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E-Communication

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06 November 2024

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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 30 October 2024

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 30 October 2024.

Link to access above transcript is as under:

<https://www.jindal.com/jdil/pdf-new/Transcript-of-Conference-Call-Q2-FY25-Earnings-Call.pdf>

You are requested to kindly take the same on record.

Thanking you,

Yours faithfully,

For **Jindal Drilling & Industries Limited**

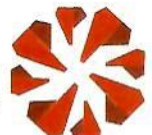
Binaya Kumar Dash
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MEMBER : INTERNATIONAL ASSOCIATION OF DRILLING CONTRACTORS, HOUSTON, TEXAS, USA



IADC
MEMBER



Jindal Drilling & Industries Limited
Q2 FY25 Earnings Conference Call
30 October 2024



MANAGEMENT: **MR. RAGHAV JINDAL - MANAGING DIRECTOR - JINDAL DRILLING & INDUSTRIES LIMITED**
 MR. KAUSHAL BENGANI - DEPUTY GENERAL MANAGER, INVESTOR RELATIONS & FINANCE - JINDAL DRILLING & INDUSTRIES LIMITED

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

Moderator: Ladies and gentlemen, good day and welcome to Jindal Drilling Q2 FY25 Results Conference Call hosted by Antique Stock Broking. 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

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

Varatharajan S.: Thanks, Shlok. Good afternoon, everyone. I'd like to extend a very warm welcome to all the participants and the management of Jindal Drilling. We have with us Mr. Raghav Jindal, Managing Director and Mr. Kaushal Bengani, DGM, Investor Relations and Finance. I'd like to hand over the call to Mr. Kaushal for the opening statement and then we can move on to Q&A. Mr. Kaushal, please.

Kaushal Bengani: Thank you. Happy Diwali, shareholders, and thank you for joining our earnings call. In line with the communication provided in our previous earnings call, our rig Jindal Supreme has been deployed with ONGC. This rig commenced operations on 15 October 2024, which is ahead of the deployment timeline given earlier of November 2024. Our teams, both in office and on the rig, worked relentlessly to ensure faster deployment. Further, we are in the final stage of acquisition of rig Jindal Pioneer and are still awaiting approval from statutory authorities. There has been some communication between them and us and we expect that the matter will be approved shortly. Earnings will improve immediately on acquisition of the said rig.

I will briefly summarise key financial indicators. On comparison of Q2 FY25 with last quarter Q1 FY25, our revenue broadly remains the same. EBITDA reduced by 21% with reduction in PAT and EPS of around 30%. This reduction in earnings was expected and was communicated earlier.

It has been primarily attributed to expenses and depreciation of rig Jindal Supreme, which was not generating revenue as it was under refurbishment. As mentioned earlier, this rig has now been deployed on 15 October 2024 at a operating day rate of \$88,859. The variation in profitability in Q2 FY25 versus Q2 FY24 can be explained by the fact that only one company-owned rig, i.e., Discovery I, was operating in Q2 FY25. In Q2 FY24, two company-owned rigs, i.e., Discovery I and Jindal Supreme, were operating. I would now like to take you through our earnings presentation.

The first slide talks about Jindal Drilling. We are, as mentioned earlier, 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 the past 30 years in their drilling program. We have always explored opportunities with them. Apart from five offshore jack-up rigs that we are currently deploying with ONGC, we also provide mud logging and directional drilling services to the oil and gas sector.

The order book position on slide 5 has been provided with day rates and contract durations for each of these rigs. As per requests received from few shareholders, we have now bifurcated this order book further - rig-wise and financial year-wise so that understanding is clearer in terms of the revenue potential that is there with these contracts. On conclusion of contracts, usually fresh tender is issued to ensure continuity in drilling as per customer's requirements.

I have already spoken about the financial highlights which are on the next three slides. The EBITDA mix has been given on slide 10 wherein you will note that the rig segment contributes to almost 90% of total EBITDA and that is the area of focus where we want to grow further. Borrowings

have improved in September 2024 as compared to the position in March 2024. Our net cash position has improved from INR51 crores to INR69 crores.

In FY25, we had also fully paid one loan which was taken against rig Discovery I entirely from internal accruals. The shareholding structure has been given on the last slide wherein names of key marquee investors have also been put out. I would now like to hand over to Mr. Varatharajan to open the floor for questions.

Moderator: Thank you very much. We will now begin the question and answer session. The first question comes from the line of Swapnil Kabra from SK Enterprises. Mr. Swapnil, you may go ahead with your question. Your line is unmuted.

