

Selan Exploration

₹252

Lubricating the World...!!!

Buy



Aug 31, 2018

Company Background

SELAN was incorporated in 1985 as a private Ltd, It become a public Ltd in October 1990. It was promoted by Rajinder Nath Kapur & his associates. Operates in only one Business Segment that is Production of Crude Oil and Natural Gas. Company entered into the business of proven oil fields where presence of hydrocarbon is already established. Ministry of Petroleum and Gas, Government of India, has approved of contracts with the company for the development of oil and gas fields namely Lohar, Bakrol and Indrora. Company having detailed negotiations with the Ministry of Petroleum for award of additional oil fields in onshore Gujarat. Subsequently, it was awarded two more fields in Gujarat namely Ognaj Oilfield & Karjisan Gas field. At present it operating 5 oil & gas fields in prolific Cambay Basin. It owns 100% of its assets. SELAN thus has significant oil and gas assets in its control which require developmental work and for the purposes it would require substantial amounts of Capital investment to augment its development and growth objectives. It has a Development Plan for drilling of additional wells in these blocks in the next 3 to 5 years. The Plan is intended to be executed in a phased manner and would involve large capital expenditures, to be funded through a combination of external borrowings & internal accruals.

Key Highlights

- ➔ For the year 2018 Net sales were improved by 37.2% to ₹ 766.1 mn, operating profit rose by 26.4% to ₹ 545.5 mn and net profit also up by 149.8% to ₹ 220.6 mn on yearly basis.
- ➔ During the FY18 it has good growth in production of both Oil & Gas. Oil production increased by 36,014 bbls to 2,01,276 bbls in 2017-18 & gas production increased by 15,74,774 m3 to 76,22,988 m3 in 2017-18. It has successfully delivered four quarters of growth in production.
- ➔ Bakrol, Indrora & Lohar fields have the original Production Sharing Contract (PSC) till 2020, while Karjisan & Ognaj contracts ends in 2030 and 2033 respectively. Company has submitted PSC extension applications for 10 years with Directorate General of Hydrocarbons (DGH) for extension of PSCs of Bakrol, Indrora & Lohar.

Key Financials

Year Ended 31 st	Mar 16	Mar 17	Mar 18
Revenue (INR mn)	718.9	639.5	842.6
Rev. growth (%)	(21.04)	(11.04)	31.76
EBITDA (INR mn)	476.1	431.5	545.6
Net profit (INR mn)	129.0	88.3	220.6
Shares outstanding (mn)	16.4	16.4	16.4
EPS (INR)	6.9	5.4	13.5
EPS growth (%)	(57.87)	(21.31)	0.00
P/E (x)	24.88	0.00	14.13
RONW (%)	4.58	3.12	7.65
ROCE (%)	7.69	5.26	11.64

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Info Codes

Reuters	: SELA.BO
Bloomberg	: SXT IN
NSE	: SELAN
BSE	: 530075

Market Data

52 Wk Range (₹)	: 174/277
Shares in Issue (mn)	: 16.4
Market. Cap (bn)	: 4.24
BSE 2 Wk Avg Vol	: 39000

Share Holding Pattern (%)

Promoters Holding	: 27.89
Public & Others	: 67.88
Corporate Holding	: 00.00
Foreign Institution	: 02.28
Institutions	: 01.95

Investment Theme

India's oil exploration and production sector will see investments worth \$40 bn in next 4-5 years. Field development plans worth \$13.6 billion were already approved and investment worth \$11.6 bn have declaration of commerciality. During the FY 18 India opened 2.8 mn sq km of sedimentary basins for oil and gas exploration with a view to raise domestic production & reduce dependence on oil & gas imports. Company's Oil & Gas production have increased during the year, on the account of production started on some fields & advancement of technology. Indrora field has delivered highest production & Karjisan oil field has started regular production of Oil & Gas during the year. Pilot production enhancement activities also successful in Lohar. Bakrol has undergone technology advancement to improve production.

Invest a lot of time to choose right one...!!!

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 16	Mar 17	% Chg	Mar 18	% Chg
Net Sales	620.3	558.4	(10.0)	766.1	37.2
Other Income	98.6	81.1	(17.7)	76.5	(5.7)
Change in Stocks	(2.2)	11.1	(604.5)	(16.9)	(252.3)
Raw Material Con.	0.0	0.0	0.0	0.0	0.0
Employee Exp.	41.3	35.5	(14.0)	54.2	52.7
Indirect Taxes	0.0	0.0	0.0	0.0	0.0
Other Exp.	199.3	183.4	(8.0)	226.0	23.2
Operating Exp.	240.6	218.9	(9.0)	280.2	28.0
Operating Profit	476.1	431.7	(9.3)	545.5	26.4
Total Interest	16.9	0.7	0.0	1.1	0.0
Gross Profit	459.2	431.0	(6.1)	544.4	26.3
Net Dep.	259.4	282.7	9.0	209.2	(26.0)
Total Taxation	70.8	60.0	(15.3)	114.6	0.0
Net Profit/Loss	129.0	88.3	(31.6)	220.6	149.8

