CHAPTER- I

INTRODUCTION
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INTRODUCTION

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1.1- INTRODUCTION

The petrochemical sector has played an important role in the economic development of the country. Petrochemical has a dominant share of bulk customers business including that of railways, state transport undertakings, industrial, agriculture and marine sectors.

IOC was incorporated on June 30, 1959 under the name and style of Indian Oil Company Ltd. Upon merger with Indian Refineries Ltd. on September 1, 1964, the name of the company was changed to Indian Oil Corporation Limited.

Indian Oil Corporation is an Indian public sector petroleum company. It’s a major diversified, translational, integrated energy company with national leadership and a strong environmental conscience, playing a national role in Oil security and Public distribution. It is India’s largest commercial enterprise, ranking 105th on the Fortune Global 500 listing (2009). It began operation in 1959 as Indian oil company ltd. The Indian Oil Corporation was formed in 1964, with the merger Indian refineries ltd. Indian oil group of Companies owns and operates 10 of India’s 19 refineries with combined refining capacity of 60.2 million metric tones per day.

1.2- OBJECTIVES OF THE IOC-

IOC is required to fulfill financial and economical Objectives by a Public Enterprise. Various important objectives are as follows:-

- To serve the national interests in oil and related sectors in accordance and consistent with Government policies.
• To ensure maintenance of continuous and smooth supplies of petroleum products by way of crude oil refining, transportation and marketing activities and to provide appropriate assistance to consumers to conserve and use petroleum products efficiently.
• To enhance the country's self-sufficiency in crude oil refining and build expertise in lying of crude oil and petroleum product pipelines.
• To further enhance marketing infrastructure and reseller network for providing assured service to customers throughout the country.
• To create a strong research & development base in refinery processes, product formulations, pipeline transportation and alternative fuels with a view to minimizing/eliminating imports and to have next generation products.
• To optimize utilization of refining capacity and maximize distillate yield and gross refining margin.
• To maximize utilization of the existing facilities for improving efficiency and increasing productivity.
• To minimize fuel consumption and hydrocarbon loss in refineries and stock loss in marketing operations to effect energy conservation.
• To earn a reasonable rate of return on investment.
• To avail of all viable opportunities, both national and global, arising out of the Government of India’s policy of liberalization and reforms.
• To achieve higher growth through mergers, acquisitions, integration and diversification by harnessing new business opportunities in oil exploration & production, petrochemicals, natural gas and downstream opportunities overseas.
• To inculcate strong ‘core values’ among the employees and continuously update skill sets for full exploitation of the new business opportunities.
- To develop operational synergies with subsidiaries and joint ventures and continuously engage across the hydrocarbon value chain for the benefit of society at large.

1.3- **GROUP COMPANIES AND JOINT VENTURES**

As part of inorganic growth through mergers and acquisitions, the refinery operations and marketing activities of Assam Oil Company were vested in IOC in October 1981, and it became the Assam Oil Division of IOC. The old units of the vintage Digboi Refinery (the first refinery in Asia) were revamped and by 1996 it was transformed into a modern refinery of IOC.

In the year 2001, IOC acquired the Government stake and management control of stand-alone refiners Chennai Petroleum Corporation Ltd. (CPCL) and Bongaigaon Refinery & Petrochemicals Ltd. (BRPL), substantially enhancing group refining capacity. Subsequently, capacity expansion of CPCL and laying of the 526-km Chennai-Trichy-Madurai product pipeline helped further strengthen IOC’s marketing in South India. Similarly, strategic turnaround initiatives taken by the IOC helped BRPL come out of the red and post profits and merger with the parent company is due soon.

IOC acquired IBP in the year 2002 and seamlessly merged it with the parent company in 2007, leading to the formation of a larger and more formidable marketing network. IOC Technologies Ltd. was launched as a fully-owned R&D subsidiary in the year 2003 to market the Corporation’s intellectual property.

IOC has set up three overseas subsidiaries – in Sri Lanka (2003), Mauritius (2004) and the United Arab Emirates (2006). Lanka IOC Ltd. operates about 150 petrol & diesel stations in the island nation, besides an oil terminal and a
lube blending plant at Trincomalee. IOC (Mauritius) Ltd. operates a modern petroleum bulk storage terminal at Mer Rouge port, has an overall market share of nearly 20%, and commands a 32% market share in aviation fuelling business in Mauritius. IOC Middle East FZE oversees blending of SERVO lubricants and marketing of petroleum products and lubricants in the Middle East, Africa and CIS countries.

In addition, IOC has eight active joint ventures in operation with reputed Indian and overseas partners in the areas of aviation refuelling, city gas marketing, LPG and LNG imports and storage, specialty lubricants and additives, terminalling services.

