



“Asian Oilfield Services Limited  
Q2 FY2020 Results 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 Q2 and H1 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, 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. Ashutosh Kumar, CEO for his opening remarks. Thank you and over to you Sir!

**Ashutosh Kumar:** Ladies and gentlemen, a very good evening to all of you and welcome to the conference call to discuss the financial performance of Q2 and first half of FY20 of our company, Asian Oilfield Services Limited. I hope you had a good chance to go through the presentation, the press release and the financial statement submitted to the Bombay Stock Exchange and also uploaded on our website.

To begin with, I will provide you a brief background of our company. Asian Oilfield Services specializes in servicing the entire value chain right from seismic data acquisition, data analysis, turnkey drilling, building oil and gas facility and undertaking operation and maintenance of production facilities. The company specializes in geophysical range of onshore seismic and drilling services including acquisition, imaging and field evaluation. It offers two-dimensional (2D) and three-dimensional (3D) seismic data acquisition services. The company has vast experience of working in various terrains and difficult geopolitical environments.

The company also offers operation and maintenance services for offshore production assets, like Floating Production Units (FPU), Mobile Offshore Production Units (MOPU), Floating Production Storage and Offloading Units (FPSO) as well as Floating Storage and Offloading Units (FSO).

Incorporated in 1992, the Asian Oilfield Services were taken over by its new promoter, Oilmax Energy Private Limited in 2016 in a bid for the operational turnaround. The total outstanding order book as on September 30, 2019 is Rs. 765 Crore of which the EPC part is 36%, seismic constitutes roughly 38% and ONM constitutes around 26%.

In last two years, Asian has bought seismic equipment worth Rs. 40 Crore. Asian is the only company in India having wireless seismic equipments for capturing seismic data online.

The existing infrastructure that we have is sufficient to executive seismic orders worth Rs. 300 Crore per annum. We may need Rs. 20 to 40 Crore of capex at later stage for acquiring seismic equipments which could be funded by our internal accruals.

There is a great opportunity for seismic business over the next five years in India as well as abroad. Margin and profitability have improved in seismic business as it had become suppliers' market, especially in India. Middle East and African regions are also expected to register one of the highest CAGR in the global seismic market. Contracts for seismic acquisition worth Rs. 1,500 Crore are likely to be awarded in India under OLAP 1, within next six months. Asian will be bidding for selective projects which have attractive margins in OLAP 1, 2 and 3.

Asian strategy is to take build, own, operate and transfer (BOOT) projects only for those projects which are of longer duration and have stable cash flows. We also plan to enter into other related activities, with an aim that by FY23, 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 the most economical solution provider for the entire value chain with much shorter turnaround time as compared to our peers.

Now I will hand over the call to our CFO, Mr. Sumit Maheshwari to take you through financial performance of Q2 for FY20.

**Sumit Maheshwari:**

Thanks Ashutosh. Good afternoon everyone. Asian recorded a total income of Rs. 55.5 Crores in Q2FY20 up by 45.9% as against Rs. 38.1 Crore in the corresponding quarter of previous year. EBITDA for Q2FY20 was Rs. 12.5 Crore as compared to Rs. 6 Crore in Q2FY19 posting a growth of 110%. EBITDA margin for Q2FY20 was at 22.6%. Profit after tax was at Rs. 6.3 Crore in the current quarter under review as compared to loss of Rs. 1 Crore in the same period last year. EBITDA margins improved on account of better operating performance and focus on various cost optimization. Robust performance momentum of Q2FY20 is expected to continue in H2FY20 and FY21 on back of our current order book. We envisage to add more orders going forward with an aim to diversify our revenue streams across business verticals in which we operate. We have submitted various bids for seismic projects in India and we are hopeful to bag three of them. Over next one-and-a-half-year our focus is to deliver seismic projects and complete upgradation project of MOPU in Nigeria.

That is all from our side. We now leave the floor open for questions and answer. Thank you.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Urmila Vora from Ventura Securities. Please go ahead.

**Urmila Vora:** Good afternoon Sir. First of all, congratulations for the amazing set of numbers. Was there zero contribution from seismic business during this quarter?

**Sumit Maheshwari:** There was not a zero contribution from the seismic business in this quarter. The seismic business turnover in this quarter is only Rs. 2 Crore, that is from one month we have operated in Himachal project. All the North East projects remain completely shut off during the monsoon period. However, in the Himalayan region, the monsoon onset is slightly delayed, so we had an opportunity to work for some days there.

**Urmila Vora:** So Sir in what duration do we expect to complete the order book from seismic business?

**Ashutosh Kumar:** For the ongoing seismic projects, we are on track to complete the project in Himalayas this year. We have already started work on the North East projects, after the completion of monsoon, - those projects are on track and we are planning to finish them on target.

**Urmila Vora:** Sir going ahead, if we expect that the revenue contribution from seismic business to increase. So will that impact EBITDA margins?

**Ashutosh Kumar:** No.

**Urmila Vora:** Okay that is it from my side.

**Moderator:** Thank you. The next question is from the line of Pankaj Jain from Mahavir Investments. Please go ahead.

**Pankaj Jain:** Sir I have couple of questions, Sir firstly I would like to know what is the current status of all the seismic projects in India? My second question is what is the average mobilization advance and retention money as a percentage of total value across all the projects? So how much mobilization funds have we received?

