

# JINDAL DRILLING & INDUSTRIES LTD.

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## E-Communication

**JDIL/SECT/SE/2024-25**

**04 February 2025**

**BSE Limited**  
25th Floor, P.J. Towers,  
Dalal Street, Mumbai-400001

**National Stock Exchange of India Limited**  
Exchange Plaza, C-1, Block-G,  
Bandra - Kurla Complex  
Bandra (E), Mumbai-400051

**Security Code: 511034**

**Security Code: JINDRILL**

Sub.: Transcript of earnings conference call held on 29 January 2025

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find below the link of transcript of earnings conference call held on 29 January 2025.

Link to access above transcript is as under:

<https://www.jindal.com/jdil/pdf-new/Transcript-of-Conference-Call-Q3-FY25-Earnings-Call.pdf>

You are requested to kindly take the same on record.

Thanking you,

Yours faithfully,

For **Jindal Drilling & Industries Limited**

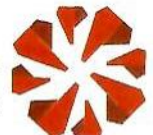
**Binaya Kumar Dash**  
**Company Secretary**

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**MEMBER :** INTERNATIONAL ASSOCIATION OF DRILLING CONTRACTORS, HOUSTON, TEXAS, USA



**IADC**  
MEMBER



Jindal Drilling & Industries Limited  
Q3 FY25 Earnings Conference Call  
29 January 2025



**MANAGEMENT:** **MR. KAUSHAL BENGANI – DEPUTY GENERAL MANAGER, INVESTOR RELATIONS AND FINANCE – JINDAL DRILLING & INDUSTRIES LIMITED**

**MODERATOR:** **MR. VARATHARAJAN SIVASANKARAN – ANTIQUE STOCK BROKING LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Jindal Drilling & Industries Limited Q3 FY '25 Earnings Conference Call hosted by Antique Stock Broking Limited. As a reminder, all participant lines will remain 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 the operator by pressing star then zero on your touch-tone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Varatharajan from Antique Stock Broking. Thank you, and over to you, sir.

**V Sivasankaran:** Thank you, Ryan. Very good afternoon to all the participants and the management of Jindal Drilling. It's my pleasure to welcome the participants as well as Mr. Kaushal Bengani of Jindal Drilling to this call. Mr. Kaushal will be representing the management and will give a brief overview of the results as well as the company, and then we can open the floor for Q&A. I hand over the floor to Mr. Kaushal for the initial comments.

**Kaushal Bengani:** Thank you, Mr. Varatharajan. Good afternoon, shareholders, and thank you for joining our earnings call. The key development in Q3 FY '25 was deployment of our rig Jindal Supreme with ONGC on 15th of October 2024. Our teams, both in office and on the rig worked relentlessly to ensure successful deployment, and that has been beneficial for all the stakeholders.

As communicated earlier, our earnings have improved materially due to this event. Further, we are in the final stage of acquisition of Jindal Pioneer. Our earnings will improve additionally on acquisition of the said rig. I will briefly summarize the key financial indicators.

On comparison of Q3 FY '25 with previous quarter Q2 FY '25, our revenue improved by 39% to INR254 crores. EBITDA increased from INR31 crores to INR81 crores. PAT increased from INR16 crores to INR49 crores and EPS increased from INR7 -- sorry, from INR5 per share to

INR17 per share. The jump in earnings was expected and was communicated in last 3 earnings calls as contract was awarded earlier. The jump in earnings has primarily been attributed to deployment of Jindal Supreme in Q3.

I would now like to take you through our earnings presentation. The first slide is about Jindal Drilling & Industries. We are the leading offshore drilling services contractor in India's oil and gas sector. We have more than 35 years of experience in the sector of offshore drilling. We are supported by an efficient and experienced operational and management team who ensure that our efficiency is not compromised and we achieve highest levels of safety.

We have been supporting and serving ONGC for past 30 years in their drilling programs. We have always explored opportunities with them. Apart from five offshore jack-up rigs that are currently deployed with ONGC, we also provide mud logging and directional drilling services to the oil and gas sector. The fleet of rigs that we operate is detailed on the next slide.

Thereafter, our order book of INR1,636 crores is given rig-wise with day rates and contract duration. In order to assist our stakeholders to understand the way the order book will materialize going forward, we have given breakup year-wise, rig-wise on the next slide. The financial highlights have already been discussed earlier. EBITDA mix remains in line with the earlier trends with more than 90% of EBITDA coming from the offshore drilling rig segment.

Next slide is regarding the net cash position that we have. Our net cash position has doubled in last 9 months from INR51 crores to INR101 crores. And going forward, this position will improve as all rigs are deployed at higher rates on new ONGC contracts. That concludes the presentation, and I would now request Mr. Varatharajan to kindly open for questions.

