48

INDIAN OIL CORPORATION LIMITED

MINISTRY OF PETROLEUM AND NATURAL GAS

COMMITTEE ON PUBLIC UNDERTAKINGS

1995-96

FORTY-EIGHTH REPORT

TENTH LOK SABHA

LOK SABHA SECRETARIAT
NEW DELHI

FORTY-EIGHTH REPORT

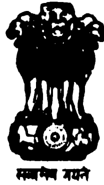
)MMITTEE ON PUBLIC UNDERTAKINGS (1995-96)

(TENTH LOK SABHA)

INDIAN OIL CORPORATION LIMITED

MINISTRY OF PETROLEUM AND NATURAL GAS

[Action taken by Government on the recommendations contained in the 42nd Report of the Committee on Public Undertakings (Tenth Lok Sabha)]



Presented to Lok Sabha and Laid in Rajya Sabha on 27 February, 1996

LOK SABHA SECRETARIAT
NEW DELHI

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COMMITTEE ON PUBLIC UNDERTAKINGS
(1995-96)

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* Elected w.e.f. 22nd August, 1995 *vice* Shri Vilas Muttemwar resigned from the Committee. Ceased to be a member of the Committee consequent on his appointment as Minister in the Council of Ministers w.e.f. 14th September, 1995.

@ Ceased to be a Member of the Committee consequent on his appointment as Minister in the Council of Ministers w.e.f. 15th September, 1995.

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this 48th Report on Action Taken by Government on the recommendations contained in the 42nd Report of the Committee on Public Undertakings (Tenth Lok Sabha) on Indian Oil Corporation Limited.

2. The 42nd Report of the Committee on Public Undertakings (1994-95) was presented to Lok Sabha on 28th April, 1995. The Committee considered and adopted this Report at their sitting held on 31st January, 1996.

3. An analysis of the action taken by Government on the recommendations contained in the 42nd Report (1994-95) of the Committee is given in Appendix XIII.

NEW DELHI;
26 February 1996
7 Phalguna, 1917(S)

KAMAL CHAUDHRY,
Chairman,
Committee on Public Undertakings.

CHAPTER I

REPORT

The Report of the Committee deals with the action taken by Government on the recommendations contained in the Forty-Second Report (Tenth Lok Sabha) of the Committee on Public Undertakings (1994-95) on Indian Oil Corporation Limited which was presented to Lok Sabha on 28th April, 1995.

2. Action Taken notes have been received from Government in respect of all 23 recommendations contained in the Report. These have been categorised as follows:—

(i) Recommendations/Observations that have been accepted by Government:—

Sl. Nos. 1,5 to 8, 10 and 12 to 22.

(ii) Recommendations/Observations which the Committee do not desire to pursue in view of Government's replies:—

Nil

(iii) Recommendations/Observations in respect of which replies of Government have not been accepted by the Committee:—

Sl. Nos. 2, 9 and 11

(iv) Recommendations/Observations in respect of which final replies of Government are still awaited:—

Sl. Nos. 3. 4 and 23

3. The Committee desire that final replies in respect of recommendations for which only interim replies have been given by Government should be furnished to the Committee expeditiously.

4. The Committee will now deal with the action by Government on some of the recommendations.

A. *Decline in Market Share*
(Recommendation Serial No. 2)

5. The Committee had noted that as against the projections given in the Perspective Plan for all product sales of 59.53 million tonnes with a market share of 58.8% in the year 1999-2000, the Company's share had fallen to 54.9% in 1993-94. IOC's growth in sales had been declining from 1991-92 to 1993-94 viz. 3.02%, 1.88% and 0.90%, as against industry growth of 3.5% and 2.4% respectively. The Committee had therefore, recommended that factors which are responsible for the poor sales performance of the Company be identified and immediate steps be taken to plug the loopholes with a view to improving the Company's market share.

6. In their reply the Government have stated that the decline of market share to 55.0% during 1993-94 was mainly due to non-materialisation of sales of SPE (Sales Plan Entitlement) products. In SPE products, during 1993-94, IOC had sold 32.7 MMT against prorata sales plan entitlement of 34.4 MMT, a shortfall of 1.7 MMT. this is due to shortfall of 1.9 MMT in sales of MS and HSD in retail sector as compared to entitlement. When SPE concept was introduced in 1976-77, IOC(M) was allowed only 50% mop up of incremental volume in total demand. Due to this, IOC's market share, which was 64.3% in 1976-77 has declined to 56.5%. In 1988-89, the SPE guidelines were revised and oil companies were allowed uniform growth. According IOC(M) was given 56.5% share in the incremental volume in each of SPE products. Although performance in LPG, Naphtha/ Natural Gas Liquid (NGL), Aviation Turbine Fuel (ATF), High Speed Diesel (Consumer) (HSD(C), Fuel Oil/Low Sulphur Heavy Stock (FO/ LSHS) and Bitumen was better than product-wise SPE, IOC is not able to make up the huge shortfall of 362 TMT and 1571 TIMT in MS (Retail) and HSD (Retail) respectively.

7. The Ministry have further stated that in view of the above, to achieve SPE, needs of IOC may be delineated as under: (i) as FO/LSHS and Naphtha are treated as balancing products as per Government Policy, additional allocation of 1.8 MMT of such products in the form of customer linkages should be made preferentially through IOC to balance overall shortfall in SPE and (ii) the return of 1.4 MMTPA of Naphtha/FO/LSHS surrendered by IOC to meet shortfall in SPE achieved of OMCs back to IOC. IOC, therefore, had been persistently requesting for preferential allocation of NGL/Naphtha and FO/LSHS customers to IOC before considering any allocation to other Oil Companies, who have been consistently exceeding their sales plan entitlement.

8. The Committee are not satisfied with the reply of the Government. According to Government policy, FO/LSHS and Naphtha are treated as balancing products for bridging imbalance in the sale of SPE products. However, the reply of Government is silent about the action taken on persistent requests by IOC for additional allocation of 1.8 MMT of FO/ LSHS and Naphtha, return of 1.4 MMTPA of Naphtha/FO/LSHS surrendered by IOC to meet shortfall in SPE achievement of other marketing companies etc. The requests made by IOC to the Ministry for preferential allocation of NGL/Naphtha and FO/LSHS customers to IOC before considering any allocation to other Oil Companies who have been exceeding their Sales Plan Entitlement also seen to have borne no results. The Committee therefore urge the Government to consider IOC's suggestions seriously and take immediate steps to check the decline in IOC's market share and apprise the Committee of the same.

B. *Corporate Plan*
(Recommendation Serial No. 3)

9. The Committee had observed that pursuant to the recent liberalised economic policies and fiscal restructuring in the country both the Corporate Perspective Plan and the Long Range Plan of IOC were being updated keeping in tune with the national policies. With the economic reforms, IOC was apprehensive of greater competition being faced from the private sector both in the field of refining as well as marketing of petroleum products. The Committee had suggested that in the light of the changing economic policies of the Government, IOC should be prepared to face greater competition in the future. The Committee had also recommended that IOC should update its Corporate Plan and Long Range Plan expeditiously in order to equip itself with a definite strategy and plan of action to face the new challenges.

10. In their reply the Government have stated that Long Range Plan was updated cosvering VIIIth Five Year Plan upto 1997 and got approved by the Board on 28th July, 1994. In view of the changing economic policies of the Government, as suggested by the Committee, they had taken up Corporate Perspective Plan-2000 and Long Range Plan 1997 again for updation to a time span upto 20007 and 2002 respectively which is in advanced stage of finalisation.

11. The Committee regret to note that there is hardly any progress in finalisation of the updated Corporate Perspective Plan2007 and the Long Range Plan 2002 since June, 1994 when the representatives of IOC had stated before the Committee during evidence that these documents were in the process of being updated. To say the least, it is height of lack of initiative and interest on the part of IOC as also lack of proper monitoring on the part of the Government for the Company to have dragged their feet on such a vital issue more so in the changed economic scenario where IOC finds itself in a new environment of competition in refining and marketing of petroleum products. The Committee wonder as to how the Company could make long term planning in the absence of a definite strategy. They reiterate that the Corporate Perspective Plan 2007 and Long Range Plan 2002 should be updated without any further loss of time under intimation to the Committee.

C. *Memorandum of Understanding(MoU)*
(Recommendation Serial No. 4)

12. The Committee had pointed out that IOC was one of the first companies to have signed MoU with the Government right from the year 1989-90. While noting that the performance of the Company was being rated in the range of excellence from the beginning, the Committee found that full benefits of MoU, especially with regard to delegation of powers, had not really accrued to the Company. The Committee had recommended that Government should take serious note of the recommendations of the Committee made in this regard in their 36th Report (1994-95) on Gas Authority of India Ltd. and take

urgent steps to further delegate powers to PSUs under the MoU arrangements.

13. Government have in their reply stated that the question of delegating more powers to the PSUs to incur capital expenditure and also enter into joint ventures was already under consideration of the Government.

14. The Committee desire that Government should expedite the matter and delegate more powers to PSUs under the MoU arrangement.

D. *Delay in Project Approval*
(Recommendation Serial No. 6, Paragraph 7)

15. The Committee had observed that in a number of cases the project approval by Government had taken unusually long time. In view of the fact that delay in clearance of project proposals resulted in avoidate cost escalation, change in scope of the project and marketing conditions and denial of timely benefit to the Company, the Committee had stressed that the time schedule for approval of projects prescribed by the Ministry of Finance (Department of Expenditure) should be scrupulously adhered to both by the Administrative Ministry and the appraising agencies with a view to ensure that clearance of project does not normally take more than six months after receipt of the proposal from the undertaking.

16. In their reply the Government have stated that sincere efforts were being made in the Ministry to scrupulously adhere to the time-schedule laid down by the Ministry of Finance (Department of Expenditure) on the approval of projects.

17. The Committee would like to reiterate that the need to check delay in the approval of project proposals cannot be over emphasised. They trust that the Government have taken the recommendation in right earnest and sincere and conscientious effort will be made by the administrative Ministry and the appraising agencies to clear the projects within the prescribed time limit.

E. Gujarat Refinery Expansion
(Recommendation Serial No. 7, Paragraphs 8 & 9)

18. The Committee had noted that the proposals for expansion of Gujarat Refinery which was mooted as early as in 1989 had not been approved by Government. The Committee observed that Public Investment Board (PIB) approval for the project had not been obtained for want of clearance from the Ministry of Environment and Forest. While deprecating inrodinate delays at each stage of project approval, the Committee had hoped that the project would be approved without further delay.

19. The Government have stated in their reply that the proposal of IOC for setting up of 3.0 MMTPA CDU and Revamp of FPU/FCCU and Augmentation of SVK crude pipeline was approved by the Public

Investment Board in their meeting held on 28th April, 1994 at an estimated cost of Rs. 897 crores. The proposal could not be placed before the CCEA for their approval since the environmental clearance of the pipeline segment of the project was received only in the first week of September, 1995. According to the existing guidelines the proposal has to be re-submitted to PIB for their approval with the updated cost estimates. The updated cost estimates had since been finalised based on October, 94 price level and the proposal was being submitted again for the consideration of the PIB and thereafter for approval of CCEA.

20. In view of the long span of six years already taken for approval of the proposal for expansion of Gujarat Refinery, the Committee would like to impress upon the Government to spare no efforts in getting the proposal cleared without any further loss of time. They trust that the prescribed time limits for approval of projects at each stage will be strictly adhered to at least from now onwards.

F. Expansion of Haldia Refinery
(Recommendation Serial No. 8, Paragraphs 10 & 11)

21. The Committee had noted that the proposal for MMTPA Expansion of Haldia Refinery initiated as far back as in 1980-81 had not been approved. The Committee found that IOC and the Ministry had given diametrically opposite reasons for not pursuing the proposal for Haldia expansion at that time. According to the Ministry, the proposal for expansion had to be dropped since it had to be treated as a grassroot refinery with the facilities available having been fully saturated. IOC stated that the proposal was dropped since the Working Group constituted by Government did not recommend its expansion. It was only subsequently that the available land and infrastructural facilities were utilised to set up some projects for improving the profitability of Haldia Unit. The Committee were not able to reconcile the divergent views placed before them and had desired to be apprised of the correct position in this regard. They had also recommended that in future it should be ensured that information placed before the Committee was factually correct. The Committee had also been informed by IOC that there was yet another proposal for a low cost expansion of Haldia Refinery by 1 MMTPA which would also produce low sulphur fuel oil required for meeting the environmental stipulations. The Company had hoped to get it approved by the Board and implement in 24 months. The Committee had desired that IOC and the Government should seriously pursue the latest proposal for expansion of the Haldia Refinery to its logical conclusion.

22. In their reply the Government have stated that the feasibility of expanding Haldia Refinery by 3 MMTPA had been examined way back in 1980-81 and feasibility report was submitted to Govt. in June 1981. Subsequently, based on the discussions, IOC examined the alternative processing schemes for maximisation of middle distillates. Accordingly, a revised feasibility report was submitted by IOC in Febuary, 1983. In

October, 1983, Ministry of Petroleum & Natural Gas reviewed the requirement of funds for the above project vis-a-vis plan provision for the other grassroot refineries. Subsequently, a Working Group was constituted in March 1984 to study the additional refining and secondary processing capacity required in the country during 7th Five Year Plan. The Working Group in their report in May 85, did not recommend expansion of Haldia Refinery.

