DESIGN OF THE STUDY

The great stimulus to industrial development and the general intensification of the country’s economic activities since Independence led to a rapid growth in the consumption of petroleum products, which rose from 3.3 million tonnes in 1950-51 to 100 million tonnes in 2000-01\(^1\).

At the time of the First Five Year Plan, the production of indigenous crude oil was insignificant at 0.3 million tonnes. The Government went in a big way for oil exploration through the Oil and Natural Gas Commission (ONGC) and Oil India Limited (OIL). The discovery of oil reserves on and offshore led to rapid increase in the indigenous production of crude. The domestic production of oil crude rose smartly to 7 million tonnes in 1970-71, and to 33 million tonnes by 1990-91. Since then, domestic production of oil crude has been stagnant; it was about 32 million tonnes in 2000-01. Due to stagnant production of oil crude in the country, gross import of crude oil went up from 21 million tonnes in 1990-91 to nearly 74 million tonnes in 2000-01.

The rapid industrialization and consequent growth of the transport system, the demand for and consumption of petroleum products rose rapidly since Independence. For instance, consumption of

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\(^1\) Economic Survey, Govt. of India, 2001-02 p. 30
petroleum products (naphtha, kerosene, high speed diesel oil, petrol and fuel oils) rose from 3.3 million in 1950-51 to nearly 100 million tonnes in 2000-01. Domestic production of petroleum products was insignificant in 1950-51, that is only 0.2 million tonnes. However, it rose smartly so as to match with total demand; domestic production of petroleum products was about 17 million tonnes in 1970-71 and nearly 96 million tonnes in 2000-01². The gap between demand and supply has to be met through imports. India is importing both crude oil and petroleum products.

Actually, imports of petroleum products and crude oil have been rising steadily for the past many years and they constitute the single largest import item for India – the value of imports rose from Rs.136 crores in 1970-71 to Rs.10,820 crores in 1990-91 and Rs.71,500 crores in 2000-01³.

In order to meet the rising demand of crude oil and petroleum products, the Government of India initiated a number of short-term and long-term measures to augment the production of crude oil in the country. Short term measures include: early production systems, deepening of existing wells, adoption of improved technology and long term measures include development of new oil fields, participation of private capital in oil exploration and change in the oil exploration policy. In the Union Budget for the year 1997-98, the Government of India

² Public Enterprise Survey, Govt. of India, 2000-01, Vol.1 P.36
³ National Accounts Statistics, Govt. of India, 2002 p.48
announced a New Exploration Licensing Policy (NELP) for the oil sector, which included, among other things;

   a) companies (including ONGC and OIL) would be given international prices for new discoveries;
   b) freedom for marketing crude oil and gas in the domestic market;
   c) tax holiday for 7 years after the commencement of commercial production; and
   d) some duty concessions to ONGC and OIL on import of capital goods.

In this connection, it is necessary to refer to the major role that natural gas is likely to play in bridging the gap between demand and supply of liquid hydrocarbons in the future. At present, natural gas is being used as a domestic fuel and also as a feedstock for core sector industries like power and fertilizers. Natural gas production is over 28 billion cubic meters in 1999-2000\(^4\). About 10 per cent of the total production of natural gas was flared. Both ONGC and OIL have initiated the Gas Flaring Reduction Project to reduce flaring to the barest minimum.

\(^4\) Economic Survey, Govt. of India, 2000-01, ch 7 and 8
1.1 Evaluation of the 1993 Mineral Policy

The National Mineral Policy, 1993 makes a radical departure from the long-standing policy of the Government of India to keep the exploration and exploitation of major minerals exclusively within the public sector. The Government is now allowing domestic and foreign enterprises to invest in the mineral extraction and export. There are, however, two serious dangers in privatization of mineral exploitation and export.

(i). The shortsighted greed for huge profits on the part of the private companies can lead to serious damage to the long term national interests of the country. There is also the temptation and pressure on the Government to over exploit and push up the exports of the mineral resources to increase foreign exchange earnings.

In this connection, it is important that the export policy for minerals must be an integral part of the industrial, trade and investment policy of the Government whereby (a) the foreign exchange earned through such exports is put to productive use and (b) the countries importing raw materials from India are encouraged to invest in India to develop India’s long term export capability.

(ii) The new liberal policy of exploitation of minerals is likely to have adverse impact on the environment. The private sector has till now,
not bothered about the expected damages to environment. The Government of India must, therefore, watch carefully the role and behaviour of the private sector - and also the public sector – mineral units and see that they should be really concerned with the protection of the environment.

The policy objective of the IX Five Year Plan was to make minerals available at internationally competitive prices to consumers. The domestic mining industry has to compete with imports, as no protection would be available except what is permitted by WTO provisions. The IX Five Year Plan expected the private sector to play a greater role in mineral development and production. It further anticipated the setting up of many joint ventures, including with foreign partners. The Government, however, would continue to follow a policy of strategic intervention, maintain rules, procedures and enactments and besides promote exploration for scarce minerals.

1.2 The Evolution of the Public Sector in India

Prior to 1947, there was virtually no “Public Sector” in the Indian economy. The only instances worthy of mention were the Railways, the Posts and the Telegraphs, the Port Trusts, the Ordnance and Aircraft Factories and a few state government sponsored undertakings like the government salt factories and quinine factories. The idea that economic development should be promoted by the state actually managing
industrial concerns did not take root in India before 1947, eventhough the concept of planning was very much discussed by the then Congress Government in the Indian provinces. However, in the post-independence period, the expansion of public sector was undertaken as an integral part of the Industrial Policy, 1956.

The Industrial Policy Resolution 1956 gave the public sector a strategic role in the Indian economy. For one thing, at the time of independence, the country was backward and underdeveloped – basically an agrarian economy with a weak industrial base, heavy unemployment, low level of savings and investment and near absence of infrastructural facilities hence the Indian economy needed a big push. This push could not come from the Indian private sector, which was incapable of undertaking risks involved in large long-gestation investments. It was assumed at that time that only the Government intervention in a big planned way could accelerate agricultural and industrial production, expand employment opportunities and reduce poverty. In other words, the public sector was thought of as the engine for self-reliant economic growth to develop a sound agricultural and industrial base, diversify the economic activities and thereby overcome economic and social backwardness.