**Moderator:** Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. The first question comes from the line of Nirvana Laha from Badrinath Holdings.

**Nirvana Laha:** Sir, congratulations on a blowout quarter. We were not expecting such great numbers while the Supreme deployment was known. So congratulations to the entire team on this achievement. Sir, for this quarter, how many days did Jindal Supreme operate? Was it 75 days?

**Kaushal Bengani:** Yes, 75 days from 15th October 2024 onwards.

**Nirvana Laha:** Okay. Okay. So the full impact of Jindal Supreme will only be seen in the next quarter, right?

**Kaushal Bengani:** In March quarter. That is correct.

**Nirvana Laha:** Right, right. And sir, on Jindal Pioneer, congratulations, finally, you've been waiting on this for a long time. You've now signalled that it's impending. So can we expect a Pioneer acquisition to be completed in this quarter itself?

**Kaushal Bengani:** We are working on it. We also want to do it. We are in the final stage. It is also in our best interest to ensure that this transaction gets concluded within this quarter. The matter was also discussed at our Board meeting, and we are taking necessary steps to ensure it is completed within this quarter.

However, 100% confirmation can only be given once the transaction is actually through. But everyone in the organization who is involved in this project is working to ensure that it is completed within this quarter.

**Nirvana Laha:** Understood, sir. And at the current run rate that the asset is earning, this should add about INR8 crores to INR10 crores to our quarterly PAT, right? Because only 50% is accruing to us right now?

**Kaushal Bengani:** The 50%, which is being -- the 49%, which is being consolidated to Jindal Drilling is on account of earnings of two joint ventures. One of these joint ventures owns the rig, which we want to purchase.

**Nirvana Laha:** Right, sir. Okay. I think, I'll come back to you later on the numbers. So sir, on the next 6 quarters now that Supreme and Virtue are both tied up for the next 6 quarters till the time that both of these rigs are in contract. This current PAT run rate of INR65 crores plus, especially with Pioneer coming in, without giving guidance, just trying to understand that this run rate should now hold, right?

**Kaushal Bengani:** The run rate for December quarter should hold on the EBITDA level, not so much on the revenue level, because one of our rigs will be de-hired either in May or in September. One of the rigs which we are operating, Jindal Explorer, will either get de-hired in May or in September, depending on when the customer decides to de-hire it.

But EBITDA -- stand-alone EBITDA run rate, which we have achieved in December '24 quarter should be taken as a base for the next 4, 5 quarters, because all additional developments that will happen will only add further to the earnings of Jindal Drilling.

**Nirvana Laha:** Yes, absolutely, sir. Got it. And sir, when will you get to know whether Explorer will be -- its term will get extended through the monsoon quarter? When will that be communicated?

**Kaushal Bengani:** Usually, it gets communicated a couple of months before the conclusion of 3 years of the contract. So if it was deployed in May 2022, then by middle to end of March 2025, we should have definite confirmation as to whether it will get de-hired in May or whether it will get de-hired in September.

**Nirvana Laha:** Got it, sir. And one thing on ONGC, sir, I recently came across a press release that ONGC did. So they have awarded a contract to BP Exploration as a technical services provider towards improving the output from Bombay High. So reading that, it was not very clear to me whether this

initiative will have a positive impact on Jindal Drilling or not, as in does this production enhancement involve drilling new wells?

So if you can clarify a little on this, if you have come across this news, is this a tailwind -- additional tailwind for us?

**Kaushal Bengani:** It's a good point that you brought up. I also wanted to bring it up earlier. On the 9th of January 2025, ONGC issued a press release, and I believe that's the press release you're speaking about.

**Nirvana Laha:** Yes.

**Kaushal Bengani:** Wherein, they have hired BP Exploration (Alpha) Limited as a technical services provider to identify improvements in facilities and wells, so that production can be enhanced. This is a clear indication that ONGC wants to increase exploration activities. And the fact that they have issued a press release means that further capital expenditure in the oil and gas sector is expected.

This is a strong tailwind indicator for all oil and gas players. However, only when the expenditure actually takes place, will it fructify. But since they've issued a press release, I believe more capital expenditure in oil and gas sector in India is expected.

**Nirvana Laha:** Amazing, sir. Great. Congrats again on the great performance and all the best for the upcoming quarters.

**Moderator:** The next question comes from the line of Diwakar Rana from Prudent Equity Private Limited.

**Diwakar Rana:** Yes. Sir, I have one question. In this current quarter, we have reported around INR17 crores of profit from JV. So can you clarify how much the profit has we generated from Jindal Pioneer?