Swapnil Kabra: So firstly, congratulations on a good set of numbers. Sir, I have two questions. What was the total cost of refurbishment of Jindal Supreme and how was it spread over the quarters? Can you quantify the impact of this cost per quarter?

Kaushal Bengani: We have not been giving out specific refurbishment numbers rig-wise. The cost of refurbishment is significant because there was a change in the MODU standard for which we had to do a lot of expenditure. The way we treat this expenditure is by amortizing it over a period of three years, which is the contract duration. That is the way we have been treating other refurbishment expenditures as well for the rigs.

Swapnil Kabra: Okay. And sir, what happens to the rigs if post the completion of orders, say ONGC is not willing to renew the orders? Do we have any backup plans to move them to the international waters or to utilize them in any way?

Raghav Jindal: So, what did you say? If ONGC does not take the rigs?

Swapnil Kabra: Yes, Yes. If they do not renew the contract.

- Raghav Jindal:** So, particularly about Jindal Supreme, the contract was renewed and it is a fixed contract for three years, so for three years it is locked, and we see contracts with ONGC in the coming years as well for the rigs which are going to be ending their contract. And if we do not see any contracts coming up, we are talking to international markets as well. There is a lot of scope in the Far East, and we have been in touch with those parties as well.
- Swapnil Kabra:** Okay. So, you do not see any risk there, right?
- Raghav Jindal:** No, we do not see any risk because there is a lot of demand worldwide, especially with the war and everything, the prices are going up again, and hopefully it is a great market to be in.
- Swapnil Kabra:** All right. So, that was helpful. Thank you so much. I will join the queue again.
- Moderator:** Thank you. The next question is from the line of Pritesh from Lucky Securities. Please go ahead.
- Pritesh:** Yes, thank you for the opportunity. I have three, four questions. One, on Jindal Supreme, what is the incremental day rate that we have got versus the original rate that we had? And how much of that incremental day rate should flow through your EBITDA? That is the first question.
- Kaushal Bengani:** Originally, the rig was deployed at \$40,700 in the previous contract, which concluded in March 2024. From 15th October 2024, it has been deployed on the new contract at \$88,859.
- Pritesh:** Okay. And what should -- so how much of incremental should flow down to your operating profitability? Or what should be the margin on this revised rate?
- Kaushal Bengani:** Jindal Supreme is a company-owned rig. So, margins will be higher than rented rig. If we were profitable when the rig was deployed at \$40,700, then any additional rate will go down into EBITDA.

- Pritesh:** Should I say bulk of it will flow down to the EBITDA?
- Kaushal Bengani:** Yes.
- Pritesh:** Okay. My second question is that between quarter one and quarter two, on a standalone basis, there is a INR10 crore lower EBITDA. So, and both these quarters were without Jindal Supreme. So, just we wanted to know if there is anything in this quarter 2 to understand what is the normalized EBITDA without Jindal Supreme?
- Kaushal Bengani:** There were certain operational expenses on account of refurbishment of Jindal Supreme, which could not be amortized, which were booked in the second quarter as refurbishment activities increase on nearing the date of deployment. So, depreciation was also there in the first quarter. It was only an increase in operational expenses attributed to Jindal Supreme.
- Pritesh:** So, is it fair to assume there will be some operational expenditure related to Jindal Supreme also in part of quarter 1 also, in that INR40 crore EBITDA reported?
- Kaushal Bengani:** Yes, some of them.
- Pritesh:** Okay. Good. My third question...
- Kaushal Bengani:** Larger component was there in the second quarter as refurbishment expenses tend to increase as the date of deployment nears.
- Pritesh:** Okay. My third question is you mentioned that the acquisition that you are doing out of your JV, will be there is some to and fro conversation and I think that you will be able to announce it soon. What does that mean actually? Are we at advanced stage and when this particular acquisition comes through and your Jindal Supreme quarter numbers from quarter 3 starts coming on the revised rate, we are actually looking at a substantial improvement in EBITDA maybe a 3x type or a 4x type improvement in quarterly EBITDA. Is this assessment correct?