For the expansion of the public sector, the Government added additional reasons over time, viz.,
a) to accelerate the growth of the core sectors of the economy;
b) to serve the equipment needs of strategically important sectors like Railway, Telecommunications, Nuclear Power and Defence;
c) to exert countervailing power on the operation of private monopolies and multinationals in the select areas;
d) to ensure easier availability of articles of mass consumption and to check prices of important articles - the rationale behind the setting up consumer oriented industries and
e) to protect employment, the Government was forced to take over sick industrial units.

In fact, over a period of time, the Government entered into many sectors for all types of good and in many cases for no reasons at all.

1.3 Central Government Enterprises

As on March 31, 2001, there were 242 Central Government undertakings, excluding banks, financial institutions and departmental undertakings like the Railways and Ports. The growth of investment in the Central Government undertaking is shown in table 1.1.
<table>
<thead>
<tr>
<th>Period</th>
<th>Investment (Rupees in crores)</th>
<th>Number of Enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td>At the Commencement of the First Five Year Plan (01.04.1951)</td>
<td>29</td>
<td>5</td>
</tr>
<tr>
<td>At the Commencement of the Second Five Year Plan (01.04.1956)</td>
<td>81</td>
<td>21</td>
</tr>
<tr>
<td>At the Commencement of the Third Five Year Plan (01.04.1961)</td>
<td>953</td>
<td>48</td>
</tr>
<tr>
<td>At the Commencement of the Fourth Five Year Plan (01.04.1969)</td>
<td>3,903</td>
<td>85</td>
</tr>
<tr>
<td>At the Commencement of the Fifth Five Year Plan (01.04.1974)</td>
<td>6,237</td>
<td>122</td>
</tr>
<tr>
<td>At the Commencement of the Sixth Five Year Plan</td>
<td>18,150</td>
<td>179</td>
</tr>
<tr>
<td>As on 31.03.1984</td>
<td>31,11</td>
<td>214</td>
</tr>
<tr>
<td>As on 01.04.1990</td>
<td>99,329</td>
<td>244</td>
</tr>
<tr>
<td>As on 01.04.1991</td>
<td>1,13,896</td>
<td>245</td>
</tr>
<tr>
<td>As on 01.04.1992</td>
<td>1,35,445</td>
<td>246</td>
</tr>
<tr>
<td>As on 01.04.1993</td>
<td>1,47,587</td>
<td>245</td>
</tr>
<tr>
<td>As on 01.04.1994</td>
<td>2,21,987</td>
<td>240</td>
</tr>
<tr>
<td>As on 01.04.1995</td>
<td>2,30,140</td>
<td>240</td>
</tr>
<tr>
<td>As on 01.04.2001</td>
<td>2,74,114</td>
<td>242</td>
</tr>
</tbody>
</table>


It is found clear from the table that since 1951, the number of industrial and commercial undertakings of the Central Government had increased from 5 in 1950-51 to 242 units in 1999-2000 and the capital
investment had increased from Rs.29 crores to Rs.2, 74,114 crores as on 31st March 2001. The investment is in the form of equity and long-term loans\(^5\).

### 1.4 Public Enterprises Survey

The IX Five Year Plan gave some interesting information regarding the pattern of investment. Bulk of the investment was diverted towards manufacturing sectors. At the end of March 2001, over Rs.1, 81,499 crores, (66.2 per cent) of investment was found in these industries\(^6\). Even here, bulk of the investment (about 53 per cent) is in basic industries like Steel, Coal, Power, Petroleum and Fertilizers. Nearly 31 per cent of investment is found in enterprises rendering services of which most prominent enterprises are engaged in rendering financial services (18.7 per cent).

Enterprises in the power group had the highest investment amounted to Rs.41,776 crores (15.2 per cent) at the end of 2000-01\(^7\). This was followed by coal and lignite accounted for Rs.28,692 crores (10.5 per cent). Next in the order of importance were: steel Rs.24,734 crores (9 per cent) and petroleum Rs.25,880 crores (9.4 per cent). Other public sector enterprises producing goods are composed of minerals and metals, fertilizers, engineering, transport

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\(^5\) Public Enterprise Survey, Govt. of India, 2000-01p.168
\(^6\) Public Enterprise Survey, Govt. of India, 2000-01P.128
\(^7\) CSO, National Accounts Statistics, Govt. of India (1998) p.37
equipment, consumer goods, textiles, chemicals and agro-based industries.

As a result of the deliberate policy of encouraging public sector, heavy investment was made in the public sector so as to facilitate the process of industrialization in the country, by establishing heavy and basic industries and create infrastructure like power, electricity and transport. Except for the short span of five years (1968-69 to 1973-74) in which growth rate of investment was about 10 per cent, though the rate of growth of investment averaged between 16 and 19 per cent per annum.

In terms of investment, the National Thermal Power Corporation topped the list of 10 enterprises in the Central Public Sector in India, followed by Housing and Urban Development Corporation. But in terms of gross turnover in 200-01, the Indian Oil Corporation of India topped the list with a total turnover of Rs.1,13,824 crores, followed by Hindustan Petroleum Corporation Ltd., Rs.48,567 crores and Bharat Petroleum Corporation Ltd., Rs.45,932 crores. Taking these three petroleum companies, it may be noted that they accounted for a total of Rs.2,18,326 crores i.e. 47.6 per cent of total turnover of all Central Public Sector Undertakings.

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8 The Structure of Public Enterprises in India, Govt. of India, volume II, IV, VI
1.5 Role of the Public Sector in India

After the attainment of independence and the advent of planning, there has been a progressive expansion in the scope of the public sector. The passage of Industrial Policy Resolution (IPR) of 1956 and the adoption of the socialist pattern of society our national goal further led to a deliberate enlargement of the role of public sector.