**Kaushal Bengani:** Your voice is not very clear. Can you repeat again, please?

- Diwakar Rana:** Yes. Sir, I have one question on the JV profit. So in this quarter, we have reported around INR17 crores of profit from JV. So how much of the profits that we have generated from Jindal Pioneer, specifically?
- Kaushal Bengani:** We are not giving that out specifically. There are only two joint venture companies that are consolidated within Jindal Drilling. One of them owns Jindal Pioneer. That rate is known. And the other one owns Virtue-I, that rate is also known. I think, you can do the calculation. The consolidation is at 49%, which is the equity ownership of Jindal Drilling in each of these joint ventures.
- Diwakar Rana:** Okay, sir. And sir, one question on the depreciation part. So depreciation has been around INR26 crores this quarter. So can we expect this depreciation going forward also in the remaining Q4?
- Kaushal Bengani:** If we do not go ahead with purchase of Jindal Pioneer, then this depreciation figure will remain. If we go ahead with purchase of Jindal Pioneer, then this depreciation figure will increase, because the new asset will come into Jindal Drilling. And when the new asset comes into Jindal Drilling, then from the date of acquisition, depreciation charge will be there.
- Diwakar Rana:** Okay. And one last question on the Jindal Explorer, sir, it will be decommissioned on, I think, May 2025. So are we the talks for new contract for Jindal Explorer?
- Kaushal Bengani:** We are.
- Diwakar Rana:** Okay, sir. What will be the day rate, expected day rate for the Jindal Explorer?
- Kaushal Bengani:** I cannot comment. The last purchase price and all-day rates are in public domain and also in my presentation. If you refer to my presentation, I have very clearly put out day rates and duration of contracts. I think, that will help you in making an assessment.



- Diwakar Rana:** Okay. I was asking for the future, basically, the new order that we get. It will be around \$58,000, \$55,000 per day. That was my question on the current day rate.
- Kaushal Bengani:** That, I don't know.
- Moderator:** The next question comes from the line of Dixit Doshi from Whitestone Financial Advisors Private Limited.
- Dixit Doshi:** Congratulations for good set of numbers. I have one question, sir. We have three rented rigs. And these rigs, we pay rent for these rigs, right? So my question is, how do we give them upside for the coming years? So suppose 3, 4 years, 5 years, this upside is fixed or this is variable? So this is my question.
- Kaushal Bengani:** It is variable, because when rig rates increase, then a renegotiation with the rig owner takes place.
- Moderator:** The next question comes from the line of Manikanth, an Investor.
- Manikanth:** Yes. Okay. Sir, first of all, congratulations on a stellar quarter and great to hear that you are saying this quarter profits can be considered as a base. Sir, I have a couple of questions. First thing, I see that Jindal -- sorry, Virtue-I and Discovery-I is going to end in May 2026 and Explorer is going to end in May 2025. So considering the current rates, the latest ones, Jindal Supreme deployed at \$88,000 day rate.
- So obviously, that should be the base rate for these new deployments? Or can't we say that?
- Kaushal Bengani:** We cannot say that, because usually day rates are a function of the international market and the competition available in the Indian market. Last purchase price is not always a confirmed indicator.
- Manikanth:** Okay. And sir, coming to the next question. So currently, we see that the profit -- operating margin for this quarter has increased to 34%. So can we expect the margins to normalize at this rate?

**Kaushal Bengani:** Yes, definitely. And margins will increase further once the acquisition of Jindal Pioneer goes through.

**Manikanth:** Okay. And sir, one more final question from my side is that, where do we stand currently at the borrowings? So September 2024, we are around INR200 crores of borrowings. So where do we stand currently with this quarter?

**Kaushal Bengani:** If you refer to Slide 11 of our earnings presentation, gross debt on 31st December '24 is INR156 crores. Cash available with the company is INR257 crores, giving a net cash position of INR101 crores. We've been net cash for quite some time. Please refer Slide 11 of the earnings presentation.

**Moderator:** The next question comes from the line of Piyush Kumar from Dhunseri Investments.

**Piyush Kumar:** Congratulations, sir, for your good set of numbers. I have a question regarding Trump who has come to power. So how do we see the rig rates going ahead for Jindal Pioneer and Jindal Explorers?

**Kaushal Bengani:** It is difficult to comment based on that one factor alone right now. But if more rigs are required to drill, because Mr. Trump has spoken about his plan of increasing drilling activities. And if more rigs are in operation, then demand for rigs will increase. If demand for rigs increases, then their rental rates will also increase.

The increase in rental rates will firstly be evident in the jurisdictions where more drilling takes place, and that will have an effect on the Indian market as well. But to specify a number is not possible at this point.

**Piyush Kumar:** Okay, sir. Okay. Got it, sir. And I was looking at the presentation.

**Kaushal Bengani:** Sorry, I'll just interrupt you. I'll add one more point to the earlier answer. ONGC has also issued a press release on the 9th of January 2025 in which they have hired a technical services provider to advise them on how to increase production in India. That is also a good indicator for drilling

contractors. And if you get the time, maybe you can refer to that 2-page press release.