23. The Government have also stated that Refinery needs low sulphur fuel oil in process unit furnaces and boilers to meet the environmental stipulation w.r.t. SO_2 emission/stack heights of furnaces and biolers which cannot be met by the existing infrastructure and processing pattern. The feasibility of low cost expansion of Haldia Refinery by 1 MMTPA, to produce low sulphur fuel required for meeting the environmental stipulations, was considered by IOC and an investment proposal at an estimated cost of Rs. 45 crores was approved by IOC Board in April, 1995. The same is expected to be implemented in 21 months, that is by December, 1996.

24. The Committee regret to note that the justification earlier given by the Ministry for not pursuing the proposal for expansion of 3 MMTPA expansion of Haldia Refinery was not factually correct. They cannot but place on record their strong displeasure for placing such incorrect information before the Committee. The Government should have ascertained the facts before furnishing written information to the Committee. The Committee desire that in future Government should ensure that any information furnished to the Committee should be verified thoroughly to ensure its factual accuracy. They recommend that all efforts should now be made by the Company to complete 1 MMTPA expansion, which was approved by the Board in April, 1995, within the original cost and time frame.

G. Grass-Root Refinery in Eastern India
(Recommendation Serial No. 9, Paragraphs 12 and 13)

25. The Committee had observed that the proposal for a 6 MMTPA Grassroot Refinery in Eastern India had been hanging fire since August, 1989. Although discussions with a number of Joint venture partners were held, the Government asked IOC to go ahead on their own and take a decision regarding the joint venture partner later. The Committee also noted that although a Site Selection Committee set up by IOC in 1987 and another Site Selection Committee set up by Ministry in 1992 had, after visiting a number of sites, recommended Daitari as the most suitable location, a final decision regarding the site had not been taken by the Government. The Committee had expressed their displeasure over total inaction of the Government in regard to processing of the project, identification of site and selection of a joint venture partner. They had also recommended that immediate steps should be taken to complete all the

formalities in connection with the approval of the project within a period of 3 months from the date of presentation of the report and the Committee be apprised of the same.

26. The Government have in their reply stated that Indian Oil Corporation had submitted a feasibility report for stage-I clearance in August 1989 for setting up the 6 MMTPA grassroot refinery at Daitari in District Cuttack, Orissa in the Eastern Region. The feasibility report was discussed in the pre-PIB meeting in October, 1989 wherein it was decided to prioritise between the 3 grassroot refineries *viz.* Central India, Western India and Eastern India. In July 1992, the Government had decided to set up new grassroot refineries in Eastern, Central and Western India as Joint Ventures with private parties in India and abroad. Detailed discussions were held by IOC with various parties including M/s. Ashok Leyland Ltd and Kuwait Petroleum Corporation. MOP&NG conveyed the approval of Government of India to IOC to go ahead with the project on its own for the present and decide upon the Joint Sector partner later on. Accordingly, feasibility report for the Refinery and the associated crude oil pipeline were submitted to MOP&NG in August 1994 for stage-I clearance. Stage-I clearance of the Government of India to IOC's proposals for setting up the 6.00 MMTPA grassroot refinery in Orissa had been accorded in December, 1994. In April 1995 Government was approached again by IOC for approval of KPC as the joint venture partner for the project. MOP&NG had conveyed on 12.7.95 the approval of Government of India to IOC's proposal for selection of Kuwait Petroleum Corporation (KPC), Kuwait as joint venture partner with IOC for East Coast Refinery. MOU between KPC and IOC had since been signed in Kuwait on 16th September, 1995. The Government have stated that activities for preparation of Detailed Feasibility Report (DFR) were in hand. Selection of consultant for preparation of DFR is in advanced stage. DFR is likely to be submitted by Consultant within six months of award of job to Consultant.

27. They have further stated that based on various considerations two alternate sites had been tentatively identified by IOC as the likely sites for the proposed refinery. The first site, near Paradip Port, was at Gobindpur/Dhinkia/Abhayachandrapur and the other site was at Haridaspur approximately 80 km from Paradip Port. The final selection of the site would be based on Techno-economic considerations. For this purpose, preliminary soil investigation/land survey work at both these sites was being carried out. Based on these reports the Techno-economic study for selection of site would be carried out by DFR consultant.

28. The Committee are perturbed to note that inspite of their specific recommendation to complete all formalities in connection with approval of the Refinery Project in Eastern India within a period of 3 months from the date of presentation of the report there has hardly been any progress made so far. Even the approval of KPC as the joint venture partner by IOC has

been accorded after considerable delay. Neither has any reply been furnished to the Committee on various steps taken by Government within the period specified.

29. It is further disheartening to find that even after six years the Government is still dragging their feet with regard to the project, having not even finalised the project site and the consultant for preparation of DFR. Evidently, the progress in project formulation and approval has been at snail's pace. The Committee while expressing their strong displeasure over the tardy progress made so far desire that the Government should take immediate steps to select the Consultant for preparation of DFR and the project site. The Committee would urge that at least from now onwards the time schedule for formulation and approval of project should be adhered to scrupulously and the project taken up in right earnest. They also desire that in future Government should take recommendations of the Committee with all the seriousness required.

H. *Engaging of a Private Company for Blending Lube (Recommendation Serial No. 11, Paragraphs 16 to 18)*

30. The Committee had noted that IOC had engaged M/s. Raaj Unocal Lubricants Limited, a private company, for blending of lube to meet the requirements of the Northern Region till such time the new plant in Asaoti, Haryana, in the Joint Venture with Mobil is commissioned. Although one of the main considerations for engaging the private company was to meet the requirements of lube in the North and to capture additional business to the extent of 5 TMT per annum in the Region, it was found that sales performance of the company had not improved. On the other hand, stock of inventory in the Northern region had gone up. The Committee had observed that whereas the blending and packaging fee payable to IOBL was only Rs. 440 per KL (subsequently revised to Rs. 875 per KL), M/s. Raaj Unocal Lubricants Ltd. was being paid a fee of Rs. 1120 per KL. IOC had tried to project that the additional expenditure on account of high blending fees could be made up to some extent by savings in transportation of base oil which worked out about 10% cheaper as compared to finished product in packed form. The Asaoti plant was expected to be commissioned by 1997-98. Engaging of M/s. Raaj Unocal Lubricants Ltd was stated to be a stop-gap arrangement. However, the Committee noted that the agreement signed with the company on 22 February, 1994 was for a period of five years which implied that the company would continue blending lube for IOC till February, 1999. The Secretary of the Ministry had stated during evidence that IOC was responsible for engaging the private company since it was a Board decision. The Committee had observed that the reasons and justification given by the Company for entering into the agreement with M/s. Raaj Unocal Lubricants Limited that too at such an exhorbitant blending fee were not convincing. The Committee had also pointed out that since IOC was accountable to the Administrative Ministry, who have their nominees

also on the Company's Board the Ministry could not plead complete absolution. They had recommended that an independent enquiry be conducted into the deal and those guilty be brought to book within a period of six months from the date of presentation of the report.

31. The Government have stated in their reply that since 1991, with the opening of economy, IOC started loosing lubricants sales to private oil companies. Particularly in north, the loss of sales was very high as IOC did not have required infrastructure, whereas one of their main competitor in private sector, M/s. Castrol, had its blending plant at Faridabad. Therefore, it was decided by IOC to have its own blending plant at Asaoti. Pending commissioning of plant at Asaoti in 1997-98, it was thought prudent to have blending facilities on contract and in line with this thinking, the offer of M/s. Raaj Unocal was accepted after detailed negotiations and thorough scrutiny of their offer and after comparing the prevailing rate in the market. In addition to above IOBL plants at Bombay and Calcutta were being operated much beyond their capacity to cope up with the local demand and also the demand of the North which resulted into operating problems. Due to logistic problems, it was necessary to keep high inventories in Northern Region. Lubes inventory had been brought down from 39,000 KL in 1993-94 to 26,000 KL in 1994-95. There was substantial loss of sales of 18% in the year 1992-93. The expected loss of sales in 1994-95 was estimated around 13%. This has been contained barely to 5% in 1994-95 due to engaging the facilities of M/s Raaj Unocal.

32. The Ministry have further stated that the fee determined for M/s. Raaj Unocal has been fixed on the cost plus formula, as applicable to petroleum products. Against this, the blending fees of Rs. 440 paid to M/s. IOBL had been determined based on the concept of recoupment of the total annual cash requirement of IOBL after taking into account the subsidised costs allowed by IOC and also netting out the surpluses of cash, in Grease Plant. IOBL's annual capacity was 3,64,680 KL against M/s. Raaj Unocal's capacity of 28,800 KL. This had direct impact on per KL cost and as such the rate of Rs. 440 is not comparable with the rate of Rs. 1120. Moreover, certain operating cost like general management cost, interest cost, etc which are borne by M/s. Raaj Unocal are not borne by IOBL. No returns and depreciation have been allowed to IOBL while fixing blending fees of Rs. 440 KL IOBL's blending fee is based on the concept of recoupment of annual cash requirement whereas M/s. Raaj Unocal's blending fee is worked out on normal commercial considerations of cost plus returns. According to the Government if these factors which had suppressed the cost are put at par, the blending fee of Rs. 1120/- per KL payable to M/s. Raaj Unocal is considered very reasonable and even lower than the rate paid for similar blending by other lubricant marketers. However, the Government have also stated that the rate of Rs. 440 was very much on the lower side considering the increase in cost, resulting into a serious cash crunch. On the basis of a mid-term review, the blending fee

was revised upwards to Rs. 875 per KL with effect from 1st April, 1994. The contract period of 5 years has been agreed to after due deliberations and taking into account the fact that the Asaoti Plant will be coming up in 1997-98 and will not be in full production in its first year of commissioning. Contractual obligation in 5th year operation is at reduced volume. The Ministry have stated that for the reasons explained above, there was no prima facie case for conducting a detailed enquiry. However, it is stated that CBI is suo moto looking into the matter.

33. The Committee are unhappy to observe that Government, who at the time of evidence had declined to comment on the episode, have now put forward some belated arguments to justify entering into the contract with M/s. Raaj Unocal Lubricants Limited for blending lube and paying exorbitant blending fee to the firm. These arguments are not convincing to the Committee. The Committee have failed to understand the need for IOC to have entered into such a contract when the prospects of sale of lubes was quite bleak in the face of stiff competition from private oil companies. If the Company was able to meet the requirements of lubes in the Northern Region by transporting finished product from IOBL's existing plants in the post-liberalisation period when IOC did not face competition from other private companies, the Committee wonder as to why such an arrangement could not continue until such time the new plant in Asaoti was commissioned. As against high expectations of the Company for capturing 5 TMT per annum in the Northern Region by engaging the private firm, actual figures speak otherwise. The sales performance has continued to remain far below what was achieved by IOC in 1991-92. Similarly, the stock of inventory in the Northern Region which had shot up after the private firm was engaged continued to remain above 1991-92 level even in 1994-95. Even after taking into consideration the factors relating to blending fee placed by the Government before the Committee, they are of the view that the rate of Rs. 1120 fixed for M/s. Raaj Unocal Lubricants Ltd. was unrealistic as compared to the rate of Rs. 440 which was being paid to IOBL. The very revision of IOBL's blending fee from Rs. 440 to Rs. 875 after M/s. Raaj Unocal Lubricants Ltd. was engaged on much higher fees, seems to be an after thought to cover up the major difference. Considerations which might have weighed with IOC for entering into a five year period contract with the firm for blending lube upto February, 1999 when Asaoti Plant was expected to be commissioned in 1997-98 are also no less ambiguous.

34. The Committee are astonished to find that in spite of their recommendations for conducting an independent enquiry into the deal with a view to bringing out facts of the case and taking action against the guilty, the Government have not given any serious thought to it. It is. to say the least highly regrettable. The Committee are of the firm opinion that the matter needs to be probed into. The fact that CBI has suo moto **decided to look into the matter corroborates the view expressed by the Committee even**

though they have not been informed of the scope of enquiry by the CBI. They, therefore, reiterate the earlier recommendation and desire that immediate steps should be taken to conduct an enquiry into the whole episode, identify and initiate action against those found guilty within a period of six months from the date of presentation of the Report and the Committee be apprised of the same.

I. *Productivity*

(Recommendation Serial No 14, paragraph 24)

35. The Committee had expressed concern that productivity per employee in IOC was lower in comparison with other companies in the public sector like BPCL and HPCL. According to IOC factors like manpower intensive Russian/Romanian technology, low installed capacity and low crude supplies to the eastern sector refineries were responsible for lower value addition. The Committee had recommended that with a view to rationalise surplus manpower an independent agency should be engaged to assess manpower requirement in Refinery Division of IOC and conscientious efforts should be made by the Company to improve the productivity of labour.