To understand the role of the public sector, one must have a comprehensive view of the entire public sector. It would not be appropriate to use any single measure to estimate the role of the public sector in the Indian economy, rather it would be desirable to use a few indicators, viz., employment, investment, value of output, national income generated, savings, capital formation and capital stock.

The international oil markets continue to witness steep increase in oil prices. The volatility in the crude oil price has its impact on Indian economy. India depends on oil imports for 76 per cent of its demand and meets over 50 per cent of its gas needs through domestic production\(^9\). India’s crude oil production in 2005-2006 decreased by 5.3 per cent to 32.194 Million Tonnes from 33.98 Million Tonnes in the previous year\(^10\). However, gas production has increased from 31.76 BCM in 2004-2005 to 32.2 BCM in 2005-2006, i.e. an increase of 1.4 per

\(^9\) The Future of Public Sector in India, PP13-14
\(^10\) Economic Survey, Govt. of India, 2004-05 p.147
The fall in oil production last year was mainly due to the mishap in Mumbai High Field, which is the single largest oil-producing field in the country. Efforts are being made by the government to diversify sourcing of crude from new regions. India is coordinating with large oil importing countries in Asia for evolving an Asian products market, in the place of Asian premiums, which would reduce the premium paid by the Asian countries and thus contain the country’s oil import bill to some extent. The oil majors in India continue to strive in acquiring stakes in Exploration and Production (E&P) ventures abroad in order to provide oil security and to dampen the volatility in the oil prices. The refining companies are taking initiatives to increase their capacities and the quality of the products in tune with the Auto Fuel Policy of the Government of India to meet the Euro-IV specifications by 2010.

1.6 Indian Refining Scenario

The current refining capacity stands at 149 million tonnes per annum (MTPA). There are 19 refineries in the country – 17 in the public sector and two in the private sector. The company-wise locations and capacity of the refineries are given in table.

\[\text{Survey of Indian Industry, The Hindu from 2000 to 2008.}\]
Table 1.2
Refining Companies With Their Capacities

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Name of the company</th>
<th>Location of the refinery</th>
<th>Capacity (MTPA)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>IOCL</td>
<td>Guwahati</td>
<td>1.00</td>
</tr>
<tr>
<td>2</td>
<td>IOCL</td>
<td>Barauni</td>
<td>6.00</td>
</tr>
<tr>
<td>3</td>
<td>IOCL</td>
<td>Koyali</td>
<td>13.70</td>
</tr>
<tr>
<td>4</td>
<td>IOCL</td>
<td>Haidia</td>
<td>6.00</td>
</tr>
<tr>
<td>5</td>
<td>IOCL</td>
<td>Mathura</td>
<td>8.00</td>
</tr>
<tr>
<td>6</td>
<td>IOCL</td>
<td>Digbol</td>
<td>0.65</td>
</tr>
<tr>
<td>7</td>
<td>IOCL</td>
<td>Panipat</td>
<td>12.00</td>
</tr>
<tr>
<td>8</td>
<td>HPCL</td>
<td>Mumbai</td>
<td>5.50</td>
</tr>
<tr>
<td>9</td>
<td>HPCL</td>
<td>Visakhapatnam</td>
<td>7.50</td>
</tr>
<tr>
<td>10</td>
<td>BPCL</td>
<td>Mumbai</td>
<td>12.00</td>
</tr>
<tr>
<td>11</td>
<td>BPCL (KRL)</td>
<td>Kochi</td>
<td>7.50</td>
</tr>
<tr>
<td>12</td>
<td>CPCL</td>
<td>Manali</td>
<td>9.50</td>
</tr>
<tr>
<td>13</td>
<td>CPCL</td>
<td>Nagapattinam</td>
<td>1.00</td>
</tr>
<tr>
<td>14</td>
<td>Bongaigaon Refinery (NRL)</td>
<td>Bongaigaon</td>
<td>2.35</td>
</tr>
<tr>
<td>15</td>
<td>Numaligarh Refinery</td>
<td>Numaligarh</td>
<td>3.00</td>
</tr>
<tr>
<td>16</td>
<td>MRPL</td>
<td>Mangalore</td>
<td>9.69</td>
</tr>
<tr>
<td>17</td>
<td>Tatipaka Refinery</td>
<td>Andhra Pradesh</td>
<td>0.08</td>
</tr>
<tr>
<td>18</td>
<td>Reliance Petroleum (RPL). Pvt. Sector</td>
<td>Jamnagar</td>
<td>33.00</td>
</tr>
<tr>
<td>19</td>
<td>Essar Oil</td>
<td>Jamnagar</td>
<td>10.50</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>148.97</strong></td>
</tr>
</tbody>
</table>

Source: Industrial Survey 2004

The capacity addition during the Eleventh Plan period including brownfield and Greenfield expansions is estimated at 86 MTPA with PSUs contributing 53.5 MTPA and the private sector to 32.5 MTPA. Investment in the refining sector alone during the next five years is placed around Rs.90,000 crore. This does not include the petrochemical projects being integrated within refinery complexes. The expansion trend is likely to continue in the XII Five Year Plan period.
This extraordinary growth facet of the refining industry in the next decade will provide exciting opportunities as well as pose major challenges while executing and managing them.

The growth and challenges of the refining sector emanate from the Government’s Energy Policy objectives which can be summarized as three “3 Es”, namely, Energy Security, Economic Development and Environmental Sustainability. To begin with, India is largely dependent on the outside world for sourcing its energy requirement and hence oil security is of paramount importance. It has been late as compared to China in search of oil security but it is on the right track. With domestic oil production falling far short of demand, oil companies are now investing in oilfields abroad. Many joint ventures to operate oil fields are materializing and have started yielding results.

There is strong commitment to pursue an energy policy that takes due account of environmental considerations. Accordingly, more environmentally benign measures are being taken with regard to usage and quality of fuels. Phasing out of lead, benzene reduction in gasoline, sulphur reduction and cetane improvement of diesel are among prominent measures implemented in the last 10 years.

