



“Dolphin Offshore Enterprises India Ltd. Analyst
Conference Call”

May 2, 2013



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Moderator

Ladies and gentlemen good evening and welcome to the Analyst Conference Call hosted by Dolphin Offshore Enterprises India Ltd. For the financial year ended March 31, 2013. As a reminder, for the duration of the conference, all participants' lines are in the listen-only mode, and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference call please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. At this time I would like to hand the conference over to Mr. Navpreet Singh of Dolphin Offshore Enterprises India Ltd. Thank you and over to you.

Navpreet Singh

Thank you. Good afternoon everybody. I am pleased to welcome you to our conference call for the year ended 31st March 2013. Our results were declared on Monday so I think everybody has had really time to go through them. I am not going to read out all the results but I just like to highlight a couple of points.

The first is that our turnover during this current year on a stand-alone basis has increased from 203 crores last year to 352 crores whereas profits basically have remained the same at 14.83 as compared to 15.26 after tax. The main reason for this is again being that competition is stiff so although we have been able to get more work profitability has been under a lot of pressure. However good thing for us during this year



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is that our subsidiary companies basically Dolphin Offshore Shipping and Dolphin Offshore Mauritius have also had good years. Vessels that were owned by these companies were put to use right through the year and we have been able to generate significant income and profits from these companies. Consequently we were able to nearly double our turnover on a consolidated basis from 233 crores last year to 430 crores but more importantly on an overall basis the net profit after tax increased from 4.29 crores to 47.11 crores. Going forward from here we do expect that the subsidiary companies will have a significant contribution both in turnover and profitability of the group.

I am now turning this conference open for any questions that you may have. Mr. Satpal Singh, our Managing Director is also here to answer any questions that you may have on the operations or the marketing of the company, the market scenario etc. and of course I will handle answer any questions that may come up on the financials. So I now welcome any questions that you may have.

Moderator

Thank you very much sir. We will now begin the question-and-answer session. We have our first question from the line of Mr. Saurabh Jain from Sushil Finance, please go ahead.

Saurabh Jain

Hello. Congratulations for another good set of numbers. I have few questions. To begin with could you please provide



me with current order book, the executed portion, orders received during the quarter and their execution period?

Secondly during the last con-call I remember you told us about submitting tenders for EPC project and you were also about to submit for three more such tenders which you talked like much bigger than the last EPC project from ONGC. So any updates on that?

And finally updates on the construction barge and DP/DSV that we were looking to acquire and Vikrant Dolphins Extension and the JV which you were talking about during the last con-call. Thanks, that's all from my side

Satpal Singh

The answer to your first question as to what is the initial order book going forward into this current financial year it stands at 116 crores. The bulk of which is comprised of the OGIP contract which is currently nearing completion. We have finished about 92% of the project as of today. There haven't been any significant new orders in the last quarter because as you are aware this is the fag end of the season and these new tenders all begin to come around at this stage for work to start post monsoon. We have submitted as you pointed out a major EPC contract to ONGC which we submitted in consortium with the ShriRam Group that tender is presently under evaluation.



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The three additional tenders that are due to come up from ONGC for revamp projects has still not yet been floated though clearance have been obtained by the ONGC Board for these tenders to be invited in a progressive manner over the next three - four months.

As far as the vessels are concerned the Vikrant Dolphin contract continues up till October this year. They have one year extension as you are aware but as of now that extension has not been availed off. It is little premature. We expect that they will extend the contract as the law permits them to keep the vessels there for a maximum period of two years without changing flag and our client has presently several contracts in hand for platform maintenance work which will require ongoing deployment of the vessel.

We have identified the DP/DSV. We have identified another construction barge. As of this moment we have not proceeded yet with the acquisition. ONGC has recently announced that they are coming out with a tender for Charter hire of an MSV for a period of 5 years and we will dovetail our acquisition to meet that particular specification.

The DP/DSV that we were looking at replacing the Seamec-1 has been identified but it would be appropriate to acquire the vessels only towards the end of September since in the interim period there has been no deployment opportunity. Was there any other question of yours unanswered?



