Asian Energy Service

Operator: Ladies and gentlemen, good day, and welcome to the Asian Energy Services Ltd. Q2 and H1 FY27 earnings conference call.

This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations the company has as of the date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict.

From management, we have with us today Mr. Kapil Garg, Managing Director; Mr. Apekshit Garg, Director; Mr. Sumit Maheshwari, Group Chief Financial Officer; and Mr. Nirav Talati, Chief Financial Officer.

As a reminder, all participant lines will be in listen-only mode, and you will have an opportunity to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Kapil Garg, Managing Director. Thank you, and over to you, sir.

Kapil Garg – Managing Director: Thank you. Good evening, everyone. I welcome you all to the Q2 and H1 FY27 earnings conference call. Along with me, we have on the call Mr. Apekshit Garg, Director; Mr. Sumit Maheshwari, Group CFO; Mr. Nirav Talati, CFO of Asian Energy; and Adfactors PR, our investor relations advisors.

I hope everyone had the opportunity to go through our financial results and investor presentation, which have been uploaded on the stock exchange websites and our website.

I will begin by sharing some perspectives on the operating environment during the first half of FY25, followed by the key strategic and operational developments across our businesses.

During H1 FY25, the energy landscape was heavily impacted by geopolitical tensions in the Middle East, where supply chain disruptions and elevated crude prices drove volatility in global energy markets and reinforced the importance of energy security through domestic production. Governments are increasingly prioritizing investment in domestic production, operational efficiency, and resilient infrastructure, while higher energy prices have enhanced the attractiveness and profitability of marginal fields.

For India, with import dependency of 85% to 90% for crude oil and about 50% for natural gas, energy security has become an increasingly critical national priority. The emphasis on strengthening domestic exploration and production is reinforced by recent government initiatives such as Samudra Manthan, alongside earlier initiatives such as the Discovered Small Field bid round, through which Oilmax has built an array of promising hydrocarbon assets. All these initiatives are creating significant opportunities for growth and expansion going ahead.

On the Asian Energy Services Ltd. front, the order book remains robust. The success of the Vedanta project execution is expected to accelerate the adoption and outsourcing of integrated field

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development projects by producers, both private and public, creating long-term opportunities for AESL.

The planned production ramp-up at the Indrora and Mewad fields is on track, bolstered by the drilling of 3 wells in calendar year {? 2024 ?}, all of which have been successful and are producing. The fourth well, where horizontal drilling technology is being deployed for the first time in the field, is being drilled at this very moment. We remain confident of achieving the target of 800 to 900 barrels of oil per day capacity.

Moving on to key developments for the company during the period, a strategic milestone was the approval of the scheme of merger by absorption of Oilmax Energy Private Limited into Asian Energy Services Limited by the NCLT Mumbai bench. We have also received in-principle approval from the Ministry of Petroleum and Natural Gas in relation to the proposed merger, marking another important step towards its completion. We now await final approval from the Ministry in the coming days for implementation of the merger.

This merger represents a significant milestone in our long-term growth strategy, transforming AESL from a services business into an integrated energy platform. By combining our established services capabilities with Oilmax's upstream oil and gas and mineral assets, we aim to strengthen our presence across the energy value chain, improve operational efficiency, and build a more comprehensive business platform.

Due to the imminent merger between AESL and Oilmax, we believe it would be prudent to provide an update on Oilmax's activities. With respect to Oilmax, we achieved 3 important milestones in the first half of FY25.

The first one is that Oilmax was awarded the Kutch offshore hydrocarbon block covered under Discovered Small Field bid round number 4, in which it holds a 50% participating interest and has been designated as the operator. Subsequent to the quarter, Oilmax also executed the revenue-sharing contract with the Government of India for the awarded block, marking a significant step towards the company's upstream journey into large offshore blocks.

The second point is that major progress has also taken place with the connection of the DNPL pipeline in Assam to the wider IGGL network, which is in progress and is expected to help all hydrocarbon producers in the Northeast, including Oilmax, increase natural gas offtake and realize better prices.

The third is that Oilmax received a letter of intent for the {? Pakro ?} vanadium and graphite block in Arunachal Pradesh, marking its entry into the critical minerals segment. We also signed a gas sales agreement for Tipok, where production is expected to commence in Q4 FY25.

These developments are aligned with our strategy of expanding our upstream asset base and diversifying into mineral assets with long-term growth potential.

