performance. Once we feel that we have consolidated our performance and ensured the growth rate then we plan of getting listed on NSE.
- Sumit Maheshwari:** Yes definitely there are plans, but there is no timeline to those plans. As far as like what you have mentioned about being in ex-group or B-group, I believe that is not into the control of the management. These are the decisions of stock exchange and based on the surveillance department they keep making those changes. And whenever there is an opportunity for the Company to represent to the stock exchanges definitely we will do to make sure that the interest of the Company and the investors are very well protected. And in terms of listing on the NSE - we do intend to list on the NSE, but we would not be able to provide you any timelines for that. As and when the appropriate time comes and we are fulfilling all the criteria, we intend to make an application and get our stock listed to NSE also. So that is our plan.
- Rahul Shah:** Thank you Sir and congratulations for the good numbers.

- Moderator:** Thank you. The next question is from the line of Nihta Shah from NM Securities. Please go ahead.
- Nihta Shah:** Thank you sir for the opportunity and congratulations for your good set of numbers. I have one question regarding what are the factors involved behind the improvement in margin in the current quarter and are they sustainable?
- Sumit Maheshwari:** As we explain earlier, the margins are based on the robust operating performance in terms of the quarter, in terms of the project which we have been undertaking and there is some amount of margin improvement on account of the work, which we have done in the monsoon period, which helped us in terms of building up good momentum and building up the good revenue in this particular quarter. And in terms of the sustainability of margins, as explained by Mr. Ashutosh Kumar earlier on the call, we would like to maintain our margin guidance, which we have provided earlier.
- Nihta Shah:** My second question is are we likely to receive more orders from the parent company going ahead?
- Ashutosh Kumar:** As and when the parent company comes up with an opportunity, we will have to participate in tenders and we will have to compete with others. So, it depends on how competitive we are, when the opportunity comes.
- Nihta Shah:** What is the current working capital cycle of the company?
- Sumit Maheshwari:** In terms of the working capital cycle, the seismic business has a working capital cycle of 60 to 75 days. And in terms of our operation and maintenance business there is a zero working capital cycle, the way we are operating right now. And the maximum working capital cycle for both businesses is not more than 30 days.
- Nihta Shah:** Thank you Sir for the opportunity.
- Moderator:** Well ladies and gentlemen that was the last question for today. I would now like to hand the conference back to the management for their closing comments.
- Ashutosh Kumar:** Thank you all for participating in this call. We are entering into a phase, which will be very interesting for companies, which are service providers to oil and gas, to E&P companies locally and internationally. As more and more opportunities are likely to come in our way due to increase outsourcing of work, due to the quantum of work itself as it results in cost saving for E&P companies. Also, the Indian government is looking to aggressively increase

the area of oil exploration for example OALP in order to reduce the dependence of oil imports. Thus increasing land area in India is likely to be brought for seismic data acquisition. We have the necessary management bandwidth and skill set to leverage all such upcoming opportunities. We also have a very robust balance sheet to help upscale our business over next five years. So, with that I would like to once again thank you all for participating in this call and we look forward to talking to you again next quarter. Thank you very much.

Sumit Maheshwari: Thank you.

Moderator: Thank you. On behalf of Asian Oilfield Services Limited we conclude today's conference. Thank you all for joining. You may now disconnect your lines.