**Table I. 1**

<table>
<thead>
<tr>
<th>Name of JV</th>
<th>Date of Incorporation</th>
<th>Promoters and Equity</th>
<th>Area(s) of operation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avi-Oil India Limited</td>
<td>04.11.1993</td>
<td>IOC &amp; Balmer Lawrie: 25% each Neden BV, the Netherlands: 50%</td>
<td>To blend, manufacture and sell synthetic, semi synthetic and mineral based lubricating oils, greases and hydraulic fluids, related products and specialties for Defence and Civil Aviation uses. To build and operate terminalling services for petroleum products.</td>
</tr>
<tr>
<td>Company Name</td>
<td>Date</td>
<td>Partnership Details</td>
<td>Description</td>
</tr>
<tr>
<td>--------------------------------------------------</td>
<td>----------</td>
<td>-------------------------------------------------------------------------------------</td>
<td>-------------</td>
</tr>
<tr>
<td>IOC Infrastructure &amp; Energy Services Ltd. (Formerly known as Indian Oiltanking Limited)</td>
<td>28.08.1996</td>
<td>IOC &amp; Oiltanking GmbH, Germany: 50% each</td>
<td>To build and operate terminalling services for petroleum products.</td>
</tr>
<tr>
<td>IOC Petronas Private Limited</td>
<td>03.12.1998</td>
<td>IOC &amp; Petronas, Malaysia: 50% each</td>
<td>To construct and import facilities for LPG import at Haldia and to engage in parallel marketing of LPG.</td>
</tr>
<tr>
<td>Lubrizol India Private Limited</td>
<td>01.04.2000</td>
<td>IOC &amp; Lubrizol Corporation, USA: 50% each</td>
<td>To manufacture and market chemicals for use as additives in fuels, lubricants and greases.</td>
</tr>
<tr>
<td>Petronet LNG Limited</td>
<td>02.04.1998</td>
<td>IOC, BPCL, GAIL India Limited &amp; ONGC: 12.50% each</td>
<td>Development of facilities for import and regasification of LNG at Dahej and Kochi.</td>
</tr>
<tr>
<td>Petronet India Limited</td>
<td>26.05.1997</td>
<td>IOC :18% BPCL &amp; HPCL:16% each Reliance Industries Limited, IL&amp;FS Trust Company Limited, ICICI Bank Ltd., State Bank of India &amp; Essar Oil Limited:10% each</td>
<td>To implement petroleum products, pipeline projects through Special Purpose Vehicles.</td>
</tr>
<tr>
<td>Company</td>
<td>Date</td>
<td>Partners and Ownership Details</td>
<td>Purpose</td>
</tr>
<tr>
<td>--------------------</td>
<td>-----------</td>
<td>-------------------------------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Petronet VK Limited</td>
<td>21.05.1998</td>
<td>IOC &amp; Petronet India Limited: 26% each, Reliance Industries Limited &amp; Essar Oil Limited: 13% each, SBI, GIIC, Kandla Port Trust, Infrastructure Leasing &amp; Financial Services Limited: 05% each; Canara Bank: 02% each</td>
<td>To construct and operate a pipeline for transportation of petroleum products from Vadinar to Kandla.</td>
</tr>
<tr>
<td>Petronet CI Limited</td>
<td>07.12.2000</td>
<td>IOC, Petronet India &amp; Reliance Petroleum Limited: 26% each, Essar Oil Limited &amp; BPCL: 11% each</td>
<td>To construct and operate a pipeline for evacuation of petroleum products from RPL and EOL refineries at Jamnagar as well as from Gujarat Refinery at Koyali to feed the consumption zones at Central India.</td>
</tr>
<tr>
<td>Company Name</td>
<td>Date</td>
<td>Partners/Details</td>
<td>Description</td>
</tr>
<tr>
<td>--------------------------------------------------------</td>
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<td>----------------------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Indo Cat Pvt. Limited</td>
<td>01.06.2006</td>
<td>IOC &amp; Intercat Inc., USA: 50% each</td>
<td>Manufacturing &amp; marketing of FCC catalysts and additives.</td>
</tr>
<tr>
<td>IOC Skytanking Limited</td>
<td>21.08.2006</td>
<td>IOC, IOT Infrastructure &amp; Energy Services Ltd. (Formerly IOTL) &amp; Skytanking Holding GmbH, Germany: 33.33% each</td>
<td>Design, finance, construct, operate &amp; maintain aviation fuel facility projects.</td>
</tr>
<tr>
<td>IOC Power Consortium Limited</td>
<td>06.10.1999</td>
<td>IOC &amp; Marubeni Corporation, Japan: 50% each</td>
<td>To build and operate its own power generation plant at Panipat utilizing Petcoke from Panipat Refinery.</td>
</tr>
<tr>
<td>Suntera Nigeria 205 Limited</td>
<td>09.05.2006</td>
<td>IOC &amp; Oil India: 25% each Suntera Resources Ltd., Cyprus: 50%</td>
<td>Investments in oil and gas industry especially in the upstream sector</td>
</tr>
<tr>
<td>IOC-CREDA Biofuels Limited</td>
<td>06.02.2009</td>
<td>IOC: 74%, Chattisgarh Renewal Energy Development Agency : 26%</td>
<td>Farming, cultivating, manufacturing, production and selling biomass, bio-fuels and allied products &amp; services</td>
</tr>
</tbody>
</table>