36. In their reply the Government have stated that IOC R&P had taken up manpower studies under agreements with the recognised Unions/ collectives of the Unit concerned in the recent past by the Administrative Staff College of India, Hyderabad in Barauni in 1985, by Study Group of MRL in Assam Oil Division in 1990 and by Administrative Staff College of India, Hyderabad in Gujarat Refinery in 1993. Rationalisation to certain extent had since been achieved by the Corporation on account of studies conducted and implemented. They have also stated that a proposal had been mooted to undertake fresh manpower studies at all the locations of R&P Division by external agencies keeping in view introduction of various technological modernisation including computerisation in various Refineries. The matter is stated to be under discussion with the collectives at the respective Units for arriving at agreements to ensure smooth completion of the study and implementation.

37. **The Committee desire that with a view to improving productivity of labour in IOC, manpower requirement in the Company's units should be assessed without any further loss of time and measures should be taken to reduce surplus wherever applicable.**

J. *Board of Directors*

(Recommendation Serial No. 23, Paragraphs 34 & 35)

38. The Committee had expressed concern that there were four Government Directors on the Board of IOC whereas the DPE guidelines strictly provided that the number of Government Directors on the Board of a Public Undertaking should in no case exceed two. The Committee had also noted that although the DPE guidelines provided for appointment of

part-time non-official Directors on the Board of Public Undertakings, the Government seemed to be content with the present arrangement of having only functional Directors and Government Directors. The Committee had recommended that the Government review the structure of the Board and consider the desirability of inducting non-official Directors on the Board of the Company.

39. In their reply the Government have stated that Indian Oil Corporation is the largest commercial organisation in India. Taking into account its vast network of pipelines and refineries throughout India, marketing activities, sales volume and financial transaction, it was considered necessary to have three representatives of the Ministry, concerned with its three important areas of operation i.e. marketing, refining and finance, as part-time Directors on its Board. Since all the programmes/projects of IOC are formulated in consultation with Planning Commission, it was considered desirable to have a representative of Planning Commission concerned with Energy Sector also on IOC's Board as fourth part time Government Director. They have stated that the Ministry of Petroleum & Natural Gas is aware of the DPE's guidelines regarding the constitution of the Board of Directors of PSUs and they would take a decision regarding reconstitution of the Boards including that of IOC as per DPE guidelines in due course keeping in view the interests of the PSUs under their administrative control. The Government have further stated that the recommendation of the Committee to review the structure of the Board of IOC with a view to inducting part-time non-official Directors in accordance with the DPE guidelines had been noted for necessary action.

40. The Committee are constrained to find that Government have not taken their recommendation seriously. The reply furnished by the Ministry is vague and evasive. Since the DPE issues guidelines with a view to ensure autonomy and efficient functioning of PSUs, the Committee would like to emphasise that such guidelines should be taken seriously and implemented. The Committee, therefore, reiterate that Government should take urgent steps to restructure the Board of IOC in accordance with the DPE guidelines.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Serial No. 1, Paragraph 1)

Indian Oil Corporation Limited (IOC) was established on 1 September 1964. The micro-objectives of the Company were approved by Government in June, 1984. In the Petroleum Sector, IOC has been given a dominant role to play in the field of refining and distribution of petroleum products. Although the Company has been making profits, its growth in sales has registered a declining trend as compared to industry growth since the last three years due to various factors. Capacity utilisation is also lower when overall performance of other refineries is taken into account primarily due to shortage of crude to Barauni/Guwahati Refineries. The cost of production has been increasing steadily. Value added per employee is low. There are slippages in project planning and implementation. Nevertheless, IOC seems to be contended with achieving the objectives of the Company. After going into the working of IOC, the Committee are of the view that there is sufficient scope for improvement in several areas particularly the cost of production which has been increasing steadily, the value added per employee which is low at present and project planning and implementation to achieve overall improvement in the performance of the Company. These and other aspects have been dealt with by the Committee in detail in the subsequent paragraphs.

Reply of the Government

This para covers general opening remark and specific aspects have been dealt with by the Committee in detail in subsequent paragraphs. Information regarding action taken against each recommendation is furnished in reply to subsequent paras.

[Ministry of Petroleum & Natural Gas O.M. No. P-38012/2/94-IOC dated 30.11.95]

Recommendation (Serial No. 5, Paragraphs 5 & 6)

The Committee note that out of the projects costing more than Rs. 10 crores completed by IOC during 1990-91 to 1992-93 there were slippages in cost and (or) time in 8 projects. There have been inordinate delays ranging from 4 months to 36 in the execution of the projects as compared to original time schedule and cost escalation upto 74% in comparison to the original cost IOC has attributed the slippages largely to time consuming procedures, foreign exchange problem, statutory changes in duties and

taxes, location/site factors, change in scope etc. Another unusual phenomena noticed by the Committee in the implementation of projects by IOC is incurring of cost far below the approved cost in some cases.

The Committee note with concern the undue delay and cost escalation in the execution of projects by IOC. The Committee also observed deviation in actual cost from project estimates. Inspite of the claims made by IOC and the Ministry about the existing planning and monitoring system for implementation of the projects the Committee feel that the set up in IOC for project formulation and implementation needs to be improved. They desire that a stricter mechanism for monitoring and control of projects at the formulation and implementation stages should be evolved.

Reply of the Government

In the past, there has been some delay in implementation of few of the major projects. Some of the common factors which have contributed to time and cost over-runs, are time consuming procedures for obtaining various approvals such as licensor/technology tie-up, import of equipment, location and site factor, change of scope etc.

IOC is having a comprehensive planning and monitoring system in implementation of the projects in association with consultants. Computerised planning/monitoring is done for each project activity. Project progress is reviewed on regular basis at different levels. Major projects are reviewed by Board on monthly basis, and for projects above Rs. 20 crores, progress report is being put up to Board on quartrly basis.

Continuous effort is being made to improve the planning & execution of projects. Attempts are also being made to make the consultants more accountable for execution of projects as per schedule.

Considering our past experience in implementation of major projects, endeavour is being made to define the scope of projects more precisely at the time of its formulation so that scope of change is minimised at a later stage.

[Ministry of Petroleum & Natural Gas O.M. No. P-38012/2/94-IOC dated 30.11.95]

Recommendation (Serial No. 6, Paragraph 7)

The Committee are distressed to note that in a number of cases the project approval by Government took unusually long time. The time schedule prescribed by the Ministry of Finance (Department of Expenditure) for clearance of project proposals have not been adhered to by the Administrative Ministry and the appraising agencies. The Committee take a serious view of such inordinate delays in decision making as it results in avoidable cost escalation, change in scope of the project and marketing conditions and denial of timely beneift to the Company. The Committee are of the firm view that the prescribed time schedule for approval of projects should be scrupulously adhered to both

by the Administrative Ministry and the appraising agencies with a view to ensure that clearance of project does not normally take more than six months after receipt of the proposal from the undertaking.

Reply of the Government

Sincere efforts are made in this Ministry to scrupulously adhere to the time-schedule laid down by the Ministry of Finance (Deptt. of Expenditure) in their O.M. No. 1(2)/PF.II/94 dated the 25th April, 1994 (Copy enclosed) on the approval of the project.

[Ministry of Petroleum & Natural Gas O.M. No. P-38012/2/94-IOC dated 30.11.95]

Comments of the Committee

Please *See* paragraph No. 17 of Chapter I of the Report.

Recommendation (Serial No. 7, Paragraphs 8 & 9)

The proposal for expansion of Gujarat Refinery was mooted as early as in 1989. The Company submitted Feasibility Report to Government in April, 1990 and Stage-I clearance was given in December, 1990. At the first instance IOC was asked to submit DFR in two parts. After DFR (Part-I) was submitted for connected facilities requiring indigenous technology in February, 1992, the Company was asked to submit a combined PIB note integrating DFR (Part-I) and DFR (Part-II). Combined PIB note was submitted in June, 1993. In the meantime ONGC made downward revision in the crude availability from Western on-shore oil fields which necessitated provision of supplementary crude for the proposed expansion by augmenting the Salaya-Viramgam and Viramgam-Koyali Sections of the existing Salaya-Mathura Pipeline. For this a separate DFR was submitted in July, 1993. Thereafter, a combined PIB note integrating Refinery Proposal (Part-I and Part-II) and the pipeline proposal was circulated in January, 1994. PIB approval had not been obtained till the time of completion of examination by the Committee for want of clearance from the Ministry of Environment and Forest.

The Committee are constrained to note that even after a lapse of five years, the proposal for expansion of Gujarat Refinery has not been approved by Government. There have been inordinate delays at each stage of project approval. Considerable delay has been caused on account of three revisions of the project proposal itself. The Chronology of events points towards a lack of sense of urgency on the part of Government in approving the project, which indeed is regrettable. The Committee however expect that now at least the project should be approved without further delay, if it has not already been approved. They would also like corrective measures to be taken to streamline the procedure for approval of projects in order to avoid such delays in future.

Reply of the Government

Approval of the Project.

The proposal of IOC for setting up of 3.00 MMTPA CDU and Revamp of FPU/FCCU and Augmentation of SVK crude pipeline was approved by the Public Investment Board in their meeting held on 28th April, 1994 at an estimated cost of Rs. 897 crores. The proposal could not be placed before the CCEA for their approval since the environmental clearance of the pipeline segment of the project was not available. The necessary environmental approval was received only in the first week of September, 1995.

According to the existing guidelines the proposal has to be re-submitted to PIB for their approval with the updated cost estimates. The updated cost estimates have since been finalised based on Oct. '94 price level. The proposal is being submitted again for the consideration of the PIB, and thereafter for approval of CCEA.

The Committee on Expenditure have already prescribed time limits for processing of the project proposals to be considered by the PIB. Efforts are made to adhere to the prescribed time limits but in certain cases, the processing of the project proposals for final approvals gets delayed due to multiple agencies involved. The project authorities have been advised to avoid such delay.

[Ministry of Petroleum & Natural Gas O.M. No. P-38012/2/94-IOC dated 30.11.95]

Comments of the Committee

Please *See* paragraph No. 20 of Chapter I of the Report.

Recommendation (Serial No. 8, Paragraphs 10 & 11)

Another proposal about which the Government and the Company have been blowing hot and cold over more than a decade is the expansion of Haldia Refinery. The proposal was initiated as far back as in 1980-81 for 3 MMTPA expansion. Although considerable exercise was done at that time. The proposal was reportedly turned down by a working Group constituted by Government in 1985. The Committee find that IOC and the Ministry have given diametrically opposite reasons for not pursuing the proposal for Haldia expansion at that time. According to the Ministry the cost of expansion of an existing refinery is much less as compared to a grassroot refinery of the same capacity. The proposal for expansion had to be dropped since it had to be treated as a grassroot refinery the facilities available having been fully saturated. IOC stated that the proposal was dropped since the Working Group constituted by Government did not recommend its expansion. It was only subsequently that the available land and infrastructural facilities were utilised to set up some projects for improving the profitability of Haldia Unit. This reduced the possibility of a low cost expansion of Haldia Refinery by 3 MMTPA since it had to be viewed virtually as a grassroot project. The Committee are not able to reconcile the divergent views placed before them. They would like to be

apprised of the correct position in this regard. They also desire that in future it should be ensured that information placed before the Committee is factually correct.

The Committee were informed by IOC that more recently there was another proposal for a low cost expansion of Haldia Refinery by 1 MMTPA which will also produce low sulphur fuel oil required for meeting the environmental stipulations. The company was hopeful of getting it approved by the Board and getting it implemented in 24 months. The Committee expect that IOC and the Government are serious at least about the latest proposal for expansion of the Haldia Refinery and will pursue it steadfastly to its logical conclusion.

Reply of the Government

A. Low Cost Debottlenecking

Haldia Refinery was established with original installed capacity of 2.5 MMTPA in 1974 for processing of Light Iranian crude oil. After debottlenecking, the installed capacity has increased to 2.75 MMTPA w.e.f. 1989.

The second phase of debottlenecking of the crude distillation unit by installing a prefractionator was approved by IOC Board in Feb. '94 at an estimated cost of Rs. 4.70 crores to increase the refinery capacity to a level of 2.95 MMTPA. The project however could not be completed by Aug. '95 as originally planned since only a short shut down of the unit was taken in May/June'95 in view of product availability crisis in the country wherein project jobs could not be taken up. Now the same is planned in next shut down in April' 96.

Simultaneously alongwith the primary capacity, the secondary capacity of the refinery viz. lube oil manufacturing has also been debottlenecked in the first phase from a level of 136,000 tonnes per year to 162,000 tonnes per year in 1990 at a cost of Rs. 5.85 crores. The second phase of debottlenecking of the luble block to increase the production capacity of lube oil base stock to 222,000 tonnes per year has also been completed in May, 1994 at a cost of Rs. 48 Crs.

B. Expansion by 1.0 MMTPA

Refinery needs low sulphur fuel oil in process unit furnaces and boilers to meet the environmental stipulation w.r.t. SO_2 emission/stack heights of furnaces and boilers which cannot be met by the existing infrastructure and processing pattern. The feasibility of low cost expansion of Haldia Refinery by 1.0 MMTPA, to produce low sulphur fuel required for meeting the environmental stipulations, as above, was considered by IOC, and an investment proposal at an estimated cost of Rs. 45 crores was approved by IOC Board in April, 1995. The same is expected to be implemented in 21 months (i.e. Dec. '96).

