Management Discussion

Kapil Garg - Managing Director, Asian Energy Services Ltd

Thank you. Good evening, everyone. I welcome you all to the Q2 and H1 financial year '27 earnings conference call. Along with me, we have on the call Mr. Aman 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's website and our website. I will begin by sharing some perspectives on the operating environment during the first half of financial year '27, followed by the key strategic and operational developments across our businesses.

During H1 FY27, the energy landscape was heavily impacted by the geopolitical tensions in the Middle East, where supply chain disruptions and elevated crude prices drove global energy market volatility and reinforce 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 the profitability of marginal fields.

For India, with import dependency of 85% to 90% for crude oil and about 750% 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 like the Samudra Manthan, alongside earlier initiatives like 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 Asian AESL front, the order book remains robust. The success of the Vedanta project execution is expected to accelerate the adoption and outsourcing of integrated field development project from producers both private and public, creating long-term opportunities for AESL. The planned production ramp-up at Indrora and Mevad fields is on track, bolstered by the drilling of three wells in calendar year 2026, 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 drilling is going at this very moment. We remain confident in achieving the target of 800 barrels 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 a nd we now await final approval from them in the coming days for the implementation of the merger. This merger represents a significant milestone in our long-term growth strategy, transforming AESL from services business into an integrated energy platform.

By combining our established services capability 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 imminent merger between AESL and Oilmax, we believe it will be prudent to provide an update on the Oilmax activities. With respect to Oilmax, we achieved three important milestones since first half of financial year '27.

Oilmax -- the first one is Oilmax awarded the Kutch Offshore Hydrocarbon Block forward under discovered small field bid round number four, in which it holds a 50% participating interest and has

been designated as the operator. Subsequent to the quarter, Oilmax has also executed the revenue sharing contract with the Government of India for the awarded block, marking a significant step towards forward for the company's upstream journey into large offshore blocks.

Major progress -- Second point is major progress has also been -- also taken place with the connection of the DNPL pipeline in Assam to the wider IDGL network, which is in progress and is expected to help all hydrocarbon producers in the Northeast, including Oilmax, in increasing natural gas offtake and realizing better prices. Third is Oilmax received a letter of intent for the Pakro Vanadium and Graphite Block in Arunachal Pradesh marking its entry into the critical mineral segment. We also signed a gas field agreement for Tiphuk, with production expected to commence in Q4 FY '27.

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 the global conditions creating opportunities abroad as well. Our international operations under Kuiper Group witnessed a recovery during Q2 FY '27 following certain operational challenges experienced at the beginning of the financial year due to the evolving geopolitical conditions in West Asia. Business activity returned to normal levels during the quarter.

The most recent tensions, particularly 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 opportunities that will come from the region's post-war reconstruction as we focus on expanding Kuipers revenue to the guided US$100 million by financial year '30. On our Mineral Infrastructure segment, we have completed our first project in Rajmahal, Jharkhand, and two more projects are currently undergoing trials and commissioning.

Along with the project we secured earlier from Gujarat State Electricity for Ukait TPS in Gujarat, these recent developments give us great confidence in building and executing the 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 financial year '27, 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 Chief Financial Officer, Asian Energy Services Ltd
Thank you, Kapil sir. Good evening everyone. Talking about H1 FY '27 financial performance, the company reported revenue from operations of INR 537.9 crore, a 148% increase on a YoY basis, more than doubling compared to INR 217.4 crore in H1 FY '26 reflecting a strong growth trajectory. EBITDA stood at INR 52.3 crore, up 148% on YoY basis, while EBITDA margins came in at 10%. Profit after tax stood at INR 29.8 crores, translating into a PAT margin of 6%.

