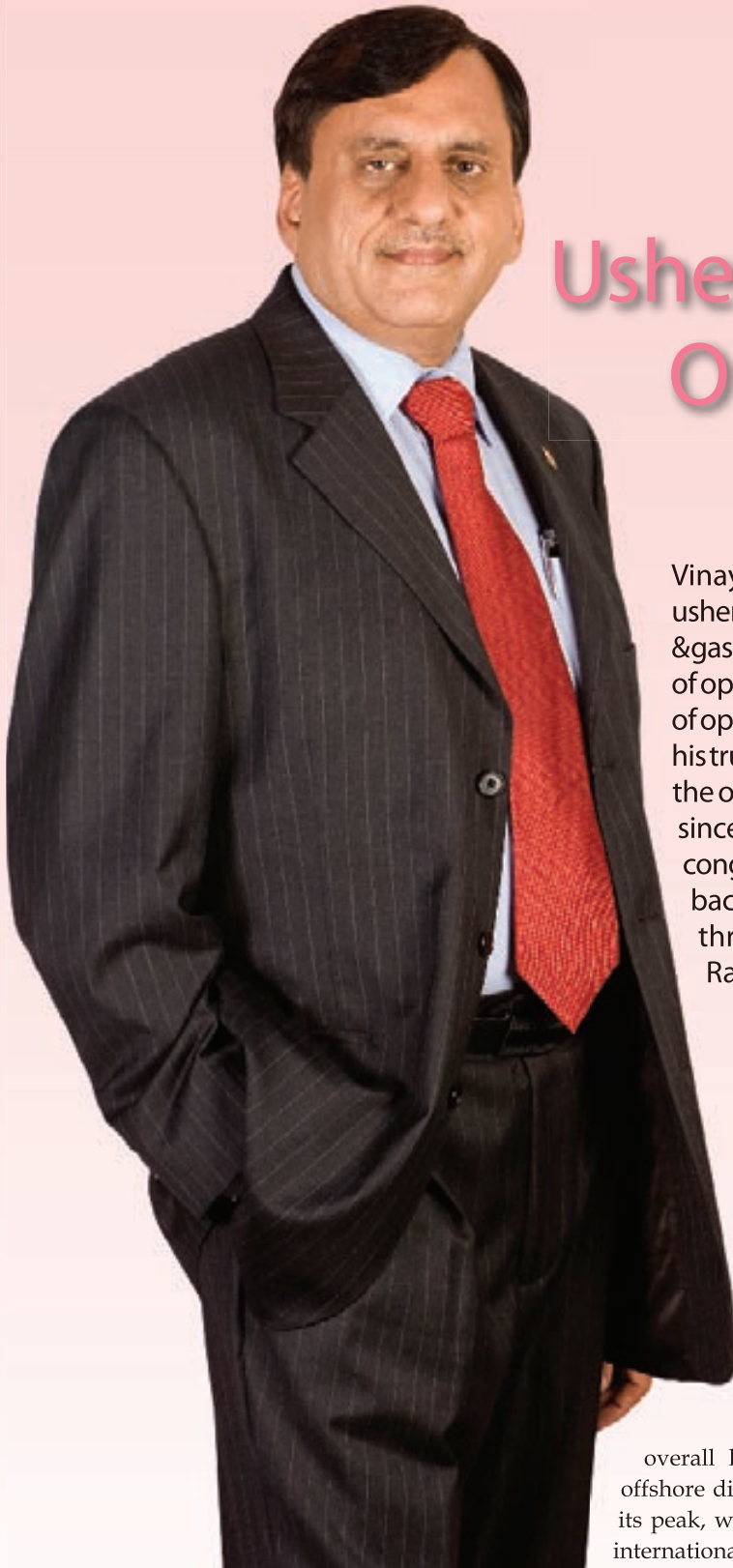


Spotlight



Ushering a New Era in Offshore Logistics

Vinay R Sharma, MD, Oil Field Warehouse Services ushered a new era in the field of logistics for the offshore oil & gas sector, which has changed the look of balance sheets of operators in this sector and opened a whole plethora of opportunities to global suppliers. An entrepreneur in his true spirit he found opportunity in the challenge that the offshore industry been facing. It has been five years since he decided to had call it quits with India's biggest conglomerate to pursue his dream. And he hasn't looked back since. He shares his journey with Offshore World through an exclusive interview with Mittravinda Ranjan

Logistics for the offshore industry are full of complexities and no one else can understand them better than Vinay Sharma, Managing Director Oil Field Warehouse Services. Backed by over three decades of experience in the field of logistics, Sharma's last assignment was with Reliance Industries where he worked for around 11 years as in-charge for overall logistics operations and post purchase orders for their offshore division. During his tenure, E&P activity of Reliance was at its peak, which gave him an opportunity to work with national and international service providers and understand the complexities of oil



field logistics for seamless project execution.