C. Expansion by 3.0 MMTPA

The feasibility of expanding Haldia Refinery by 3 MMTPA had been examined by back in 1980-81 and feasibility report was submitted to Govt. in Jun. '81. Subsequently, based on the discussions, IOC examined the alternative processing schemes for maximisation of middle distillates. Accordingly, a revised feasibility report was submitted by IOC in Feb. '83.

In Oct. '83, Ministry of Petroleum & Natural Gas reviewed the requirement of funds for the above project *vis-a-vis* plan provision for the other grassroot refineries. Subsequently, a working group was constituted in Mar. '84 to study the additional refining and secondary processing capacity required in the country during 7th Five Year Plan. The working group in their report in May 85, did not recommend expansion of Haldia Refinery.

To improve profitability of Haldia Refinery, and to provide operational flexibility, various projects have been implemented as under:

	Capacity	Cost	Status
Debottlenecking of crude distillation unit	Increase by 0.25 MMTPA (From 2.5 to 2.75 MMTPA)	Rs. 5.72 crores	Commissioned
Revamping of lube oil block with additional product tankages	Incremental 60,000 MT/Yr. lube oil 5*5000 KL 1*2000 KL	Rs. 48 crores	Commissioned
Sulphur recovery unit	3-4 MT/Day	Rs. 14.9 crores	Commissioned
Mandatory crude oil tankages	4*6000 KL	Rs. 14.95 crores	Commissioned
Additional product tankages			
MS	1×10,000 KL	Total	Commissioned
SRN	1×10,000 KL	cost	
ATF	1×7,500 KL	of the	
SK	1×7,500 KL	tankages	
HSD	1×7,500 KL	Rs. 11.1	
	3×13,500 KL	Crores	

(Ministry of Petroleum & Natural Gas O.M. No.P. 38012/2/94-IOC dated 30.11.95]

Comments of the Committee

Please *see* paragraph No. 24 of Chapter I of the Report.

Recommendation (Serial No. 10, Paragraphs 14 & 15)

IOC signed an agreement with M/s Mobil Petroleum Co. Inc., USA on 17 January 1994 to import, manufacture and market Mobil branded lubricants in India, Nepal and Bhutan. The Joint Venture Company has 50:50 participation by IOC and Mobil. According to IOC, consequent to economic reforms in the country and the entry of a large number of MNCs into the lube sector, it became a pragmatic compulsion for the Company to go in for joint venture to face the market challenge. Other considerations for entering into joint venture were to have access to frontiers of global technology and to penetrate into the customers of MNCs and competitors. The Committee are concerned about the effect which the marketing of Mobil grade of lubricants by IOC could have on the Servo grade of lubricants already being marketed by the Company. The Chairman, IOC also could not say it for sure that the Company's own lubes would maintain the present market share.

Surprisingly one of the reasons adduced by the Secretary of the Ministry for having entered into this joint venture was that while international R&D was rapidly changing, IOC had not been able to keep abreast of those standards. This view was quite in variance with what had been stated by IOC. The Committee are however of the view that in the changed environment of economic reforms and competition from multinational companies, IOC perhaps was left with no option other than to join hands with Mobil for manufacturing and marketing of lube. Only time would prove as to what extent the Company's expectations would fructify. While it might be too premature to conclude that indigenous products would not withstand the market competition, at the same time all out efforts need to be made to upgrade the quality of indigenous lubes to the international standards and to strengthen the marketing strategy so as to effectively counter any competition. The Committee, therefore, recommend that suitable steps should be taken in this regard urgently.

Reply of the Government

The Joint Venture Agreement with Mobil envisages marketing of Mobil grades by IOC through its retail network as well as direct marketing of Mobil grades by the Joint Venture Company-Indo Mobil Limited (IML). The basic principle governing the marketing strategy of both Servo grades and Mobil grades by IOC and IML is to obtain collaborative synergy. Mobil has a strong brand equity and its product cater to niche segments of the market. Marketing of Mobil grades is essentially oriented towards countering the competition from Multinationals such as Castrol, Shell, ELF etc. who have absorbed a considerable market share in the bazaar trade on the strength of their brand equity. In other words, marketing of Mobil is essentially an affront to competitive multinational company brands and not against IOC's grades which have a low market share in the bazaar trade. Marketing of both IOC's Servo grades and Mobil grades in tandem is to complement the sales volume and thereby derive a combined market

share. Further IOC has an agreement with IML that in industrial accounts held by IOC, IML will not compete. It is therefore, reasonable to conclude that IOC's own market share on lubricants will not stand threatened by marketing Mobil grades.

As far as the quality of lubricants being marketed by Indian Oil under its brand name "Servo" is concerned, these are at par in quality with international standards and approvals from national/international original equipment manufacturers. However, in view of rapid technological developments in Automobile and industrial sector with new sophisticated machines and engine designs, IOC (R&D) has already taken a lead to restructure its R&D plan to continuously upgrade and develop matching quality lubricants and greases.

As regards upgradation of quality of Haldia base oils to the International standards, the refinery has already drawn programme for improvement in the quality of base oils through suitable changes in the hardware of the Refinery. These changes are expected to be completed by 1998.

In the meantime, through changes in the process parameters, refinery has been in a position to improve the quality of base oils compared to these manufactured earlier by Haldia Refinery. From the above, it can be seen that action as suggested by COPU has already been initiated by Haldia Refinery.

[Ministry of Petroleum & Natural Gas O.M. No. P-38012/2/94-IOC dated 30.11.95].

Comments of the Committee

Recommendation (Serial No. 12, Paragraph 19)

The committee note with concern that the actual production achieved by IOC was lower than the installed capacity. As against the installed capacity of 24,400 MT, the actual production achieved by IOC from 1989-90 to 1992-93 was 23,530 MT, 23.742 MT 24.29 MT and 24.31 MT. As compared to BPCL and CRL also capacity utilisation was low in IOC. The highest percentage of capacity utilisation achieved by IOC during the years from 1989-90 to 1993-94 was 101.4 whereas it was 120.5 in BPCL and 113.8 in CRL. Though the company achieved the Oil Economy Budget/MOU targets, production was far below the installed capacity in Barauni Refinery during the year 1988-89 to 1992-93 and in Guwahati Refinery in 1988-89, 1990-91 and 1992-93. Lower Assam crude supply was stated to be the reasons for low production.

Reply of the Government

Capacity utilisation of IOC refineries for last five years is given in Annexure-19.1 Capacity utilisation in Barauni Refinery was lower during all the 5 years and in Guwahati was lower during 1990-91 & 1992-93 due to lower Assam Crude supply/availability.

[Ministry of Petroleum & Natural Gas O.M.No.P. 38012/2/94-IOC Dated 30.11.95]

Comments of the Committee

Recommendation (Serial No. 12, Paragraph 20)

As a result of efforts made by the company, Guwahati Refinery's crude production has increased. The Refinery achieved 101.2% throughout in 1993-94 and got crude allocation raised to the level of 0.95 MMT for the year 1994-95. As a short terms solution to the problem of lower crude availability to Barauni Refinery from Assam Oil fields, facilities were being installed for crude transportation from Haldia to Barauni by tank wagons. As a long term measure, a proposal has been submitted for a new crude oil pipeline from Haldia to Barauni. Since the capacity of the pipeline was 4.2 MMTPA even in the eventuality of non-availability of Assam crude, pipeline was expected to be adequate to meet requirements of Barauni Refinery. The proposal was awaiting PIB approval.

Reply of the Government

Crude oil transportation by tank wagons from Haldia to Barauni has been commenced w.e.f. 10.10.1994 as a short term measure. A new crude oil pipeline of 4.2 MMTPA capacity is proposed to be laid from Haldia to Barauni to augment the availability of imported crude to Barauni Refinery for full utilisation of the processing capacity of Barauni Refinery. The project proposal has been cleared by PIB on 26.4.1995 and has been submitted to CCEA for approval.

[Ministry of Petroleum & Natural Gas O.M.No.P. 38012/2/94-IOC
Dated 30.11.95]

Comments of the Committee

Recommedation (Serial No. 12, Paragraphs 21 & 22)

The Committee have been informed that another factor, which was responsible for low productivity was that three Refineries *viz.* Guwahati, Barauni & Baroda were designed on the old Russian design. Digboi Refinery was almost one hundred years old. The company was in the process of expanding Digboi Refinery at a cost of about Rs. 350 Crores. After that IOC was hopeful of modernising other Refineries also.

The Committee desire that IOC should spare no efforts to constantly monitor and improve the capacity utilisation of the Refineries. They strongly feel that since IOC had been facing the problem of shortage of crude for the last several years, steps ought to have been taken for alternative arrangement of crude earlier. They expect that by now additional facilities for loading and receiving crude at Haldia and Barauni must have been installed and transportation of crude by wagons commenced. The Committee are also of the firm view that steps should be taken to implement the Haldia-Barauni pipeline project at the earliest so

that production performance of Barauni Refinery improves further. They also recommend that the company should draw up a time-bound programme for modernisation of its Refineries which are based on old technology.

Reply of the Government

The modernisation efforts of Guwahati, Barauni & Gujarat Refineries are furnished as under:

1.0 *Guwahati Refinery*

Guwahati Refinery (GR), commissioned in 1962 was built with the technical assistance from Peoples Republic of Romania, for a capacity to process 0.75 MTPA of Assam crude. It was de-bottlenecked and modernised during the year 1986 and capacity was raised to 0.85 MMTPA by incorporating, replacement of old/low efficiency furnaces by modern high efficiency furnaces, optimisation of heat exchanger train and replacement of channel trays by modern high efficiency valve trays. Also refinery is being modernised by way of replacement of conventional pneumatic instrumentation and control system by modern Distributed Digital Control System (DDCS), which is expected to be commissioned by Apr. '96.

Feasibility studies are in progress for modernisation of the Delayed Coking Unit.

However, capacity utilisation of GR is restricted by Assam crude supplies to it.

2.0 *Barauni Refinery*

Barauni Refinery (BR), commissioned in 1964 with the Soviet assistance for a capacity of 3.0 MMTPA has been de-bottlenecked over the years to a capacity of 4.2 MMTPA by incorporating, replacement of old/low efficiency furnaces with high efficiency furnaces with air pre-heater and channel trays by modern high efficiency valve trays during the year 1987. Further, heat exchanger train has been optimised for efficient energy utilisation during the year 1990 in its Atmospheric and Vacuum Distillation units. Currently, BR is operating at a level of 2.1-2.2 MMTPA due to lower crude supplies ex Assam oil fields. Modernisation project covering replacement of conventional pneumatic instrumentation system by DDCS is in progress and is expected to be commissioned during 1996-97. Feasibility report for modernisation of the refinery incorporating latest state of art technology *viz.* Fluid Catalytic Cracking Unit (FCCU) has been prepared at a cost of Rs. 992 crs. and is being processed for approval by competent authority. The project is expected to be completed in 42 months from the date of Govt. approval.

To augment crude supplies, a proposal for laying of new crude oil pipeline (515 Km. long, 4.2 MMTPA capacity, project cost of Rs. 952.95 crores as of Dec'94) from Haldia to Barauni has been cleared by PIB in its

meeting held on 26.4.95. It is now being submitted to CCEA for approval. The pipeline is expected to be operational in 42 months from the date of Govt's approval.

Meanwhile, as a short term measure, crude oil transportation by tank wagons from Haldia to Barauni has commenced from 10.10.94 and on an average 10-12 TMT/Month crude is being supplied to Barauni Refinery.

3.0 *Gujarat Refinery*

Gujarat Refinery commissioned in 1965 with Soviet assistance for a capacity of 3.0 MMTPA has been debottlenecked/revamped and modernised by augmentation/installation of new units over the years and currently it is operating at 9.5 MMTPA level.

During the period 1984—88, the old Russian units have been modernised by replacement of old/low efficiency furnaces with modern high efficiency furnaces with air pre-heater, optimisation of pre-heat exchanger train and replacement of column internals by modern valve trays/packings. During the year 1982 new technology *viz.* Fluid Catalytic Cracking for distillate maximisation has been absorbed. Also UDEX unit has been revamped with newer solvent *viz.* TTEG from TEG for increased aromatic production.

Processing units have been retrofitted with modern DDCS Instrumentation & Control Systems and implementation of advanced process control is in progress.

During the year 1994, Hydrocracker unit has been commissioned for further distillate improvement. Soaker technology has been implemented in the visbreaking unit.

Efforts are in progress for putting up Hydro-desulphurisation unit for production of low sulphur (0.25% w sulphur), in line with Govt.'s decision to introduce the same w.e.f. 1.4.99.

Also the processing capacity of the refinery is being augmented further 3.0 MMTPA capacity. The project is expected to be completed in 36 months. The proposal was cleared by PIB in April '94, but the proposal is being submitted again to them for approval of updated cost based on latest estimates. After the clearance PIB the proposal would be placed for CCEA approval.