We see global conditions creating opportunities abroad as well. Our international operations under the {? Koyper ?} Group witnessed a recovery during Q2 FY25, following certain operational challenges experienced at the beginning of the financial year due to evolving geopolitical

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conditions in West Asia. Business activity returned to normal levels during the quarter.

The most recent tensions, particularly those affecting Saudi Arabia, continue to warrant close monitoring. Our operations in Saudi Arabia remain unaffected till now, and overall project activity is on track, notwithstanding the impact on operating costs. We remain cautiously optimistic about the near-term outlook and excited by the opportunities that will come from the region's post-war reconstruction as we focus on expanding {? Koyper's ?} revenue to the guided US dollar 100 million by FY30.

In our mineral infrastructure segment, we have completed our first project in Rajmahal, Jharkhand, and 2 more projects are currently undergoing trials and commissioning. Along with the project we secured earlier from Gujarat State Electricity for Ukai TPS in Gujarat, these recent developments give us great confidence in building and executing mineral handling projects going ahead. Going by historical operational performance, we are anticipating large revenue booking in H2 from the segment and remain active in participating in all opportunities on the horizon, not only with Coal India but also with other customers.

As we enter the second half of FY25, our focus remains on accelerating project execution, strengthening our order book, integrating Oilmax operations with AESL, and maintaining capex and financial discipline.

Now I hand over the call to Mr. Sumit Maheshwari, our Group CFO, to talk about the financials.

Sumit Maheshwari – Group CFO: Thank you, Kapil sir. Good evening, everyone.

Talking about H1 FY25 financial performance, the company reported revenue from operations of INR 537.9 crore, a 148% increase on a year-on-year basis, more than doubling compared to INR 217.4 crore in H1 FY24, reflecting a strong growth trajectory. EBITDA stood at INR 52.3 crore, up 148% on a year-on-year basis, while EBITDA margins came in at 10%. Profit after tax stood at INR 29.8 crore, translating into a PAT margin of 6%.

Coming to Q2 FY25, the company reported revenue from operations of INR 266.7 crore, compared to INR 102 crore in Q2 FY24, growing 161% year-on-year. EBITDA for the quarter grew 235% year-on-year to INR 30.3 crore, compared to INR 9.1 crore in the corresponding period last year, while EBITDA margin came in at 11%. Profit after tax for the quarter stood at INR 17.1 crore, with PAT margin at 6%.

For the oil and gas segment, revenue for Q2 FY25 stood at INR 239.8 crore, with an operating profit of INR 42.8 crore. For H1 FY25, the segment reported revenue of INR 484.5 crore and a profit of INR 76.1 crore.

In the mineral and other energy services segment, revenue for Q2 FY25 amounted to INR 26.9 crore, with a profit of INR 4.3 crore. For H1 FY25, the segment reported revenue of INR 53.3 crore, while profit came in at INR 8.4 crore.

Coming to our balance sheet, we continue to maintain a strong financial position, with a gross debt-to-equity ratio of just 0.25, and on a net basis, we are almost a debt-free company. This further reflects the strength of our financial fundamentals and provides us with a strong foundation

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to pursue future growth opportunities while maintaining a disciplined approach to our capital allocation.

While sequential revenue remained largely stable during Q2 FY25, we delivered a strong performance at the EBITDA level, reflecting improved operational efficiency and profitability.

Looking ahead, we are confident of delivering strong revenue in H2 FY25, supported by our robust order book, accelerated project execution, and a healthy pipeline of opportunities. We remain firmly focused on sustaining this momentum and are well on track to achieving our stated guidance for the financial year.

Thank you. We now open the floor for questions.

Operator: Thank you, sir. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use a handset while asking a question.

Ladies and gentlemen, we will wait for a moment while the question queue assembles.

Our first question comes from the line of Siddharth Chouhan with 361 Capital. Please go ahead.

Siddharth Chouhan – 361 Capital: Hi, sir. Thank you for the opportunity, and congratulations on a good set of results. I have a couple of questions. Firstly, in the oil and gas segment, if I look at it on a sequential basis, EBIT has increased sharply despite revenue moderating. Can you share the reason for the same?

Management: Siddharth, do you have any further questions?

Siddharth Chouhan – 361 Capital: Yes, I do have 2 other questions. Should I say them?

Management: Yes, please.

Siddharth Chouhan – 361 Capital: Secondly, in terms of the opportunity size that you are looking at from the perspective of upstream companies like ONGC, Oil India, and even Vedanta outsourcing their fields on an integrated service contract basis, I just want to know what the entire size of the opportunity is and whether there are any tenders currently out there. That is my second question.

