



“Dolphin Offshore Q2 FY11 Results Conference Call”

October 28, 2010



**MODERATORS: MR. NAVPREET SINGH - JOINT MANAGING DIRECTOR,
DOLPHIN OFFSHORE.
MR. SATPAL SINGH – MANAGING DIRECTOR, DOLPHIN
OFFSHORE**



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Moderator

Ladies and gentlemen good evening and welcome to the Q2 FY 11 Results Conference Call of Dolphin Offshore Enterprises India Limited. As a reminder for the duration of the conference all participant 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 the conference please signal an operator by pressing * followed by 0 on your touch-tone phone. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Mr. Navpreet Singh Joint Managing Director of Dolphin Offshore Enterprises India Limited. Thank you and over to you Mr. Singh.

Navpreet Singh

Thank you very much Vivian. Good evening ladies and gentlemen welcome to the Dolphin Offshore teleconference call for the quarter ended September 30th 2010. I would start off by going through the financial performance of the company for the quarter and after I have gone through the figures then we will leave the session open for question answers and we can discuss about the future outlooks of the company and any questions that you have on the accounts. Mr. Satpal Singh our Managing Director is also here who will also be participating in the teleconference especially regarding the future outlook at the position regarding jobs sector.

So, let me start with the financial figures. During the quarter the company achieved turnover of Rs. 48.61 crores. Expenses during the quarter were Rs. 26.27 crores. EBITDA margin was 22.33 crores. Profit Before Tax was Rs. 20.10 crores and Profit After Tax was Rs. 17.79 crores. In comparison in the last year we did a turnover of Rs. 66.79 crores and Profit Before Tax was Rs. 16.61 crores. During this particular quarter, most of the revenue has come in from changed orders that we have executed in prior quarters for work that we had done on two of our EPC contracts with our clients. Rs. 33.6 crores worth of change orders have been finalized and submitted to ONGC and discussions have already commenced on finalizing in these planes. Accordingly, we have booked these revenues during this quarter. Business-wise there has not been much activity during the particular quarter as this is really our off season. Last year's revenues were higher on account of fabrication and procurement activities that were happening on the EPC contracts. In summary, this quarter has been a pretty low activity season for us and a lot of the income that is flown through is not directly proportionate in comparison to last year's because of the booking of the change orders that have come in during the year.

I will now just briefly run through the balance sheet. During the quarter ended September 30th companies net shareholders' funds was Rs. 195 crores up from about Rs. 190 crores from the previous year end. Secured loan funds was Rs. 88 crores as against Rs. 69 crores. Unsecured loan funds was Rs. 25 crores as against Rs. 19 crores. A total of loan funds was Rs. 114 crores as against Rs. 89 crores last year. Gross block of the company is Rs. 34.18 crores, investments at Rs. 20.2 crores, same as last year. Net current assets is at Rs. 255 crores, up from Rs. 222 crores. Cash and bank balances, as most of you ask us, is about Rs. 5.73 crores as against Rs.



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9.76 crores on 31st March 2010. Now, we are going to throw the session open but before I do that, I just want to say that anything that we talk about with regards to the future outlook of the company is really based on our own feelings and our own thought process and has to be viewed in conjunction with the business risk that the company faces. Total outline of these risks have been already stated in the presentation which is also available on our website. With that, I throw the session open and we are willing to take any question any of you may have.

Moderator Thank you Mr. Singh. Ladies and gentlemen we will now begin with the question and answer session. The first question is from the line of Nikunj Doshi from Bay Capital, please go ahead.

Nikunj Doshi Yes, I just wanted to get some clarification – this Rs. 33.59 crores booked in the current quarter, principally it should flow straightaway to the PBT, because you have already booked cost, is that right?

Navpreet Singh Yes that is correct.

Nikunj Doshi Okay so basically from operations during the second quarter, I would say we have incurred a loss of around Rs. 13.5 crores approximately on PBT level?

Navpreet Singh Yes around Rs. 11 crores there has been expenses over income.

Nikunj Doshi Yes and consolidated basis why earning is only six crores so on subsidiary level also we have incurred losses?