[Ministry of Petroleum & Natural Gas O.M. No. P.38012/2/94-IOC Dated 30.11.1995]

Recommendation (Serial No. 13, Paragraph 23)

The cost of production has been considerably higher than the budgeted costs during some years in almost all the refineries of IOC during the years 1988-89 to 1992-93. Compounded increase in the consumption of chemicals and increase in operating expenses, repairs and maintenance and establishment expenses were stated to be mainly responsible for a steady

rise in the overall cost of production in the refineries. However, the Ministry was of the view that when the refineries grow old, the cost of refining becomes less. The Committee feel that there is scope for cost reduction by regulating overhead expenditure, consumption of chemicals and operating expenses. They are of the firm view that the company should constantly review the performance of these plants and conduct periodic cost analysis with a view to reduce the cost of production.

Reply of the Government

Various measures are taken by IOC for reducing the cost of production in the refineries which are as follows:

(A) *Cost reduction through technological updation*

- increasing productivity through modernisation of equipments like automatic Gauging System etc.
- Implementation of improved type of packages such as online Maintenance package for cost reduction.
- Distributed Digital Control System in various refineries for optimisation of operations.
- Change of Catalyst in FCC with reference to low coke make, improved LPG and cycle oil yields, higher resistance to metals resulting in lower catalyst loss, improved octane for gasoline etc.

(B) *Cost reduction through conservation of energy*

- As a part of continued efforts towards energy conservation and consequent cost reduction, a number of energy conservation (ENCON) projects are being implemented in various refineries of the Corporation. ENCON projects implemented during 1994-95 and other major schemes under implementation are as under:

I. Scheme Completed :

Sl. No.	Item	Fuel Savings (Tonnes/Year)
1.	Supplemental modification in pre-heat train of AVU-I & II of Barauni Refinery	2,300
2.	Feed pre-heat optimisation in VDU at Haldia Refinery (Part of Lube Block Revamp project)	2,300
3.	Feed pre-heat optimisation in HFU at Haldia Refinery	530
	Total:	5,130

II. Schemes under implementation:

- Installation of high efficiency TG-4 at Guwahati Refinery

— Corrective engineering of CRU waste heat boiler at Gujarat Refinery

— Installation of Steam Coil Air Pre-heater in TPS at Haldia Refinery

— Replacement of ID fan in VDU at Haldia Refinery

— Installation of Pre-fractionator column in CDU at Haldia Refinery

— Installation of Out Board Steam Generator in CRU at Haldia Refinery

— Installation of welded plate heat exchanger (Packinox) in CRU at Haldia Refinery

— Installation of Steam Turbine in BFW service at Mathura Refinery

— Installation of two stage desalter in CDU at Mathura Refinery

— Conversion of Fixed Roof Tanks to floating roof at Gujarat

— Digboi Refinery Modernisation Project

— Replacement of old delayed coking unit at Digboi Refinery with a new energy efficient unit

— Installation of Back Pressure Turbine in Cooling water pump at Guwahati Refinery

— Low level heat recovery in FCCU at Mathura Refinery

— For further optimisation of energy usage in the refinery, comprehensive energy audits have been taken up.

The above schemes under I&II on completion are expected to result in fuel savings of about 47185 MT valuing over Rs. 13.5 crores per annum and consequent reduction in cost of production.

(C) *Cost Control System*

— Fixation of overall norms by Board for reduction in controllable cost.

— Thrust on cost benefit analysis

— Building up general environment of cost consciousness in the organisation through periodical reviews, fixation of norms, training etc.

— Bifurcation of cost into controllable and non-controllable for effective cost management.

— Physical norms for higher productivity and reduced unit cost.

[Ministry of Petroleum & Natural Gas O.M. No. P. 38012/2/94-IOC dated 30.11.1995]

Recommendation (Serial No. 14, Paragraph 24)

Productivity per employee in IOC was lower in comparison with other

companies in the public sector like BPCL and HPCL. For instance value added per employee in 1992-93 was Rs. 5.02 lakhs in IOC as against Rs. 7.96 lakhs in BPCL and Rs. 11.91 lakhs in HPCL. According to IOC factors like manpower intensive Russian/Romanian technology, low installed capacity and low crude supplies to the eastern sector refineries were responsible for lower value addition. IOC was hopeful of improving labour productivity with the modernisation of Digboi Refinery, implementation of Haldia-Barauni pipeline Project and computerisation of the departments. The Committee desire that with a view to rationalise surplus manpower, an independent agency should be engaged to assess manpower requirement in refinery Division of IOC . They are of the firm view that conscientious efforts should be made by the Company to improve the productivity of labour.

Reply of the Government

(1) IOC R&P had taken up manpower studies under agreements with the recognised Unions/collectives of the Unit concerned in the recent past as per the details given below:

Unit	Externally Agency	Year of Study Implementation
Barauni	Administrative Staff College of India, Hyderabad	1985
Assam Oil Division	Study Group of MRL	1990
Gujarat Refinery	Administrative Staff College of India, Hyderabad	Sept.'93

Rationalisation to certain extent has since been achieved by the Corporation on account of studies conducted and implemented as above.

(2) A proposal has been mooted to undertake fresh manpower studies at all the locations of R&P Division by external agencies, keeping in view introduction of various technological modernisation including computerisation in various refineries. The matter is under discussion with the collectives at the respective Units for arriving at agreements to ensure smooth completion of the study and implementation thereof.

[Ministry of Petroleum & Natural Gas O.M. No. P. 38012/2/94—IOC dated 30.11.1995]

Comments of the Committee

Please *see* paragraph No. 37 of Chapter I of the Report.

Recommendation (Serial No. 15, Paragraph 25)

IOC's R&D Centre, the only such centre among the public sector refineries, was set up in Faridabad in 1972. Without undermining the achievements made by the R&D Centre of the Company, the Committee would like to point out that more attention is needed towards R&D in the refining sector. In the emerging competitive situation, an effective R&D set up is required to support indigenous products to keep an edge in quality. Inspite of the high claims made by the company of having a world class R&D set up, the representatives of the Company and the Ministry conceded before the committee during the evidence that the Company needs greater R&D efforts to withstand the competition from multinationals and to improve the product quality to international standards. It is noted that R&D allocation by IOC has been as low as 0.065% to 0.106% of the turnover during the last five years. This obviously is too insignificant as compared to allocation for R&D made by other sectors.

Reply of the Government

In view of the emerging competitive situation, IOC , R&D Centre is creating new facilities in the refining sector as well as in lube technology area to strengthen R&D efforts. Following steps are being taken up and a detailed proposal for "Restructuring and expansion of R&D" has already received Board's approval. In lubricant area, major focus will be on:

(1) Development of automotive and industrial oils for new generation equipments

(2) Development of environment friendly biodegradable lubricants

(3) Development of synthetic oil based lubricant technology

(4) Development of aviation and synthetic greases

(5) Water based lubricants

(6) Additive synthesis and pilot plant studies

(7) Automation and computerisation of engine and testing laboratories

Thrust is also being given to refinery process as suggested by COPU:

Following areas will be specifically covered:

- Fluid catalytic cracking
- Hydrocracking
- Merox Treatment
- Distillation
- Solvent and Catalytic dewaxing
- Solvent Extraction
- Alkylation and oxygenates technologies for production of high octane unleaded gasoline

— Upgradation of fuel quality

— Waxy crude/product transportation

— Equipment inspection and failure analysis and residual life measurement

— Joint Collaborative research programme with national laboratories/organisation

It is proposed to spend about 240 crores on R&D during 1995—2000 period on 46 projects identified under the proposal for expansion as approved by the Board.

[Ministry of Petroleum & Natural Gas O.M. No. P-38012/2/94— IOC dated 30.11.95]

Recommendation (Serial No. 15, Paragraph 26)

The Secretary of the Ministry admitted before the Committee that the Company should do better in R&D. The Committee desire that as suggested by the Secretary, a Technical body like a Research Council should be set up as part of the R&D in the refinery sector which could plan, identify and give direction to different areas of R&D. The possibility of having interaction with other research institutions like Indian Institute of Petroleum should also be explored. The Committee are of the firm view that at least now steps should be taken to put the R&D set up in the refining sector on a sound footing possibly with the active involvement of all the refining companies in the public sector. The R&D outlay should also be stepped up consistent with the need for indigenous technology to keep pace with the international standards.

Reply of the Government

As suggested by Secretary, MOP&NG a proposal for restructuring & expansion of R&D Centre has been prepared and approved by the Board of Directors. The proposal includes collaborative programmes with national & international instituters *viz.* IIP, EIL etc. The approval also envisages constitution of scientific advisory committee to give impetus to various R&D programmes being undertaken at IOC , R&D Centre. Board has also approved significant jump in expenditure of R&D. A sum of Rs. 240 crores is proposed to be spend during 1995 to 2000 against an average of about Rupees 16 crores per year during last three years.

[Ministry of Petroleum & Natural Gas O.M. No. P-38012/2/94—IOC dated 30.11.95]

(Recommendation Serial No. 16 Paragraph 27)

There were 5899 retail Outlets, 3183 SKO/LDO dealers and 33 Taluka Kerosene Depots operating in the country as on 31st March '93 as part of the vast dealership network of IOC. Indane was being supplied through a network of 2132 distributors covering 1087 towns. The Committee were informed that for setting up new retail outlets, periodic surveys are carried

out by the Oil Industry and retail marketing plans are drawn up in accordance with Government policy. The selection of dealers for LPG and petrol pumps is done by Oil Selection Boards set up by Government and the oil companies have no direct role to play in the selection. Presently there are 18 such Boards with each Board comprising of retired High Court Judge as Chairman and two public persons as members. The Committee note that there were instances of undue delay in processing of applications and irregularities in allocation of dealerships. They desire that the procedure for scrutinising applications and the criteria for allocation of dealerships should be suitably streamlined so as to ensure that the applications for dealerships are scrutinised within a specified timeframe and the decisions taken by the Oil Selection Boards are purely on merits.

Reply of the Government

As per instructions contained in the manual for selection of dealers/ distributors the Divisional/Area Offices are required to send the applications received by them, duly scrutinised, to OSB within a period of 30 days from the last date of receipt of applications. The Regional Offices of concerned oil company monitor the activities of Divisional/Area Offices for compliance of above instructions. To avoid delay in selection of dealers/distributors, the Government has advised a time frame to OSB/Oil Co. for selection of dealers/distributors. It has further instructed that:

(i) The OSBs will finalise the panel within 24 hrs. after the conclusion of interview and advise the complete merit panel to the SLC/ Secretary at once. The SLC/Secretary, OSB, will send the panel to the concerned oil company within two days of its receipt by post/ courier.

(ii) The concerned oil company will issue LOI to the candidate placed at No. 1 in their merit panel within 15 days after completion of allformalities.

The Oil Selection Board which is chaired by a retired Judge of High Court, is an independent body. It is expected of the OSBs to finalise the selections impartially and on merits. The Government on its part is monitoring the performance of the OSBs regularly with a view to expediting the selection of dealers/distributors and selections being made in fair manner. Wherever the performance of the OSB has been found unsatisfactory, the tenure of its chairman and Members has also been terminated by the Government. The recommendations of the Commitee has, however, been noted for necessary action.

[Ministry of Petroleum & Natural Gas O.M. No. P-38012/2/94—IOC dated 30.11.95]

Recommendation (Serial No. 17, Paragraph 28)

The Committee also find that besides allocation of dealership/ distributorship through Oil Selection Boards, there are discretionary

powers vested with the Minister for awarding dealerships/distributorships. They were informed that about 10% of the total allotment can be made under the discretionary quota and certain norms are generally followed while sanctioning dealerships from the discretionary quota. However, the Committee feel that these norms are not unambiguous. They recommend that a specific percentage of dealerships/distributorships to be awarded under discretionary quota should be fixed in accordance with the judgement of Supreme Court when received and it should be strictly adhered to.

Reply of the Government

From April, 1995, the Government is following the guidelines as approved by the Hon'ble Supreme Court through its order dated March 31, 1995. These are given below:

(i) Dependent of a person who has made supreme sacrifice for the nation, but has not been properly rehabilitated so far.

(ii) Member of a family which has been a victim of unforeseen circumstances, like terrorist attach, earthquake, floods, etc.

(iii) Physically handicapped person.

(iv) Defence/para-military/police personnel/other Central/State Government employees, who are permanently disabled on duty.

(v) Immediate next of kin, namely, widow, parents, children of those who lost their lives in abnormal circumstances.

(vi) Eminent professionals like outstanding sportsmen, musicians, literatures etc. and women, of high achievement, in distress.

(vii) Individual cases of extreme hardship, which in the opinion of Government are extremely compassionate and desrve sympathetic consideration in view of the special circumstances of the case at the given time.

(viii) The number of discretionary allotments should not ordinarily exceed 10% of the average annual marketing plan of which allotments of retail outlets for petroleum products (petrol/diesel retail outlets) should not normally exceed 5%.