Lastly, on the coal handling segment, are there any ongoing tenders where you are bidding? If you can share the quantum or the size of these contracts, I think that will be helpful. That is it from my end.

Management: Okay. Siddharth, answering your first question about the EBIT increase, that is more reflective of our robust operational and financial performance, and we have implemented a lot of [trails off]

Management: cost efficiency measures which have started yielding results. Second, it is more a result of the project mix that we executed in Q1 and Q2, and that has led to the sharp EBITDA increase on a sequential basis from Q1 to Q2.

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Management: With regard to the 2 other questions you asked about the integrated oilfield opportunities, as I mentioned earlier, based on Vedanta's success, ONGC has also started looking at this, and Oil India has also started looking at it. There are 2 tenders going on at this moment, as we speak, in which we are looking to participate. In terms of size, some of these contracts are 15 years long, and they are about 5,000 barrels each. If I was to put a number to it, I would say between 500 to 700 crores per tender per year for 15 years. These are the beginning, as I said. These are 2 projects that are currently out for tender, and we expect more of those to come. The overall opportunity, you can calculate, is of a very, very decent size. Regarding the question you asked about the coal handling plants, yes, there is a bid going on at the moment. The rough size is about 250 crores for that project, and more opportunities are in the pipeline.

Siddharth Chouhan – 361 Capital: Understood. Understood, sir. Thank you so much for that, and all the best for the future.

Management: Thank you.

Management: Thanks.

Operator: Thank you. The next question comes from the line of Raj with TPR Capital. Please go ahead.

Raj – TPR Capital: Hi, sir. Hearty congratulations on the wonderful set of results. My first question is regarding the in-principle approval. How long do you think it will take to get approval from MOPNG for the Oilmax merger? My second question is regarding the contribution from Project Kuiper in this quarter, particularly. We have given guidance of 500 to 550 crores, so how are we looking based on the current momentum in H1 in terms of meeting that guidance? My third question is regarding the overall acceptance that you are seeing with the Samudra Manthan scheme and the other capex that has been announced by the likes of Oil India for drilling and by ONGC for drilling. What is the change in the industry scenario today because of all those initiatives being taken by the government in terms of orders and tenders coming up?

Management: Okay. The first question you asked was about MOPNG approval. Because in-principle approval is already in place, we would expect to receive the final approval soon. I would not prefer or like to put a number on the days because we are dealing with the government. But hopefully, soon. The second question you asked was about the Kuiper guidance. The Kuiper numbers we guided at the beginning of the year remain firmly on track for delivery of the guidance of between 500 to 550 crores for the year. As I mentioned earlier, there is some crisis going on in the Middle East, which we are all watching very carefully. But luckily or fortunately, our operations are not impacted at this point in time. Going forward, we expect the numbers to be delivered.

Raj – TPR Capital: Okay. Sir, any number on this quarter's contribution from Kuiper?

Management: Yes. The difference between standalone and consolidated for this quarter is the revenue from Kuiper only.

Raj – TPR Capital: Okay. Okay, got it, got it. Sorry.

Management: Kuiper has contributed roughly 135 crores of revenue.

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Raj – TPR Capital: Got it, sir.

Operator: Yes, Mr. Raj, does that answer your question?

Raj – TPR Capital: Yes, and just the third question is on how the Samudra Manthan scheme and the other investments announced by ONGC, Oil India, and others have been received. How is the bidding pipeline looking? How is the opportunity scaling up for you? Yes.

Management: The detailed guidelines for Samudra Manthan were published only last week regarding how the whole scheme would work. We are evaluating the detailed guidelines to understand how they will impact us and how we can use the opportunity. But on a broader level, what we understand is that out of, say, 84,000 crores that have been provided under Samudra Manthan, the majority chunk goes towards deepwater drilling. We do not really have much of a role to play there. But the balance, which is directed towards building common infrastructure and pipelines, could offer potential for us to work under the Samudra Manthan policy. However, as I just mentioned, the detailed guidelines were published only last week.

Management: Kuiper will benefit from the deepwater drilling.

Management: Kuiper will definitely benefit because many of these deepwater rigs that will come from outside to drill those wells will create a direct opportunity for Kuiper.

Raj – TPR Capital: Okay. Okay, that makes sense. What we saw was that generally the market was a bit negative on the policy in terms of the repayment scheme that the government has introduced, whether in terms of 7 years or 50% of the cost being recovered. Do you have any views on those particular guidelines, sir?