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Mar 15	Mar 16	Mar 17	Mar 18
SOURCES OF FUNDS	2,804.1	2,834.5	2,823.5	2,954.6
Equity Share capital	164.0	164.0	164.0	164.0
Equity Application Money	0.0	0.0	0.0	0.0
Equity Share Warrants	0.0	0.0	0.0	0.0
Reserves & Surplus	2,639.2	2,669.8	2,657.9	2,780.0
Secured Loans	0.0	0.0	0.0	4.5
Unsecured Loans	0.9	0.7	1.6	6.1
USES OF FUNDS	2,804.1	2,834.5	2,823.5	2,954.6
Gross Block	294.6	311.3	296.0	344.9
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	187.1	210.9	201.1	226.7
Net Block	107.5	100.4	94.9	118.2
Capital Work in Progress	2,073.1	2,082.9	1,992.9	2,026.1
Investments	0.0	0.0	0.0	350.6
Current Assets	1,386.3	1,275.4	1,389.3	1,173.2
Less : Current Liabilities	302.4	118.2	63.8	83.8
Total Net Current Assets	1,083.9	1,157.2	1,325.5	1,089.4
Misc. Expenses not writtenoff	(460.4)	(506.0)	(589.8)	(629.7)
NOTE				
Book Value of Unquoted Investments	0.0	0.0	0.0	5.4
Market Value of Quoted Investments	0.0	0.0	0.0	350.6
Contingent Liabilities	0.0	0.0	0.0	0.0
Dividend (%)	50.0	50.0	50.0	50.0

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Sep 17	Dec 17	Mar 18	Jun 18
Net Sales	171.6	212.2	233.0	269.2
Cost Of Sales	69.5	69.4	87.6	79.4
Operating Profit	102.1	142.8	145.4	189.8
Other Income	19.9	18.9	17.9	16.8
Adjusted PBDIT	122.0	161.7	163.3	206.6
Financial Expenses	0.0	0.2	0.2	0.1
Depreciation	6.4	6.8	7.1	7.1
Other Write Offs	44.5	53.8	44.5	43.2
Adjusted PBT	71.1	100.9	111.5	156.2
Tax Charges	24.9	35.0	37.0	13.7
Reported Profit	46.2	65.9	74.5	142.5
Extra Ordinary Items	0.0	0.0	0.0	0.0
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Adjusted Net Profit	46.2	65.9	74.5	142.5

52 Week Index Relative Percentage Appreciation



Selan vs SENSEX

Risks Associated

- ➔ Shortage of rigs and related oilfield services has been a major problem in the region where the SELAN operates. Due to the shortage of rigs and oilfield service suppliers, it has to tie-up with oilfield service suppliers a year in advance to execute its scheduled drilling programmes.
- ➔ Another problem is urbanization, where it has the fields there urbanization is high and it leads to delay in land acquisitions, which affects the various development and production activities.
- ➔ Hydrocarbon business is a high investment, high risk business with long gestation periods. Fluctuation in international oil market as well as in the dollar value of the rupee is another factor which adds to the unpredictability of profits in this industry.

Scope of Growth

- ➔ During the year, it has submitted its application for a 10-year extension beyond March-2020 of its Production Sharing Contracts for Lohar, Bakrol and Indrora to DGH. It believes that all regulatory, operational and compliance requirements for contract extension are in proper & the applications are under review with DGH.
- ➔ SELAN has a development plan for drilling of additional wells in Ognaj & Karjisan fields in the next 3 to 5 years. The plan is intended to be executed in a phased manner and would involve large capital expenditures, to be funded through a combination of external borrowings & internal accruals.
- ➔ Threat of new entrants continues to be low, due to the capital intensive nature of the industry and economies of scale.
- ➔ Daily total production from all the fields is about 600 barrels and 20,000 SCM (Standard Cubic Meter) of oil and gas per day respectively. All fields area is about 190 (sq. km).

In a Nutshell

SELAN operates in only Production of Crude Oil and Natural Gas. Company entered into the business of proven oil fields where presence of hydrocarbon is already established. Ministry of Petroleum and Gas, Government of India, has approved of contracts with the company for the development of oil and gas fields namely Lohar, Bakrol and Indrora. Later on, it awarded Ognaj & Karjisan fields. At present it has five oil and gas fields such as Lohar, Bakrol, Indrora, Ognaj & Karjisan. Bakrol, Lohar & Indrora fields cumulative production of Selan is 2.9 MM BOE in approx 20 years. After 1995 all this 3 fields are undertaken by Selan. It's revenue 90% is from Crude Oil and rest from Natural gas. It is expected to produce 5.3 mm BOE more of oil and gas in the near term. Majority of incremental production is expected to come from Bakrol (3.9 mm boe) followed by Karjisan (0.62 mm boe), Lohar (0.41 mm boe) and Indrora (0.38 mm boe) fields. Daily total production from all the fields is about 600 barrels and 20,000 SCM (Standard Cubic Meter) of oil and gas per day respectively. During the year company has submitted PSC extension applications with DGH for extension of PSCs of Bakrol, Indrora and Lohar as these applications have to be submitted two years in advance of the expiry date of PSCs. During the FY 18 its production got improved a lot, due to start up new wells to production, Pilot production enhancement activities in Lohar, Indrora has delivered its highest production and Bakrol using hydraulic stimulation to deliver higher & optimum production. It going to drill additional wells in Ognaj & Karjisan fields in the next 3-5 years. All the developments will improve production further.

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Rating Interpretation

Buy : Expected to appreciate 20% or more over 12-months	Reduce : Expected to depreciate up to 10% over 12-months
Accumulate : Expected to appreciate 10% to 20% over 12-months	Sell : Expected to depreciate 10% or more over 12-months
Trade Buy : Expected to appreciate more than 10% over 45-days	Trade Sell : Expected to depreciate more than 10% over 45-days

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