Navpreet Singh As you are aware the principal activity in the subsidiary companies is basically again geared towards offshore EPC work and shipping and again during the monsoon period the level of activity is generally low. So, we basically plan most of our dry-docking during this particular quarter, where there is limited interference with our actual revenue earning activities. So, during the year we have had basically four vessels that have been dry-docked and Beas Dolphin which is the new vessel that was delivered to us it has been undergoing modification work during the quarter. The anchor handling tug that we had was also mobilized to Saudi Arabia and the UAE where we had to undertake modification work and I am happy to say that that vessel is now on charter with a company for Saudi Aramco. It is initially a three months charter which is likely to extend for a much longer duration, we are hoping it could go out for about a three year contract thereafter. So, we have actually had to incur a lot of these costs at this point of time to be able to gear up for the working season coming up.

Nikunj Doshi Okay.

Navpreet Singh See if I could just also add that as far as the dry-docking is concerned, the dry-docking is happens basically twice in a period of five years, generally every 30 months and this time around the bigger vessels at the Brahmaputra Dolphin, the Ganga Dolphin, the Kamrup are all



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dry-docked. Therefore the expenditure incurred on the dry-docking was also a little higher than what we normally incur. But these expenses would now not repeat for the next 2.5 years at least.

Nikunj Doshi

Okay and what it is in the status of the new order biddings and where are we in terms of the visibility?

Satpal Singh

As of now Nikunj, we have an order book already of about Rs. 323 crores, if I start from 1st April 2010 onwards. And this includes the Rs. 45 crores of change orders and ICP and NQD. Apart from the Rs. 323 crores of order books, there is another Rs. 191 crores of orders on four contracts that we are presently negotiating, the bids are in, price discussions are going on. One of them is a job in Sudan worth Rs. 85 crores, we have been offered the contract where we have been asked to take over the marine spread of that contract as well. And other job is for Cairn Energy where we are the only party who has been technically qualified with the diving spread for it and we are also presently negotiating our contract with Hyundai for a job on the East Coast of India. The decision on Hyundai, Cairn Energy will be taken sometime within the next one week. Sudan job it is for us to strike the right deal with the existing vessel owner, which negotiation is presently going on. It is for us to accept the contract or walk away and we will take that decision in the next one month or so and then we would have to mobilize in another four months thereafter. Apart from this Rs. 191 crores worth of contracts that we are presently negotiating and the Rs. 323 crores that we already have, there are three major bids of ours which are in the process of technical evaluation with ONGC. One is the wind tender which we have bid in a consortium with Great Offshore. One is a turnkey greenfield project where we had bid directly to ONGC for the G1, GS15 project on the east coast of India. And another is a massive project for building six well platforms which we have bid in the consortium with Pipavav Shipyard.

The two tenders G1, GS15 and B46 as per ONGC's plan these have to be awarded by month of November, G1, GS15 should be awarded by the first week of November and B46 by the second or third week of November. The WIN tender will be decided and awarded by early December. I will not give you the total values of these contracts and the prices have not been opened and I do not want to disclose our prices at this stage, but I will tell you that the cumulative value of these orders are in excess of more than Rs. 1,500 crores. So, to repeat Rs. 323 crores is the in-hand existing order book, Rs. 191 crores are presently in price negotiation, and more than Rs. 1,500 worth of orders are being technically evaluated as of this minute.

Nikunj Doshi

And so by December or perhaps by November end at least two of the three bids will know?

Navpreet Singh

Absolutely.



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- Nikunj Doshi** Okay and this Rs. 1,500 odd crores whatever you mentioned that is your share of work in consortium?
- Satpal Singh** No that is the total contract value, I do not want to go and the spit in all at this stage if you do not mind because as I said bids are not yet opened.
- Nikunj Doshi** Right and so one is a Greenfield out of the three?
- Satpal Singh** One is a Greenfield.
- Nikunj Doshi** And two are Brownfield?
- Satpal Singh** Well, actually in a way two are Greenfield, B46 is a total Greenfield where we have to start fabricating jackets and decks and then install them. The G1, GS15 in a way the Greenfield basically ONGC had awarded a contract to a company called Clough, who did not complete the project and now ONGC is tendering different parcels of this out, so we have to walk in there, we have to do some you know whoever the successful bidders is, will go and do the trenching to submerge the pipeline that has been laid, we will have to install a riser there will be some top side modification work to be done, but all on the new field. It is a bit of a brown and Greenfield project, if you know what I mean. WIN is a totally Brownfield project.
- Nikunj Doshi** And ONGC I think is now going to see a change of our leadership and CMD is going to change. So, will that have any impact on the release or orders or anything?
- Satpal Singh** No, I do not think the appointment of CMD, as anything really to do with the work that is required to be done by ONGC if that goes on regardless. I would say that most of the work that is going to be undertaken in the coming years and next year and one of the projects have already been moved by within the ONGC organization over the last two -three years.
- Nikunj Doshi** But like most of the government, I mean when the new government comes in they review contracts of the old governments, so similarly in this PSU, do you see that happening?
- Satpal Singh** No, I do not see it is happening because it is a continuation in a way of the old guard
- Navpreet Singh:** I mean the main thing is really that Mr. Vasudeva who is tipped to takeover was operating as Director offshore, so at least in this fear that we have been involved in, we are basically being pursuing contracts that has really been in his area of activity. So, anything is probably going to be more enthusiastic about pushing these programs further than anything earlier.
- Nikunj Doshi** And assuming, I mean this outcome of ONGC is not factored in right now, so the 323 plus 191 crores what is under negotiations, what kind of visibility we will have for the current year, I mean for next six months at least of this financial year?