- Saurabh Jain** That's all from my side? Thank you.
- Moderator** Thank you. Our next question from the line of Maulik Patel from Equirus Securities. Please go ahead.
- Maulik Patel** Good afternoon. Just a macro question we will government CCIS cleared almost 25 NELP block which were stopped due to various reasons and now there is minimum work program or exploration activities will start so will you benefit out of that or what's you are reading on these news items and the impact on our Dolphin's business?
- Satpal Singh** Every time any NELPs licenses awarded for new offshore blocks there is a typical program that sits in motion. The first is to carry out seismic surveys to identify the high yield zones, second is to conduct a drilling program and the third is then to develop the locations where oil or hydrocarbons have successfully been found and finally to carry on production. While we are not involved in the seismic surveys some of our vessels can be used in and have been used to provide support services. So that's more of marine logistics activity, opportunity for the company.
- Once drilling operation starts our services only come in the form of some sea support, provision of may be anti-handling tugs which is our marine activity and in the event of damage to rigs then further repair of rigs. Our main role will come once the fields have been located and the development plan



has been set in motion at which stage we will get involved in the offshore construction, it could be onshore fabrication, it could be QC controls, it could be procurement, it could be offshore installation, laying of pipelines, supporting pipeline, laying offshore hookup and commissioning. And thereafter when production starts we will provide the full range of our services for maintenance and operation.

Maulik Patel Okay so probably you may not see significant benefit coming at least in the near term till the time there is some major discoveries which will start corner the development mode.

Satpal Singh That's right. So to give you an example, GSPC discovered a major gas find of the east coast of India and it was quite a few years back. The development stage is only now coming to fruition inactively involved in the hookup and commissioning of the offshore platforms working as a subcontract to L&T. And yes this license was awarded almost 6 years ago so that is the kind of the timeline to get to this stage.

Maulik Patel Yeah I am aware about that. That's it, that's all.

Moderator Thank you. Next question is from the line of Rupen Masalia from RN Associates. Please go ahead.

Rupen Masalia Good afternoon. Congratulations for the good sets of number. Sir I have a few questions. Firstly it's for Mr.



Satpal. Basically I just want to know the overall market scenario like the competition intensity for a Greenfield and Brownfield type of projects and one bid which you would have put in consortium with Shriram Group. Is it for a new platform or for some sort of revamping work?

Satpal Singh

The answer to your last question is, it is entirely a revamp project for the BPA-BPB process platform with a few associated well platforms. So it is an existing platform that requires upgradation, some new equipment, some replacement of cranes and stuff like that. But this scenario is for the last two years as you are aware the market has seen a downturn in terms of margins largely because the work in the Middle East had come to not a standstill but dropped dramatically. As a result of which a lot of international companies have been dumping prices and bidding aggressively in the Indian market. So over a period of about a year-and-a-half all these new contracts of ONGC which was one market which hasn't come down what we call it as by the international players. The Middle East market is now going through a boom period. Saudi Aramco, for instance, has declared a desire to enhance production by 1 billion barrels of oil a day. UAE, Abu Dhabi is doing the same thing and so is Qatar to try and expand the recovery of the gas field that they share common with Iran. Because of all of this suddenly there is a tremendous spurt of work in the Middle East so those companies are now concentrating more in their



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our backyard where the margins are that much better and where they are well set-up to tackle the local needs. Here what has happened is that because the Indian companies suffered for sometime there has been a lot of competition amongst the Indian companies. There are new players who have come into the business thinking that there are great opportunities in the oil and gas business. About 3 to 4 years ago where we had about 4 to 5 bidders for revamp projects or 2 bidders or 3 bidders for revamp projects now every project is attracting some 7, 8, 9 bids. The encouraging thing though is that in the last 5 bids of ONGC the bids have all been predominantly Indian parties who have now becoming successful and picked up a number of contracts whether it is L&T, whether it is Punj Lloyd whether it is Leighton, whether it is Afcons they all are picking up these Greenfield projects from ONGC. But the margins are still low. And I think until everybody gets back into a sense of security and comfort but margins will continue to be affected to be some extent. Brownfield I would imagine that there are still about 5 – 6 players who will actively pursue the Brownfield market. And a lot of these Brownfield projects are coming up now are very substantive value contracts. For instance ONGC has decided to come out with a revamp of 40 well platforms which has been broken up into three separate tenders and estimated budget for that is around 2,500 crores which is too big a value of contracts for the biggest players like L&T and all to ignore. So for tenders like that are going



to be more and more competition as well. So I would say that yes competition is still tough, margins are improving slightly but there is still a long way to go before we can see yes the industry is back to work as was two-and-a-half years ago. I hope that answers your question.

Rupen Masalia And sir could you throw some light on the bid which you have already put and by when you expect its outcome?