**Piyush Kumar:** And sir, I was looking at the presentation, Page #6. In Q4 FY '25, we are guiding for an order book of INR220 crores. So we are expecting revenue for FY '24 is in the same line?

**Kaushal Bengani:** That is actually a bifurcation of the order book, which has been given, which will be different from the actual revenue realized, because when we give the order book, we reduce it by 5% so that we are not overstating the figure that we end up with. So from a conservative perspective, the order book has been given. However, you will notice that in Q3 FY '25, the revenue was INR239 crores with only 75 days of operation in Jindal Supreme.

Revenue for Q4 will be higher than INR239 crores, because Jindal Supreme will be working for 90 days. The order book is only indicative and has been given to assist interested stakeholders of how the revenue will pan out based on current order book. That has also been mentioned as a disclaimer on the same slide.

**Moderator:** The next question comes from the line of Amit Agicha from HG Hawa & Company.

**Amit Agicha:** Congratulations, sir, for fantastic results. Like sir, my question was connected to investor-related query. Like is the company considering any share buyback program to enhance the shareholder value?

**Kaushal Bengani:** We are not considering any such corporate action right now.

**Amit Agicha:** And sir, one question last, like, I think so, I missed out, I believe. Like can you provide insights into the tenure of your existing contracts and how frequently do you renegotiate charter rates? And what pricing trends do you anticipate in upcoming renewals?

- Kaushal Bengani:** I will ask you to refer to Slide 5 and Slide 6 of the earnings presentation. We have given the bifurcation of the order book with day rates and contract duration on Slide 5.
- Amit Agicha:** Okay, sir. And sir, do you expect them to continue till '27, '28, like as you mentioned in the Slide?
- Kaushal Bengani:** What do you mean? These are firm contracts. We will definitely continue as per the contracted duration.
- Moderator:** The next question comes from the line of Udit Sehgal from Tradewalk Research.
- Udit Sehgal:** I wanted to know, sir, what is the current situation as far as the ONGC tenders are concerned. Last -- on the last con call, we had discussed the new tender for Explorer should be out maybe in November and December. So has there been a delay on that? Or are we in the -- I mean, is ONGC negotiating for lower rates?
- Kaushal Bengani:** The tender has been submitted. We are waiting on the outcome.
- Udit Sehgal:** And the indicative range we had given based on the last tenders was somewhere between 65,000 to 85,000. Is that the range we are looking at still?
- Kaushal Bengani:** I cannot comment till the tender outcome is decided.
- Udit Sehgal:** And sir, on any of the rented rigs, do we have any further plans to bring them in our books?
- Kaushal Bengani:** There is a general consensus within the company of consolidating rigs gradually into Jindal Drilling. But it has to make economic sense whenever that is undertaken. As of now, there is one rig owned by a joint venture, which is operating in Mexico. We want to acquire that rig, and we are in the final stage. All relevant individuals involved in the acquisition of that rig are working to ensure that this transaction gets concluded within this quarter.

Once that is done, then we will make a reassessment. But you will notice that in 2019, we had acquired one rig. And then in 2021, we acquired another rig. The acquisition of these two rigs by Jindal Drilling has been extremely beneficial, and we were aware of the benefits, which is why we did the transaction in the first place. And the benefits still remain. However, each case is unique due to various reasons.

And that's why Jindal Supreme -- sorry, Jindal Pioneer was selected for the third acquisition, for which we have been able to obtain approval from minority shareholders. We want to do that transaction at the earliest. Once that is done, then out of the five rigs which Jindal Drilling operates and one rig which is owned by the joint venture company, we would have acquired three out of these six.

Then we will make a reassessment. But in general, what you are saying is correct.

**Udit Sehgal:**

So the next growth driver, say, in the next 3, 4 years, we should look at maybe that we shall be acquiring the rented rigs or we shall be going in for a brand-new rig. I mean, the number could go from, say, six to seven to eight or the first focus would be to bring the six -- three rigs which are rented into our books.

**Kaushal Bengani:**

Most likely, we will go ahead with the consolidation exercise that we started in 2019 and try to acquire the rigs which are on rent to Jindal Drilling, because we know those rigs. We know their technical capabilities. The other reason is that creation of value only happens when assets are brought into the company, and we are mindful of that.

We will go ahead with that. In the meanwhile, if a suitable opportunity comes across, wherein a good rig is available within our preferred budget, then we will go ahead and acquire that as well, because those opportunities are far and few. Therefore, both options are on the table. We will just have to make an assessment once the transaction of Jindal Pioneer is concluded.