Kaushal Bengani: I don't have the numbers right now immediately, but the maximum profit that Jindal Drilling generates is from company-owned rigs. We have two company-owned rigs right now of which one has been deployed on 15th October. That improvement in earnings will definitely be visible in the coming quarter. Incrementally to that improvement, if we are able to buy Jindal Pioneer within the next quarter, then earnings will jump up further because right now only 49% of the profit accruing from the joint venture in which Jindal Pioneer is housed is with Jindal Drilling and to complete the response, we had submitted our application in April 2024 with the authority for acquisition of this rig. There has been some communication with the authority and we are hopeful that it gets concluded shortly. We have been following up as and when it is appropriate. We also want to buy the rig as early as possible.

Pritesh: Okay. My last question is in absence of any acquisition or asset creation that you do, what should be your debt or net cash position in 2025 and 2026, considering the cash flows that you have?

Kaushal Bengani: Considering the cash flows that we have right now debt position is at INR 173 crores. This will reduce to INR132 crores as on 31st March 2025 and thereafter the repayment schedule is INR 66 crores each in the next two financial years. Since we will be generating cash within the company and the joint venture companies will also be generating cash, the net cash position which is currently at INR69 crores will improve rapidly.

Pritesh: Okay. My last question is, do you have a rig renewal and rig repricing lined up in the next four quarters, four to six quarters or you are done mostly with everything for the next four to six quarters?

Kaushal Bengani: There is one rig which is up for renewal, Jindal Explorer which is a rented rig. Mr. Jindal will update you on the same.

Raghav Jindal: So, Explorer is going to end contracts in May 25. ONGC is in talks for getting two new tenders before the year ends. So, hopefully, we will be participating in both those tenders and expect to gain the contract.

- Pritesh:** But she will be out of service because of refurbishment or...
- Raghav Jindal:** No, the contract, it's a three-year contract which started in May 22, it ends in May 25.
- Pritesh:** That I understand. In May 25, when the contract ends does this rig require refurbishment so it will be out of service?
- Raghav Jindal:** It will require a little bit of refurbishment as normal wear and tear that happens over three years and plus most probably there will be monsoon period at that time. So, the rig is likely to get extended up to August, September. And then once we have it, we would take a couple of months to refurbish it before it goes into its next contract.
- Pritesh:** Okay. Since it's a lease asset, do you have to incur or it's the owner of the rig who will incur the refurbishment?
- Kaushal Bengani:** It depends on the way the new contract is negotiated between the owner and us. We will be able to update you when that is completed.
- Pritesh:** Okay. Thank you very much. All the best to you guys and Happy Diwali. Thank you very much.
- Kaushal Bengani:** Happy Diwali to you too.
- Moderator:** Thank you. The next question comes from the line of Nirvana Laha from Badrinath Holdings. Please go ahead.
- Nirvana Laha:** Hi, thanks a lot for the opportunity and congrats on another very stable quarter. So, sir, my first set of questions are on Jindal Supreme. So, it looks like the accounting treatment for Jindal Supreme refurbishment is also proceeding in the same manner that we have done for the other refurbished assets before this, right?
- Kaushal Bengani:** Yes.
- Nirvana Laha:** Okay. And, sir, if I look at your balance sheet, I'm hazarding a number that it looks like the refurbishment expense was in the nature of INR115

crores to INR120 crores. And the quarterly amortization can be expected to be in the INR10 crores range. I know you don't give out exact numbers, but these are my calculations. And if you can just indicate that these are broadly correct.

Kaushal Bengani: For Jindal Supreme, the total refurbishment expenditure is more than INR130 crores. That is because there was a change in the MODU standard as per the safety requirement. We had to undertake that entire exercise. So larger expenditure was undertaken to ensure that the rig meets the new standards required by ONGC. That is the way we have done it so that timely deployment can be done.

Nirvana Laha: Sure, sir. If you can indicate what the quarterly refurbishment expense might be like? Is it closer to INR20 crores or is it closer to INR10 crores?

Kaushal Bengani: We are not giving that out for any rig.

Nirvana Laha: Okay, sure. And, sir, for this asset, is there going to be any cost after EBITDA? Like, is all the EBITDA going to flow straight through to PAT, to PBT?

Kaushal Bengani: No, everything is above PBT. What do you mean?

Nirvana Laha: I mean, there's no interest cost or depreciation on Jindal Supreme beyond the refurbishment cost that we'll be incurring, right?

Kaushal Bengani: Specifically for Jindal Supreme, there is a debt of INR173 crores which we have given out in the presentation. That is for refurbishment expenses.

Nirvana Laha: Okay. Got it, sir.

Kaushal Bengani: So there will be interest cost for this, but it is not -- I'll just clarify. I do not mean to say that expenditure on Jindal Supreme refurbishment is INR173 crores because that is the debt number. The debt number is indicative of rig refurbishment that has been undertaken by Jindal Drilling over the past few quarters. The security for that debt is Jindal Supreme.