The Auto Fuel Policy of the Government envisages quality upgradation of petrol and diesel to Euro IV equivalent norms in 11 major cities and Euro III in the rest of the country. Such quality upgradation of
fuels will call for state – of – the art technology requiring huge investments by way of providing gasoline isomerisation, hydrocrackers and diesel hydrotreaters.

Further, usage of natural gas for mass transport in major cities to combat pollution will have a positive impact on the environment in thickly populated areas. The huge finds in the KG basin by RIL / GSPC / ONGC / and potential new finds in Mahanadhi and Cauvery basin will lead to a substantial shift in India’s energy balance. The programme initiated by the Government to promote use of ethanol with gasoline and bio-diesel will not only be an environmental safeguard but also increase fuel availability.

Having understood the importance and necessity of public sector undertakings for the development of a developing country like India and the role played by the public sector oil refineries in India especially the Oil Corporation of India in solving oil crisis and in contributing towards the economic upliftment of the nation, the present study on Chennai Petroleum Corporation – one of the groups of the Indian Oil has been taken by the researcher with a view to assess its strengths and weaknesses and also to identify the threats and opportunities so that the contribution from the company to the nation could be maximized in the present globalization scenario.
1.7 Statement of the Problem

Crude oil prices remain a key element in determining the global economic prospects. The rise in oil prices has a cascading effect on the global economy. Therefore, a greater emphasis needs to be given in the quest for alternative fuels in the context of fast depleting fossil fuels, soaring oil prices and concern for environmental protection and public health. The announcement of a Bio-diesel Policy by the Government is a major step in boosting initiatives in this direction. Natural gas is projected as an alternative to liquid fuel. Recent discoveries of natural gas in the country have given a fillip in this direction. Further, oil companies are also venturing into gas business for undertaking LPG supplies to cater to the country’s requirements. Equity partnership as an alternative includes Wind Power, Small Hydropower, Biomass Electricity and Heat, Solar Thermal Power, Ethanol and Bio-Diesel. Further, considering the abundance of coal in India coal gasification may also be a likely alternative. Another area of opportunity which the industry can take advantage is the incentives available for investments towards reducing carbon emissions in the form of Carbon Credits offered under the Kyoto Protocol and Clean Development Mechanism.

Besides the above, the specific challenges for the refining sector include integration with downstream petrochemicals manufacture, tapping of the export market and adopting the emerging technologies to
improve distillates production coupled with its quality upgradation, to make them environment friendly and competitive in the global market.

In recent times, the refining margins have been highly volatile. The margin all over the world came down during the second half of 2005-2006 due to the increase in crude oil price and without matching increase in the product price. It is to be noted here that till the year 2004-2005, the refineries in India were realizing Refinery Transfer Price without any under recovery, and the price was fixed on full import parity basis. During the year 2005-2006, the refining companies had an impact on the bottom line of the refining companies. The higher prices of crude in the international market and the lower realization of product prices had also its effect on the working capital requirement of the companies. However, the refineries have to concentrate on improving the distillate yields, reducing energy consumption and reducing the operating and other controllable costs to remain profitable and competitive. The refineries need to plan suitable capital investments in this direction to improve the bottom line.

The study unit, CPCL, whether in order to meet the above mentioned risks and concerns, is taking all necessary initiatives to improve distillate yields, optimize crude baskets keeping in view the product pattern and demand, control energy consumption, reduce the operating cost and monitor the parameters efficiently and effectively or
not. Hence the problem of the study lies in the assessment of the efficacy of the study unit CPCL in terms of SWOT analysis.

1.8 Scope and Significance of the Study

The results of the study would be very useful to the study unit CPCL to make its vision, to be a world-class energy company, well respected and consistently profitable with a dominant presence in South India, as it helps to understand its strengths and weaknesses and to identify its threats and opportunities. It will be helpful to the study unit as it suggests ways to reduce the cost of production and thereby enables it to increase the production volume and revenue.

The findings of the study would also be useful to the Government as the efficiency in the production and distribution of petroleum products decreases the cost of production and increases the productivity, which in turn reduces the prices of such products. It would also help the State and Central Government in framing an appropriate Oil Policy and fixing the prices of petroleum products.

The general public would also be benefited as the study paves the way for self-sufficiency in oil production and reduction in the cost of oil. It would also open up avenues to the oil companies to improve their efficiency in terms of their organizational climate, environmental conditions and social responsibility thereby ensuring regular supply of products of high standards at an affordable price.
1.9 Review of Literature

The SWOT analysis has become an important and powerful tool in analyzing the problems of all sectors without any exception. In order to develop a modality and methodology for the present study, the researcher reviews some works contributed by different people of eminence in the field in this chapter.

Ramesh. R.S., in his work on “Credit Co-operative In Free Market Economy – A SWOT Analysis” has examined the strengths, weaknesses, threats and opportunities of the respective sector. The study is pertaining to the functioning of Rural Co-operatives in the state of Karnataka. There were large numbers of Co-operative Societies, which were financially weak and depending largely on Government support for their existence. The study has identified the following:

- Vast human potential
- Broader net work
- Rich experience in purveying rural credit
- Functional societies in various fields
- Lower reserve requirements
- Refinance on concessional terms
- Institutional support as the strength
- Poor resource base
• Low business levels
• Poor recovery of loans
• Inadequate financial margin to cover cost of management
• Poor management information system
• Lack of financial autonomy
• Lack of scientific human development policies
• Lack of inspection, audit and desk monitoring systems
• Unrealizable assert accumulated losses
• Imbalance in profitability
• Operational losses as the weaknesses of the rural co-operative structure.

The opportunities for revitalizing the co-operatives contemplated by the researcher are:

• Mobilizing own resources.
• Ensure optimizing yields, reduce costs and better financial margins.
• Mechanism to evolve rapid recovery of loan and recycling of funds.
• Regain confidence of clients.
• Proper documentation for maintaining uniformity of services.
• Introduction of innovative banking approach.
• Follow scientific principles of HRD.
• Devise suitable incentives particularly in areas of deposit mobilization and recovery.
• Leadership development through protecting interests of lower tier organizations.
• Introduce social marketing techniques.