**Ashutosh Kumar:** The current status of the seismic projects is as I responded before, Himachal project is progressing, we are hoping to complete that on schedule. The North East projects has resumed, the Arunachal Pradesh project is progressing and again we are hoping to complete it on schedule. The NC Hill project and Manipur project is under force majeure. As of now we are watching the developments. As and when force majeure situations are removed, we will be geared up to mobilize on those projects. Mobilization Advance is payable only when

you start a project., Since all these projects are already ongoing, we have already received mobilization payment for all these projects at the beginning of the projects.

**Pankaj Jain:** Also sir any comment of the retention money as a percentage of total projects?

**Company Speaker:** No, there is no retention money as such.

**Pankaj Jain:** Sir lastly, I would also like to know, as you mentioned your current order book is near about Rs. 760 Crore., If you can just repeat the timeline of execution of these projects?

**Sumit Maheshwari:** Of the 760 Crore order book, we have one order of Rs. 200 Crore that has a span for a period of ten years. Apart from that, the balance order book of Rs. 550 Crore is executable over a period of next two years.

**Pankaj Jain:** Sir can you just throw some light on the order inflows across all verticals. Which verticals are showing more traction? And are we declared any L1 for any projects bid recently?

**Ashutosh Kumar:** We are waiting for the results of all the tenders that we have submitted. We have not received any input so far., As soon as we have something, obviously we will share that with you.

Seismic business today in India looks very promising. There is a lot of scope coming from the OLAP rounds, so there is lot of traction in seismic. Apart from seismic, there are other discussions happening which are at different levels of maturity. I would say seismic business is where the current focus is, in terms of securing future orders.

**Pankaj Jain:** Sir what would be the EBITDA margin roughly on the seismic business?

**Ashutosh Kumar:** I would say 17% to 18%.

**Pankaj Jain:** Okay sir thanks a lot if any questions I will get back in the queue.

**Moderator:** Thank you. The next question is from the line of Rashesh Parekh, who is an Individual Investor. Please go ahead.

**Rashesh Parekh:** I am very happy to see the good results. I have two questions. How is the company trying to derisk itself, for example, like the termination of contract of Koral Energy and what is the status of Iraq order because of the uncertain circumstances that have stirred up in the country?

**Ashutosh Kumar:** I think in overseas markets, particularly in markets like Nigeria and most of the African countries, it is extremely difficult to de-risk completely from the situations like what happened in Koral. Having said that, a lot depends on how we perform, how we maintain our relationships and how robust the contract terms and conditions are. So the first risk mitigation would be the contract terms and conditions followed by performance and followed by relationships.

**Rashesh Parekh:** Iraq project Sir?

**Ashutosh Kumar:** In Iraq project, there had been some developments to local disturbances etc., due to which we have not been able to make progress in the project., We are in touch and we are getting feedback from them. We hope to sign a contract maybe in December or so. But the inflow, we are expecting only in next financial year and not this year.

**Rashesh Parekh:** That answers my question, I will come back in the queue.

**Moderator:** Thank you. The next question is from the line of Ankit Agarwal from ARC Capital. Please go ahead.

**Ankit Agarwal:** I have a couple of questions, the first one being as of now we have received an O&M project from Oilmax Energy. So, what is the likelihood of getting more orders in the future from them?

**Ashutosh Kumar:** It is anybody's guess. We will have to compete along with others to bag the contracts

**Ankit Agarwal:** Sir and what is the probability of conflict of the interest, with Oilmax being our parent company as well?

**Ashutosh Kumar:** Zero. Oilmax is a different company. They have a different business, and we are in a different business. So, for them, we are a service provider like anyone else.

**Ankit Agarwal:** Okay fine Sir that answers my question thank you.

**Moderator:** Thank you. The next question is from the line of Amit Shah, who is an Individual Investor. Please go ahead.

**Amit Shah:** Sir my first question is, is the settlement deal with Koral Energy is still pending? And, if you can elaborate on the opportunities for seismic business and construction of production facilities in international markets.

**Ashutosh Kumar:** So, the settlement with Koral Energy is still pending. We were in arbitration, but for now the arbitration is suspended. We are trying to settle with them outside the arbitration., The discussions are progressing well and as you know these kinds of discussions take time. So, we are quite hopeful to reach a settlement.

As I was saying, OLAP has opened up lot of avenues for seismic work within India. Among most of the major operators, the major chunk is with Cairn India who is out with tender and we have participated in that. Apart from Cairn India there are tenders coming up from ONGC, Oil India. We are selectively participating in those tenders as well. We are hopeful to fill our order book for next two years in maybe next two quarters.

**Amit Shah:** Thank you Sir that is all.

**Moderator:** Thank you. The next question is from the line of Jigar Joshi, who is an Individual Investor. Please go ahead.

**Jigar Joshi:** Sir thank you for taking my questions., Sir my first question is that you have already mentioned in the press release that there will be a delay in the execution of the contract of Iraq. So when will that the project expected to resume again?