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- Satpal Singh** Actually, I should have mention earlier that we still have not finished with all our claims, extra claims on ONGC for ICP and NQD which we will also be adding during this financial year. We booked part of it based upon the earlier discussions we have had, the earlier documentation we have presented and the feedback we have got. But if I add the balance and if I look at the portion of the work that can be executed prior to 31st March, I think we will still be looking at turnover target of around what we did last year.
- Nikunj Doshi** So, we are still confident of achieving at least last case number?
- Satpal Singh** Which is actually a disappointment to me, but the simple reason that there has been delays in some of these tenders being invited I should actually have been able to have undertaken additional work, plus we were awarded another contract, we received the LOI for Rs. 635 crores contract, where I had to turn it down because the company who was awarding us the contract could not come up with the financial securities required. And had they the financial securities, then we would have been on track with our growths targets.
- Nikunj Doshi** And out of these three major contracts with ONGC, even if you get suppose one, would any revenue is booked in the current year or it will go in the next year?
- Satpal Singh** Absolutely, the G1, GS15 projects has to be finished by 15th May.
- Nikunj Doshi** Okay.
- Satpal Singh** Yes, the WIN project all the initial phases, the insurance, the pre-engineering surveys, the design engineering, part of the fabrication, part of the procurement – all of that will be done during this financial year, it is spill over to the next financial year as well and similarly for B46 as well.
- Nikunj Doshi** Okay and just last one from my side. This ONGC, whatever balance we are supposed to claim, can it happen that being a set off against your liquidated damages, charges or something and they may not give you anything?
- Navpreet Singh** It is possible, but we have already submitted a separate claim for waiver of LD on a number of ground because we have not only undertaken extra work, but we were prevented at times from doing our work due to reasons attributable to ONGC, for which they have to give us allowance and a correspondin g grace time. But the answer to your question is as anybody else would do, I am sure they would try to use that as a lever in negotiating our extra claims.
- Nikunj Doshi** Okay thanks , all the best.
- Moderator** Thank you Mr. Doshi. The next question is from the line of Amit Murarka from CRISIL please go ahead.



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- Amit Murarka** Good evening Navpreet and thanks for giving the opportunity to ask the questions. Just a couple of questions, I mean one is on part of, as like I just want how much of the total liquidated damages you can expect can arise from the ONGC side and the same like how much of the change order claim, we are expecting you know to book during the remaining second half of the year?
- Navpreet Singh** The total liquidated damages at ONGC has currently claim for us is, if I consider the foreign exchange fluctuation aspect of it also comes to about Rs 27.4 crores and we are expecting full waiver of that claim. In terms of additional claims as I said we have booked Rs. 33.6 crores worth of additional claims, which is part of the total claims that we have submitted to ONGC for which discussions have already commenced and we seem to believe that there seems to be a positive outlook on these particular claims.
- Amit Murarka** Okay, so for the remaining second half, I mean like we are not expecting any further change order claim or anything?
- Navpreet Singh** No, we are because two things are going to happen, one is that there are more claims that we have to submit as soon as they are quantified and we have all the paperwork in hand, we will be submitting them and the second thing is that as discussions progress with ONGC and as the likelihood of claims coming through are crystallized, we would recognize a greater proportion of the claims that we have submitted.
- Amit Murarka** May be on the order book side, Rs. 191 crore order book which is again under the price negotiations stage, so in terms of the nature of the orders with Cairn Energy and Hyundai, what would be the kind of orders we are expecting from them?
- Satpal Singh** The Hyundai order is for providing air diving services for the SBM installation on the east coast of India that order value is roughly about \$3.5 million. Cairn Energy is a one year contract for providing air diving support services for the Ravva field on the east coast of India and that has an option to extend for another one year – that is about a \$2 million contract. British Gas is another potential contract for providing saturation, mixed gas and air diving services, in some cases from the platform and some cases with our vessel. That is a two year contract and that is estimated to be around \$16 million but there is a potential for that contract value to increase because there are extra call out opportunities. For the time being we are just picking the firm lump sum scope of work. And the last order is the Sudan job, which involves providing a vessel and a diving team to support an SBM operation for the oil terminal in Sudan – that is \$19 million contract over three years.
- Amit Murarka** Any guidance on the PAT you know, we understood that you are saying that FY11 would be closing or expecting to close around at the same last year's level in terms of the top line, how about the bottom line?