(Updated on December 02, 2009)
1.4- **History of Company from establishment to update**-

The Indian Oil Corporation Ltd. operates as the largest company in India in terms of turnover and is the only Indian company to rank in the Fortune "Global 500" listing. The oil concern is administratively controlled by India's Ministry of Petroleum and Natural Gas, a government entity that owns just over 90 percent of the firm. Since 1959, this refining, marketing, and international trading company served the Indian state with the important task of reducing India's dependence on foreign oil and thus conserving valuable foreign exchange. That changed in April 2002, however, when the Indian government deregulated its petroleum industry and ended Indian Oil's monopoly on crude oil imports. The firm owns and operates seven of the 17 refineries in India, controlling nearly 40 percent of the country's refining capacity.

**Origins**
Indian Oil owes its origins to the Indian government's conflicts with foreign-owned oil companies in the period immediately following India's independence in 1947. The leaders of the newly independent state found that much of the country's oil industry was effectively in the hands of a private monopoly led by a combination of British-owned oil companies Burmah and Shell and U.S. companies Standard-Vacuum and Caltex.

An indigenous Indian industry barely existed. During the 1930s, a small number of Indian oil traders had managed to trade outside the international cartel. They imported motor spirit, diesel, and kerosene, mainly from the Soviet Union, at less than world market prices. Supplies were irregular, and they lacked marketing networks that could effectively compete with the multinationals.
Burmah-Shell entered into price wars against these independents, causing protests in the national press, which demanded government-set minimum and maximum prices for kerosene--a basic cooking and lighting requirement for India's people--and motor spirit. No action was taken, but some of the independents managed to survive until World War II, when they were taken over by the colonial government for wartime purposes.

During the war, the supply of petroleum products in India was regulated by a committee in London. Within India, a committee under the chairmanship of the general manager of Burmah-Shell and composed of oil company representatives pooled the supply and worked out a set price. Prices were regulated by the government, and the government coordinated the supply of oil in accordance with defense policy.

**The Indian Oil Industry Evolves: Late 1940s-60s**

Wartime rationing lasted until 1950, and a shortage of oil products continued until well after independence. The government's 1948 Industrial Policy Resolution declared the oil industry to be an area of the economy that should be reserved for state ownership and control, stipulating that all new units should be government-owned unless specifically authorized. India remained effectively tied to a colonial supply system, however. Oil could only be afforded if imported from a country in the sterling area rather than from countries where it had to be paid for in dollars. In 1949, India asked the oil companies of Britain and the United States to offer advice on a refinery project to make the country more self-sufficient in oil. The joint technical committee advised against the project and said it could only be run at a considerable loss.

The oil companies were prepared to consider building two refineries, but only if these refineries were allowed to sell products at a price ten percent
above world parity price. The government refused, but within two years an
event in the Persian Gulf caused the companies to change their minds and
build the refineries. The companies had lost their huge refinery at Abadan in
Iran to Prime Minister Mussadegh’s nationalization decree and were unable
to supply India's petroleum needs from a sterling-area country. With the
severe foreign exchange problems created, the foreign companies feared
new Iranian competition within India. Even more important, the government
began to discuss setting up a refinery by itself.
Between 1954 and 1957, two refineries were built by Burmah-Shell and
Standard-Vacuum at Bombay, and another was built at Vishakhapatnam by
Caltex. During the same period the companies found themselves in
increasing conflict with the government.
The government came into disagreement with Burmah Oil over the
Nahorkatiya oil field shortly after its discovery in 1953. It refused Burmah
the right to refine or market this oil and insisted on joint ownership in crude
production. Burmah then temporarily suspended all exploration activities in
India.
Shortly afterward, the government accused the companies of charging
excessive prices for importing oil. The companies also refused to refine
Soviet oil that the government had secured on very favorable terms. The
government was impatient with the companies' reluctance to expand refining
capacity or train sufficient Indian personnel. In 1958, the government
formed its own refinery company, Indian Refineries Ltd. With Soviet and
Romanian assistance, the company was able to build its own refineries at
Noonmati, Barauni, and Koyali. Foreign companies were told that they
would not be allowed to build any new refineries unless they agreed to a
majority shareholding by the Indian government.
In 1959, the Indian Oil Corporation was founded as a statutory body. At first, its objective was to supply oil products to Indian state enterprise. Then it was made responsible for the sale of the products of state refineries. After a 1961 price war with the foreign companies, it emerged as the nation's major marketing body for the export and import of oil and gas.

