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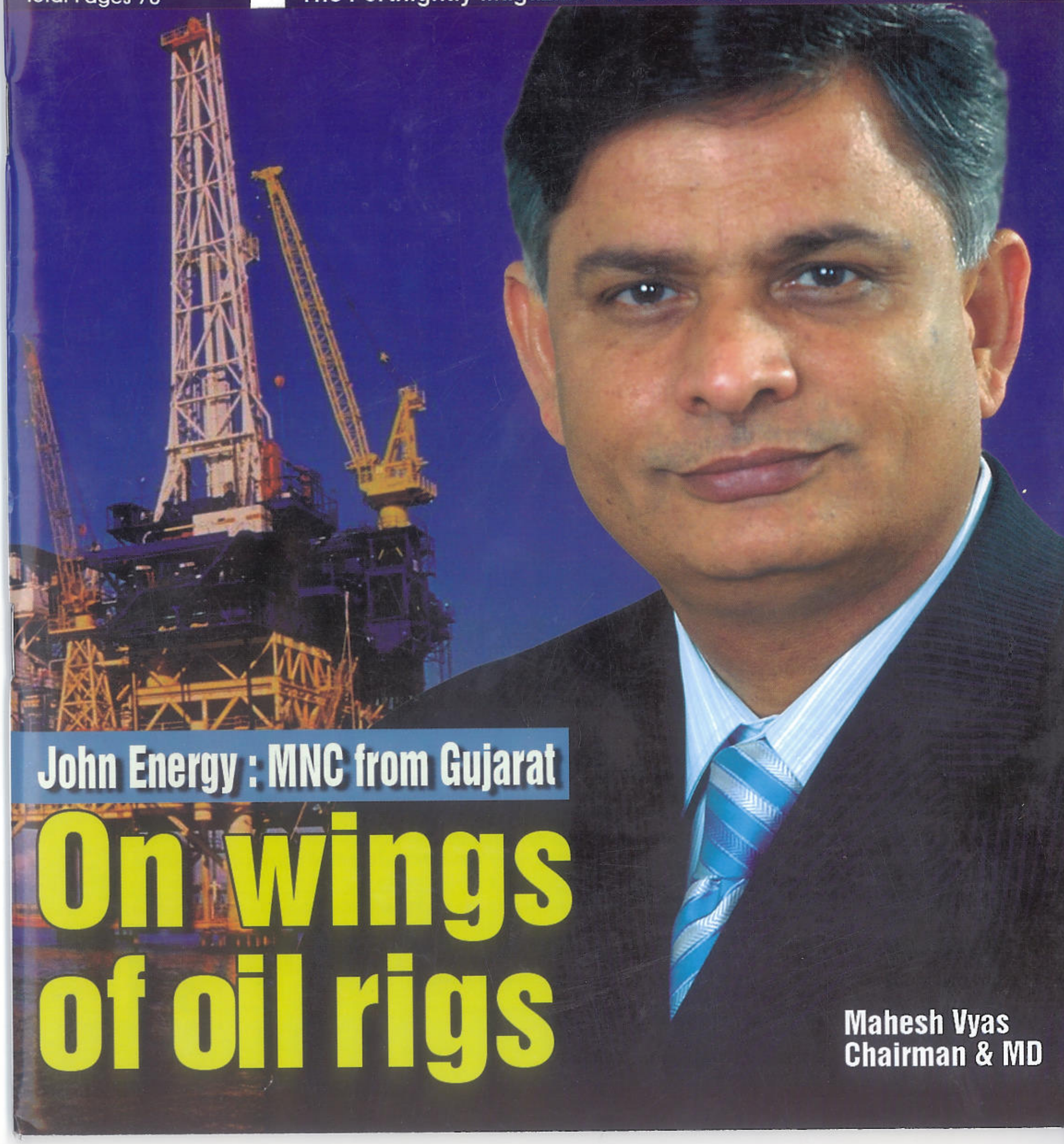