Coming to Q2 FY '27, the company reported revenue from operation of INR 266.7 crore, compared to INR 102 crore in Q2 FY '26, g rowing 161% YoY. EBITDA for the quarter grew 235% YoY to INR 30.3 crores, 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 71.1 crore with PAT margin at 6%. For the Oil and Gas segment, revenue for Q2 FY '27 stood at INR 239.8 crores with an operating profit of INR 42.8 crores. For H1 FY '27, the segment reported revenue of IN 484.5 crores and a profit of INR

76.1 crores. In the Mineral and Other Energy Services segment, revenue for Q2 FY '27 amounted to INR 26.9 crores with a profit of INR 4.3 crores. For H1 FY '27, 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. It further reflects the strength of our financial fundamentals, and this provides us a strong foundation to pursue future growth opportunity, while maintaining a disciplined approach to our capital allocation. While sequential revenue remained largely stable during Q2 FY '27, 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 FY '27, supported by our robust order book, accelerated project execution, and a healthy pipeline of opportunity. We remain firmly focused on sustaining this momentum and are well on track to achieving our stated guideline -- guidance for the financial year.

Thank you. We now open the floor for questions.

Questions & Answers

Operator
[Operator Instructions] Our first question comes from the line of Siddharth Chauhan with 361 Capital. Please go ahead.

Siddharth Chauhan - Analyst, 361 Capital
Hi, sir. Thank you for the opportunity and congratulations on good set of results. Couple of questions from my end. Firstly, in the oil and gas segment, if I look on a sequential basis, EBIT has increased sharply, despite revenue moderating. So can you share the reason for the same?

Sumit Maheshwari - Group Chief Financial Officer, Asian Energy Services Ltd
Siddharth, do you have any further question or?

Siddharth Chauhan - Analyst, 361 Capital
Yeah, I do have two other questions. Should I -- should I say them?

Sumit Maheshwari - Group Chief Financial Officer, Asian Energy Services Ltd
Yeah, please.

Siddharth Chauhan - Analyst, 361 Capital
Yeah. The secondly is, in terms of the opportunity size, which you're looking at from the perspective of upstream companies like ONGC, Oil India, and even Vedanta, outsourcing their fields on integrated service contract basis. So just want to know what is the entire size of the opportunity? And are there any tenders currently out there? That is my second question. And lastly, on the Coal Handling segment, any ongoing tenders out there where you are bidding? And if you can share the quantum or the size of these contracts, I think that will be helpful. That's it from my end.

Sumit Maheshwari - Group Chief Financial Officer, Asian Energy Services Ltd
Okay, so Siddharth, answering your first question about the EBITDA increase, so that is more reflecting our robust operation and financial performance. And we have implemented a lot of cost efficiency measures which have started yielding the results. And second is more of the project mix

which we have executed in Q1 and Q2. And that has led to the sharp EBITDA increase as compared to sequential basis from Q1 to Q2. .

Kapil Garg - Managing Director, Asian Energy Services Ltd
Okay, yeah, with regards to the two other questions you asked about the integrated oilfield opportunities. So the Vedanta, as I mentioned in my thing earlier, based on the Vedanta success, ONGC has now started to look at, and both Oil India has also started to look at. And there are two tenders going on at this moment as we speak, which we are looking to participate. In terms of size, I mean, some of these contracts are 15 years long and they are about 5,000 barrels each. So, if I was to put a number, I would say between, let's say, INR500 crores to INR700 crores per tender per year for 15 years.

And these are the beginning, like I said, these are two projects which are currently on tender going on, so we expect more of those to come. Overall opportunity you can calculate, it's very, very decent size. With regards to the question you asked for the Coal Handling plants, yes, there is a bit going on at the moment. Rough size is about INR250 crores for that project and more opportunities are in the pipeline.

Siddharth Chauhan - Analyst, 361 Capital
Understood, understood, sir. Thank you so much for that, and all the best for the future.

Kapil Garg - Managing Director, Asian Energy Services Ltd
Thank you. Thank you.

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

Raj - Analyst, TPR Capital
Hi, sir. firstly, congratulations on the wonderful set of results. My first question is, sir, on the in-principle approval, how long do you think that we would -- it would take time to get the approval from MNO, MN, from MoPNG for the Oilmax merger? Second question would be on the contribution from Project Kuiper on this quarter particularly, and we've given a guidance of INR500 crores to INR550 crores. So, how are we looking based on the current momentum in H1 in terms of meeting that guidance?

And my third question was, just on the overall acceptance that you're seeing with the Samudra Manthan scheme and the other capex that have been announced by the likes of Oil India for drilling -- by ONGC for drilling. So What is the scenario or change that we're seeing in the industry today because of all those initiatives being taken by the government in terms of orders, tenders coming up?

