



'Quippo's rig and offshore fleet will grow 100% in three years'

— S.K. Mehta, Managing Director, Quippo Oil & Gas Infrastructure Ltd

Quippo

Oil & Gas Infrastructure Ltd, a subsidiary of Quippo, the country's largest infrastructure equipment rental company promoted by Kolkata-based Srei, is a major oil and gas equipment and services provider. The company sees a bright future for its business as E&P activity in India's "vastly unexplored" oil and gas fields is set to rise in coming years, as S.K. Mehta tells Sandeep Menezes in this interview.

How is the global economic slowdown affecting your industry and company in particular?

Prices of crude oil were touching rockbottom and have increased by 20 per cent over the last two months. It is expected that this will go up to \$65 to \$70 per barrel by the end of this year. At this price most of the oil and gas projects become viable. Big oil companies and operators are of the view that they should not cut down on exploration activities as, in a very short period of time, the prices will increase and companies that invest at this time will emerge as winners. Today, it is a temporary phase in which these activities have been reduced. This is going to recover soon resulting in a win-win situation for both the oil companies and the operators.

What is the potential for equipment rental business in the oil and gas sector?



We foresee a very positive future for this business in the oil and gas industry. In India, major players like ONGC are following their schedules and working accordingly. Hence, in view of the latest round of NELP exploration and production is expected to go up

every year as oil and gas fields in India are vastly unexplored.

Internationally, this industry has suffered a little setback due to the global meltdown which resulted in low crude oil prices. But recently, crude oil prices have again started coming up and are expected to stabilise at around \$70 at the end of 2009.

Big players in the market are still following their exploration schedules. There has been some reduction in drilling activities in some countries due to OPEC's decision of cut oil production. But this is a temporary phase.

Technologically, is the Indian oil and gas industry at par with its Western counterparts?

Yes, the Indian oil and gas industry is at par with its Western counterparts. The New Licensing & Exploration Policy of the Government of India has opened doors to all the players, whether national or international, and hence the resulting competition and opportunities have made Indian companies invest in latest available technology.

What are your company's activities in the oil and gas sector?

Quippo Oil & Gas endeavours to be a one-stop shop for our clients, offering customised solutions along with an array of services. We offer highly-efficient mobile and skid-mounted onshore drilling rigs as well as drilling rigs equipped with brand new top drives; onshore mobile workover rigs; world-class handling tools and tubulars; a highly-qualified, experienced and motivated team; efficient and effective preventive maintenance schedules to ensure minimal downtime; and strategic alliances to provide customised solutions.

Tell us about QOGIL's future expansion plans.

Corporate strategy: Develop a highly motivated team of professional entrepreneurs to fuel QOGIL's growth plans and targets; maximise value by improving market share, equipment utilisation and develop new markets; grow QOGIL's rig fleet and offshore vessel fleet 100 per cent in the next three years; and enter into strategic relationships with global leaders in upstream oilfield

services and technologies to increase our offerings.

Exploration and production strategy: Focus on low-risk exploration and development drilling; stay alert for opportunistic acquisitions; and acquire low risk E&P assets.

Offshore vessel strategy: Own and operate a fleet of state-of-the-art offshore construction vessels including Derrick lay barge, accommodation barges/diving support vessels etc.; and gradually enter the offshore transportation and installation market entailing minimal risk.

What are the benefits of equipment rental in the oil and gas industry?

The oil and gas industry is a highly capital-intensive industry. There are various benefits of equipment rental in this industry, such as:

- ◆ The client does not need to plan for any capital outlay for pro-



- ◆ curement and operations. This helps in capital conservation that the oil and gas producers require for the exploration sector of their operations. Equipment rental enables the producer to concentrate on finding oil and gas reserves instead of purchasing drilling fluid treatment and data processing equipment.
- ◆ The client is saved from the hassles of logistics involved in rig movements.
- ◆ Inventory of supplies and repair materials maintained by equipment rental provider.
- ◆ Operation and maintenance performed by qualified personnel. A comprehensive technical field staff and in-house engineering are available for complete installation, service and maintenance requirements.
- ◆ Equipment rental provides the potential for expansion of equipment capacity. The producer has the option of changing, upgrading or returning the equipment as the conditions change.
- ◆ Cost-effectiveness and production revenues are maximised.

In a nutshell, the oil and gas industry is very high on capex (capital expenditure) and opex (operational expenditure). So it makes a lot of sense for E&P companies to rent the equipment rather than buy it.

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