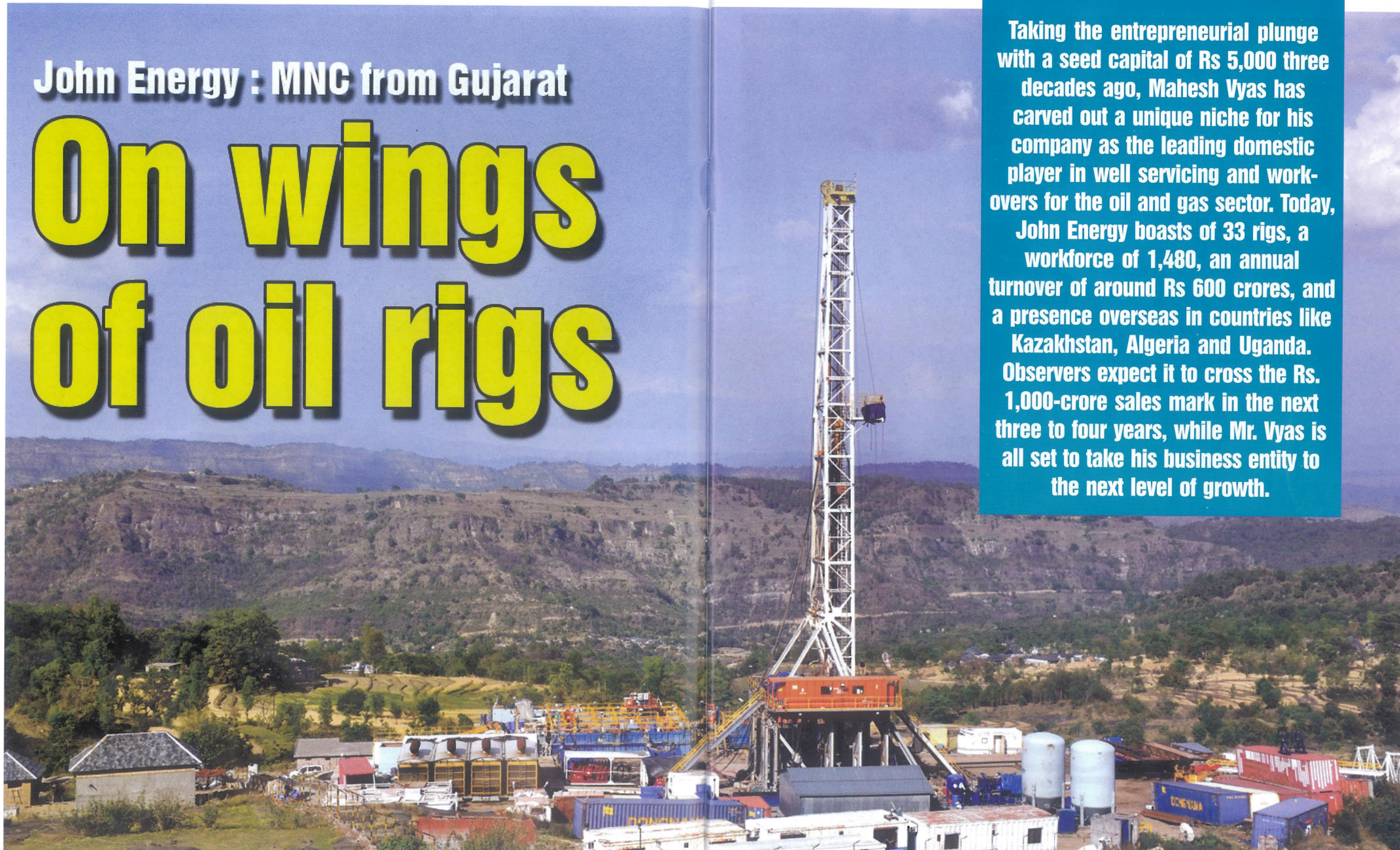
John Energy : MNC from Gujarat

## On wings of oil rigs

**Mahesh Vyas**
**Chairman & MD**

## John Energy : MNC from Gujarat

# On wings of oil rigs



Taking the entrepreneurial plunge with a seed capital of Rs 5,000 three decades ago, Mahesh Vyas has carved out a unique niche for his company as the leading domestic player in well servicing and work-overs for the oil and gas sector. Today, John Energy boasts of 33 rigs, a workforce of 1,480, an annual turnover of around Rs 600 crores, and a presence overseas in countries like Kazakhstan, Algeria and Uganda. Observers expect it to cross the Rs. 1,000-crore sales mark in the next three to four years, while Mr. Vyas is all set to take his business entity to the next level of growth.