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- Navpreet Singh** No guidance, we do not normally give any guidance on these figures.
- Amit Murarka** Okay, well thanks, that is from my side.
- Moderator** Thank you Mr. Murarka. The next question is from the line of Gauri Mishra from Aventus please go ahead.
- Gauri Mishra** I want to understand a little detail on about how we have made this claim of Rs. 33.6 crores, has any of been approved by ONGC or is it just a claim which we have put on them?
- Navpreet Singh** It is a claim that we have submitted We have submitted a claim to ONGC and in our initial discussions with them and within their own discussions within different divisions of ONGC, some of these claims seem to have been accepted and they are now waiting to get finalized details on some of these claims from within their own divisions and departments. Based on what we have understood from our discussions with ONGC and what we feel is likely to go through at this particular stage, we have accordingly only booked that proportion of the total claim orders.
- Gauri Mishra** Okay so whatever ONGC has almost verbally or whatever agreed upon has been booked in?
- Navpreet Singh** Well, let me put it in this way, we believe that some of these claims have been accepted in principal. The actual values has been changed because ONGC actually do their actual workings or whatever in case in difference from the way that we have calculated our calculations.
- Gauri Mishra** So, whatever they have approved in principal has been accounted for in this quarter?
- Navpreet Singh** I mean this is only verbal, there is nothing in writing to that.
- Gauri Mishra** Yes, I understand that but it is not as if it is only your calculation.
- Navpreet Singh** No, that is not only our calculations.
- Gauri Mishra** I am sure you will not be giving me the complete figure of the claim right for the year?
- Satpal Singh** The figure right now cannot be quantified, we are still closing out few pending issues on both the contracts. It will be closed out I would say by next month and then we would be able to give you a figure, but it will be at least Rs. 37 crores more, at least that much more.
- Gauri Mishra** Okay, can you give any guidance on what would be a growth for next year, I know now '11 will be very flattish like last year.



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- Satpal Singh** Can I answer that question next week or by the middle of November when these three tenders are decided? Because these three tenders have an order book of more than Rs. 1,500 crores.
- Gauri Mishra** Yes that I heard about the order book, but just because I was thinking of revising the projection, I was just wanted some guidance or your front. Okay, what is happening on our shipyard, the yard front any change there?
- Satpal Singh** We still have not got any formal proposal from the Gujarat Maritime Board for Jafrabad We understand that the land is being offered for transfer to the Gujarat Maritime Board from whom we will be leasing the land But I think that the two government agencies are presently negotiating the land transfer price. So till that is done we cannot get possession of the land because the GMB does not know what to charge out for the land either. And I cannot process any further clearances till such time as the land is now in our possession. So, we have been at a halt now for almost eight months.
- Gauri Mishra** Yes Jafrabad is not happening Okay thank you.
- Moderator** Thank you Ms Mishra. The next question is from the line of Eric Martin from Systematix Shares, please go ahead.
- Eric Martin** Sir, I am just looking at our top line figures if you remove Rs. 33 crores, one time revenue that we have booked or actually consolidated sales is about Rs. 16 crores and that is a very sharp year-on-year decline. So what is the reason for this kind of sharp decline because I understand that our vessels were not working but nevertheless Rs. 16 crores in the second quarter number looks very much on the lower side?
- Navpreet Singh** Yes, Eric what really happens is during the monsoon period the seas are too rough for us to carry out any activity offshore, so all our activity on the installation side, vessel operation side etc. all comes to a halt during this particular period of time. The only activity that we really able to carry out are the shore based activities which is the procurement of equipment and materials, the fabrication etc. that we do in our workshops. This year around since the EPC contracts basically being concluded, we had no additional procurements or fabrication coming through. This is really free during this particular period of time even on the year on, if you really examine quarter-to-quarter basis while there has been a tremendous drop on the revenue side, there has been corresponding drop in the material consumption side as well as subcontractor and even vessel deployment charges. They have all come down substantially.
- Eric Martin** Sir, last quarter our order book of about Rs. 230 crores and now it is about Rs. 320 crores and if you remove sales booking, we have got order of about Rs. 120 odd crores during this quarter, so what would this new order be?