Kapil Garg - Managing Director, Asian Energy Services Ltd
Okay, so first question you asked was about MoPNG approval. Because in- principle approval is already in place. We would expect that we should receive the final approval soon. I mean, I would not put I'd like to put a number to the days because it's the government we are dealing with. But hopefully soon.

Raj - Analyst, TPR Capital
Okay.

Kapil Garg - Managing Director, Asian Energy Services Ltd
The second question you asked about the Kuiper guidance. The Kuiper numbers we guided in the beginning of the year, we remain firmly on track to deliver the guidance of between INR500 crores to INR550 crores for the year. As I mentioned earlier, when I was speaking, we all know that there is some crisis going on within the Middle East, which we are watching very carefully. But luckily, fortunately, our operations are not impacted at this point in time. So going forward, we expect the numbers to be delivered.

Raj - Analyst, TPR Capital
Okay, sir. Any number on this quarter's contribution from Kuiper?

Sumit Maheshwari - Group Chief Financial Officer, Asian Energy Services Ltd
Yeah, so this quarter the difference between standalone and consolidated is the revenue from the Kuiper only.

Raj - Analyst, TPR Capital
Okay, got it, got it.

Sumit Maheshwari - Group Chief Financial Officer, Asian Energy Services Ltd
For the quarter, Kuiper. has contributed roughly around INR135 CR of revenue.

Raj - Analyst, TPR Capital
Got it sir. Got it sir.

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

Raj - Analyst, TPR Capital
Yeah, and just a third question on how the Samudra Manthan and the other investments announced by ONGC, Oil India, and the likes have been received. How is the bidding pipeline looking like, how, you know the opportunity is scaling up for you guys there?

Kapil Garg - Managing Director, Asian Energy Services Ltd
Samudra Manthan detailed guidelines were only published last week.

Raj - Analyst, TPR Capital
Yeah,

Kapil Garg - Managing Director, Asian Energy Services Ltd
So, about how the whole scheme would work. So we are evaluating the detailed guidelines on how it will impact us and how we can use the opportunity. But on a broader level, what we understand is that out of let's say INR84,000 crore, which have been provided in Samudra Manthan, about majority chunk goes for deepwater drilling. So, there we don't really have much role to play, but the balance which is directed towards building common infrastructure pipelines, there, there there could be potential for us to work with regards to Samudra Manthan policy. But as I just mentioned to you, the detailed guidelines are only published last week.

Sumit Maheshwari - Group Chief Financial Officer, Asian Energy Services Ltd
Kuiper will get benefited in the deepwater drilling?

Kapil Garg - Managing Director, Asian Energy Services Ltd
Kuiper will definitely benefit because a lot of these deepwater rigs which will come from outside to drill those wells will be an opportunity for Kuiper directly.

Raj - Analyst, TPR Capital
Okay, okay, makes sense. Because what we saw was that generally the market was a bit negative on the policy in terms of the replace -- in terms of the repayment scheme that the government has come up with. Whether it's in terms of seven years or 50% of the cost being recovered. So, any views on those particular guidelines, sir?

Kapil Garg - Managing Director, Asian Energy Services Ltd
See it will be -- you're right. I mean, some of the foreign companies might take it a little bit on the slightly on the negative side. But on the domestic front, the players who are already active here, for example, ONGC, Oil India, Reliance, British Petroleum, Vedanta, My view would be that they would certainly like to take advantage of the policy, because they're already here and they want to do some of these things. This is my view. I mean, we have to see how it plays out.

Operator
Got it.

Raj - Analyst, TPR Capital
And, sir, regarding Northeast, you mentioned the gas -- just the last question from my end before switching back again. You mentioned that the gas pipeline would help in terms of realizations also, and we already know that Vedanta has a big, unexplored block that's available there. So, what is just on 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 can be the benefit that we can accrue from this?

Kapil Garg - Managing Director, Asian Energy Services Ltd
Look, last two three years, we have been kind of hamstrung by the pipeline connectivity. So we -- we have been forced we have been selling gas into the local grids, mainly primarily tea gardens, a little bit to Brahmaputra Crackers and the Assam Power Corporation, because we are not connected to the wider grid. And Indradhanush Gas Grid, which was supposed to be completed two years back, got slightly delayed. But now it has started to happen. And what we understand is that later this in November, the DNPL pipeline will be connected to the IDGL network.