Growing Soviet imports led the foreign companies to respond with a price war in August 1961. At this time, Indian Oil had no retail outlets and could sell only to bulk consumers. The oil companies undercut Indian Oil's prices and left it with storage problems. Indian Oil then offered even lower prices. The foreign companies were the ultimate losers because the government was persuaded that a policy of allowing Indian Oil dominance in the market was correct. This policy allowed Indian Oil the market share of the output of all refineries that were partly or wholly owned by the government. Foreign oil companies would only be allowed such market share as equaled their share of refinery capacity.

**Indian Oil Corporation: 1964 to the 1990s**

In September 1964, Indian Refineries Ltd. and the Indian Oil Company were merged to form the Indian Oil Corporation. The government announced that all future refinery partnerships would be required to sell their products through Indian Oil.

It was widely expected that Indian Oil and India's Oil and Natural Gas Commission (ONGC) would eventually be merged into a single state monopoly company. Both companies grew vastly in size and sales volume but, despite close links, they remained separate. ONGC retained control of most of the country's exploration and production capacity. Indian Oil remained responsible for refining and marketing.
During this same decade, India found that rapid industrialization meant a large fuel bill, which was a steady drain on foreign exchange. To meet the crisis, the government prohibited imported petroleum and petroleum product imports by private companies. In effect, Indian Oil was given a monopoly on oil imports.

A policy of state control was reinforced by India’s closer economic and political links with the Soviet Union and its isolation from the mainstream of western multinational capitalism. Although India identified its international political stance as non-aligned, the government became increasingly friendly with the Soviet Bloc, because the United States and China were seen as too closely linked to India’s major rival, Pakistan. India and the USSR entered into a number of trade deals. One of the most important of these trade pacts allowed Indian Oil to import oil from the USSR and Romania at prices lower than those prevailing in world markets and to pay in local currency, rather than dollars or other convertible currencies.

For a time, no more foreign refineries were allowed. By the mid-1960s, government policy was modified to allow expansions of foreign-owned refinery capacity. The Indian Oil Corporation worked out barter agreements with major oil companies in order to facilitate distribution of refinery products.

In the 1970s, the Oil and Natural Gas Commission of India, with the help of Soviet and other foreign companies, made several important new finds off the west coast of India, but this increased domestic supply was unable to keep up with demand. When international prices rose steeply after the 1973 Arab oil boycott, India's foreign exchange problems mounted. Indian Oil's role as the country's monopoly buyer gave the company an increasingly important role in the economy. While the Soviet Union continued to be an
important supplier, Indian Oil also bought Saudi, Iraqi, Kuwaiti, and United Arab Emirate oil. India became the largest single purchaser of crude on the Dubai spot market.

The government decided to nationalize the country's remaining refineries. The Burmah-Shell refinery at Bombay and the Caltex refinery at Vizagapatnam were taken over in 1976. The Burmah-Shell refinery became the main asset of a new state company, Bharat Petroleum Ltd. Caltex Oil Refining (India) Ltd. was amalgamated with another state company, Hindustan Petroleum Corporation Ltd., in March 1978. Hindustan had become fully Indian-owned on October 1, 1976, when Esso's 26 percent share was bought out. On October 14, 1981, Burmah Oil's remaining interests in the Assam Oil Company were nationalized, and Indian Oil took over its refining and marketing activities. Half of India's 12 refineries belonged to Indian Oil. The other half belonged to other state-owned companies.

By the end of the 1980s, India's oil consumption continued to grow at eight percent per year, and Indian Oil expanded its capacity to about 150 million barrels of crude per annum. In 1989, Indian Oil announced plans to build a new refinery at Paradip and modernize the Digboi refinery, India's oldest. However, the government's Public Investment Board refused to approve a 120,000 barrels-per-day refinery at Daitari in Orissa because it feared future over-capacity.

By the early 1990s, Indian Oil refined, produced, and transported petroleum products throughout India. Indian Oil produced crude oil, base oil, formula products, lubricants, greases, and other petroleum products. It was organized into three divisions. The refineries and pipelines division had six refineries, located at Gwahati, Barauni, Gujarat, Haldia, Mathura, and Digboi.
Together, the six represented 45 percent of the country's refining capacity. The division also laid and managed oil pipelines. The marketing division was responsible for storage and distribution and controlled about 60 percent of the total oil industry sales. The Assam Oil division controlled the marketing and distribution activities of the formerly British-owned company.