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- Navpreet Singh** Out of this as Satpal mentioned Rs. 45 crores or so is the various change orders and standby charges that we have already booked in are charged ONGC for on these two particular contracts. In addition to that we have also received some work from M/s. Sime Darby & M/s. Titanium Tantalum , modular rig, etc., have come through, and Essar. But these are generally pretty small contracts so there will be no public announcement on them.
- Eric Martin** Okay so this order book of Rs. 323 crores includes Rs. 33 crores that we have booked for this particular quarter?
- Navpreet Singh** Correct. Yes
- Eric Martin** Okay. And so out of this Rs. 300 crores order book how much would be EPC related work that we have now, just approximate figure?
- Navpreet Singh** I would say about Rs. 65 to 70 crores or so of this work could be EPC related.
- Eric Martin** Okay, rest would be for the chartering of vessels.
- Navpreet Singh** Chartering of vessels, start wiring of diving services and also dock side activities, instillation of work boat that we have been doing in subcontract for other people.
- Eric Martin** Okay. Presently there is only one vessel which is yet to come in that is the construction barge?
- Navpreet Singh** No, there are two. There is one work boat and one construction barge.
- Eric Martin** Okay and what are the expected dates for this year?
- Satpal Singh** See, work barge is being launched on 9th November and after launching they will probably need about six weeks to outfit the DP system and then do the sea trials, so I guess by the end of December the work barge will be delivered.
- Eric Martin** And your construction barge?
- Satpal Singh** I am talking about the construction barge - the barge. The work boat there is a problem between the shipyard and their subcontractor and so now we are contemplating taking over delivery of the vessel as is now completing it ourselves. I recognize it will take us about seven, months to finish that vessel.
- Eric Martin** Okay, sir. Regarding this construction barge, I believe the cost is \$17 million and how much have we paid till now for this?
- Navpreet Singh** We have currently paid about \$15.5 million.



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Eric Martin Okay, so we will be taking additional debt for the remaining?

Navpreet Singh No that is already line of credit that had been established right in the beginning, it is only a draw down of loan.

Eric Martin Okay so our debt should increase by about...?

Navpreet Singh Debt will increase by 1.5 million.

Eric Martin Okay and what would be our present consolidated gross debt and gross cash figures, on a consolidated basis?

Navpreet Singh As I said, we have a total debt of about Rs. 114 crores in Dolphin (India), we have about Rs. 7 crores in the Procyon Company, so it is Rs. 121 crores and we have a total debt of about \$17 million in our Mauritius subsidiary including the \$1.5 million that will be paid now.

Eric Martin Okay, so this will be the total debt?

Navpreet Singh That is right.

Eric Martin Okay fine and our cash position on a consolidated basis?

Navpreet Singh Consolidated position, we are around Rs. 7.5 crores and about \$250,000.

Eric Martin Is it possible for you to give consolidated gross block and WIP?

Navpreet Singh I do not have that figure with me right now but I can give that to you later on.

Eric Martin Okay that is fine. Sir, one last question, regarding this Rs. 48 crores pending amount which is still under discussion with ONGC, something has been progressed at that particular front?

Navpreet Singh You are talking about SHRC right, the one with Larsen & Toubro?

Eric Martin Yes, the subcontracting work.

Satpal Singh The matter is being still deliberated and discussed by the OEC and then next meeting of the OEC is being held around the 9th of November, so there has been some progress and that we have got to a stage where both ONGC as well as L&T and ourselves have been asked to produce certain documents in support of our stand When this is submitted in the next hearing, they will review it and take a call.