Nirvana Laha: Okay. Understood, sir. Sir, in the past few quarters, there have been some one-off expenses like when Pioneer was written down to book value and refurbishment cost for various assets. So, in the next four quarters, I mean, once Jindal Supreme you're saying -- Jindal Explorer you're saying will extend till September. So we probably have another 12 months in front of us. Are there any one-off costs expected in this duration? We can buy an asset. I'm not including that. Other than that, for the current asset?

Kaushal Bengani: The only one-off in the past four quarters have been certain expenses which were incurred when Virtue I was deployed in October '23. The second one-off was in March '24, which was in the joint venture company when the rig was decided to be sold at \$75 million and there was a markdown based on the book value in the books of the joint venture. I don't believe there are any significant one-offs expected going forward, but that by nature is the definition of one-off that you cannot predict them.

Nirvana Laha: Sure, sir. As things stand, you're not seeing any expenses, right, for the next four quarters?

Kaushal Bengani: Not at the moment.

Nirvana Laha: Okay. Understood. And, sir, in terms of ONGC, they have cancelled two tenders or cancelled or postponed, we are not clear, in June and September, where we were not participating but others were. So how do you understand the situation right now? And for our Jindal Explorer contract, are we already in talks with ONGC and how do you see the contract developing? Any color on that will be very useful.

Raghav Jindal: So, yes, these contracts were cancelled or delayed. Again, we are also not very clear on what ONGC stand is. But this was because the rates were much higher than what ONGC had expected at that time. However, the international market had softened at that time because Aramco had shelved rigs. But now, again, with the war continuing, international markets are increasing in price again, which gives Explorer a little better rate benefit when it will come into contract. And ONGC, because already in less of seven rigs, is looking for rigs. And definitely, we will be

participating in the next two tenders that it will be coming out with. And hopefully, we should be able to maintain the rates. If not maintained, it won't be a sharp decrease.

Nirvana Laha: You mean, sir, compared to the existing rate for Explorer or rate of Supreme, which is USD 88000?

Raghav Jindal: The latest contract was at USD 64000 something. So USD 64000 being the benchmark with ONGC being the last contract.

Nirvana Laha: So when was that contracted out, sir?

Raghav Jindal: It was, I think, within this year only.

Nirvana Laha: Okay, got it. And sir, just from a strategic point of view, from ONGC's point of view, can it afford to let Indian rig operators like Jindal Drilling move rigs out of Indian waters? I know you can't speak on behalf of ONGC. Sorry, sir. But I just want to understand because rigs from Saudi have gotten free. Is it, just as an investor, I want to understand, is it that easy for ONGC to replace one rig operator or one kind of rig with another kind of rig?

And therefore, is there a strategic dependence of ONGC also on operators like us?

Raghav Jindal: No, definitely, they have a dependence on operators who are very efficient. They do not want us to deploy our rigs outside India. When Pioneer, which was built for ONGC went outside, they missed out on a new rig. And they have expressed their interest in getting Pioneer back into ONGC. And they have been following up with us as to when that contract is ending and when they can get the rig back.

Also, what was the other question?

Nirvana Laha: No, sir, that is helpful, sir, in terms of understanding ONGC's dependence. Sir, one last question from my side. Hypothetically, if we have to move a

rig out of India, say to international waters, what kind of costs are required to dismantle, move and reassemble, just to get an idea?

Raghav Jindal: You do not need to do any of those. The rig is just pulled or a dry carry is done if it is going far away. If it is going somewhere nearby, it is just a wet tow. So, there are no expenses of dismantling there. It is only if a contract requires additional equipment or additional certification that is what needs to happen.

Nirvana Laha: Got it. So, it is not a big hassle for Jindal Drilling to move the asset away if needed.

Raghav Jindal: Correct.

Nirvana Laha: Okay. Thank you so much, sir. I will come back in the line.

Moderator: Thank you. The next question is from the line of Udit Sehgal from Tradewalk Research, LLP. Please go ahead, Mr. Udit...

Udit Sehgal: Good afternoon, sir. Sir, regarding the rig which is up for renewal next year, by when can we typically expect the tender from ONGC to be awarded and by when do we have to take a call on what we have to do with it?

Raghav Jindal: So, the tender is not yet out, but it is expected sometime in November or December. And usually, it takes about 30 days for them to award a contract. We are just waiting right now for them to come out with a tender, which we know they should be in the next coming couple of months.