Regarding growth driver, I think, the contract of Jindal Explorer, Jindal Star and Discovery-I, when they are renegotiated and we are able to get higher rates, then that will be a material increase in earnings of Jindal Drilling.

**Udit Sehgal:**

Great, sir. I mean, you guys are working really on a long-term road map, and you can see the changes happening in the company. Is there also in the -- say, in the medium term, we are into jack-up rigs. Are we even looking into the deepwater rigs, because we can see globally that those are going at like very high rates?

**Kaushal Bengani:**

They are, but their cost of acquisition is also significantly higher. There was a news article some time ago, in which ONGC wanted to manufacture its own -- sorry, ONGC wanted to buy its own rig. And I think, the time required was almost 3 years and the amount required was around \$300 million for a new rig, which is similar to the rigs which are currently in operation. But obviously, with newer technology, because our rigs are now 10 to 15 years old.

But the rates that they will receive will be similar as only a little benefit is received on account of the technical capability of each rig. Hence, it becomes difficult to acquire brand-new assets, because the initial capital outlay is tremendous. It is a barrier to the industry, and that's why we enjoy the market leadership position.

**Moderator:**

The next question comes from the line of Saket Kapoor from Kapoor & Company.

**Saket Kapoor:**

Sir, as you were just answering to Udit bhai and you very well clarified that, that in the process of getting the right value for the assets, all the assets must be under -- you believe, people are trying to bring the asset under the company so that we can carve out the net asset value also and the annuity run rate also from the existing assets. So this is what you were trying to explain to the earlier participant?

**Kaushal Bengani:** No, sir, I was only talking about creation of value within Jindal Drilling, because we are already running the rigs which are rented. And the main part of rig operation is running the rig. So if we have been able to run the rigs for so many years successfully with the highest levels of efficiency, and we have necessary financial resources to acquire these rigs, then it is in our best interest to acquire these assets, which is what we want to do.

At the same time, if we are able to get assets at a cheaper rate in other markets, then we are also open to acquire those, because the net cash position of INR101 crores that we have right now, this will only improve going further, because all rigs are now deployed at higher rates, even the rigs which are owned by joint ventures, they are also deployed. Therefore, cash accrual in Jindal Drilling will increase. And that is the way we want to grow.

**Saket Kapoor:** Sir, when we look at refurbishment cost, they are the highest whenever a rig is de-hired. So if we take that parameter, what should be an ideal percentage which is to be spent on refurbishment, since one of the rigs will be de-hired in the coming few months? And sir, the benefits of refurbishment, how do it -- whether it enhances the efficiency or only make the rig just in line to perform for the remaining period?

It means, you have mentioned that our fleet is 14-15 years old. So by doing refurbishment will we be able to do latest technology retrofit? Or just the depreciation that happened in tech, will do a recovery and work for it?

**Kaushal Bengani:** Sir, refurbishment is a major overhaul that takes place on the rigs. The reason why that is required is two-fold. One, there are contract requirements that ONGC has, which is unique to each contract. Number two, for safety reasons, we have to ensure that all equipment is maintained and recertified. And the only way to decide if the equipment is safe to use is on recertification.

When we go for recertification, since the certifying agency has certain criteria, which has to be met. Therefore, we have to do whatever is required as per their criteria. And this process takes anywhere between 4

to 6 months to complete. When rigs are operating, then they are operating for 24 hours a day, 365 days a year for 3 years.

Any equipment which is running continuously, even if you do maintenance in phases, whilst the rest of the rig is in operation, you will still not be able to achieve the criteria requirement, which is specified by the certifying body. It is more on account of safety and long-term protection of the equipment rather than anything else. It is like servicing your car.

If you service it properly at the specified intervals, then it will work with you for a longer period of time.

**Saket Kapoor:** Right. And last point, sir, since we are in the process of tendering, we have already submitted the tendering for Jindal Explorer. In terms of the refurbishment cost, can you outline how much we will be spending going ahead on the same?

**Kaushal Bengani:** We are not disclosing that. And it also depends on the tender criteria. Because for different oil wells, the locations are also different. And for those different locations, if new equipment is required, then it is the responsibility of the contractor to procure that equipment. Therefore, the cost of refurbishment, whilst we have a general idea, a specific number cannot be given right now. And further, we are also not disclosing the refurbishment cost that we are incurring.

**Saket Kapoor:** Right, sir. And lastly, sir, this rig, Jindal Explorer is deployed in which water, I mean, which part of the geography in the country?

**Kaushal Bengani:** Bombay High. All five rigs are deployed in Bombay High.

**Saket Kapoor:** And this is where the region they wanted to improve the output that is what you articulated earlier to the participant.