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- Eric Martin** Okay, but do we believe that we will be able to get this amount and there can be some discount to this, that we will be able to negotiate it?
- Satpal Singh** Yes we are very optimistic about it because we feel that the documentation clearly shows the justification behind our claims.
- Eric Martin** Okay fine sir that is all from my side, thanks for taking my question.
- Moderator** Thank you Mr. Martin. The next question is from the line of Bunty Chawla from Span Capital, please go ahead.
- Sanket** Yes, most of my questions are answered but just a little query about the claim says as you said it will by December end we hope it will be get cleared and it will add up in to revenue this year or any idea on this?
- Satpal Singh** You are referring to the balance claims of ICP and NQD contracts?
- Sanket** Even the L&T issues.
- Navpreet Singh** The resolution of L&T, yes it all depends on the OEC now, once the documents are submitted they will start their review, if they feel they need for additional information they may call us, if not... it is now a question of how long it takes them to deliver it. I think we have already been waiting very long for this and we have made our point clear about that, that we are looking for quick decision but that particular issue is out of our hands. As far as the ICP and NQD is concerned, our discussions are going on with ONGC if we feel that we have got a reasonable acceptance on our various claims then we will hope to close out by December. If we believe that ONGC is not being reasonable in their approach and this would become another long drawn out things.
- Sanket** Sir about the assets, are all the assets deployed?
- Satpal Singh** As of now, most of them are deployed, we have one saturation system which is getting ready for its deployment the other one is already operating. There are air diving spreads are working and there are two more due to go in deployment.
- Sanket** What will be timeline for that?
- Satpal Singh** The two air diving spreads and the saturation diving equipment should go within the next two-three weeks.
- Sanket** Is it in the in Ravva field or another place?



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- Satpal Singh** Well the saturation job is on a different project for which we already have an LOI and that is here on the west coast of India. The air diving spread– one goes with the saturation spread and I am assuming that at least one out of the two HHI and Cairn Energy will come through and it will be mobilized there. As far as our vessels are concerned the Brahmaputra Dolphin is operating, it is on charter with Leighton. AMS Divine is on contract in Saudi Arabia with Valentine Marine. The Beas Dolphin is in Harbor right now and she will be going on deployment shortly for our top side work that we have, our modular rig work. We also have a chartered vessel, the Hull Supporter which is in the field working on the top side modification work for the modular rigs as well. The Ganga Dolphin is being used on supply runs and the Kamrup is on a short duration charter for the time being.
- Sanket** Okay, what are the average rates for this?
- Navpreet Singh** For which ones?
- Sanket** I mean just a ballpark of all these vessels and all assets you have deployed?
- Satpal Singh** Saturation diving spread goes on contract for around \$30,000 a day an air diving spread goes on contract for around \$6000 to \$9000 depending upon the equipment required, the work tools required and the manpower required. The Brahmaputra Dolphin is on charter at around \$12,000 a day. The Beas Dolphin would command that much as well. The Kamrup and the Ganga Dolphin would be on charter around \$5,500 to \$6,000 a day.
- Sanket** And sir, about one of the Brownfield projects' you said earlier, I guess with ONGC. What is the view and in the future outlook of that?
- Satpal Singh** The future out look continues to be good and if you have seen historically, the bulk of the jobs that we have a high percentage of winning are on Brownfield projects. One of our bigger competitor and this has been Great Offshore. At this time for the WIN project we have gone in as a consortium, I think that is a bid that everybody expects us to win. Apart from this Brownfield project, there is another Rs. 2,800 crores worth of tenders that ONGC is coming out with as per their budget estimates for Brownfield projects and I think our future on that continues to be solid, especially with the barge being launched next month, then we will be in a position to have more control over our marine spread costs.
- Sanket** yes, sure, sir what will be the time line for this thing, I mean approximately ?
- Satpal Singh** Timeframe for what?
- Sanket** These Brownfield projects – the biddings and all.