Udit Sehgal: Okay. And the rig which we have on their own charter, once that comes into our books, do we again intend to charter it out to ONGC or what are the plans for that?

Raghav Jindal: It will be working in Mexico till its term. And after that, it is open. Either it will come into ONGC or we are open to put it anywhere worldwide.

Udit Sehgal: Okay, sir. Thank you.

- Raghav Jindal:** Our aim is to get it into ONGC and ONGC also wants the same.
- Udit Sehgal:** Okay. But don't you, I mean, again, just on a very macro level, what is the reason that ONGC keeps, they've cancelled one or two contracts? Is it because they're trying to get like a better rate? Or do they feel like...
- Raghav Jindal:** It's to do with the rates.
- Udit Sehgal:** Specifically. So, they feel that by...
- Raghav Jindal:** The rigs were not even ready. Some contractors had bid rigs. They were very, very old. It required a huge investment and they were not able to deliver the rig on time. That's why some of those contracts were also cancelled.
- Udit Sehgal:** So, I mean, you feel as there won't be that much pressure on the rates, like we could get it at the same rate as whatever, USD 85,000, USD 90,000.
- Raghav Jindal:** ONGC has been pressurizing. That's why they did negotiate a lot. And that's why some of those contracts were cancelled. Like I said, the last was around USD 64000. Our situation from that time to now has improved internationally. And hopefully, we should be able to maintain, if not get a little better than that. It all depends upon when the contract comes and what is the competition like.
- Udit Sehgal:** Okay. So, it could be somewhere between the range of USD 65000 to USD 85000, depending on the situation at that time.
- Raghav Jindal:** Exactly.
- Udit Sehgal:** Okay, sir. And regarding the rig with the one with Maharashtra Seamless, do we intend to buy that from them or will it continue on their books itself?
- Raghav Jindal:** As of now, there is nothing that we have decided on.
- Udit Sehgal:** Okay, sir. Thank you so much.
- Raghav Jindal:** Does that answer all your questions?

Udit Sehgal: Yes, Yes. Thank you so much. And again, congratulations on the great results and the presentation is very clear. But again, I had one suggestion again, which I made last time, that being such a great company and having such visibly great cash flows in the future, there is not much information about Jindal Drilling in the general public.

So, I mean, maybe just a suggestion, we could have an IR team or whatever. I mean, so that, you know, at least the shareholders are also rewarded. We can see the regular shareholders, we can see the visibility in the years ahead. But it's not that much visible in the market. That's just a general feedback from my side.

Kaushal Bengani: Mr. Udit, on that note, we appreciate your feedback. And that is why we started earning calls and earnings presentation a few quarters ago. And in my assessment, I think it takes around a couple of years of this exercise for the company's visibility to improve as much as we would like. We're still in the process of that. One of the reasons why there is lower visibility is that there is no direct coverage by any institutional broker on Jindal Drilling. That is something which we cannot force, but it is something which will happen naturally.

What is within our control is improving operations, improving presentations, improving earning calls, trying to engage when required by shareholders. We have been doing that and some feedback from shareholders are taken into consideration when we prepare the presentation. And this time, we've included an additional slide, which gives the year wise potential revenue breakup, just so that it is easier to understand. Further, we are also trying to simplify the structure of Jindal Drilling so that assets are consolidated into Jindal Drilling, which will immediately impact valuation and earnings of Jindal Drilling.

Udit Sehgal: Thank you so much for that, sir. We appreciate that.

Kaushal Bengani: Thank you.

Moderator: As there are no further questions, I would now like to hand the conference over to Mr. Varatharajan Sivasankar from Antique Stock Broking for closing comments.

Varatharajan Sivasankar: Thanks. I would like to thank all the participants and the management of Jindal Drilling for taking time out to have this discussion on the 2Q results. I wish all the participants as well as the management a Happy Diwali. Have a nice day.

Kaushal Bengani: Thank you, shareholders. Thank you, Mr. Varatharajan, for organizing the call. And thank you, Mr. Jindal for participating. We aim to improve visibility and operations simultaneously, and we are working on that. We hope to see you again in the next earnings call. Thank you.

Raghav Jindal: Thank you, and wishing everybody a very, very Happy Diwali.

Moderator: Thank you, sir. On behalf of Antique Stock Broking, that concludes this conference. Thank you for joining us, everybody, and wish you a very happy Diwali. And you may now disconnect your lines.