In lieu of the increasing energy demand of our rapidly growing economy, the Indian government is giving impetus to E&P activity in the country and the current regime offers several benefits to the operators and service providers to carry out exploration activity to augment the country's energy needs. "Although there is lot of talk about alternate energy resources, for next two decades, we will continue to rely on hydrocarbons," Sharma comments. He adds that there is still lot of untapped potential that the unconventional hydrocarbon resources such as shale gas, gas hydrates, oil sands and coal bed methane can offer.

MOH does not give clearances to personnel from China, Pakistan and Bangladesh to work in the offshore industry to avoid any security breach

Complexities in Logistics

Sharma delves into the intricacies of the logistics for this highly cost intensive industry. He says that Indian E&P players rely largely on the overseas service providers due to inadequacy of available resources in the country in terms of skilled manpower, materials and equipment. Moreover, single project requires large amount of documentation, umpteen numbers of permissions and mandatory approvals from the statutory authorities to mobilize various resources from world over for project execution. "Just to give you an example, more than 18 contracts are awarded to drill just one offshore well which is just one of the activities in oil production," he elaborates. "Further, the documentation and approvals are not so easy to get as they may sound and especially for the international suppliers who are not acquainted with the bureaucratic approach that still exists in our country", he adds.

Given the hazardous nature of the industry, trained manpower is critical for these projects and service providers depute trained professionals from their organizations on production site. Lot many expats are involved in these mega size projects who can be assigned their jobs only after they have received clearance from Ministry of Home Affairs (MOH) post recommendation from the Directorate General of Hydrocarbons (DGH) to avoid any breach in the security. Additionally the project requires mandatory approvals for use of hazardous materials like explosives and radioactive substances that are required for well perforations and in various other activities involved in oil field development.

Essentialities & Intricacies

Capital goods and consumables are essentialities for any E&P activity and form the largest part of the overall cost. By large these are imported by the operators from overseas service providers.

Operators are allowed to bring these capital goods without bearing any overhead costs such as customs duty etc into the country under essentiality certification from the Directorate General of Hydrocarbons (DGH); and they have to sign a re-export bond which binds the operators to move the capital goods out of the country once the job is over otherwise the operator has to pay heavy penalty to the government. This regulation had to be brought in place to curb the misuse of the relaxation given to the operators and cap any possibility

of revenue losses to the government.

Sharma argues that over and above huge freight expenses that the operators pay towards mobilizing and demobilising of capital goods, the exercise takes away significant number of man hours. Further, there are various risks that operators have to factor while the equipment is in transition, he adds.

In order to comply with the re export regulation, the operators are not left with any other choice but demobilise equipment to countries like Dubai and Singapore and again follow the same procedures to bring the tool for other projects.

The SEZ Act

Fortunately for Sharma, his tenure of working with Reliance coincided with the time frame when Indian government was in the process of framing Special Economic Zone (SEZ) Act

to promote industrial development in the country which was regularly updated on the Ministry of Commerce. He tracked these updates regularly because of his business interest. While going through the updates, he noticed that SEZ Act clearly stated that these special zones were to be treated like foreign territories and the same rules were to be applied to the materials moving in and out of these regions as that of the foreign countries. He thought this as a very novel idea and as the head for logistics operations he could clearly see benefits this act could offer. Only thing that he found missing was basic infrastructure in any of the SEZs across the country at that time.

He shared his thoughts with many experienced people from the industry who did give him a patient hearing but had one common question, "Has someone done this before," which was a big put off for him. Sharma was confident however he could see apprehension amongst all those with whom he shared his idea. Having a warehouse in SEZ was going to open a plethora of opportunities for the suppliers from world over and help the operators save time and huge freight costs for the operators and they would be able to raise their profits.