Indian Oil also established its own research center at Faridabad near New Delhi for testing lubricants and other petroleum products. It developed lubricants under the brand names Servo and Servo prime. The center also designed fuel-efficient equipment.

**Changes in the Oil Industry: Late 1990s and Beyond**

The oil industry in India changed dramatically throughout the 1990s and into the new millennium. Reform in the downstream hydrocarbon sector, in which Indian Oil was the market leader--began as early in 1991 and continued throughout the decade. In 1997, the government announced that the Administered Pricing Mechanism (APM) would be dismantled by 2002. To prepare for the increased competition that deregulation would bring, Indian Oil added a seventh refinery to its holdings in 1998 when the Panipat facility was commissioned. The company also looked to strengthen its industry position by forming joint ventures. In 1993, the firm teamed up with Balmer Lawrie & Co. and NYCO SA of France to create Avi-Oil India Ltd., a manufacturer of oil products used by defense and civil aviation firms. One year later, Indo Mobil Ltd. was formed in a 50-50 joint venture with Exxon Mobil. The new company imported and blended Mobil brand lubricants for marketing in India, Nepal, and Bhutan. In addition, Indian Oil was involved in the formation of ten major ventures from 1996 through 2000.
Indian Oil also entered the public arena as the government divested nearly 10 percent of the company. In 2000, Indian Oil and ONGC traded a 10 percent equity stake in each other in a strategic alliance that would better position the two after the APM dismantling, which was scheduled for 2002. According to a 1999 Hindu article, Indian Oil Corporation's strategy at this time was "to become a diversified, integrated global energy corporation." The article went on to claim that "while maintaining its leadership in oil refining, marketing and pipeline transportation, it aims for higher growth through integration and diversification. For this, it is harnessing new business opportunities in petrochemicals, power, lube marketing, exploration and production and fuel management in this country and abroad."

In early 2002, Indian Oil acquired IBP, a state-owned petroleum marketin. The firm also purchased a 26 percent stake in financially troubled Haldia Petrochemicals Ltd. In April of that year, Indian Oil's monopoly over crude imports ended as deregulation of the petroleum industry went into effect. As a result, the Corporation faced increased competition from large international firms as well as new domestic entrants to the market. During the first 45 days of deregulation, Indian Oil lost Rs7.25 billion, a signal that the India's largest oil refiner would indeed face challenges as a result of the changes.

Nevertheless, Indian Oil management believed that the deregulation would bring lucrative opportunities to the company and would eventually allow it to become one of the top 100 companies on the Fortune 500—in 2001 the company was ranked 209. With demand for petroleum products in India projected to grow from 148 million metric tons in 2006 to 368 million metric tons by 2025, Indian Oil believed it was well positioned for future growth and prosperity.
IOC Today

From a fledgling company with a net worth of just Rs. 45.18 crore and sales of 1.38 million tonnes valued at Rs. 78 crore in the year 1965, IOC has since grown over 3000 times with a sales turnover of Rs. 285,337 crore, the highest–ever for an Indian company, and a net profit of Rs. 2,950 crore for 2008-09.

Set up with the mandate of achieving self-sufficiency in refining and marketing operations for a nascent nation set on the path of economic growth and prosperity, IOC today accounts for nearly half of India’s petroleum consumption, reaching precious petroleum products to millions of people everyday through a countrywide network of around 35,000 sales points. They are backed for supplies by 167 bulk storage terminals and depots, 101 aviation fuel stations and 89 Indane LPG bottling plants. For the year 2008-09, IOC sold 62.6 million tonnes of petroleum products, including 1.7 million tonnes of natural gas.

The IOC Group of companies owns and operates 10 of India’s 20 refineries with a combined capacity of over 60 MMTPA, accounting for 34% of national refining capacity, after excluding EOU refineries. Projects under execution will take the capacity further to 80 MMTPA by the year 2011-12. Besides setting up state-of-the-art facilities to raise product quality to global standards, IOC has undertaken chartering of ships for crude oil imports on its own and is expanding its basket of crudes and upgrading its refineries to handle a wider array of crudes, including high-sulphur types.

As a pioneer in laying of cross-country crude oil and product pipelines, the Corporation crossed 10,000 km in pipeline length and about 70 MMTPA in
throughput capacity with the commissioning of the 330-km Paradip-Haldia crude oil pipeline recently. Plans are under execution to add about 4,000 km more by the year 2012. In-house capabilities have enabled the Corporation undertake all pipeline projects on its own and even offer turnkey expertise in techno-economic feasibility studies, design and detailed engineering, project execution, operations, maintenance and consultancy services.