Mahesh Vyas- Chairman & MD

Creating something new and unique, and that too literally from scratch, is a feeling only those with foresight, determination, grit, commitment and patience can experience. Here, one's social background counts for nothing – consider the well-known story of Dhirubhai Ambani, son of a village school teacher, who started life as a petrol pump attendant and went on to create India's biggest corporate entity!

Meet Mahesh Vyas, a latter-day 'Dhirubhai' who exemplifies the afore-mentioned personal attributes and resultant achievements. He's a textbook case of a first-gen entrepreneur who has succeeded in creating a business conglomerate of his own, literally from nothing! Having started off as a technical worker in a Mumbai-based company, on a royal salary of Rs. 400 per month, the young Mahesh, bubbling with ideas and dreaming of doing something of his own, left the job in 1982. Leveraging his mechanical engineering background, he started JVM Engineering to take up the manufacture of parts for fire-fighting equipment and later water- well drilling rigs with a seed capital of — hold your breath — Rs.5,000!

Quick to realise that there was tremendous growth potential in the oil and gas sector, he diversified into the space of oil well-servicing and then into work-over operations with in-house manufactured rigs – all of this by 1991. Thanks to his business acumen, entrepreneurial skills and foresight, within a space of three decades John Energy, the flagship of his John group, has emerged as the number one player in the field of drilling and work-over operations in the country, with a huge fleet of as many as 33 rigs – the highest in the Indian onshore drilling segment. The company, with an annual turnover of around Rs. 600 crore, has not only a pan-India presence but growing footprints in overseas countries like Kazakhstan, Uganda and Algeria. The company, with manpower of 1,480, is on the growth path and observers feel it won't be a surprise if it crosses the Rs. 1,000-crore salesmark within the next 3 to 4 years.

Of course, the journey over the last three decades has not always been smooth. Mr. Vyas had neither family background in industry nor capital to enter the industrial field. With straitened financial resources, leaving a paid job was a risky jump into the unkwown. But the entrepreneurial bug could not be denied, and he finally took the plunge into a hithero unfamiliar world of business.

## OIL CAME KNOCKING

Mr. Vyas's passion for his new venture and his readiness to work hard inevitably led to new doors being opened. As it happened, one day he met a senior official of a PSU engaged in oil and gas exploration and production. The official hinted that there was a tremendous scope for services like well servicing and work-over operations for oil and gas companies, as PSUs were doing this on their own and there was no independent operator in this field. A visionary Mr. Vyas saw the future of his venture and grabbed the opportunity with both hands!

Capitalising on its base in Mehsana in Gujarat and the expertise and experience gained in water-well drilling, the company branched off into provisioning of work-over and completion rig services to ONGC in the E & P (exploration and production) segment of the oil and gas industry. Not just that, it started developing and manufacturing 30-tonne capacity work-over rigs in-house. Not contented with the success gained, Mr. Vyas went ahead and entered the field of provisioning of integrated services. Which includes the complete bouquet of services viz. drilling, cementing, mud services as well as directional drilling services. Over the years, John Energy steadily continued to increase the rig count and today is a proud owner of a huge fleet comprising 33 rigs, out of which 7 are big rigs, 10 mid-sized ones and 16 small rigs.