**Ashutosh Kumar:** We are hoping to sign the contract sometime by end of December or early next year, subject to the ground situation in Iraq, which is currently very disturbing.

**Jigar Joshi:** How much revenue we expect to book from international project in FY20 and FY21?

**Sumit Maheshwari:** Amni International project has started in the Q1 of this year. Till H1 FY20 we have booked a revenue of roughly around \$10 million from the project. The total project value is \$52 million, and we expect to book the balance \$40 million of revenue in next four quarters.

**Jigar Joshi:** Okay thank you Sir that is it from my side.

**Moderator:** Thank you. The next question is from the line of Rashesh Parekh, who is an Individual Investor. Please go ahead.

**Rashesh Parekh:** Any plans by the company to list on the National Stock Exchange?

**Ashutosh Kumar:** At this moment, we are discussing that. When right time comes, we will take the necessary steps and we will of course inform everyone.

- Rashesh Parekh:** Thank you.
- Moderator:** Thank you. The next question is from the line of Sachin Shah from SS Securities. Please go ahead.
- Sachin Shah:** I have couple of questions. One is what is your outlook for FY20 and FY21 in terms of revenue, EBITDA margin. I mean, is there any scope for o margin improvement?
- Sumit Maheshwari:** We expect to grow our revenue by around 5% to 10% in FY20. In terms of EBITDA margin, we endeavour to maintain our EBITDA margins around 17% to 18%. We will be trying to improve those margins going ahead. We will be able to give more guidance about FY21, in the coming quarter, once we have more clarity in terms of the cyclical order inflow and how soon we will be able to resume Iraq project.
- Sachin Shah:** How is the working capital cycle right now?
- Sumit Maheshwari:** In seismic projects our working capital cycle is between 60 to 90 days and in EPC projects currently we are on the cash neutral basis. There is no working capital involvement in EPC projects.
- Sachin Shah:** So, on the blended basis it would be roughly around 70-80 odd days, right?
- Sumit Maheshwari:** On overall blended basis, the working capital cycle depends on the project mix. If there are more seismic projects, then the working capital cycle will be in excess of 60 days, otherwise it will drop.
- Sachin Shah:** Can it be brought down to around 50 days or 40 days?
- Sumit Maheshwari:** It is not possible inn the seismic business because of the contract terms and conditions. Payment cycles involves 30 days to 45 days, post submission of invoice. So generally, the working capital cycle is between 60 to 90 days in the seismic business. In EPC business, we do not have to involve our working capital. So, if we acquire more EPC business, definitely there is a chance of working capital cycle on overall blended basis to drop. But in the seismic business, the working capital cycle is not going to drop.
- Sachin Shah:** With the current bandwidth, what is the maximum execution that you can undertake for the entire year?



**Sumit Maheshwari:** In terms of seismic business, we have equipments and resources which can easily do Rs. 300 to Rs. 350 Crore of annual seismic business. In terms of the other businesses that of EPC and O&M, the scalability is not that a big issue. We can easily undertake simultaneously two to three projects at a time.

**Sachin Shah:** That's it from my end. Thank you.

**Moderator:** Thank you. The next question is from the line of Manikant from Axis Capital. Please go ahead.

**Manikant:** I just missed out on the split that you have given with respect to the revenue between segments. Can you please give me that? Secondly, the order book has moved from Rs. 850 Crore as per the Q1 PPT to Rs. 750 Crore after Q2. If you can explain that movement?

**Sumit Maheshwari:** Out of that Q1 order book of Rs. 850 Crore, Rs.55 Crore revenue we have booked in Q2 - so that brings us to roughly around Rs. 795 Crore. And Rs.20 Crore was adjustment on an account of the force majeure situation in the NC Hill project and in the current order book we have not considered any revenue from that particular project. We have updated that aspect, because till last time that project was not into the force majeure situation. That is why that the major adjustment in the order book has been done, to reflect the real executable order book which stands as on Q2.

**Manikant:** What is the mix of revenues in Q2FY20. I think you had mentioned that at the start, but I missed it out.

**Sumit Maheshwari:** Almost 90% is from EPC and production facility business. And very minimal Rs. 2 Crore, from seismic business, because of seasonality factor.

**Manikant:** Sure Sir. Thank you so much.

**Moderator:** Thank you very much. That was the last question in queue. I would now like to hand the conference over to Mr. Ashutosh Kumar for closing comments.

**Ashutosh Kumar:** Thank you everyone for participating in this call. We received some really nice questions and we hope we have been able to answer to your satisfaction. As you know we are entering into a phase which would be very interesting for companies like us who are service providers to oil and gas and E&P companies for the reasons that we discussed during the call. We have all the management bandwidth and the skill set to leverage the upcoming opportunities in seismic and other business verticals. We also have a very robust balance



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sheet to help upscale our businesses over next four to five years. On this note I would like to once again say thank you very much for joining the call and hope to talk to you again next quarter. Thank you very much.

**Moderator:**

Thank you very much. On behalf of Asian Oilfield Services Limited that concludes this conference. Thank you for joining us, ladies and gentlemen you may now disconnect your lines.