Satpal Singh Well the bid has been submitted about a month back and the valuations have still been going on with ONGC. We were given to understand that there were some issues raised about two bids, ours and another parties bid which we are trying to give, sort it out and clarified with ONGC. My expectation is that this will be resolved within the next one month's time.

Rupen Masalia Next question is regarding probability of winning some contracts in Middle East especially say Saudi Arabia or may be Abu Dhabi as you have pointed out that those markets are really booming off late so.

Satpal Singh Yeah. What they are doing is we are targeting subcontract work over there. We had some tie-up with various people. The Beas Dolphin has been working extensively in the Middle East already with McDermott so we will look at similar opportunities for greater marine spread deployment. Later on this month we are finalizing and registering the joint venture that we set up in Saudi Arabia for work with



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Aramco. My team are going there shortly to finalize all the shareholders Agreement and registration process and all that and then we will start bidding for work directly as a Saudi Arabian company because there again they have certain advantages and all which are intrinsic to local companies. So that joint venture I have mentioned few years ago is finally crystallizing. So yes we are going after that work but still in spite of the despite margins the real market product continues to be here for our EPC and subsea work. What we are trying to do now is realign the companies positioning and business model so that on the one hand we can strengthened our financial base by regular daily incomes coming from Charters as in the case of the Vikrant Dolphin and Beas Dolphin, the A.M.S. Divine. I am looking at additional marine asset to acquire, some independently, some may be as in partnership with another group so that we can get a regular 365 days revenue emanating from it, especially the contracts which involve diving services as well. This has to be a staple path of our revenue model going forward. The EPC work will then be the icing on the cake so that is the way we are positioning ourselves going forward.

Rupen Masalia And few questions pertaining to finance. It is for Mr. Navpreet. Basically sir in consolidated balance sheet as of 31st March, 2013, other current assets stood at 112 crores approximately. It has gone up from 28 crores. So just give the breakup of it.



Navpreet Singh Other current assets they will comprise a lot of our claims on VAT refunds and tax refunds that we have owing from the government. There are also some advances that we have paid that we have to recover now. That is basically where the bulk of the money comes in from.

Rupen Masalia I mean sundry debtors is clubbed under the trade receivables?

Navpreet Singh Yes.

Rupen Masalia And other current assets because the magnitude is huge from 28 crores to 112 crores so if you can quantify the amount under different heads that would be fine.

Navpreet Singh Let me give you the details a little later.

Rupen Masalia Secondly sir likely debt at consolidated level by FY2014, if you can throw some light on that?

Navpreet Singh As of right now total debt at consolidated is about 120 crores.

Rupen Masalia Including working capital.

Navpreet Singh Including working capital and by 2012 we would have repaid another 15 crores. We would be about 100 crores as existing working capital limit.



Rupen Masalia And planned CAPEX that debt contingent upon winning contracts?

Navpreet Singh Yes.

Rupen Masalia And finally sir what is the receivables from L&T work and NQD ICP contracts additional work revenue and liquidated damages, by when do you expect to knock it off from books? I mean settlement with ONGC?

Satpal Singh We are hopeful that we will be able to finish this, I think the NQD will be done first because we have already come more or less in agreement with ONGC now, the documentary work needs to be done. I expect that we should be able to complete the NQD during this current quarter. But as far as ICP is concerned that may still take some time and I guess with L&T as well both, ONGC, LD, we have other extra claims and L&T hopefully we will be able to clear everything in our balance sheet during the currency of this financial year.

Navpreet Singh Rupen the other current assets that you wanted to know there is 55 crores of accrued income which is basically the income that we have not yet been able to bill because we don't have a the work completion certificates which have been actually completed. It is 55 crores of billable cost that is basically advance cost that we would incurred under AS-7 accounting.

Rupen Masalia So that would be reflected in Q1 of FY14?



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Navpreet Singh It will get knocked off in Q1, yeah.

Rupen Masalia Thank you

Moderator Thank you. As there are no further questions I would like to hand the floor over to Mr. Navpreet Singh for closing comments.

Navpreet Singh Thank you everybody for your time today and I hope we have been able to answer all your questions to your satisfaction. As always we are always available to answer any questions that you may have or to meet with you and discuss anything that you may have at any time. Until then we look forward to seeing you in the month of July when we discuss our Q1 results for 2013-14. Thank you very much.

Moderator Thank you sir. On behalf of Dolphin Offshore Enterprises India Ltd that concludes this conference. Thank you for joining us. You may now disconnect your lines.