The points given under SWOT are more related to folk wisdom rather than guided by a scientific methodology. The study reveals that SWOT analysis can be made even for primary sector, which is more governed by the Lag models with different variables\(^\text{12}\).

According to Maheswari, S.N., SWOT analysis based on certain characteristics is a highly useful tool for future planning of any unit or firm. In order to substantiate this SWOT Analysis Done by Disinvestment Commission of Modern Food Industries (India) Ltd. was reviewed.

The main findings of Disinvestments Commission are enlisted as the strengths and weaknesses and the suggestions are given as threats and opportunities of the company.

\(^{12}\) Dr.R.S.Ramesh, “Credit Co-operative In Free Market Economy – A SWOT Analysis” Published in Maharashtra Co-operative Quarterly, Vol.LXXXIV, No. 1,July-September 2000.pp. 55-58
Strengths of MFIL

- Production facilities are spread across the country.
- Fairly wide distribution network.
- Fairly well established brand across the country.

Weaknesses of MFIL

- Under utilization of production facilities.
- Large work force and relatively low labour productivity compared to its competitors.
- Acquisition/setting up of businesses under Government persuasion in the past have not provided energy and have adversely affected the overall performance.
- MFIL has limited flexibility in decision making in response to market changes and use marketing tools like discounts and rebates in a highly competitive, low margin bakery industry.

Threats

- Removal of subsides will affect the financial performance in the future.
- Supply of variations in budget allocations at a time when the sales contribution by this division is increasing.
- Fragmented nature of the market and competition from the organized and unorganized sector.
Presence of a number of non fundamental and loss making units acting as a drug on the operations and profits.

Opportunities

Existence of large markets.

Percapita consumption in India is very low.

The analysis reveals that the future outlook of MFIL in terms of financial performance, as a Public Sector Undertaking doesn't appear to be promising. The potential to improve share valuation through restructuring may not also be significant\(^\text{13}\).

Yet another work is on “Business Opportunities in Engineering Economics”. The Case of Costa Rica by Conner, John Stanley. The purpose of the study is to determine the extent to which the Costa Rican economy and social conditions to allow for business opportunities by U.S firms. A SWOT analysis was conducted based on stratified random sampling method and interviewed the key layers of U.S. companies. In order to estimate the size of a market for parts, a simple demand model for automobiles was developed by regression analysis.

\(^\text{13}\) Dr.S.N.Maheswari, Financial Management published by Sultan Chand, New Delhi 2000 Edition from Chartered Secretary, April 1997 Pp.437
The findings of the study indicated that the social, political and economic variables should be remained positive in the near future in this industry. The study also showed that economic opportunities might exist in the fields of computer hardware and software services and in Geographic Information System (GIS) also has some gray areas to develop\(^\text{14}\).

A linear regression model and forecasting demand model were employed in this study as this study deals with quantitative data.

**Ono Ferrychuk, Eric Andrew** conducted a study on “Linking Planning and Economic Development in the revitalization of Medicine Hat’s ceramics Industry”. The purpose of the study was to examine the competitive advantage of Alberta, a ceramic unit in the global trade.

An analysis of Medicine Hat’s land use regulations on home-based businesses is also presented in this article. Based on this a detailed note of Medicine Hat’s Strengths, Weaknesses, Opportunities and Threats are identified. The main findings of the research are the likelihood of success in today’s global economy increases if complementary local industries group together and from business networks. Land use byelaws that regulate home-based business should

be amended to reflect the important contribution that this type of business makes in the local economy.

Medicine Hat’s should use its reputation for ceramics excellence to promote all ceramics industry sectors. Medicine Hat’s should harness its rich ceramics history to promote ceramics focused tourism. The study is purely a historical research. The methodology adopted by the author cannot be applied in toto. Because historical method fills a big gap of making the research possible and also meaningful on the problems that would otherwise have remained and explored many a time.

It is of considerable interest to use time series data for assessing the progress or the impact of several policies and initiatives, which can be done by using time series data. The researcher makes only a point analysis and not a period analysis. The methodology used by Eric Andrew is taken with a pinch of salt\textsuperscript{15}. 

Nerone, Frederick A, applies the SWOT analysis on “Small Business Enterprises”. Small business failure rates are dramatically higher than failure rates for larger businesses. The reasons cited are usually associated with poor management and financial causes, but those observations are actually symptoms and not causes. This study suggests that small business failures have their casual root in the failure

\textsuperscript{15} Ono Ferrychuk, Eric Andrew conducted a study on “Linking Planning and Economic Development in the Revitalization of Medicine Hat’s Ceramics Industry” for MCP Degree, University of Manitoba (Canada) dated 1998 pp.141.
to employ basic environmental scanning techniques, traditionally associated with the strategic management planning process. That root cause, the lack of strategic planning, may be the critical element missing from many businesses, which fail to attain profitable operations. This study concluded that there is a positive relationship between utilizing strategic planning methods and small business success. Presented as a manuscript, this study is written in non-technical language and is intended as an application guide for the small business owner. The justification for the application manuscript is the Research Report on the Relationship Between the Employment of Strategic Planning Techniques and Financial Success in Small Business Enterprise, which validates the relationship between small business financial success and the use of strategic planning. The research study, an appendix to the manuscript, included both qualitative and quantitative methods to compile data for evaluation.

The study confirms that the Design School Model (commonly referred to as the SWOT method) of strategic planning is significant to small business success. Forty-seven small business cases were utilized in the quantitative study. Most entrepreneurs interviewed were unaware of the formal definitions of the strategic planning process, although 94.9 per cent of the profitable small business enterprises were found to be utilizing the process in their business planning. Statistical evaluation determined a significant positive correlation between strategic planning
and small business success. The field application guide manuscript for small business owners provides the bases of strategic planning, a history on classical models, and step-by-step instructional chapters on conducting the strategic planning process, complete with forms and financial tables to assist in strategic analysis. The research study illustrates the background of the small business dilemma, correlates strategic planning with financial success, and provides suggested remedies in the form of a manuscript guidebook for application\textsuperscript{16}.