Oil & gas E&P sector

## Thus spake Mahesh Vyas

# Need for progressive, imaginative policies

**"Though all realize the great importance of oil and gas for economic and social progress of the country, there are no determined, imaginative and effective steps taken to augment the production in this country. The need of the hour is to change the attitude and seriously strive to give a boost to oil and gas production," maintains Mahesh Vyas, Chairman and Managing Director of John Energy while discussing the major issues before the oil and gas industry of the country.**

Pointing out that the corner stone of the E&P sector was laid during the British Raj at the fag end of the 19th century with the commercial discovery of crude oil at Digboi in Assam. During the British era, the oil industry was under the effective control of a few foreign companies. Of course in the post Independence era, the government formed Oil and Natural Gas Corporation (ONGC). In line with the liberalization of the economic policies, oil and gas sector was also opened up and in 1997-98, the New Exploration Licensing Policy (NELP) was also announced. What is more, the government allowed 100 per cent foreign direct investment (FDI) in many segments of the sector including natural gas, petroleum products and refineries under the NELP, several blocks were offered to players – both in the public as well as private sectors. However, there is no improvement in production. The following table reveals that the indigenous oil and gas production is almost stagnant.

**Production Data**

| Year | Crude oil (mmt) | Natural gas (ocm) |
|---|---|---|
| 2007-08 | 34.118 | 32.417 |
| 2008-09 | 33.508 | 32.845 |
| 2009-10 | 33.690 | 47,496 |
| 2010-11 | 37.684 | 52.219 |
| 2011-12 | 38.090 | 42.559 |
| 2012-13 | 37.862 | 40.679 |
| 2013-14 | 37.788 | 35.407 |

This is indeed shameful. Compare this with some other countries. Note that the commercial oil discovery in USA was just seven years ahead of that in India and that of China was only by the middle of 20th Century. But thanks to favourable environment provided by their respective governments – not to mention various incentives – these two counties have evolved and emerged as the biggest manufacturers and suppliers of technology and equipment pertaining to the petroleum sector apart from developing technologies to keep pace with the changes in working environment. India, though among early birds, thanks to the British rule, could not benefit out of this due to various policy defects, lack of vision and mostly due to not incentivizing domestic players enough to create enviable infrastructure and support system.

Of course, the government extended sops but mainly to the upper tiers of the E&P pyramid. However the lower tiers comprising of suppliers and service providers did not get any benefit. What is more, on the contrary they were exposed to cyclical nature of this business. Mind well, barring the exception of the 10 per cent price preference policy till date (withdrawn lately),, the government has not given any incentive to the comparatively nascent oil and gas service providers in the country.

Praising the Prime Minister Narendra Modi for starting the 'Make in India' drive, Mr. Vyas insists that in order to make this a reality, the government should take steps like substantial fund allocation for development of the E&P sector, providing sops like tax exemption, encouragement to technology absorption and indigenization of technology, increased participation of the private sector, special incentives to manufacturers, service providers etc. etc. Not only the notification vide which the price preference policy has been withdrawn, should be scrapped but the ambit of the same should be enlarged, making it mandatory for other independent oil companies operating in India to offer the price preference to the local players.

### Open Acreage Policy (OAP)

Maintaining that "Open Acreage Policy is very important for increasing India's own exploration & production of oil & gas," Mr. Vyas adds that "it can become a game changer for ramping up oil & gas sector. The draft policy in this regard is already being floated by the Government. It is a matter of concern and disappointment that though so far 9 rounds of N.E.L.P. are already over but there is no corresponding increase in oil & gas output. This is highly disappointing. N.E.L.P. 10th round is nearly due but we need to be more serious about result-oriented approach. The policy should ensure that E & P activities are started without any abnormal delay."

### Shale Oil & Gas

Mr. Vyas is all for exploration and production of shale oil and gas in the country. Says he, "shale oil and gas, both offer tremendous opportunities to us. India has adequate quantity of these assets but barring some PSUs no one has seriously tried to pursue shale oil and gas exploration. It has been experimented at pilot project stage only. You must see the ground reality, that the Oil PSUs, have not been able to maintain growth momentum in their own product portfolio.Then will it justify relying upon them for exploring shale gas? And that also when it requires huge investment, technology and dedicated efforts?