**Kaushal Bengani:** Yes, sir. And I will very strongly urge you, to refer -- Okay, sir.



**Saket Kapoor:** I read and sir, there are other points which we can take offline. But my understanding was other than this, the entire ancillaries involved will all get a jump, not only the rig. The entire ecosystem will get the jump. That will include the pipe segment also, the other categories also. That understanding is also correct, sir?

**Kaushal Bengani:** That is correct, 100% correct. But when such a press release has been given, it will take some time for ground level capital expenditure to increase. But when that happens, 100% all oil and gas sector-related industries will benefit.

**Moderator:** The next question comes from the line of Rahul Agarwal from Bandhan Mutual Fund.

**Rahul Agarwal:** Great set of numbers. I have a couple of questions. I'm not sure if this is covered. So broadly, when I'm looking at some of the contracts that are signed globally in the last maybe 6 months, I don't have a lot of data in the near term, but I see some contracts signed in September, December. They have been in the range of \$180,000 kind of day rates.

So is that something which the industry has moved now and that is the new normal compared to \$120,000, \$130,000 that it used to be? Like Borr Drilling, Valaris, they have signed some \$180,000 contracts in Africa and all that?

**Kaushal Bengani:** The rig which they are using, their technical specifications have to be checked, Rahul, whether they are a 350 feet jack-up rig, then that has to be checked. The second is that the cost of operations in international waters are different from the cost of operations that are in India. Thirdly, the benefit that we get with ONGC, which is not there with international contractors is the benefit of long-term contracts, which are firm in nature.

So once the contract has been awarded and the performance bank guarantee has been submitted, the contract cannot be canceled. That benefit is there in India. So whether that benefit is also there in the

contracts which are being received by these entities, is the third thing which has to be checked.

Generally speaking, oil and gas market is in an up cycle. And we are quite bullish on this sector, which is why we have refurbished Jindal Supreme at a significant cost as well, even though it is a rig which was manufactured in 1975.

**Rahul Agarwal:** Got it. So yes, you're right. Globally, I think, Valaris and all signs only 40, 50 days contract. So that is correct. So the other thing is in India, how many rigs would be operational as of now?

**Kaushal Bengani:** More than 30 rigs, definitely more than 30 rigs. I was not able to take out the latest data. But if you have subscription to Petrodata, then that figure is very easily available.

**Rahul Agarwal:** And are you seeing any kind of movement on the supply side? Are you seeing some of these shipyards or others starting to make rigs or that something still not started?

**Kaushal Bengani:** It has not started yet. The economics don't make sense as of now, because if you're putting in \$250 million to \$300 million over a period of 3 years and day rates are at \$100,000 per day, that is a theoretical figure, then the payback period calculation is more than 10 years. I think, it can go as high as 15 years if you consider interest at 7% to 8%. Therefore, people are still reluctant to build new rigs due to the long gestation period.

**Rahul Agarwal:** Got it. And are we getting opportunities to acquire rigs maybe at distressed valuations globally? Is that something we have found more opportunities or not found?

**Kaushal Bengani:** We are not getting opportunities to acquire rigs. When the market is in an up cycle, these opportunities dry up.

**Rahul Agarwal:** Okay. And last question from my side. Normally, how do you hedge? What is the hedging policy?

- Kaushal Bengani:** We have a natural hedge, because the rigs that we own, we don't have to pay any rentals. All the three rigs that are rented, the receivable in USD is much higher than the payable in USD. Therefore, we have a natural hedge.
- Rahul Agarwal:** But your natural hedge is still what extent? Is it like 60%, 70% or it's as high as 90%?
- Kaushal Bengani:** 100%. All these rigs, the three rented rigs, the rate that we pay is denominated in dollars.
- Rahul Agarwal:** Correct, but you make a margin. So that much you will be exposed to? Even in your own rigs, that is not something which you have a natural hedge, right? Rented, I understand, but your owned rigs will not have a natural hedge, right?
- Kaushal Bengani:** Okay. But the rate of inflation in India is generally higher than the rate of inflation in the US. So dollar will continually appreciate.
- Rahul Agarwal:** Yes, that's what. I understand, that upside we will get, I agree. So I'm just trying to understand what is -- how big can that upside be?
- Kaushal Bengani:** So for the payable, we have a natural hedge. And for the open receivable that we have, sometimes we do have forward contract bookings. But generally, we keep them open. That is why we have a foreign exchange gain of around INR9 crores in the December quarter. And if the dollar remains at the level where it is right now, we should see similar gains in March quarter, because the dollar -- half of the dollar appreciation happened in December and the rest of it happened in January.
- Rahul Agarwal:** Okay. Okay. And lastly, is there any other upstream service offering that you are thinking about apart from the rigs?
- Kaushal Bengani:** Not right now. It is only in the rig segment that we are working. And it has been a long journey to ensure that all rigs are operational, because in the past 7, 8 years, there was always a time when one rig was either under refurbishment. By the time it came out of refurbishment, the next rig went into refurbishment. So we've never achieved a timing where all rigs were

operational so that the entire impact of 100% operations can be reflected in financials.