This study provides the enough guidance for the researcher to use same analysis in CPCL-CBR and she applies both quantitative and qualitative methods in order to find out SWOT of the study unit.

**Granger, Christine Louise** carried out a SWOT analysis on “Strategic Economic Development Planning in a Rural Community: Problems and Possibilities for Collaborative Planning within Fresno County”. The purpose of the study was, whether the rural communities aware the financial resource available for them for the economic development.

In this study strategic planning was used with a city in Fresno County. The study focused on planning problems, methods alleviating problems, resource gaps, and assistance from economic development

\textsuperscript{16} Nerone, Frederick A, Applies the SWOT Analysis on “Small Business Enterprises” for Ph.D, The Union Institute, dated 1997, pp.272
organizations. Strategic planning methods included surveys and workshops using SWOT and competitive analyses.

The problems included conflicting economic development definitions, undefined commitments to planning and negative views of the city’s development potential.

Assistance needs included financial and logistical planning resources, data analysis, meeting facilitation and economic development expertise. Methods alleviating problems included early identification of negative attitudes and using SWOT analysis.

The recommendations for future planning include using preliminary agreements, choosing diverse planning groups, connecting methods with unique community features, regionalizing economic analysis and wintertime planning for agricultural communities, involving local participants in learning by doing, and new roles for regional economic development organizations\(^\text{17}\).

The SWOT analysis is used in all fields as a tool to find out the strength, weaknesses, opportunities and threats. It was applied in the Rural Community Planning also. The SWOT analysis applied by Wishnia, Gracie Spitzer in Adult Day Cares and Public Policy: A Strategic Plan for the Louisville Metropolitan Area. The primary

\(^{17}\) Granger, Christine Louise carried out a SWOT analysis on “Strategic Economic Development Planning in a Rural Community: Problems and Possibilities for Collaborative Planning Within Fresno County” for MBA, California State University, dated 1996 pp.229.
focus of this research was to implement a strategic planning process among adult day care centre in the Louisville metropolitan region, creating a strategic plan, which would guide in identifying future directions for this type of facility. Multiple methods of qualitative data collection were utilized, such as observation of seven adult day centre, interviews with the directors of these centres, participant observation, focus group meetings with directors, the use of other existing data sources such as survey data from area agencies on aging and a participant survey of the users of ADCs and their families. Ten questions were pilot-tested for phone interviews as well as for focus group meetings, and were further tape recorded in order to increase the validity and accuracy of descriptors and to substantiate issues arising as a result of the SWOT analysis.

The Harvard model of strategic planning was incorporated to identify strengths, weaknesses, opportunities, and threats which directors of seven adult day care centers selected for. The Louisville case study perceived that the organizations were experiencing issues and visions identified through this process would lead to the strategic goals and objectives, which directors would implement as part of strategic plan created for Louisville ADCs. Directors valued the process and the researcher identified the need to include other stakeholders in the focus group sessions to appropriately evaluate the strategic planning process. The use of nontraditional means for effecting policy utilizing
strategic planning as a decision-making tool within nonprofit health care organizations made a significant contribution to health practices for elderly as well as social science research\textsuperscript{18}. The researcher took this study as a model for her research and applied SWOT in CPCL-CBR.

\textit{“An Account and Test of Effectiveness of Strategic Planning in the Context of Community Economic Development”} by Fields, Christopher Glenn. The researcher applied the technique in his Master’s Degree Project. At the time of the study in 1992, the proactive search for the right form of community development was constrained by efforts to accommodate a high growth rate. The fractured and undefined approach to community economic development was a genesis of longstanding organizational attitudes and priorities, and unique social and economic circumstances. The Perks/Kawun/Macdonald Strategic Model was applied to the planning operation; this embraced four workshops, a SWOT analysis, production of a vision statement and development of a mission, strategies and actions.

Project-specific adaptations made to the strategic model purpose that communities formulate goals and actions based on identified issues that are critical to the community’s future and that they use prophetic-type vision statements as one means to engender leadership, community commitment and improved organizational capacities. An

\textsuperscript{18} Wishnia, Gracie Spitzer in Adult Day Cares and Public Policy: A Strategic Plan for the Louisville Metropolitan Area (Kentucky) for Ph.D, University of Louisville, dated 1996 pp.232.
account of the design and execution of the Cold Lake project forms the major part of the Master Degree Project. Second, an opinion survey of key participants highlights a critical assessment of the effectiveness of the strategy process conducted in Cold Lake.

The study concludes that the application of strategic planning to community economic development renders good value for the community if careful consideration is given to the project-specific context. This work gave some idea about the application of strategic concepts to the researcher.

Seth. S. K, General Manager, Advanced Level Telecommunication Training Centre, Government of India Enclave, New Rajnagar, Ghaziabad conducted a SWOT Analysis for BSNL, a leading public sector Undertaking. The researcher presented his paper in the Seminar conducted on “BSNL: Strategies in Competitive Scenario” by Advanced Level Telecommunication Training Centre, Ghaziabad. The criteria for determining strengths and weaknesses are of four types, namely Historical Criterion, the Normative Criterion, The Competition Parity Criterion and critical factors for Success Criterion. Based on this, the researcher found the following as the Strengths of BSNL.