It is a known fact that US has been highly successful in ramping up shale oil & gas production. In fact, it has helped that country to become fully self-reliant and given them an option to not import crude oil.

I strongly feel that India needs to come out with a clear / transparent policy on shale oil and gas and should offer adequate incentives whereby MNCs with proven track record in this area with state of art technology, will be attracted to come to India. It is a matter of serious concern that so far none of the big E & P global companies with deep pockets have shown keen interest in coming to India.

All are into business for money. Whether they or any of our Indian entrepreneurs, they see prospects. We need to make it a win-win business proposition for both for businessmen as well as the government. Then only this vibrant sector can take off which will eventually benefit our country because it will help improve our energy mix. I am of the view that we are already far behind therefore we should keep shale gas on the list of our top priorities.

### Outlook for crude oil

Commenting on crude oil prices, Mr. Vyas says that the trend is distinctly visible. Gradually, prices will keep moving up because of a cut in production and the rise in demand though at a slower pace. In fact, this will stimulate oil & gas exploration activities world over including India because crude prevailing at US $ 55 and above makes it an economically viable and attractive proposition. This will also correspondingly push natural gas price in near to medium term. ■

# "We want to be seen as global oil sector leader' – Mahesh Vyas

**"We undoubtedly hold the number one position amongst our peers, engaged in the space of providing onshore drilling and work-over rigs services. We are now all set to strengthen our number one position and maintain it in the days to come," asserts Mahesh Vyas, Chairman and Managing Director of John Energy Ltd. A first-generation entrepreneur who started literally from scratch, he has made his company a Rs. 600-crore corporate entity serving the oil-gas exploration and production segment, with not only a pan-India presence but also increasing footprint overseas – from Kazakhstan to Uganda and Algeria.**

**In an interview to Corporate India, Mr. Vyas notes, "We are striving hard to be recognized the world over as the leader in quality, health safety and environmental performance among oil and gas field service-providing industries."**

Excerpts from the interview:

***Corporate India: How did you enter this field? What is the broad spectrum of services being provided by you to the oil and gas industry? How have you reached the top position?***

**Mahesh Vyas:** It was almost three decades ago – in 1987 to be exact — that I started manufacturing parts for fire-fighting equipment on a rather small scale, but soon forayed into the manufacture of water-well drilling rigs. I had a mechanical engineering background, strong mental faculties, a habit of keeping my eyes and ears open and dreamed of doing something big. I sensed the tremendous potential in the oil and gas sector in the country, which was mainly dependent on imports. That was at a time when the country was facing a severe shortage of foreign exchange, while at the same time demand for oil and gas products was on the rise. With my base positioned in Mehsana-Gujarat, with good E&P prospects scattered around coupled with strong presence of ONGC in the area, and armed with- rich experience in manufacturing water-well rigs, I jumped into the fray. Keen understanding, hard work, sincerity and with divine intervention, we started going from strength to strength. Today, the John group has emerged as a highly respected name in the field of onshore drilling, work-over and completion rig services. Besides, it also provides integrated drilling services, natural gas compression services and skilled as well as competent manpower management services.

***CI:How did you move ahead of others? How are you different from them?***

**MV:** I think there are three things which helped us. First, our ambitions are high and we think big not only in expanding our business but in improving our service standards. We have gone for ISO 9001:2008, ISO 14000:2004 and OHSAS 18001:2007 certifications. This is unique. Just check how many of our established competitors enjoy such a position! Secondly, we always go for the latest technologies and most modern equipment, coupled with our remarkable infrastructural facilities. Our support base at Mehsana is spread over 60,000 square metresand has state-of-the-art equipment to provide support services in warehousing, maintaining, upgrading and assembling of equipment.

***CI: And which is the third factor?***

**MV:** And the third factor is our skilled, efficient and dedicated manpower. We provide excellent training to our people. Do you know that today, out of our 1,480 employees, almost 90 per cent are technically trained! Let me tell you, right from the beginning, we have always believed in servicing our clients with the latest technology and upgraded equipment manned by trained, skilled crew. All our operations are in ERP Microsoft Navision for better and optimised resource planning and execution.