Some sections of the ONGC has already been connected to IDGL, and we are starting to see wider market opening up. For example, Indian Oil brings imported LNG for the two refineries operating in Gujarat -- in Assam. So that imported LNG will be replaced by domestic gas, which all the producers including us are producing in Assam. So once the demand picks up for the domestic local gas, we see -- we think the pricing will improve. Right now we're realizing about plus, minus $7 per million BTUs, even though pan-India gas sells for more than $10. So expectation would be that as the connectivity improves, this pricing gap would start to narrow down.

Raj - Analyst, 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 Investment. Please go ahead.

Rajesh Jain - Analyst, Jain Investments
Hello, sir. First of all, congratulations on the great set of numbers. I basically have two queries now because Oilmax is going to merge with Asian Energy. If you can throw some light on the Oilmax revenue and profit of H1, and can you give us a guidance for the same for FY '28, all three companies put together Kuiper, Asian Energy, and Oilmax?

Sumit Maheshwari - Group Chief Financial Officer, Asian Energy Services Ltd
Rajesh, so as we told you, FY '28 guidance, once the Oilmax merger is completed, we will start providing the detailed numbers and financials of Oilmax. And the guidance we had provided for FY '27, and as we already told, for the Asian Energy, we are on track to deliver on the guidance. And once the merger is being completed, we -- as an organization, we are providing the annual guidance, and which will provide that will include the next year guidance for Oilmax also. And if you see, we have already provided the, the next two years, three years, the long-term guidance for the company combining Asian, Oilmax, and Kuiper where we are targeting INR3,000 crore of top line and INR700 crore of EBITDA. So we'll continue with those guidance, and as and when the merger is being completed, the implementation is being done, we will start providing the necessary financial details and the guidance for the Oilmax also.

Siddharth Chauhan - Analyst, 361 Capital
All right. All right, thank you.

Operator
[Operator Instructions] The next question comes from the line of Hina Parekh with Starklume Investments. Please go ahead.

Hina Parekh - Analyst, Starklume Investments
Thank you for the opportunity. So the first I mean, firstly, congratulations on good set of numbers. I just wanted to ask that we have remained almost flat or degrown on the mineral and other services businesses on a YoY level, both in half yearly and quarterly. So could you please help me with the business that has led to the degrowth in this section? And I had another question on the Duarmara plant. We indicated that we should start production in Q4 soon. So has -- it has still not started. So when do you think that we could expect it to start?

Sumit Maheshwari - Group Chief Financial Officer, Asian Energy Services Ltd
Okay, answering your first question about the Mineral segment. So as we explained earlier also, and if you've seen our PPT, generally that the Q3 and Q4, which is a second part of the year, is we deliver and we execute more projects, because of the seasonality and the monsoon season, which hits into the Q1 and Q2. So we expect the momentum to pick up for the Mineral segment in H2 of the year, and we are definitely will be doing much better than the H1 and the H2. And we do foresee the growth on the overall year basis from the last year numbers in the Mineral segment.

Coming to very specific thing, the, two new projects which we have been awarded to us. So generally, first six months you spend more time into the engineering and all those things, so the revenue recognition is slightly slower. And then after six months, the revenue recognition improves. So we, we do believe the H2, we will see a much better performance in this Mineral segment as compared to H1, and we will see a better growth -- and we'll see a growth compared to the last year numbers also. Could you please repeat your second question? I just...

Hina Parekh - Analyst, Starklume Investments
Yes, yes, perfect. Got on that. Because on the plant, we indicated that we should start the production in Q4. So, just wanted an update, like by when do you think we could expect it to start?

Kapil Garg - Managing Director, Asian Energy Services Ltd
So, with regards to Duarmara, as you must be aware, Antelopus Selan is our partner and operator in that field. So during the call, they provided guidance. So the well, which was drilled last year encountered three zones. We were expecting the gas zone to be more prolific, but the oil zone came out better there, which kind of -- it was a slight I would have to say this was a slight surprise to us. So we are discussing with Antelopus now about the future plan and we intend to go back and do more workovers and more testing. With regards to your specific question, when can you expect the production to start, I would say Q1 of FY '28, or Q1 or Q2 FY '28 would be more closer to what our expectations are right now.