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Strengths of BSNL

- A very large established network in basic and long distance segments
- A depreciated network giving edge over their competitors
- A solid customer base of more than 25 million lines across the length and breadth of the country
- A large infrastructure asset base consisting of land, building and towers
- Widespread underground copper networks throughout the country
- A large amount of buried optical fiber of more than 180000 RKMs
- A large pool of trained manpower in the field of telecom technologies. A training network of more than 45 training centres of various levels
- Very stable revenue streams from the existing voice telephony till now
- Being a service provider since last many years, it has still the confidence of the customers due to long established relationship
- Only service provider to have some coverage in the rural areas where the future growth will be more
- Already trying to establish a National Internet Backbone
In a position to drive the internet growth through the dial-up line and offer very competitive tariffs

Weaknesses of BSNL

- The decision making process is very slow and not based on the sound data inputs. No cost-benefit analysis is done in the decision-making process
- Presently there is no business focus in the organization in spite of changing market scenario
- No concept of “Customer is King”
- No effort on the part of the organization in place for complacency and lack of business focus
- No proper marketing organization in place for marketing of the new and value added services
- No cohesive approach to computerize the operations in a systematic manner
- Concept of Return on Capital Employed in the decision making is not there inspite of impending competition and stress on the revenue streams
- No concept of “Cash is King”
- Tariffs more restrictive than promotional
- No disposal of obsolete and scrapped equipment resulting in blocking of valuable space and capital
Opportunities for BSNL

- There is a huge opportunity to capitalize on the various services which can be offered in the present competitive environment
- Internet provisioning to the every nook and corner of the country by virtue of nationwide network
- To exploit the training infrastructure so as to add value to the organization
- To define new HRD policies and practices to take maximum benefit of the business environment
- To effectively utilise the existing infrastructure judiciously so as to cut costs and maximize returns

Threats to BSNL

- Already severe competition is building up in basic services. More than 100 service providers have applied for licenses for basic service throughout the country
- Decision making is very critical in view of the pressure from the various quarters
- A huge unskilled manpower to be sustained in the present competitive market environment when every other operator will be trimming down
New corporatisation will finally lead to additional perks and benefits to the staff resulting in additional permanent liability.

Mr. Seth analyzes the SWOT of BSNL in every nook and corner and it is very useful to the researcher to apply certain concepts at the time of analysing the SWOT of CPCL-CBR.

Bajaj Auto Limited is a two-wheeler industry sector and the leader in the market. Their major competitors are Hero Hondo, TVS Suzuki, Kinetic Engineering, Enfield etc., In order to fetch the major share in the market, they undergo industrial analysis and company analysis by applying SWOT analysis in order to find out their strength, weaknesses, opportunities and threats.

Based on industry analysis and company analysis, a SWOT analysis was carried out on Bajaj Auto. The results of the analysis are presented as follows.

**Opportunities**

- There is growing demand for two-wheelers as personal transport
- There is no restriction on the capacity expansion by the Government

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20 S.K.Seth, General Manager, Seminar on “BSNL: Strategies in Competitive Scenario” – dated 12 and 13th March 2001 at Ghaziabad
Threats

- There is increasing competition almost in all segments of the company’s products
- Many competitors have built substantial competitive advantages through technical collaboration
- There will be pressure on increasing the fuel efficiency of the vehicles

Strengths

- Being the largest manufacturer the company has substantial cost advantage
- The company has the most efficient distribution system and after-sales service which are important considerations for buyers
- The company has largest product range to cater every type of two-wheeler customer – price-wise, area-wise and age-wise
- The company has substantial facilities for in-house up gradation of products.

Weaknesses

- The company is having the oldest plant which requires continuous modernization
Company’s plants are located in Maharashtra and the products are transported to different geographical locations through road resulting into high transportation cost\textsuperscript{21}

This study helps the researcher to apply the SWOT analysis in CPCL-CBR.

**SWOT Analysis in Asian Paints (India) Ltd.,**

Asian Paints Limited is the market leader in paint industry and in this area, both organized and unorganized sectors shared the market. In the organized sector, the major players are Asian Paints, Nerolac, Berger Paints, Johnson & Nicholson, Gareware Paints and Shalimar paints. In order to retain their market share, they apply SWOT analysis. Based on industry and company analysis, SWOT analysis of Asian Paints can be presented as follows:

**Opportunities**

- There is increasing scope for specialized and high quality paints

- There is no immediate threat of entry by any technically superior company in this industry sector

\textsuperscript{21} L.M. Prasad – *Business Policy: Strategic Management* – given in Appendix Published by Sultan Chand & Sons, New Delhi, 10\textsuperscript{th} Revised Edition 2003.
There is a strong notion among the consumers that the competitor’s product quality is considered to be inferior as compared to Asian Paints.

**Threats**

- Industry attracts very high level taxes, as the Government does not consider it high priority area
- The industry growth rate is not very attractive
- Price-wise, there is uneven competition with the unorganized sector
- Some of the raw materials are found scare

**Strengths**

- The company enjoys very high image for its product range, product quality and timely delivery of products to its distributors, innovation and managerial excellence
- The company has very efficient distribution network so as to ensure timely delivery of products to its distributors, retailers and customers
- It has developed very efficient system of environmental analysis and market research so as to perceive the environmental changes quickly
The company has a sound financial base mostly through ploughing back of earnings.

It has developed in-house research and development facilities to take care of product innovation.

Weaknesses

There is inadequate production capacity utilization.

The company has to depend on few suppliers of critical raw materials.

Company’s plants are located in southern and western parts of the country resulting into higher transport cost to serve other geographical areas.

This study also inspires the researcher to apply SWOT analysis in CPCL. All these studies reviewed were carried out with the primary objective of assessing the strength and weakness of the study units. They also focus their attention on identifying their threats and opportunities to overcome such threats. Till known no one is found apply this while analyzing the performance of public sector undertakings especially the CPCL, which is the reason for the researcher to apply this in the CPCL.

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1.10 Objectives of the Study

The present case study on CPCL-CBR aims at

i. To analyse and assess the functions of the study unit CPCL – CBR in terms of its production, finance, HRD and other operations like social responsibility, development strategies and environmental concern.

ii. To spell out the spillovers of the project to the employees, Government and the general public.

iii. To scan the strength and weaknesses of the study unit in its operations during the last one decade.

iv. To identify the threats posed to the corporation and the opportunities bestowed to it in the near future in executing its corporate objectives, vision and mission and

v. To make suggestions as how to ensure excellence at Chennai Petroleum through improving its strength and opportunities and to minimize its weaknesses and threats.