Set up in 1972, IOC's R&D Centre has blossomed into a world-class institution and Asia's finest. Besides its pioneering work in lubricants formulation, refinery processes, pipeline transportation and alternative fuels such as ethanol-blended petrol and bio-diesel, the Centre is also the nodal agency of the Indian hydrocarbon sector for ushering in Hydrogen fuel into the country. It has over 214 active patents to its credit, including 113 international patents. Its current R&D focus is on the future business needs of IOC in the areas of petrochemicals, including polymers, and alternative energy sources.

(Updated on August 04, 2009)

1.5- Complete 50 years of success

India’s flagship national oil company and downstream petroleum major, Indian Oil Corporation Ltd. (IOC) is celebrating its Golden Jubilee during 30th June - 1st September 2009. Established as an oil marketing entity on 30th June 1959, Indian Oil Company Ltd. was renamed Indian Oil Corporation Ltd. on 1st September 1964 following the merger of Indian Refineries Ltd. (established in August 1958) with it. The integrated refining & marketing entity has since grown into the country’s largest commercial enterprise and India’s No.1 Company in the prestigious Fortune ‘Global
It is also the 18th largest petroleum company in the world.

**Honorable President Inaugurates Indian Oil’s Golden Jubilee Celebrations**

**June 30, 2009:** The Plenary Hall of Vigyan Bhavan, New Delhi, was resplendent with pride & celebratory mood. The precincts of the sought-after internationally prominent venue was overflowing with special guests who had flown from abroad, ambassadors, CEOs of top industries, the top bureaucrats of the nation, politicians, ministers, ex-ministers, media barons, luminaries from the capital, leading lights from the oil & gas sector, Indian Oil’s reseller network, stakeholders, cheered and applauded along with the jubilant Indian Oil current and past team members led by Mr. Sarthak Behuria, Chairman & its Board of Directors, as the inaugural lamp was lit by the Chief Guest of the evening, Honorable President of India, Mrs. Pratibha Devisingh Patil, to mark its ‘50 Golden Years In The Service Of The Nation’ against the backdrop of the powerful rendition of Gayatri Mantra.

Honorable President said, “It gives me great pleasure to participate in the inauguration of the Golden Jubilee Celebrations of Indian Oil Corporation. Fifty years of this organization are symbolic of India’s efforts to build its own energy industry with a view to achieving self-sufficiency and thereby, meet the strategic requirements of energy security. When Indian Oil Corporation came into existence in 1959, the country’s domestic oil sector was almost non-existent. We can be proud that today India has home-grown energy companies in exploration, production and distribution of oil & gas, which are world class.” Honorable President added that Indian Oil with its
team of scientists, engineers and managers can be a significant player in the global expansion of the nation’s oil and gas sector.

Considering that Indian Oil is the largest public enterprise of the country with maximum percent of the share capital of the Corporation being held by the President of India, her gracious presence was befitting and a great honour & encouragement for the Indian Oil family in their moment of pride. During these 50 years in the service of the nation, Indian Oil has expanded its horizon, reached new peaks, and achieved historic milestones with one single-minded purpose to participate in India’s economic development and to meet customer aspirations.

Today in every nook & corner of the country, in every terrain from Kashmir to Kanyakumari, from Kutch to Kohima, You can spot Indian Oil’s Orange and Blue signage spelling dependability, trust and confidence to millions of customers.

With a committed team, Indian Oil has been catering to the common man’s aspirations, fuelling the army man’s courage and powering the nation from end to end. Indian Oil celebrates its unending endeavor of being the Energy of India.

(Updated on July 03, 2009- Business line)

1.6- All over world networking

Guwahati Refinery, the first public sector refinery of the country, was built with Romanian collaboration and was inaugurated by the first Prime Minister of India, Pandit JawaharLal Nehru, on 1st January 1962. IOC refineries
registered a record throughput of 35.3 million tonnes during the financial year surpassing the previous best of 33.8 million tonnes in 2001-2002. IOC commissioned India's first product pipeline, the Guwahati - Siliguri pipeline, in 1965. This 435-Km pipeline connecting Guwahati Refinery to different installations was designed to carry about 0.818 MMT of oil per year.

From a small beginning with a sale of 0.032 million kilolitres, IOC achieved sales of 10 million kilolitres with a turnover of Rs. 635 crore* and profit Rs. 22.5 crore by the late 60's. From then on, the company has grown from strength to strength and for the fiscal 2007, the IOC group sold 59.29 million tonnes of petroleum products, including 1.74 million tonnes of natural gas, and exported 3.33 million tonnes of petroleum products.

IOC is investing Rs. 43,393 crore (US $10.8 billion) during the period 2007-12 in augmentation of refining and pipeline capacities, expansion of marketing infrastructure and product quality upgradation as well as in integration and diversification projects and grease formulations of the 70's, this Centre has, over the years, acquired the capabilities to develop products meeting the latest international specifications as well as customized products to meet special application requirements.