GENERAL CONDITIONS

1. He/She should be a citizen of India.

2. He/She or any of his/her following close relatives (including step relatives) should not already hold a dealership of petroleum products of any oil company:

   (i) Spouse

   (ii) Father/mother

   (iii) Brother

   (iv) Son/daughter-in-law

Discretionary allotments are being made by this Ministry in accordance with the above guidelines. Each case is personally decided by the Ministry through a Speaking Order. Candidates are required to furnish a proper application, bio-data, necessary affidavit verifying the given facts, as well as attested copies of photographs in support of their request. Oil Marketing companies are also under advice to issue letter of intent after necessary verification.

[Ministry of Petroleum and Natural Gas O.M. No. P.38012/2/94-IOC dated 30.11.95]

Recommendation (Serial No. 18, Paragraph 29)

There were 52.80 lakhs prospective customers in the wait list for Indane as on 1 April, 1993. The industry wait-list which was 72 lakhs at the end of March, 1991 had risen to 114.7 lakhs by the end of March, 1994. In line with the directive of Government, IOC has plans to clear the wait-list as at the end of March, 1991 by 1994-95. Some of the constraints leading to delay in clearing the wait-list were inadequate availability of indigenous LPG, port constraints in importing it and increase in per capita consumption. However, even with the additional import facilities being set up at Kandla by IOC and Mangalore by HPCL and the proposed facility at Haldia coupled with the parallel marketing scheme introduced for private marketers, it was expected to clear the wait list only by 1999-2000 A.D. The Committee recommend that aggressive efforts should be made to reduce the waiting period and make available LPG facility to the prospective customers at the earliest.

Reply of the Government

Efforts are constantly on to release LPG connections to as many applicants as early as possible. The plans have been drawn for higher availability of LPG by increasing the capacity of existing production sources, putting up new plants and augmenting supply through higher imports. New import facilities for LPG are under construction at Kandla and Mangalore which are expected to be commissioned in October, 1996. With this, the availability of LPG shall be increased through enhanced imports. New bottling plants and more LPG distributorships are being opened by Government Oil Companies to cater to higher demand. The entire waiting list is expected to be cleared by 2001 A.D.

In order to increase the availability of LPG in the country in addition to what is available through public sector oil companies, Government in February, 1993 decided to allow the import and sale of LPG by private agencies.

[Ministry of Petroleum and Natural Gas O.M. No. P. 38012/2/94-IOC dated 30.11.95]

Recommendation (Serial No. 19, Paragraph 30)

The Committee are also deeply concerned about the mushrooming of

private parallel marketers for LPG with the introduction of the new scheme by Government. In response to advertisements through newspapers etc. offering LPG supply to customers, many people have registered with such agencies after paying substantial money without verifying their genuineness. According to the Government, with a view to encourage both parallel marketing and entry of private parties into the market without any restrictions from the Government, it was kept open for any person to undertake parallel marketing for kerosene and LPG by giving only intimation to this effect to the Government. However, there were reports that some private agencies have entered into the field without having the required infrastructure for import and distribution of LPG. Complaints have also been received and investigations are also being conducted against 12 agencies and on the basis of a list of 106 parties given by the Ministry, MRTPC has issued notices to them for making enquiries. In addition to this, press notes have also been issued by MRTPC cautioning the public about this. In view of the complaints being received, the Committee feel that while it is a welcome step to keep the agencies entering into parallel marketing free from red tapism, Government's responsibility to safeguard the interests of potential LPG customers and check malpractices by such agencies cannot be undermined. The Committee desire that a proper mechanism should be evolved by which the antecedents of the private agencies entering the field of parallel marketing could be got verified and the quality of service rendered by them to the customers could be reviewed from time to time. If necessary, a special legislation should be enacted to regulate the system.

Government may reply

The parallel marketing system of SKO & LPG has been introduced as part of the liberalisation policies of the Government, wherein the private sector is allowed to undertake marketing of these products at market determined prices. There are several commerical trading and industrial activities similar to the marketing of these products where registration with the Central or State/UT Government is not required. Introduction of a registration system generally involves due verification which is time consuming causing delay. Also, there is no independent field agency under the Ministry of Petroleum and Natural Gas to carry out investigations and make verifications about the intending parallel merketeers. Such avoidable delay is not in line with the liberalised economic policies of the Government.

To protect the interest of the consumers and prospective distributors etc. the State and Union Territory Governments have been advised to ban collection of deposits by parallel marketeers without their making adequate arrangements for supply of products. Besides, they have also been advised to verify genuineness, antecedents and capabilities of persons/agencies intending to take up activities under parallel marketing system and to take appropriate action against persons who have been found indulging in

fradulent and unfair trade practices. Public have also been suitably advised and warned through press releases that they must find out the antecedents, genuineness and capabilities of concerned parallel marketeers before entering into any transaction with them. MRTP Commission also take action against persons/firm/companies indulging in unfair trade practices.

To protect the interests of the prospective customers and distributors etc. and to inform them about the genuineness and capabilities of the parallel marketeers a system of rating of parallel marketeers for evaluation of their capabilities infrastructure network and readiness to carry out professed business and deliver goods and services promised has been introduced by making an amendment to the LPG (Regulation of supply and Distribution) order, 1993. According to the rating scheme the parallel marketeers who are in the business have to obtain the rating certificate up to 18th September, 1995 and the prospective parallel marketeers are required to obtain the rating certificate before commencement of their activities under the parallel Marketing scheme from one of the four nominated agencies. It has also been made mandatory for every parallel marketeer to publish a copy of the rating certificate awarded to it in all advertisements and communications so as to make people aware of its rating in regard to the promised goods and services. Any violation of the provisions of LPG Control Orders by parallel marketeer shall attract criminal action under the essential commodities act.

[Ministry of Petroleum and Natural Gas O.M. No. P. 38012/2/94-IOC dated 30.11.95]

Recommendation (Serial No. 20, Paragraph 31)

The Company has been making profit year after year. However, the Committee find that profit had not increased in proportion to increase in turnover in 1992-93 and 1993-94. Another trend notice by the Commitee is the phenomenon of actual profit being much higher than budget figures throughout the last five years. This could be an indication that setting of Budget figures is not realistic enough. The Committee desire that efforts should be made to draw up budget estimates more realistically.

Reply of the Government

The pricing of petroleum products is governed by the administered pricing mechanism under which oil companies are provided retention margins. The returns have no linkage with the turnover. In case of Refineries and Pipelines, the return is provided at 12% post tax on networth and the profit cannot be correlated to turnover. Even in case of Merketing, even though profit margins are fixed on per tonne/Kl basis, the profits cannot be correlated to the turnover as increase in the prices of the petroleum products either by way of duties or otherwise will increase the turnover but will have no impact on the profits; further, the

turnover also includes crude oil/product sale to the other oil companies by IOC as a canalising agent and no extra profit accrues to IOC on this sale. Hence, any increase in the crude oil sale would also have no impact on the profits.

As per the accounting policy followed by the Corporation, the targetted profits are set based on the prevailing margins as fixed by OCC/Government under the administered pricing system. However, the actual profit could be higher mainly due to receipt of certain claims approved by OCC/Government subsequent to the preparation of the budget as already stated in the written reply. The above policy had been reviewed and it was thought prudent to estimate the impact of such claims and include in the budget so that budgets reflect realistic position. Accordingly, in the Budgets prepared for the year 1994-95(RE) and 1995-96 (BE), the impact of such claims on estimated basis had been considered. The budgeted profit and the actuals for the year 1994-95 given below shows that the variation between the targets and actuals is only about 10% as against much higher variation in the earlier years:

(Rs. in Crores)

Profit Before Tax	Target	Actuals	Variation
1992-93	619	935	51%
1993-94	664	964	45%
1994-95	1244	1370	10%

[Ministry of Petroleum and Natural Gas O.M. No. P. 38012/2/94-IOC dated 30.11.95]

Recommendation (Serial No. 21; Paragraph 32)

The Committee are concerned to note the steep increase in the outstandings of IOC. Total outstandings due to the Company increased from Rs. 520.60 crores in 1991 to Rs. 915.22 crores in 1992 and to Rs. 1072.61 crores in 1993. According to IOC, the major defaulters are Public Sector units of the Central Government as well as State Government. The Committee stress that effective steps should be taken both at the company as well as Ministry level to recover the outstandings. The Committee also desire that in future the company should be cautious not to allow such huge amounts to be blocked as debts.

Reply of the Government

The total outstandings of Rs. 1072.61 crores in 1993 represents only 4.41% of total turnover of Rs. 24320 crores during the year 1992-93.

Out of outstanding of Rs. 1072.61 crores in 1993 the outstanding within credit were Rs. 548.34 crores, beyond credit limit were Rs. 519.03 crores and balance of 5.24 crores on AOD. Ref. P/Line account.

Within credit limits: (Rs. 548.34 crores):— OMCs Rs. 376.53 crores and Government Parties (mainly Fertilizers, ONGC, South Eastern Coal Fields, Bombay Port Trust, HOC etc.) Rs. 100.74 crores totaling Rs. 477.27 crores equivalent to 87% of out-standings within credit limit. Balance Rs. 71.07 crores on account of Private Sector.

Beyond credit limit: (Rs. 519.03 crores): Government Sector Rs. 467.96 crores *i.e.* 90.2% and balance on account of Private Parties as per details given below:

	Name of Party	*Outstanding (Rs. Crores)*	*% Contribution*
A.	Government:		
	GEB/ASEB(Chronic/Disputed)	253.58	48.9
	Air India/Indian Airlines/Vayudoot	53.62	10.3
	STUs	47.68	9.2
	Fertilizers	33.14	6.4
	Others (ONGC, Steel Plants, P/ Houses, HOCL etc.	79.94	15.4
	Total (Govt.):	467.96	90.2
B.	Private:	51.07	9.8
	Total (Govt.+Private)	519.03	100.0

GEB/ASEB and Govt. Airlines above account for 59.2% of the total outstandings beyond credit limit. In respect of GEB/ASEB which are chronic/disputed cases the outstandings have been brought down to Rs. 154.45 crores as on 31.3.1995. Supplies to GEB/ASEB are made now only on Cash and Carry basis. Efforts are on to find an amicable solution with the help of MOP&NG and Secretary, MOP&NG has already reviewed the entire issue with IOC/OCC in February' 95. IOC *vide* letter no. WR:ED:18 dated 20.4.95 has advised GEB that it may not be possible to continue supplies unless the outstandings are cleared. IOC Chairman has also taken up the matter with Secretary, MOP&NG to deduct in phased manner the outstanding amount due from ASEB from the Plan Outlay of Assam State Government.

In respect of Indian Airlines, the outstandings amount of Rs 35.41 crores as on 31.3.93 has since been reduced to Rs. 19.28 crores as on 31.3.95. In case of Air India (Rs. 11.65 crores), the issue is being taken up with the Committee of Secretaries for resolution. Vayudoot outstandings (Rs. 6.36 crores) are under morotorium for five years.

As regards outstandings from STUs, there has been undue delays in settlement of IOC's bills, especially, by STUs, of Tamil Nadu, UPSRTC, JKSRTC, DTC etc. IOC has been taking up with MOP&NG for help. In the Quarterly Performance Review (QPR) held for the quarter July/Sept' 94, IOC has agains requested MOP&NG to take up the matter with Ministry of Surface Transport and State Governments to deduct the out-standings from the respective State Plan Allocations.

In respect of Fertilizers Sector, the outstanding amount of Rs. 33.14 crores (Beyond Credit Limit) as on 31.3.93 has since been reduced to Rs. 21.42 crores as on 31.3.1995.

To ensure recovery of outstandings from private as well as Government parties IOC has at times resorted to drastic actions like temporary stoppage of supplies. However, such type of actions could not be sustained with parties like STUs, Power Houses, Fertilizers Units, Airlines etc. which are public utility organisations.

Due to globalisation and Privatisation of economy, there have been tremendous and rapid changes in the marketing scenario in the country and petroleum products such as LPG, SKO, Lube Oil etc. have been decanalised and multinational/private entrepreneurs within and outside the country are allowed to compete with Indian Oil. It is imperative that IOC rises to the occasion to not only protect its existing marketing interest but enhance the same. The other oil companies are extending liberalised credit terms and in order not only to protect our existing marketing interest but to enhance the same IOC had to extend authorised credit to the Core Sector *i.e.* STUs, Airlines, ONGC, BPT, other Government Parties and Lube credit to customers, Dealers/Distributors/Agents etc.

Adequate effective steps at all levels starting from the lowest of the ladder *i.e.* Divisional Offices for monitoring/recovering the outstandings as per the various payment terms are being taken on a continuous and sustained basis, a gist of which is as under:

(a) In Divisional Offices, field officers monitor and collect outstandings from customers pertaining to their areas as per payment terms.

(b) In Regional Offices and in HQ a separete credit and Collections Section is operating.

(c) Regular Reviews of Outstanding of DOs are carried out by the Regional Sales and Finance Team.

(d) HQ Sales & Finance Team also carry out outstanding reviews of the Regions for items over Rs. 5 lacs including Doubtful Debts/ Legal Cases on a quarterly basis.

(e) Non-DS&D outstandings for items over Rs. 10 lacs are reviewed every month in the Corporate Management Committee Meeting.

(f) In respect of Disputed and Old outstandings as referred above, matter is escalated to the concerned ministries for seeking their assistance in liquidation of outstanding.