Few people did suggest him to start his own company and he dabbled with the idea but whether to take the risk or not when people at the age of 56 planned to have a relaxed life after retiring was something that kept crossing his mind. Setting up the warehouse required huge investments and he had already realised that entrepreneurship was not a welcome idea especially when you were trying to do something that was out of the box. One fine day, Sharma shared his thoughts and idea with Pankaj Surani his ex-colleague and an old friend to start this venture who was in agreement and little did they



From (L to R) Mr. Vinay Sharma, Mr. Vineet Sharma & Mr. Pankaj Surani

provision existed in the SEZ Act," Sharma comments. With much convincing, Sharma could get an appointment with G K Pillai, then Secretary Board of Approvals, whom he met and explained about the project. This first meeting was followed by a couple of meetings and the duo got the final nod from Board and Sharma could see the venture starting to take off.

"After approval from the Board, capital was the next requirement," Sharma tells. "We were well aware of the fact that there were several banks in India who had allocated separate funds to encourage entrepreneurial projects and we were confident about getting the capital," says Sharma. "However, little did we know that they too lend the money to cash rich clients only," he quips. With support from family and friends the duo started their dream venture, and they haven't looked back ever since.

They zeroed on setting up the warehouse facility in the

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know they were just at the verge of ushering a new era in the field of offshore logistics in India.

Putting the Missing Link

Though the duo had decided to venture into the business they required mandatory and statutory approvals from the Board to set up the project. "When we went to discuss the idea with the board in Delhi to initiate the process of getting necessary approvals, to my surprise even they were not sure if such

government SEZ in Andhra Pradesh along the east coast which was abuzz with E&P activity. Space to set up industrial units is available at much lower rates in government owned SEZs as compared to the private zones. "Additionally, the state governments provides basic infrastructure that helps reduce capital expenditure to a great extent," Sharma explains. The company set up its second warehouse in Mundra in Gujarat. Mundra SEZ is a private zone and the company has invested substantially to set up the state of the art facility to extend its

USP of Warehouse Services from OWS

- Customers saved freight cost of up to USD 45 million during the period from 2006-10.
- Tool utilization went up by 16 percent on an average as the time to transport was huge and the tool could not be used unless it had been re-exported.
- Tool utilization increased to 33% for certain customers that pushed the earnings up by around 25 percent more than earlier.
- Emergency equipment supplied to the customers in case of unprecedented breakdowns that is delivered 24X7 to reduce downtime and mitigate production losses.
- Operators are able to save largely on freight costs which run into millions of dollars.
- Country has saved FOREX since the operators are not paying exorbitantly to the equipment providers, which reduces the outflow of foreign exchange from the nation
- Service providers can be in India without being in India.
- Cashless option enables small scale companies to ply in Indian market without worrying about the extra cost that they would incur otherwise in setting up their offices in India.

services along the West Coast.

Inorganic Growth

Sharma is pioneering the growth of his business venture with his sharp business acumen and in less than five years the company has made significant progress. Sharma envisages the presence of OWS in all the oil & gas hubs across the globe and the company has recently signed a joint venture with Government of Oman to develop oil and gas hub in 50 hectares of the Free Trade Zone along the port of Sohar in Oman. Oman's geographical location and its close proximity to UAE, Saudi Arabia, which is the hub for oil and gas industry in the Middle East makes it an ideal location to set

up the warehouse services for equipment suppliers in the Middle East.

Under Sharma's stewardship the company is expanding globally and has set up its office in Houston which is already functional. "Post Obama's visit, our company has added one job to US," quips Sharma. We plan to enter Canada and then Australia in the near future.

Sharma is in talks with many small size players from world over who are keen to enter the rapidly growing Indian oil & gas market. Our company provides them with the opportunity to operate in India without being in India through SEZ. "Since we started from the scratch, we understand how important it is to save capital on any new venture and especially for the small players who do not work on high profit margins," says Sharma. We help them enter the Indian market through our services which helps them have their presence in India without being present in India by acting on their behalf from an SEZ being a foreign territory. This saves them capital, time and hassle to go through the grind of permissions from the authorities to set up their office in India. To carry on the mission of being innovative always, Sharma look towards his young son Vineet 26, a marine Engineer from Tolani Maritime and MBA from IIMB. After passing out from IIMB in March 10, Vineet has joined the business in Dubai and is taking care of the international offices in UAE, Oman, USA & upcoming locations. "Matured Experience & young thoughts are best mixture for any such business. These youngsters have bright ideas because they are exposed to the world more than we were at our age." says Sharma the proud father.

With his out-of-box innovative thinking, Sharma has opened a new chapter in the history of logistics for the offshore industry and the industry will continue to reap the benefits for many years to come. ■

