

ensex 0.33 | ▼ Nikkei 0.74 | ▼ Straits Times 0.85 | ▼ Kospi 1.70 | ▼ Hang Seng 0.56

Oil field services in for good times

Soaring Crude Prices And Conducive Exploration, Production Scenario Boost Sector

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AFTER languishing for over two decades, oil field services sector is getting ready for a high tide. The upturn has been largely due to an increase in crude oil prices and a likely move by the government to come out with the seventh round of New Exploration Licensing Policy (NELP), say analysts. The stock prices of most of the companies in the sector have seen a huge appreciation in the past month alone, outperforming the broader indices with a substantial margin in most cases.

Analysts further point out that the offshore support industry is witnessing strong demand due to the conducive global scenario for sustained exploration and production capex. The global petroleum explorations and production (E&P) majors are witnessing high earnings over the hurdle rates internally fixed by the companies. This has helped to sustain the capex. They add that the global offshore rig market is at its strongest point in the

past decade and many companies in the sector continue to pose strong fundamentals and high earnings visibility with attractive valuations.

Even if the crude oil prices fall, the demand for offshore supply vessels (OSV) will not go down substantially. They cite various reasons like the global oil scenario, increase in offshore activities and supply factor. "Globally, oil majors are cash rich as the price of crude is high at this time. They are investing heavily in exploration. Further, exploration is moving from onshore to offshore. With the increase in offshore activities, demand for rigs has gone up."

"Few years back the demand for OSVs was low, and thus supply remained stagnant. Now, the demand has outstripped supply. This has led to a spurt in the prices of even the second hand vessels," says Chirag Dhaitule of Emkay Share and Stock Brokers. Further, they point out that the emerging Rs 8,000 crore seismic services market in India is driven by a combination of rising oil demand, under-penetrated oil geography and a bullish oil market. This is

leading to a substantial growth in not only new exploration projects but the revival of abandoned fields. "About 50% of this business opportunity will be addressed by in house crews of ONGC and Oil India, the remaining business will be executed by merchant third party service providers like Asian Oilfields and Alphageo," says Sushil Finance equity analyst Kapil Bagaria.

The stock prices of Asian Oilfield, Alphageo and Dolphin Offshore have given returns of about 50% in the past one month alone. The expansion projects of the companies are paying off — Aban Offshore acquired a Norwegian company previous year, its stock has appreciated about 35% in one month. Garware Offshore, which saw 20% appreciation, added some vessels recently. Great Offshore has added four vessels to its fleet in the past 12 months. Similarly, Seamec had acquired a fourth vessel last year, which is now set to commence commercial operations soon. Recently, Asian Oilfield received an order from Oil India worth Rs 72 crore.

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OIL'S WELL



COMPANY	CMP (RS)	% CHG*
Asian Oilfield	196	67
Alphageo (India)	778	50
Dolphin Offshore	307	45
Aban Offshore	6157	34
Garware Offshore	223	20
Shiv-Vani Oil	443	19
Seamec	313	13
Jindal Drilling	1154	13
Great Offshore	856	10

Change over previous month in Stock price