To have effective monitoring of supplies within the approved credit limits at Supply Locations/Divisions, IOC has also initiated additional measures as under:

(i) Computer Software Package of Credit Control to be installed at Divisional Offices has been developed.

(ii) A special Task Force consisting of Chief Managers of Sales, Finance. Aviation and Operations Department is being set at the Regions.

(iii) Management Services Department is carrying out a study to comprehensively review the actual practice of monitoring supplies within the approved credit limits and to effect necessary improvements for eleminating the outstanding taking into account the improvements brought out in the Credit Control Module indicated at item (i) above.

It is evident from the foregoing that effective on-going steps/measures are being taken continuously to keep outstandings within acceptable limits.

[Ministry of Petroleum & Natural Gas O.M. No. P-38012/2/94-IOC dated 30.11.95]

Recommendation (Serial No. 22, Paragraph 33)

The Committee regret to note that such a prominent PSU like IOC had been functioning without a regular Chief Executive since 3 June, 1993 after the former Chairman was placed under suspension. There has been considerable delay in initiating enquiry against the former incumbent. It was only after the Committee pointed out to Government that a regular Chairman could be appointed on temporary basis even when the enquiry is pending, the matter was considered by the Government and a regular Chairman has been appointed recently. The Committee are unhappy about the tardy progress made in initiating the disciplinary proceedings against the former Chairman of IOC. The Committee desire that the enquiry proceedings should be expedited.

Reply of the Government

As reported earlier, the enquiry proceedings against the former Chairman of IOC were delayed due to the dilatory tactics adopted by the charged officer. Since the above matter was a complicated one, it was imperative for the Government to look into its all the aspects to avoid any legal complications. However, the enquiry proceedings are now over. The enquiry report of CVC has since been received and is under examination of the Government.

[Ministry of Petroleum & Natural Gas O.M. No. P-38012/2/94-IOC dated 30.11.95]

CHAPTER III

RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT'S REPLIES

NIL

CHAPTER IV

RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation (Serial No. 2, Paragraph 2)

IOC has a Corporate Perspective Plan 2000 and a Divisional Long Range Plan for the period 1992—97 delineating specific action plans for achieving overall long term goals. The Committee note that as against the projections given in the Perspective Plan for all product sales of 59.53 million tonnes with a market share of 58.8% in the year 1999-2000 the Company's share had fallen to 54.9% in 1993-94 IOC's growth in sales has been declining from 1991-92 to 1993-94 viz. 3.02% 1.88% and 0.90% as against industry growth of 3.5%, 3.9% and 2.4.% respectively. According to the Ministry although the target of 58.8% was given in the Perspective Plan on the basis of anticipations prevailing earlier, the market share determined for IOC on the basis of Sales Plan Entitlement (SPE) is 56.8% of the total petroleum products being marketed by the oil marketing companies. The Committee find that the sales performance of IOC is lower as compared to both SPE fixed for the Company and the projection given in the Perspective Plan. Even when the industry growth improved in 1992-93 as compared to 1991-92, IOC's growth declined from 3.02% to 1.88%. As against Industry growth of 2.4% in 1993-94, IOC could achieve only 0.9% growth in sales. As per IOC, it is attributed to lower growth. It is a cause of concern to the Committee, more so because the Company enjoys Sales Plan Entitlement under the Administered Price Regime and Pool Mecahnism. The Committee strongly feel that this calls for specific identification of those factors which are responsible for the poor sales performance of the company. They recommend that IOC should take immediate steps to plug the loopholes and drawup a plan of action to make the products competitive and promote sales of all the products with a view to improving the Company's market share.

Reply of the Government

The decline of market share to 55.0% during 1993-94 was mainly due to non-materialisation of sales of SPE products.

In SPE products, during 1993-94. IOC had sold 32.7 MMT against prorata sales plan entitlement of 34.4 MMT a shortfall of 1.7 MMT.

This is due to shortfall of 1.9 MMT in sales of MS and HSD in retail sector as compared to entitlement. Thus it can be seen, that the shortfall in total sales is entirely caused by the shortfall in MS and HSD retail sales.

The reasons for non-materialisation of SPE in retail sector:

(i) Lower RO participation as compared to SPE market share:

	MS (Retail)	*HSD (Retail)*
% RO participation as on 1.4.93	38.9	39.3
% SPE (1993-94)	43.7	48.4
% Market Share (1993-94)	33.8	40.2

[Percentage RO participation as on 1.4.93 in MS (Retail) and HSD (Retail) is substantially lower than SPE allocation]

IOC was the last Oil Company to be established in the country and as such, its growth in retail trade has been weak from the beginning since the high potential sites-specially in the Metropolitan citieswere already with the Other Marketing Companies (OMC). This weakness was further aggravated by the decision to peg IOC (M)'s share out of new retail outlets at 40% from 1982-83 till December, 92.

As a result of the above, Retail Outlet share-out of IOC has been low at 23.8% of the industry outlets in the Metros, whereas industry MS retail sales in the Metros account for 23.9% of All India MS retail sales. This accounts for IOC's lower performance in MS (Retail) market share when compared to percentage RO participation.

In respect of HSD retail sales, though IOC has achieved 40.2 market share which is more than the Retail Outlet share of 39.3%, IOC is not able to achieve its SPE share out of 48.4% due to low RO participation. As around 70% of the growth in SPE products is contributed by HSD (R), the short fall in RO share-out is leading to increasing gap between SPE and actual achievement. In the 1988—93 retail marketing plan, which was implemented with effect from Dec. '92 IOC's share in allocation has been increased from 40% to 58.45%, [IOC(M)+AOD]. Even with this, IOC can not achieve its SPE in MS(R) and HSD(R) in foreseable future.

When SPE concept was introduced in 1976-77, IOC(M) was allowed only 50% mop up of incremental volume in total demand. Due to this, IOC's market share, which was 64.3% in 1976-77 has declined to 56.5%. In 1988-89, the SPE guidelines were revised and oil companies were allowed uniform growth. Accordingly IOC(M) was given 56.5% share in the incremental volume in each of SPE products.

Although performance in LPG, Naphtha/NGL, ATF, HSD(C), FO/LSHS and Bitumen was better than productwise SPE, IOC is not able to make up the huge shortfall of 362 TMT and 1571 TMT in MS(R) and HSD(R) respectively.

During 1993-94, there was decline in the growth of major consumer products due to drop in off-take of major consumers like railways, Defence, major power plants etc. in which IOC has major market share.

IOC holds more than 80% of the domestic aviation sector business. During the period under review there was recession in the domestic sector, including IAF. This resulted in decline in IOC market share which was higher than the OMCs.

In the free trade product sector, there was a drop in market share, mainly because of:

— Ex Refinery price of Raw Petroleum Coke (RPC) being fixed higher than the imported product price.

— BRPL being allowed to market RPC and CRL being allowed to market benzene and toluene directly (effective 25.10.1993).

In view of the above, to achieve SPE IOC needs:—

(i) As FO/LSHS and Naphtha are treated as balancing products as per Govt. Policy (OCC's letter MC&ES/12220 dt. 23.4.1990), additional allocation of 1.8 MMT of such products in the form of customer linkages should be made preferentially through IOC to balance overall shortfall in SPE.

(ii) The return of 1.4 MMTPA of Naphtha/FO/LSHS surrendered by IOC to meet shortfall in SPE achievement of OMCs back to IOC. This is absolutely essential specially since the OMCs did not hand over appropriate number of retail outlets to IOC earlier to correct the imbalance in IOC's retail outlet share-out vis-a-vis SPE.

(iii) It is only in the above context that IOC has been persistently requesting for preferential allocation of NGL/Naphtha and FO/LSHS customers to IOC before considering any allocation to other Oil Companies, who have been consistently exceeding their sales plan entitlement, through *inter-alia* the following letters (copies enclosed) as well as submission in various forums:

(a) No. PLG: 8423 of 4.3.1994

(b) No. SP:NAP:GEN: 44 of 26.7.1994

(c) No. SP:NAP:GEN: 44 of 16.3.1995

(d) No. SP:NAP:GEN: 44 of 30.3.1995

(e) DM/2 dt. 23.5.1995

(iv) In view of the above and also the enhancement of 0.5% envisaged in IOC's market share in the draft MOU for 1995-96 the imperative need for allocation of 100% of the linkages in respect of the plants likely to be commissioned in 1995-96, by Ministry is also being repeatedly emphasised.

IOC has been constantly upgrading its marketing strategies with the

objective of imparting better service to customers and thus achieve better customer satisfaction. Some of the steps taken are:-

— A liberal modernisation/revamping of RO in metros/major cities to ensure better customer service/satisfaction.

— Impart dealers training to ensure dealers involvement in business and thus improve customer service and sales through ROs.

— Improving customer contacts at all levels to solicit new business as well as retain the existing ones. Emphasis on ABC analysis and ensuring regular contacts at all levels.

— Organise regular structured meetings with major consumers like railways, defence, steel plants etc. to improve service and achieve customer satisfaction.

— Constant technological upgradation/modernisation at selected AFSs in line with the international standards and thus attract more business.

— Provide Hydrant Refueling System at Metros and at declared "Model Airports" to ensure delay — free service and be competitive at the location.

[Ministry of Petroleum & Natural Gas O.M. No. P-38012/2/94-IOC dated 30.11.95]

Comments of the Committee

Please *see* paragraph No. 8 of Chapter I of the Report.

Recommendation (Serial No. 9, Paragraphs 12 & 13)

Yet another proposal hanging fire over the last five years is the Grassroot Refinery in Eastern India. In August, 1989 IOC had submitted FR Stage-I to the Ministry for setting up 6 MMTPA refinery at Daitari in Orrisa. This was placed at first priority among three grassroot refineries, viz. Central India, Western India and Eastern India. The cost estimates were revised by IOC in August, 1991 and February, 1992 and submitted to Government. Pursuant to Government's policy decision that all future refineries set up by PSUs would be in the Joint Sector with a definite equity structure, a common Press Notification for selection of co-partner for all the three refineries was issued. Responses were received from some of the gulf-based oil companies. Although a number of discussions were held with M/s Oman Oil Company (OOC), the Government decided that only joint venture companies in Central and Western India will be set up with OOC participation. There was also no breakthrough in the discussions held by IOC with International Petroleum Investment Company, Abu Dhabi (IPIC) on account of certain conditions putforth by them. Surprisingly, the Government gave a separate letter of intent to M/s Ashok Leyland (ALL) to set up a refinery in the East Coast. They offered to associate with the refinery with 25% equity participation by IOC

as against the original concept of 26% equity participation. The discussions with ALL remained inconclusive. On the basis of the discussions held with Kuwait Petroleum Corporation (KPC), IOC suggested to the Ministry that they would like to go ahead with KPC as a joint venture partner. However, the Government asked IOC to go ahead on their own and take a decision regarding the joint venture partner later. The Committee also note that although a Site Selection Committee set up by IOC in 1987 and another Site Selection Committee set up by the Ministry in 1992 had, after visiting a number of sites, recommended Daitari as the most suitable location, a final decision regarding the site had not been taken till the time of concluding the examination by the Committee.

Tardy progress made in the proposal for setting up the 6 MMTPA grassroot refinery in Eastern India is a cause of deep concern to the Committee. The Committee do not find any convincing reason why such an important project for which Feasibility Report was submitted by the Company as far back as in August, 1989 should have been kept pending for so long. The cumbersome exercise undertaken to select a joint venture partner also seems to have been watered down by the Government for reasons best known only to them. The committee fail to understand as to what could be the considerations which held back the Government from taking a final decision to associate a joint venture partner with the Refinery more so when it was very much in keeping with Government's own policy to set up public sector refineries in the joint venture. Whereas the other two refineries, viz. Central India with BPCL and Western India with HPCL have selected their co-partner and have gone ahead with the projects, the fate of Refinery in Eastern India which was accorded number one priority remains undecided. Still more distressing is the fact that inspite of the recommendations made by the two site selection committees, a final decision has not been taken on the location of the Refinery as yet. The Committee cannot but express their displeasure over total inaction of the Government in regard to processing of the project, identification of site and selection of a joint venture partner. They are of the firm view that immediate steps should be taken to complete all the formalities in connection with the approval of the project within a period of 3 months from the date of presentation of this report and the Committee apprised of the same.

Reply of the Government

1.0 *Approval of the Project*

Indian Oil Corporation had submitted a feasibility report for stage-I clearance in August, 1989, for setting up the 6.0 MMTPA grassroot refinery at Daitari in District Cuttack, Orissa in the Eastern Region. The feasibility report was discussed in the pre-PIB meeting in October, 1989 wherein it was decided to priorities between the 3 grassroot refineries viz. Central India, Western India and Eastern India.

1.2 In July 1992, the Govt. had decided to set up new grassroot refineries in Eastern, Central and Western India as joint ventures with private parties in India and abroad. Detailed discussions were held by IOC with various parties including M/s Ashok Leyland Ltd. and Kuwait Petroleum Corporation.