That will happen for the first time in March 2025 quarter. First time after a very long duration, maybe 7, 8, 9 years.

**Moderator:** The next question comes from the line of Siddhartha Mathew, an Investor.

**Siddhartha Mathew:** Congratulations to the management team. I just wanted to get a sense of what are some of the risks that we see in this business overall other than, I mean, sustained oil prices, ONGC potentially canceling or renegotiating contracts? What are some of the other risks that we can think about?

**Kaushal Bengani:** The only risk in this industry is securing a contract from ONGC. There is no other risk which cannot be addressed apart from the ability to secure a contract from ONGC. Everything else can be addressed only once we get a contract from our customer. Once the contract is received, then it's a firm contract. It is not renegotiated. It is not canceled.

**Moderator:** The next question comes from the line of Abhi, an Investor.

**Abhi:** I think, my question was touched upon just a couple of -- someone just prior to this. But I want to just touch based on that. I think, you guys are in contracting of rigs business. But looking at the oil exploration prospects in future and also looking at the recent, this ONGC press release on 9th January, isn't it worthwhile to build that competency of technical exploration services or the technical service provider, what ONGC is looking at international players?

Are we not in a position to kind of start looking at building that competency in-house so that, that would be a good combination along with rig rentals? Does that make sense?

**Kaushal Bengani:** I can understand what you're saying, but that is more of an advisory role, which is not where we are positioned. We are in the business of operating rigs with ONGC and getting paid for it. And we have been doing that for the past 35 years. In addition to operating jack-up rigs, offshore jack-up

rigs with ONGC, we also have directional drilling and mud logging services, which are small divisions and give good margin, but it is not possible to scale those businesses up. That is the entire universe of services that we offer.

And I don't think we want to diversify into other businesses, because in our current business, we are making 30%, 35% EBITDA margins, which will only improve going forward if we are able to consolidate rigs into Jindal Drilling. One of the rigs which we want to purchase, we hope to conclude the transaction within March 2025. And that will also shoot our margins up.

Therefore, on a consolidated basis, we think that our market leadership position is justified and that is where we want to capitalize on. We don't want to diversify into sectors which we do not fully understand. Rather, we want to grow in sectors where we are market leaders, thereby playing to our strength.

**Abhi:**

Agreed. I think, the point is -- so let me put it this way, right? I think, you also just mentioned early in the call that, the entry barrier to this industry is pretty high capex and adding rigs, new rigs also is like dependent on high capex as well, right? So looking at 3 to 5 years down the line from a growth perspective, I think, there would be kind of a linearity in terms of the amount of -- number of rigs that you would deploy and the kind of revenue growth that you would get, right?

And that's where I think, the value-added services not only provides edge in terms of getting to know the requirements of ONGC, but also adds more non-linearity to the revenue growth is kind of a thought process. But I understand that's where I would leave it.

**Kaushal Bengani:**

In this quarter, let us conclude the Jindal Pioneer transaction, which I have been promising shareholders for more than a year now. And I really hope that, that transaction goes through. Once that happens, then we can do a reassessment. But for now, all our energies are focused in ensuring that

the Jindal Pioneer transaction is concluded. We appreciate your feedback, sir, but please bear with us for one more quarter.

**Moderator:** The next question comes from the line of Manikant, an Individual Investor.

**Manikant:** Sir, just now you have touching up on that point, right? So what is the main reason that's stopping or holding back the acquisition of Jindal Pioneer, because it's been a year? So is there any real problem that we are facing or what's stopping that?

**Kaushal Bengani:** There is no problem as such. It is only the gamut of regulations that we have to navigate. When we obtained shareholder approval in March of 2024, we wanted to conclude the transaction quickly. Now in order to conclude the transaction quickly, due to the difference in the execution of the transaction and the physical delivery of the rig into India, due to that time gap being longer than is permitted by existing regulations, we have to obtain approval.

So we applied for approval in April 2024, and we kept following up for the approval. Unfortunately, that approval is still pending. However, since almost a year has elapsed now we don't require the approval, the application for approval has become infructuous. That is our reading of the matter. We are taking an opinion on it.

And once we get a clear opinion, then we'll have to approach the customer with whom the rig is deployed and take his consent to go ahead with the transaction. That is the entire story behind this. When rigs are given on rent to a third party, then the third party has to approve the change of ownership of the rig.