***CI: Who are your major clients?***

**MV:** All leading public and private sector companies engaged in the E&P sector in oil and gas industry are our clients. In fact when we entered this field, our first client was ONGC. Thereafter, we have steadily increased our rig count and by now we have a fleet of 33 rigs, the largest among all Indian players in this sector.- Today, John Energy has not only a pan-India presence, it has successfully penetrated overseas countries like Kazakhstan, Uganda and Algeria. In fact, we have executed projects in these countries in challenging environments. When National Oil Company of Algeria – Sonatrach — placed an order for drilling rigs for a period of five years, our company came to be known throughout the world. What is more, John Energy has been enlisted as an approved contractor with Kuwait Oil Company (KOC) for medium-depth onshore drilling rig services. Today, JEL is India's only internationally acclaimed onshore company in the oil and gas sector.

***CI: What are the future plans of the company?***

**MV:** The company is on the growth path. It has rapidly started expanding its services portfolio. Apart from rigs, it has started taking up specialised jobs for the oil and gas sector itself. This gives us good opportunities due to synergies of work and the operating margins getting pretty attractive. With a view to supporting this diversification in services, it is planned to establish a semi-financed educational institute which will offer specialised undergraduate and post-graduate programmes. No doubt, John Energy will benefit on account of this exercise but at the same time this will bring immense value to society, by making technical education accessible to all without compromising on quality of education.

Our overall plan is to consolidate our position as a major drilling service provider and gain a strong foothold internationally as an integrated service provider. ■

This makes John Energy, the biggest onshore drilling & work-over rig service provider in India.

Not satisfied with a pan-India presence, Mr. Vyas looked overseas and successfully executed projects in Kazakhstan and Uganda, that too in a challenging work environment. Buoyed by this success, he turned his attention to Algeria and was richly rewarded when Sonatrach, the national oil company of that country, selected John Energy for a five-year contract for drilling rigs.

Says Mr. Vyas with justifiable pride, "Our Prime Minister has given the mantra of 'Make in India' today, but we have been doing so for the past decade. Except for a short-term technical collaboration with a Russian and an American company in our initial years, the company has been developing and manufacturing rigs on its own. Not only in India but also overseas, particularly in Africa, we have been spreading the message of 'Made in India'."

Needless to say, with the steady growth of its operations, the company has started going from strength to strength on the financial front. Its turnover, which was a few lakhs of rupees in the initial years, shot up to reach Rs. 120 crores in fiscal 2010-11 and soared further to Rs. 525 crores in fiscal 2016. If the actual performance in the first three quarters (April to December 2016) is any indication, we expects a turnover of around Rs. 600 crores in the current year ending March 2017. Observers feel that the Rs. 1000-crore-mark will be reached within the next three years or so, but Mr. Vyas insists, he does not believe in speculating numbers.

## INVESTORS' FAVOURITE

Little wonder then that, seeing the company's remarkable progress and bright prospects ahead, Rakesh Jhunjhunwala, the ace investor, invested Rs. 60 crore in the company in 2007. This was followed by Sage Capital which invested Rs. 90 crores in 2010, in the company's capital.

The company is now all set to go public. "We are waiting for a favourable market environment to bring out an IPO (Initial Public Offer). Though we have not finalised the amount to be raised as yet"says Mr. Vyas.

Mr. Vyas is understandably happy over the remarkable growth of his company, but satisfied he isn't. He avers, "No doubt, I am happy with the progress. But I strongly feel that this is the beginning. We have miles to go before we can say we have achieved enough. Besides achieving a pan-India presence, the company has entered three overseas countries. We would like to spread the message of 'Made in India' all over the world and transform John Energy into an Indian multinational giant in the sphere of drilling and work-over operations for the oil and gas industry. In the next two years, we would like to focus on spreading our footprints in Qatar, Iran, Kuwait and Eastern African countries. Our journey will continue unabated as we have realised that the sky is the limit for John Energy."■