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- Satpal Singh** The Rs.2,800 crores it is going to be a phases between I would say it from December throughout going on to next year some time.
- Sanket** Okay and sir the revenue s are around not very clear, but around the same level last year. How is with the margins?
- Satpal Singh** I cannot quantify that right now and as Navpreet said earlier he does not want to quantify that right now, but we do need to keep in mind that quarterly results of the first two quarters have not been as good as last year.
- Sanket** Yes that is true.
- Satpal Singh** Right.
- Sanket** Yes.
- Satpal Singh** But a lot depends on the outcome of these three tenders which are going to be decided by November.
- Sanket** Fine sir. Thanks a lot.
- Moderator** Thank you. We have a follow on question from the line of Amit Murarka from CRISIL, please go ahead.
- Amit Murarka** Sir, just one follow up, a small query on the guidance, that you would be maintaining around last year's top line, so when we say that we are not considering the change order claims and the liquidated damages waiver?
- Navpreet Singh** Liquidated damages waiver in any case would have no impact on the top line because adverse it would be recognized as a cost in case it does not come through but change order yes we have considered change order in this claim.
- Amit Murarka** Because sir, just start of them, if I do the calculations, , at least Rs. 37 crores worth of change order contract claim we are expecting and if we are saying that we have around Rs. 323 crore of order book in hand and if we expect that our 80% of the order is going to be executed this year and so it would be close to around Rs. 260 crore of order which is going to be recognized during this year. Out of which if we expect that around 900 million has been recognized already during the first half, then we are still making around Rs. 780 to 770 crore of the top line, I mean if I consider the change order contract so am I getting something wrong or was are we too conservative?



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Satpal Singh

No, you are getting something wrong, as of now we have a order book of Rs. 323 crores, out of Rs. 323 crores almost about Rs. 280 or so will be booked during this financial year the balance Rs. 50 crores will perhaps run into the previous April and May, actually maybe to 90 and 40 or somewhere in that range. The extra claims that we are talking about raising on ONGC will definitely come in this quarter and I have not included that in the 323 that is another minimum Rs. 37 crores but it could be even higher than that, we have still quantifying it. Out of the Rs. 191 crores as we are presently negotiating even if we were to get all of it in the revenue contribution from that Rs. 191 crore for this financial year would not be more than Rs. 35-40 crores. The key is that three big contracts that ONGC are presently evaluating that is the key. I am optimistic that we are going to win these contracts, at least two out of three and the contribution from that will take the total turnover to last year's levels.

Amit Murarka

Okay fair enough, thanks a lot.

Moderator

Thank you. The next question is from the line of Rupen Masalia from R&A Associates please go ahead.

Rupen Masalia

Good evening sir. Yes sir fine. Yes, see sir basically most of the questions have already been answered. I just wanted to know, bidding pipeline beyond this Rs. 1,500 crore tenders like say Rs. 2,800 Satpal has already highlighted beyond that from private E&P players and may be from Middle East side, if you could throw some light?

Satpal Singh

Alright let us talk about the pipeline tenders. There are two tenders, which are shortly being awarded by ONGC. One is the BI93 tender pipeline which was opened a few days ago and where Punj Lloyd is the L1 bidder after taking into consideration a 10% price preference that they have. That is about \$120 million contract. There is another contract, the B46 pipeline which is due to be opened very shortly too. For both these projects we will look at providing our subcontractor services, in the same way that we have provided to Leighton on the PRP project. This has not been factored into our projections for now. The projects I have talked about is where we have bid directly either as the main bidder or as a consortium bidder. So, yes you are right, there will be some contributions coming from subcontracts that we hope to pick up. But whether they will actually come into this financial year, I am not so sure. There may be a small portion of it that comes in the form of pre-engineering survey or things like that. But they will be the smaller value portions of the bigger contract. We have already done work with Punj Lloyd and we are hopeful that we will be able to come back and provide them with all their sub-sea requirements in the tender where the low bidder on as well. So, yes that can add something towards it. As you are aware, one of the objectives for the company, long term is to examine ways as to how to get into onshore pipe lay, especially with so much gas pipeline to be laid across the country. We have recently had discussions with the company which has the experience in laying onshore pipeline in Nigeria and we are going to be pursuing the tenders now in a consortium with that party. Unlike, ONGC, GAIL who is the main client over here



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have a requirement that the leader of a consortium must be the party that will actually lay the pipe. So, we will be the junior partner in this venture when we bid to GAIL. But we are also bidding if similar onshore pipeline project for ONGC, for a project in Assam where we will be the leader of the consortium. As far as overseas is concerned there is a lot of work that has recently been awarded in the Middle East, McDermott for instance has just picked up \$5 billion worth of work to be carried out in Saudi Aramco, in Qatar and some work in the UAE. But most of these works are slated for offshore execution in 2012-2013. Having said that, you are aware that we are forming a joint venture in Saudi Arabia, Saudi Aramco has already done an audit of our joint venture partner in Saudi Arabia and they have done an audit of Dolphin's diving capability and we have been shortlisted and the first tender has been issued to us for providing a conventional mod vessel, which means a vessel like the Beas Dolphin type in air diving spread for the three year contract. We have also been approached just now by McDermott to offer them with DPDSV to support their Saudi Arabian project. And Saudi Aramco is coming to India to do an audit of Dolphin's projects division and our diving equipment so that we can take a next step forward in our overseas ventures. For this financial year, I am not assuming additional revenue from our overseas operation. But if you remember last year, I told you, my objective is within three-four years from now, we will get 50% of our revenue from abroad. We are on track for that because now we are in the process of forming, first the consortium then a joint venture in Nigeria we just hope that we are working with for GAIL. We are forming a joint venture with Singapore base company which is a subsidiary of an American company for deep water operations in India. You remember we have a joint venture with the American company DMT.