**Manikant:** Okay. Got it. I hope that will commence in this quarter. And second one, sir, regarding Jindal Explorer, we have hardly, if I'm not wrong, 4 months of time. And you said that you have already quoted for the next order. So can we expect that to complete in this 4 months? Or do you see a sleeping time for Jindal Explorer for some time?

**Kaushal Bengani:** We will get to know whether we've got the contract or not before conclusion of the contract. And even if we don't get the contract, then we'll be able to participate in the next contract, because once the contract ends, even if it ends in May, then we have a 6-month gap in which we have to refurbish the rig. Therefore, the new contract is still some way off. There is no risk right now.

**Manikant:** And sir, my final question is, you said like you have a net cash -- good net cash now. So are you looking at acquiring other rented rigs as well, like you are planning for...

**Kaushal Bengani:** The reason why we are conserving the cash is, because we have to pay for Jindal Pioneer. If that transaction goes through, then we'll have to make payments.

**Manikant:** Sir, how much of the cash will go for Pioneer? I think you said \$75 million.

**Kaushal Bengani:** \$75 million is the purchase price.

**Moderator:** The next question comes from the line of Dikshant from DB Wealth.

**Dikshant:** Congratulations on such great results and congratulations on the up cycle as well. Sir, the whole idea of asking the question is, where are we in the cycle right now at the larger stage? Are we starting the up cycle? Or are we already well through in the cycle right now?

**Kaushal Bengani:** The up cycle in the oil and gas industry started after the Russia-Ukraine war, in February 2022.

**Dikshant:** So since you are a pioneer in this particular industry for so many years, I would want to understand that where is your sense of this cycle? Do you think it's going to be a 5- to 7-year cycle, because such cycles tend to be longer than shorter? What is your outlook on this, sir?

**Kaushal Bengani:** It will be a longer cycle, especially because of the political change that has taken place in the US with the new government wanting to improve drilling operations. We believe the cycle will be longer than before.

- Dikshant:** Okay. So do you think it's going to be like a decade-old cycle or it's going to be like of 5 years from now cycle?
- Kaushal Bengani:** If I would have been able to predict that with accuracy, I would just go ahead and start trading in oil futures rather than work for Jindal Drilling.
- Dikshant:** No, sir, I completely understand. I completely understand. Sir, the second question is on the line of -- see, right now, we are in a good stage cash-wise also, our particular operations are also at running at maximum efficiency, as you just pointed out. Do you think that we have now made after the Ukraine war, the oil is at a particular bottom also, hopefully? Do you think now we are at a point where we can look to be aggressive on another expansion front?
- Or what is your guess on this? Are we looking to improve our operations, do some sort of capex? Or are we looking to improve our efficiency right now?
- Kaushal Bengani:** The only capex which we are doing is acquisition of Jindal Pioneer, which is expected in this quarter. That is the only acquisition on the cards right now. Once that transaction is done, we'll do a reassessment.
- Dikshant:** Okay. Got it. Sir, one more question on the cycle part. I understand, it's difficult to predict any cycle, but do you think that like we are at the peak of the cycle right now?
- Kaushal Bengani:** No, because crude is not at an all-time high for an extended period.
- Moderator:** The next question comes from the line of Saket Kapoor from Kapoor & Company.
- Saket Kapoor:** Sir, as you mentioned that \$75 million is what is envisaged for the acquisition of Jindal Pioneer, so that is the enterprise value, the total cash outgo we are going ahead or the enterprise value, including the debt, which it may carry?
- Kaushal Bengani:** There is no debt. There is no debt on the rig.



**Saket Kapoor:** So that is the enterprise value we are paying. And sir, this asset has been deployed in the Mexican water. So we will be aim to deploy it in the same vicinity? Or what would be the thought process going ahead with respect to its deployment?

**Kaushal Bengani:** We want to bring the rig into India. That is why we want to buy the rig. Rig rates in India are good and the asset remains within our control. So unless we get a really good rate like \$180,000 as one of the earlier participant was mentioning, unless that happens, we will deploy the rig in India.

**Saket Kapoor:** And lastly, sir, what is the year of manufacturing for this asset?

**Kaushal Bengani:** Jindal Pioneer, March 2015.

**Moderator:** As there are no further questions, I now hand the conference over to the management for his closing comments.

**Kaushal Bengani:** Thank you, shareholders, for participating in the earnings call. We try to provide necessary inputs on the performance of the company and explain whatever is required so that your understanding is improved further. In case there are any further questions, please feel free to reach out.

We are committed to enhancing value for all stakeholders and improving profitability of the company. We are working on that, and we also take into account the inputs that we receive from our shareholders. Thank you to Mr. Varatharajan from Antique Stockbroking for organizing this call, and I look forward to interacting with you in future.

**Moderator:** Thank you. On behalf of Antique Stock Broking Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.