Hina Parekh - Analyst, Starklume Investments
Got it, perfect. Thanks a lot, really helpful, and all the very best.

Operator
Thank you. [Operator Instructions] The next question comes from the line of Pawan Kumar with Agarwal Investments. Please go ahead.

Pawan Kumar - Analyst, Agarwal Investments
Hi, Hi sir, good evening. So congratulations on the good set of numbers. Just, I have one question. How is the Vedanta project going on? And by when we are expecting the revenue from the project?

Kapil Garg - Managing Director, Asian Energy Services Ltd
So Vedanta project remains firmly on schedule. And we are expecting to complete all the capex elements during this financial year. It's firmly on schedule as it was planned.

Sumit Maheshwari - Group Chief Financial Officer, Asian Energy Services Ltd
Yeah, and we are already recognizing revenue for the work which we are performing on the quarter-on-quarter basis.

Pawan Kumar - Analyst, Agarwal Investments
Okay, and another question is, are there any active contracts that we are bidding for that are going to be turned out in the second year of the year -- second half of the year?

Sumit Maheshwari - Group Chief Financial Officer, Asian Energy Services Ltd
So as we told you, there is very active bid pipeline for which we are working, so we will not get into very specific details. But yes, Both oil and gas side, we are actively working on three, four tenders right now, and we are expecting couple of more tenders to come. And in the CHP side also, we have one active tender is live right now, for which we are planning to submit our bid, and then we are expecting couple of more tenders coming into November. So the bid pipeline remains very robust and very active.

Pawan Kumar - Analyst, Agarwal Investments
Thank you. Thank you, sir, and all the best.

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

Raj - Analyst, TPR Capital
Sir, I just wanted to get also a better idea on the CDL in Chhattisgarh that that we already have in terms of the block. A s of this quarter also, we have stated that it's under development. Can you just give me, a bit more, detail on the potential at the project and what do we look for in the next two years regarding this project?

Kapil Garg - Managing Director, Asian Energy Services Ltd
For us, we've got all the permissions required, including all the environmental clearances required. The contract has been finalized. The drilling is expected to start by middle of November, immediately after Diwali. And the drilling results, it will take about six months for the drilling results to be accumulated, based on which we expect the production as per our initial guideline -- guidance. It will take about two years to start the production, but the activity, as I just said, is going to start around 15th of November.

Raj - Analyst, TPR Capital
Got it.

Operator
Thank you. [Operator Instructions] The next question comes from the line of Tina Maheshwari with OP Equity Advisors. Please go ahead.

Tina Maheshwari - Analyst, OP Equity Advisors
Hello, sir. Congratulations on the results. First, I want to understand that since the anticipated merger has now been sanctioned like - sanctioned by NCLT and only a regulatory approval is pending, what is the capital intensiveness of this entire thing? And how will this help in achieving the overall growth for FY '30 that you have envisioned? Thank you.

Sumit Maheshwari - Group Chief Financial Officer, Asian Energy Services Ltd
So as, as we told -- if you have seen our presentation, so the Oilmax vertical, which is the E&P vertical, and we have a couple of, mineral mines also. So for FY '30, from the current production of 2,000 BOE per day, we are targeting to reach 10,000 BOE per day. So it will immensely benefit and immensely contribute to the growth of the company which we are targeting. And in terms of the CapEx requirement, all those things, as we told you, all these blocks are discovered blocks and already have necessary infrastructure and some wells in place.

So we do not see too heavy investments in this particular sector in coming years. And this business, particularly after the merger, as we ramp up our production of Oilmax E&P assets and Oilmax blocks, it will immensely contribute to the overall top- line and bottom- line of the company.

Tina Maheshwari - Analyst, OP Equity Advisors
All right, noted, sir. Thank you so much.

Operator
[Operator Instructions] Thank you.

Kapil Garg - Managing Director, Asian Energy Services Ltd
If there are no further questions, thank you all for joining the call. And we look forward if there are any additional questions you have, please reach out to our PR agency and we'll be very happy to answer those. Thank you so much. Good evening.

Operator
[Operator Closing Remarks]