1.11 Methodology

The study is analytical in nature since as it aims to make a critical evaluation of the study unit CPCL. It is an in depth case study as the
evaluation process covers all the spheres of the study unit in detail. Both primary and secondary data were used in the study. Besides available information, Survey method was also adopted to collect information necessary to carry out the objectives of the study.

1.11.1 Data Collection

Primary data were collected by adopting personal interview method and by employing a standard questionnaire based on the model developed by the Centre for HRD at the Xavier Labour Relations Institute, Jamshedpur, for finding out HRD climate of an organization. A copy of the interview schedule is shown under appendices.

The primary data were gathered from the thrust areas like officials and employees of the study unit CPCL. Personal interview method was administered to elicit information from the officials of the Company and questionnaire method is employed to elicit facts from the employees of the Company.

The survey among the employees was conducted by adopting stratified sampling models. Employees were stratified according to their educational qualifications, cadre, income and experience. A copy of the interview schedule is shown in the Appendices.

The secondary data were collected from a wide spectrum of sources such as related books, relevant magazines, published and
unpublished reports of the study unit and the Government reports. In addition to the web site of the study unit, www.cpcl.co.in, web sites of various other oil corporations were also of great use in the collection of secondary data.

1.11.2 Population of the Study

In order to evaluate the HRD climate of the study unit, a survey was conducted among the employees of the study unit. Hence the population of the study constitutes 170 out of the total number of employees of 1654 working in the study unit.

1.12 SWOT Analysis

The present study does not intend to write a state of the art report. Rather, it intends to take up a few issues from the perspectives of the Strengths, Weakness, Opportunities and Threats of the study unit, CPCL. Hence, SWOT analysis; a strategy widely used in the management sciences has been applied by the researcher.

SWOT is an acronym for the internal strengths and weaknesses of a business and environmental opportunities and threats facing that business. SWOT analysis is a systematic identification of these factors and the strategy that reflects the best match between them. It is based on the logic that an effective strategy maximizes a business’s strengths and opportunities but at the same time minimizes its weaknesses and
threats. This simple assumption if accurately applied, has powerful implications.

The methodology underlying the SWOT analysis was qualitative through exploratory interviews, examination of study materials and open-ended questionnaires. The collected data have been analysed qualitatively through Content Analysis Technique.

1.13 SWOT Analysis and its Parameters

SWOT analysis is a useful tool for analyzing a system’s overall situation. This approach attempts to balance the internal strengths and weaknesses of a system with the opportunities and threats that the external environment reflects. This approach suggests that the major issues facing a system can be isolated through careful analysis of each of these four elements. Strategies can then be formulated to address these issues.

The key questions related to the Strengths, Weaknesses, Opportunities and Threats of a system lead to the formulation of the parameters of SWOT analysis. While carrying out a SWOT analysis, the parameters can be defined in two ways, one way is to scan a system in a holistic fashion and enlist its Strengths, Weakness, Opportunities and Threats in a linear manner. The other way is to analyse the Strength, Weaknesses, Opportunities and Threats of every component that makes up the system.
As the study unit, CPCL on the whole is a system of several inter-connected sub-systems; it is not feasible to conduct a SWOT analysis for each of them. Hence, for the purpose of the present study, the first method of scanning the system in a holistic fashion as revealed in the responses of the sample subjects has been adopted.

1.14 Analysis and Interpretation of Data

The data thus collected were classified, tabulated, analysed and interpreted with the help of simple percentage, ratios, averages and ranks were put to use in analysing the data. Charts, diagrams and graphs were also used at appropriate places in this study to simplify the data and to facilitate easy understanding.

1.15 Period of Study

The period of study covers from 1998-99 to 2007-08. Thus, this period of analysis and as such it is a dynamic analysis. The researcher on account of its more point analysis in this study prefers period analysis, especially when stock and flow of capital is analysed. The study is to make over a period 10 of years so as to study the average behaviour of various factors and their consistency.
1.16 Limitations of the Study

i. The study has been confined to the SWOT analysis of the study unit CPCL only. As such there is no comparison is attempted between the study unit and other units of the state since this study is the first of its kind.

ii. The results of the study cannot be generalized and applied to other petroleum corporations of the state or the country due to demographical and other geographical factors.

iii. The focus of the study is very wide as far as financial performance and organizational climate is concerned but it is confined to narrow approach in all other functional spheres of the corporation.

iv. The nature of study is such that no sophisticated statistical tools could be employed. Hence, the inferences drawn from the study is only approximate and not accurate.

1.17 Report Structure

The report of the research study is presented in six chapters. The First Chapter titled, ‘Design of the Study’ brings out the background, significance, need and the design of the study. Apart from these, it
describes the review of literature, objectives, methodology and tools of analysis, scope and limitations of the study.

The present scenario of the functioning of the study unit CPCL is visualized giving zoom to its inception as a gross root refinery in 1969 in the chapter on, Chennai Petroleum Corporation Limited – a Profile.

The focus of the third chapter, ‘SWOT Analysis on Financial Performance of CPCL’ is on the issues related to financial management of the study unit. Management Accounting tool viz., Accounting Ratios are widely used to scan and enlist the financial strengths, weaknesses, threats and opportunities of the study unit in a linear manner.

In the fourth chapter, ‘SWOT Analysis on HRD Climate in CPCL’ throw light to scan the problems and difficulties of the employees of the study unit and prescribes how to capitalize the available opportunities and overcome threats.

The operational efficiency of the study unit in terms of Production, Distribution, Corporate Social Responsibility, Environmental Protection and Development Strategies is evaluated in the fifth chapter, ‘SWOT Analysis on Social Responsibility of CPCL’. In this chapter whether the study unit has increased productivity significantly and contributed
significantly to the general public in terms of supplying quality product after giving due consideration for environmental concern.

The final chapter summarises the findings and offers suitable suggestions to remove the hurdles in the operational performance of the study unit so as to tone up the efficiency of the system.