Rupen Masalia

Yes, I guess that went bankrupt?

Satpal Singh

That company went under chapter 11 and we have to replacing that agreement with this company. We are also looking at forming a joint venture in Brunei because there is a lot of work to be done over there for Shell and we are looking for DP/DSV as well over there. So, we are looking at a joint venture in Saudi Arabia, we are looking at a joint venture in Nigeria, we are looking for a joint venture on the East coast of India for deep water and we are looking at a joint venture in Brunei. We have been prequalified by Saudi Aramco already, we have a bid in for our project in Qatar, we entered into a strategic alliance with a UAE company called EIL, who are registered with all these companies of the Middle East through whom we are bidding all these different projects.

Rupen Masalia

Okay, yes sir so now coming to onshore pipeline laying activity, what sort of competency do we have in that and how big is the opportunity?

Satpal Singh

Alright the actual process of laying a pipeline, be it on a platform or be it on land is the same. The welding procedures are all the same. The NDT techniques are all the same. What is different is the handling equipment and the terrain equipment. When you are laying pipe on



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land you need to have these trailers, you need to have handling cranes and stuff and you come across a river crossing, you may be need to have a sub-bottom driller or something like that . So there are some different equipments, require but the investment in that equipment is no way near as high as the investment in offshore, but all the actual welding and testing equipment, is exactly what we presently have. So, the competencies in laying and welding and installation and commissioning are all there. It is the augmentation of the equipment that is required for handling.

Rupen Masalia

Right and how big is the opportunity, I mean a rough idea?

Satpal Singh

There is more than 11,000 kilometers of pipeline to be laid in India as of now, according to what GAIL themselves have been talking. The budget is in excess of Rs. 20,000 crores and it has to be done over a considerable period of time. There are about seven existing players in the country, but no way near enough to meet the annual requirements.

Rupen Masalia

Okay right, yes that is it from my side and all the best for future sir.

S Singh + Navpreet Singh

Thank you Rupen.

Moderator

Thank you. Ladies and gentlemen due to time constraints the management would be taking one last question. The last question is from the line of Nikunj Doshi from Bay Capital, please go ahead.

Nikunj Doshi

Yes, Navpreet just a follow up question. In this ONGC, whatever claims you have put, even if it is approved when will we get cash? It will be in the current year itself or there would be some process unless you settle all the claims they will not release cash?

Satpal Singh

Yes, I mean ONGC will not settle unless we are willing to tell them that this is a full and final settlement. Once we do that then ONGC's normal procedure is that they would pay us within about 30 days of giving us the official change order, based on the final settlement. Now, the duration of that may take to have the full and final settlement done, may take till the end of this quarter, I mean the end of the financial year, if everything goes well or may extent if there is any further clarifications or more details that ONGC need in order to process our claims. At this moment it is a little difficult to give you out pure cut answer on that.

Nikunj Doshi

No, but so suppose if they decide to go into arbitration, will this cash flow be hanging for say next three years or five years, whatever it takes?

Navpreet Singh

Yes, it is very possible yes.

Nikunj Doshi

It is possible, okay yes okay that is it thanks.



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Moderator

Thank you Mr. Doshi. Ladies and gentlemen that was the last question. I will like to hand the floor over to Mr. Navpreet Singh for closing comments.

Navpreet Singh

Yes thank you very much and thank you for taking part in this teleconference call. As we have always said before if there is any specific information that you want that we have not been able to cover today, please feel free to contact us and we would be happy to have one-on-one meeting with you and discuss anything further that you may like to. We will look forward to talking with you again in January after Q3 results are given up, till then bye.

Moderator

Thank you sir. Ladies and gentlemen on behalf of Dolphin Offshore Enterprises India Limited that concludes this conference. Thank you for joining us, you may now disconnect your lines.