1.7- Research and Development centre
IOC 's world class R&D Centre spread over 65 acres of lush green campus on the outskirts of Delhi has state-of-the-art facilities and has carried out pioneering work in lubricants formulation, refinery processes and pipeline transportation. The Centre has 108 patents to its credit of which 44 are international including 26 in USA.
Over the past three decades IOC R&D Centre has developed over 2000 formulations of lubricating oils and greases to satisfy the needs of Indian Industry and consuming sectors of Defence, Railways, Public Utilities and Transportation. It has been providing all the necessary technology solutions to IOC’s operating divisions by developing innovative, cost-effective and environment-friendly products and processes with strong technical back-up service. It has also developed and brought many new lubricant products to the Indian market, of which multigrade railroad oils are one example. These products possess USPs established through in-house endurance tests.

IOC's focussed research in the areas of lubricant and grease formulations, fuels, refining processes, biotechnology, additives, pipeline transpotations, engine evaluation, tribological and emission studies, and applied metallurgy has won several awards. The R&D's activities in refining technology are targeted in the areas of fluid catalytic cracking (FCC) hydroprocessing, catalysis, resid upgradation, distillation, simulation and modeling, lube processing, crude evaluation, process optimization, material failure analysis and remaining life assessment and other technical services to operating units. In FCC, apart from process optimization and catalyst evaluation, the accent is on the development of novel technologies aimed at value addition to various refinery streams. The R&D center is fully equipped to provide technical support to commercial hydrocracker units in the evaluation of feedstocks and catalyst, optimization of operating parameters, evaluation of licencors' process technologies, development of novel processes and simulation models.

Material failure analysis and remaining life assessment of refinery equipment and installations is a highly specialized service being provided by R&D Centre to the refineries of IOC as well as other companies.
Indian Oil and its subsidiaries account for a 47% share in the petroleum products market, 40% share in refining capacity and 67% downstream sector pipelines capacity in India. The Indian Oil Group of Companies owns and operates 10 of India's 19 refineries with a combined refining capacity of 60.2 million metric tons per year. Indian Oil operates the largest and the widest network of fuel stations in the country, numbering about 17606 (15557 regular ROs & 2049 Kissan Sewa Kendra). It has also started Auto LPG Dispensing Stations (ALDS). It supplies Indane cooking gas to over 47.5 million households through a network of 4,990 Indian distributors. In addition, Indian Oil's Research and Development Center (R&D) at Faridabad supports, develops and provides the necessary technology solutions to the operating divisions of the corporation and its customers within the country and abroad. Subsequently, Indian Oil Technologies Limited - a wholly owned subsidiary, was set up in 2003, with a vision to market the technologies developed at Indian Oil's Research and Development Center. It has been modeled on the R&D marketing arms of Royal Dutch Shell and British Petroleum.

1.8- Existing and proposed projects in India
Indian Oil accords the highest priority to projects implementation without time and cost overruns. The states of the projects, as on date, are as under:

**Dadri-Panipat R-LNG Spur Pipeline:** The project envisages laying of a 30 inch diameter, 133 km long spur line from Dadri (U.P.) Terminal of GAIL (India) Ltd. pipeline network to Panipat Refinery for supply of R-LNG as replacement of Naphtha currently being used. The approved cost of the project is Rs. 298 crore.
**Chennai-Bengaluru Pipeline:** The project envisages laying of 14 inch/12 inch diameter, 290 km long product pipeline from Chennai to Bengaluru. The pipeline shall facilitate cost effective positioning of products at consumption centres located in and around Bengaluru and would strengthen CPCL’s positioning capabilities. The approved cost of the project is Rs. 273 crore.

**Mathura-Bharatpur spur Pipeline:** The project envisages laying of 8 inch diameter, 21 km long product pipeline from existing Mathura station of Mathura-Tundla Pipeline to existing IOC terminal at Bharatpur. This will facilitate supply of petroleum products to Bharatpur depot through a pipeline from Mathura, which is more economical and reliable vis-à-vis rail. The approved cost of the project is Rs. 23 crore.

**Branch Pipeline to Hazira from KDPL:** The project envisages laying of a 12 inch diameter, 94 km long branch pipeline from Koyali-Dahej Pipeline (from T-point at Amod) to Hazira (Marketing Terminal of IOC). This will facilitate economical & reliable placement of petroleum products alongwith effective evacuation of products of Koyali Refinery to Marketing ToP at Hazira. The approved cost of the project is Rs. 71 crore.