Management: You are right. Some of the foreign companies might take it slightly negatively. But on the domestic front, the players who are already active here, for example, ONGC, Oil India, Reliance, British Petroleum, and Vedanta, would certainly like to take advantage of the policy. They are already here and they want to do some of these things. This is my view. We have to see how it plays out.

Raj – TPR Capital: Got it. And, sir, regarding the Northeast, just the last question from my end before switching back again. You mentioned that the gas pipeline would help with realizations as well, and we already know that Vedanta has a big unexplored block available there. What is your take on Northeast development in terms of the blocks that are not explored there and the potential gas pipeline that is coming up? What benefit can we accrue from this?

Management: Over the last 2–3 years, we have been hamstrung by pipeline connectivity. We have been forced to sell gas into the local grid, primarily to tea gardens, and a little bit to Brahmaputra Cracker and the Assam Power Corporation, because we are not connected to the wider grid. The Indradhanush gas grid, which was supposed to be completed 2 years ago, was slightly delayed. But now it has started to happen, and what we understand is that later this November, the DNPL pipeline will be connected to the IGGL network. Some sections of ONGC have already been connected to IGGL, and we are starting to see the wider market opening up. For example, Indian Oil brings imported LNG for its 2 refineries operating in Guwahati, Assam. That imported LNG will be

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replaced by domestic gas, which all the producers, including us, are producing in Assam. Once demand picks up for domestic local gas, we think pricing will improve. Right now, we are realizing approximately $7 per million BTUs, plus or minus, even though gas sells for more than 10 on a pan-India basis. The expectation would be that as connectivity improves, this pricing gap would start to narrow.

Raj – TPR Capital: Got it, sir. Thank you. Thank you so much, sir.

Operator: Thank you. The next question comes from the line of Rajesh Jain with Jain Investments. Please go ahead.

Rajesh Jain – Jain Investments: Hello, sir. First of all, congratulations on the great set of numbers. I basically have 2 queries. Now, because Oilmax is going to merge with Asian Energy, if you can throw some light on Oilmax's revenue and profits for H1, and can you give us guidance for the same for FY28, with all 3 companies put together: Kuiper, Asian Energy, and Oilmax?

Management: Rajesh, as we told you, regarding FY28 guidance, once the Oilmax merger is completed, we will start providing the detailed numbers and financials of Oilmax. The guidance we provided for FY27, and as we already told you for Asian Energy, remains on track for delivery. Once the merger is completed, we as an organization will provide annual guidance, which will include the guidance for Oilmax for the next year as well. If you see, we have already provided the long-term guidance for the next 2-3 years for the company, combining Asian Energy, Oilmax, and Kuiper, where we are targeting 3,000 crore rupees of topline and 700 crore rupees of EBITDA. We will continue with that guidance, and as and when the merger is completed and implemented, we will start providing the necessary financial details and guidance for Oilmax as well.

Rajesh Jain – Jain Investments: All right. All right. Thank you.

Operator: Thank you. Ladies and gentlemen, if you wish to ask a question to management, you may press star and one.

Operator: The next question comes from the line of Hina Parekh with {? Starcloom ?} Investments. Please go ahead.

Hina Parekh – {? Starcloom ?} Investments: Thank you for the opportunity. Firstly, congratulations on a good set of numbers. I wanted to ask about the fact that we have remained almost flat or declined in the mineral and other services businesses on a year-on-year basis, both half-yearly and quarterly. Could you please help me understand which business has led to the decline in this segment? I also had another question about the Duarmara plant. We indicated that we should start production in Q4. Production has still not started, so when do you think we could expect it to start?

Management: Okay, answering your first question about the mineral segment, as we explained earlier, and as you have seen in our presentation, generally Q3 and Q4, which is the second part of the year, are when we deliver and execute more projects because of the seasonality and the monsoon season, which affects Q1 and Q2. We expect the momentum to pick up for the mineral segment in H2 of the year. We will definitely do much better in H2 than in H1. We foresee growth for the overall year compared with last year's numbers in the mineral segment.

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Coming to the specific point, regarding the 2 new projects awarded to us, generally, in the first 6 months, we spend more time on engineering and related activities, so revenue recognition is slightly slower. After 6 months, revenue recognition improves. We believe that in H2 we will see much better performance in this mineral segment compared with H1. We will see better growth, and we will see growth compared with last year's numbers as well. Could you please repeat your second question? I just—

Hina Parekh – {? Starcloom ?} Investments: Yes, yes, perfect. I got that. It was regarding the plant. We indicated that we should start production in Q4. I just wanted an update on when you think we could expect it to start.