Bijwasan-Panipat Naphtha Pipeline: The project envisages laying of 10 inch diameter, 118 km long pipeline from Bijwasan to Panipat for transportation of Naphtha from Mathura Refinery to Panipat, to meet the shortfall of Naphtha with the commissioning of Naphtha Cracker Unit at Panipat. The approved cost of the project is Rs. 65.08 crore.

**Hook-up of Tikrikalan Terminal with MJPL:** The project envisages laying of 14 inch diameter, 2 x 4 km long loopline for hook-up of Tikrikalan terminal with existing MJPL and installation of pumping facilities at Panipat.
to facilitate pumping of products ex-Panipat to Tikrikalan, Bijwasan and Meerut. The approved cost of the project is Rs. 43 crore.

Introduction of Rajasthan crude into IOC pipelines: The project envisages providing mass flow meter, online viscous meter, isolating valves, heat tracing of above-ground piping and recycle line at Radhanpur and Viramgam. The project also includes heat tracing of above ground lines and providing recycle lines (except at Panipat and Koyali) at Sidhpur, Abu Road, Kot, Beawar, Sanganer, Rewari, Panipat and Koyali. The approved cost of the project is Rs. 30 crore.

Augmentation of Chennai-Trichy-Madurai Pipeline (1.8 to 2.3 MMTPA): The project envisages installing higher capacity Mainline Pumping Units (MLPUs) at Chennai, shifting existing MLPUs from Chennai and installation at Asanur. The approved cost of the project is Rs. 46 crore.

**Construction of tanks and blending facility at Vadinar:** The project envisages construction of five additional tanks, 85,000 kl each, along with crude oil blending facility at Vadinar. The approved cost of the project is Rs. 267 crore.

Branch pipeline from KSPL, Viramgam to Kandla: The project envisages laying of 16 inch diameter, 217 km long-branch pipeline from KSPL, Viramgam to existing scrapper station at Churwa along with use of 22 inch diameter, 14 km long existing pipeline from Churwa to Kandla. The approved cost of the project is Rs. 349 crore.

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**1.9- Future Plans**

In spite of deregulation of the oil sector and stiff competition from private players, IOC has maintained its position as India's flagship national oil
company. IOC People have been in the forefront in adapting to the changing environment and enhancing the organisation’s capabilities in providing innovative and value-added offerings to the customers. Against the backdrop of a rapidly changing business environment, IOC is focussing on certain key issues for sustained growth in the deregulated market. These are: prudent finance and projects management, optimum capacity utilisation of refineries and pipelines network, competitive business strategies, customer-focussed innovations in product and service offerings, streamlining of business processes, and achieving greater synergy with group companies for enhanced efficiency and effectiveness in the market place.

The rising customer aspirations for quality products and services, at par with international standards, have also thrown up myriad opportunities. IOC is making the most of them mainly in expanding its existing customer base, customising products for specific market segments, streamlining distribution infrastructure, etc. As part of the Marketing Transformation Programme to move closer to the customers, IOC has bifurcated its marketing function vertically into exclusive retail and direct consumer groups, transferred powers from the four regional offices to 16 marketing offices in State capitals, and set up exclusive groups for process & systems optimisation, brand management and bio-fuels. The ambitious Project Manthan IT re-engineering project has enabled the organisation to assimilate IT and web-based business solutions for real time, integrated transactions and IT solutions for supply chain optimisation.
1.10- **Significance of this study**

After more than four decades as a closed economy and 15 years of reforms, India has finally ascended the world stage and laid the foundations for rapid growth. With buoyancy in the manufacturing and services sectors, coupled with positive business confidence and expectations, India economy is likely to remain firm in the near term. A careful sequencing of structural reforms is currently in progress through various initiatives by the Government of India. The Petrochemical and Hydrocarbon sector played an important role in the economical development of the country and has a dominant share of bulk customers business, including that of railways, state transport undertaking, industrial, agriculture and marine sectors. As a leading public sector enterprise of India, IOC has successfully combined its corporate social responsibility agenda with its business offerings, meeting the energy needs of millions of people everyday across the length and breadth of the country, traversing a diversity of cultures, difficult terrains and harsh climatic conditions. The Corporation takes pride in its continuous investments in innovative technologies and solutions for sustainable energy flow and economic growth and in developing techno-economically viable and environment-friendly products & services for the benefit of its consumers.

Indian oil has set its sight to reach US$ 60 billion revenues by the year 2011-12. The road map to attain this milestone has been laid through vertical integration – forward in to petrochemicals and backwards in to exploration & production of Oil- diversification in to natural gas business, besides globalization of its marketing operations. Through this study, we will draw some conclusions and suggest appropriate measures regarding IOC.
Finally, after getting the views and studies we must analyze the efforts and activities of Indian Oil Corporation that how much contribution has been given by IOC in economical development of our country and how much it will contribute in future as much as petrochemical expect.
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