Management: With regard to Duarmara, as you must be aware, Antelope Oil & Gas is our partner and operator in that field. During their call, they provided guidance. The well was drilled last year and encountered 3 zones. We were expecting the gas zone to be more prolific, but the oil zone came out better there, which was a slight surprise to us. We are now discussing the future plan with Antelope, and we intend to go back and do more workovers and more testing. Regarding your specific question about when you can expect production to start, I would say Q1 FY28 or Q1 or Q2 FY28 would be closer to our current expectations.

Hina Parekh – {? Starcloom ?} Investments: Got it. Perfect. Thanks a lot. That was really helpful, and all the very best.

Operator: Thank you. Participants who wish to ask a question may press star and one.

Operator: The next question comes from the line of Pawan Kumar with Agarwal Investments. Please go ahead.

Pawan Kumar – Agarwal Investments: Hi, sir. Good evening. Congratulations on a good set of numbers. I have just 1 question. How is the Vedanta project going? By when are we expecting revenue from the project?

Management: The Vedanta project remains firmly on schedule, and we are expecting to complete all the capex elements during this financial year. It is firmly on schedule as planned.

Management: We are already recognizing revenue on a quarter-on-quarter basis for the work we are performing.

Pawan Kumar – Agarwal Investments: Okay. And another question: are there any active contracts that we are bidding for which are going to be awarded in the second half of the year?

Management: As we told you, there is a very active bid pipeline on which we are working. We will not get into very specific details, but yes, on the oil and gas side, we are actively working on 3–4 tenders right now, and we expect a couple more tenders to come. On the CHP side, we have 1 active tender live right now for which we are planning to submit our bid, and we expect a couple more tenders to come in November. So, the bid pipeline remains very robust and very active.

Pawan Kumar – Agarwal Investments: Thank you. Thank you, sir, and all the best.

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Operator: Thank you. The next question comes from the line of Raj with TPR Capital. Please go ahead.

Raj – TPR Capital: Sir, I also wanted to get a better idea about the CBM in Chhattisgarh that we already have in terms of the blocks. As of this quarter, you stated that it is under development. Can you give me a bit more detail on the potential of the project and what we should look for in the next 2 years regarding this project?

Management: Raj, we have received all the required permissions, including all the necessary environmental clearances. The contract has been finalized. Drilling is expected to start by the middle of November, immediately after Diwali. It will take about 6 months to receive the drilling results. All the drilling results will be accumulated, based on which we expect production as per our initial guidance. It will take about the next 2 years to start production, but the activity, as I just said, is going to start around November 15.

Raj – TPR Capital: Got it.

Operator: Thank you. A reminder to all participants that you may press star and one to ask a question. The next question comes from the line of Tina Maheshwari with {? OP ?} Equity Advisors. Please go ahead.

Tina Maheshwari – {? OP ?} Equity Advisors: Hello, sir. Congratulations on the results. First, I want to understand: since the anticipated merger has now been sanctioned by the NCLT and only regulatory approval is pending, what is the capital intensity of this entire process, and how will this help in achieving the overall growth for FY30 that we have envisioned? Thank you.

Management: [pause] As we told you, if you have seen our presentation, the Oilmax vertical, which is the E&P vertical, also has a couple of mineral mines. For FY30, from the current production of 2,000 BOE per day, we are targeting to reach 10,000 BOE per day. This will immensely benefit and contribute to the growth of the company that we are targeting. In terms of the capex requirement and related matters, as we told you, all these blocks are discovered blocks and already have the necessary infrastructure and some wells in place. Therefore, we do not see very heavy investments in this particular sector in the coming years. Particularly after the merger, as we ramp up production from Oilmax's E&P assets and Oilmax blocks, this will immensely contribute to the overall topline and bottom line of the company.

Tina Maheshwari – {? OP ?} Equity Advisors: All right, noted, sir. Thank you so much.

Operator: Thank you. Ladies and gentlemen, if you wish to ask a question to management, you may press star and one.

Participants who wish to ask a question may press star and one.

Management: [off-mic discussion] [inaudible] No further questions.

Thank you. If there are no further questions, thank you all for joining the call. We look forward to answering any additional questions you may have; please reach out to our PR agency, and we will be very happy to answer those. Thank you so much. Good evening.

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Operator: Thank you, sir. On behalf of Asian Energy Services Ltd., that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.

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