1.3 MOP&NG conveyed the approval of Govt. of India to IOC to go ahead with the project on its own for the present and decide upon the Joint Sector partner later on. Accordingly, feasibility report for the Refinery and the associated crude oil pipeline were submitted to MOP&NG in August, 1994 for stage-I clearance. Stage-I clearance of the Govt. of India to IOC's proposals for setting up the 6.00 MMTPA grassroot refinery in Orissa has been accorded in December 1994.

1.4 In April 95 Govt. was approached again by IOC for approval of KPC as the joint venture partner for the project. MOP&NG had conveyed on 12.7.1995 the approval of Govt. of India to IOC's proposal for selection of Kuwait Petroleum Corporation (KPC), Kuwait as joint venture partner with IOC for East Coast Refinery. MOU between KPC and IOC has since been signed in Kuwait on 16th Sept. 1995.

1.5 Activities for preparation of Detailed Feasibility Report (DFR) are in hand. Selection of consultant for preparation of DFR is in advanced stage. DFR is likely to be submitted by Consultant within six months of award of job to Consultant.

2.0 *Site Selection*

Based on various consideration, two alternate sites have been tentatively identified by IOC as the likely sites for the proposed refinery. The first site, near Paradip Port, is at Gobindpur/Dhinkia/Abhayachandrapur and the other site is at Haridaspur approximately 80 km from Paradip Port. The final selection of the site will be based on Techno-economic considerations. For this purpose, preliminary soil investigation/land survey work at both these sites is being carried out. Based on these reports the Techno-economic study for selection of site will be carried out by DFR consultant.

[Ministry of Petroleum & Natural Gas O.M. No. 38012/2/94-IOC Dated 30.11.95]

Comments of the Committee

Please *see* Paragraph No. 28 and 29 of Chapter I of the Report.

Recommendation (Serial No. 11, Paragraph 16)

The Joint Venture with Mobil envisages a lube blending plant in Asati, Haryana which is expected to be commissioned by 1997-98. The blending capacity of the plant will be one lakh TPA. The Committee were informed that it was decided to engage M/s Raaj Unocal Lubricants Limited a private company for blending of lube to meet the requirements of the

Northern Region till such time the new plant is commissioned. IOBL has three plants of its own at present, viz. Bombay, Calcutta and Vashi. Production performance in Bombay and Calcutta blending plants have been registering a declining trend. Production in Bombay plant declined from 222.6 TMT in 1991-92 to 203.8 TMT in 1993-94 and in Calcutta plant from 120.3 TMT in 1991-92 to 105.9 TMT in 1993-94. One of the main considerations for engaging the private company was to meet the requirements of lube in the North and to capture additional business to the extent of 5 TMT per annum in the Region. However, the sales performance of lubes by IOC in the Northern Region during the period from 1991-92 to April-September, 1994 negates this theory. The sales were 101 TMT, 83 TMT, 78 TMT and 34 TMT during these four years. It is also evident that engaging of M/s Raaj Unocal Lubricants Limited from 22 February, 1994 has not in any way helped improving the sales performance of the company in the Region. Above all, the stock of inventory in Northern Region has been on the increase from 22559 KLs in 1991-92 to 34179 KLs in 1992-93 and to 39202 KLs in 1993-94.

Reply of the Government

I. *Justification for Giving Contract*

(a) Since 1991 with the opening of economy, IOC started loosing lubricant sales to private oil companies. Particularly in north, the loss of sales was very high since IOC did not have required infrastructure whereas one of their main competitor in private sector M/s. Castrol had its blending plant at Faridabad.

(b) Therefore, it was decided by IOC to have its own blending plant at Asaoti.

(c) Accordingly, pending commissioning of plant at Asaoti (near Faridabad/Ballabgarh) in 1997-98, it was thought prudent to have blending facilities on contract and in line with this thinking, the offer of M/s. Raaj Unocal was accepted after detailed negotiations and thorough scrutiny of their offer and after comparing the prevailing rate in the market.

(d) In addition to above, the decision of availing facilities of M/s. Raaj Unocal was also influenced due to following factors:

1. IOBL Plants at Bombay and Calcutta were being operated much beyond their capacity to cope up with the local demand and also the demand of the North, as is evident from the following figures:

	IOBL Bombay	IOBL Calcutta
Capacity (TMT)	135	89
% Utilisation of capacity		
1993-94 (%)	151	118
1994-95 (%)	111	109

From the above it can be seen that even in 1994-95.IOBL plants both at Bombay and Calcutta have been operated beyond their capacity. However, functioning of plants much beyond the capacity has resulted into operating problems such as:—

Piling up of stocks in plants and consequently blocking of all available space in the plant. However, in 1994-95, Barrels inventory has come down by 51% as compared to previous year mainly due to relief by M/s Raaj Unocal facilities.

Probability of inadequate maintenance due to non-availability of free time.

Steady increase in overtime hours has been checked and in 1994-95, overtime hours decreased by 41% over previous year mainly due to relief by M/s Raaj Unocal facilities.

II. *Inventory Control*

Due to logistic problems, it was necessary to keep high inventories in Northern Region. The trend analysis for the past few years as per following data reveals that the rising trend of inventories has been successfully checked to a great extent during the year 1994-95 mainly due to utilisation of facilities of M/s Raaj Unocal (limited to 57% of the contracted quantity.)

Lubes Inventory for year ending	'000 KL	%	Increase/ Decrease
1992-93	34		—
1993-94	39		(+) 15
1994-95	26		(–) 33

III. *Arrest in Declining Trend of Sales Volume*

There was substantial loss of sales of 18% in the year 1992-93. The expected loss of sales in 1994-95 was estimated around 13%. This has been contained barely to 5% in 1994-95 due to engaging the facilities of M/s Raaj Unocal as is evident from the following:—

Financial Year	Sales (TMT)	% loss over previous year
1991-92	101	—
1992-93	83	(–) 18%
1993-94	78	(–) 6%
1994-95 (Expected Based on April-Sept. Sales of 34 TMT)	68	(–) 13%
1994-95 (Actual)	74	(–) 5%
1994-95 (April-May)	12.5	
1995-96 (April-May)	14.6	
Growth		(+) 16.6%

From the above it will be appreciated that in case we had not engaged the facilities of M/s Raaj Unocal the loss of sales volume would have been much higher.

The above performance has been possible even with the utilisation of facilities of M/s Raaj Unocal to the extent of only 57% in 1994-95, since this was the first year and the actual blending process started some time in July—August, 1994 and there were also initial teething problems. We are confident that in the years to come our sales volume will be higher than the sales volume of previous year.

[Ministry of Petro. & Natural Gas O.M. No. P-38012/2/94-IOC dated 30.11.95]

Comments of the Committee

Please *see* Peragraph No. 33 and 34 of Chapter I of the Report.

Recommendation (Serial No. 11, Paragraph 17)

The blending and packaging fee fixed for the private company was Rs. 1120 per KL. The Committee were informed that the fee payable to IOBL is 875 per KL. However, from the reply given to an Unstarred Question in Rajya Sabha on 7 December, 1994 it is noted that only Rs. 440 per KL was being paid to IOBL at that time which was being considered for upward revision with retrospective effect from 1 April, 1994. It is apparent that when IOC negotiated with the private company and settled for a blending fee of Rs. 1120 per KL, the Company was

paying only Rs. 440 per KL to its own subsidiary Company. IOC has tried to project that the additional expenditure on account of high blending fees could be made up to some extent by savings in transportation of base oil which works out about 10% cheaper as compared to finished product in packed form. The Asaoti plant is expected to be commissioned by 1997-98. Although engaging of M/s Raaj Unocal Lubricants Ltd. was stated to be a stop-gap arrangement, the Committee find that the agreement signed with the Company on 22 February, 1994 is for a period of five years which means the Company would continue blending lube for IOC till February, 1999. When the Committee sought the views of the Government on engaging of the private Company, the Secretary of the Ministry stated that OIC was responsible for it since it was a Board decision.

Reply of the Government

I. *Justification for Payment of Blending Fees of Rs. 1120/- to M/s Raaj Unocal*

1. The fee determined for M/s Raaj Unocal has been fixed on the cost plus formula, as applicable to petroleum products. Against this, the blending fees of Rs. 440/- paid to M/s IOBL has been determined based on the concept of recoupment of the total annual cash requirement of IOBL after taking into account the subsidised costs allowed by M/s Indian Oil corporation and also netting out the surpluses of cash, in Grease Plant.

2. There is big difference in the blending capacity of IOBL plants and the capacity of M/s Raaj Unocal Plant which had direct impact on per KL of cost, as can be seen from the following:

(a) IOBL average annual capacity adopted for determination of fees of Rs. 440/- per KL.	3,64,680 KL
(b) M/s Raaj Unocal average annual contracted capacity	28,800 KL
Difference	3,35,880 KL

3. In view of the foregoing, the rate of Rs. 440/- is not comparable with the rate of Rs. 1120/-.

4. The detailed analysis of the difference of Rs. 680/- (Rs. 1120/- Rs. 440) is given below:

	Cost in Rs./Lakhs		Cost per KL—Rs.		
	M/s Raaj Unocal	M/s IOBL	M/s Raaj Unocal	M/s IOBL	Difference
(i) Operating cost	134	1249	465	342	(+) 123
(ii) Depreciation	62	Nil	215	Nil	(+) 215

(iii) Recoupment of net internal cash requirement	—	809	—	222	(–) 222
(iv) Return on Investment	127	—	440	—	(+) 440
(v) Credit on account of surplus at Grease Plant, Vashi	—	(–) 452	—	(–) 124	(+) 124
	323	1606	1120	440	(+) 680

A. *Operating Cost*

The cost of IOBL is not true cost and is a suppressed one on account of the following:

(i) Certain cost are not booked in IOBL books and are reflected in its parent company's books for example, General Management cost of IOBL such as production management, HR management, Engineering management etc. is borne by Indian Oil Corporation. While in case of M/s Raaj Unocal, is borne by them directly.

(ii) The interest cost in case of IOBL is understated as it is subsidised by IOC to the extent of 3% as compared to the prevailing SBI lending rate whereas it is reflected at actuals in case of M/s Raaj Unocal.

(iii) The stock loss allowed to IOBL has been kept at 0.1% to exercise internal control whereas M/s Raaj unocal has been allowed stock loss at 0.3% which is internationally accepted standard and is also being paid by other oil companies to private blenders.

(iv) The production capacity of M/s Raaj Unocal is 28,800 KL p.a. whereas the capacity of IOBL has been taken as 3,64,680 KL for the purpose of computing blending fees rate. This wide variation in the divisor is the main reason for IOBL cost being so low.

(v) Inflation The rate of Rs. 440/- for IOBL was fixed by taking the actual cost of 1.4.91 and adding inflation at the average rate of 8.5% for a period of 5 years. As the increase in cost was getting higher and higher due to higher rate of inflation, a mid term review of blending fees was undertaken in 1993-94 itself and same was revised upward to Rs. 875/- per KL based on actual cost w.e.f. 1.4.1994. Against this, the cost of M/s Raaj Unocal

was based on costing at 1994-95 level and the impact of inflation included therein for the previous year was much higher (between 12% to 15%).

(vi) The filling cost of small can is much higher as compared to filling of bulk and barrel. The share of small can filing is much higher in case of M/s Raaj Unocal as compared to IOBL leading to higher average blending fees of M/s Raaj Unocal. The small can filling by M/s Raaj Unocal has been taken as 20% of the total contracted quantity whereas in case of IOBL, the small can filling is only 4%.

B. *Depreciation*

The blending fee of Rs. 440/- does not include the impact of depreciation. This is due to the fact that the principle followed for fixing the fees of Rs. 440/- per KL is based on recouping the total yearly cash requirements in the form of blending fees. Since the depreciation is a non-cash item, the same has not been included in the costing.

C. *Recoupment of Yearly Cash Requirement/Return on Investment*

For the same reasons as mentioned under the head depreciation, the return on investment has not been allowed to IOBL. Instead the cash requirement (after reducting cash surplus of Grease Plant) has been allowed in full, which works out around Rs. 3.5 Crores p.a. Against this, the investment of M/s Raaj Unocal has been taken as Rs. 5.5 crores since this plant has been commissioned only in 1994-95. Coupled with small capacity of the plant return on investment on per KL basis works out to Rs. 440/-.

D. *Credit on Account of Surplus Funds at Vashi Grease Plant*

Since IOBL blending fees is determined on the basis of recoupment of yearly cash requirement, the surplus generated by the Grease Plant has been netted out. This has reduced the blending fees by Rs. 124/- per KL.

5. Comparison with Market Rates

Market survey carried out by IOBL during 94 reveals that M/s Gulf is also paying comparable rates or even slightly higher rates to the private blenders as per the following details:

(a)	M/s Nandan Petro Chemicals Pvt. Ltd., Taloja	Rs. 1290 per KL
(b)	M/s Oil Processor Ltd. Vashi	Rs. 1340 per KL

II. *Justification for Upward Revision of Blending Fees to Rs. 875/- per KL with Effect From* 1.4.1994.

The rate of Rs. 440/- was very much on the lower side considering the increases in cost, resulting into a serious cash crunch. A mid term review was ordered by Management in 1993-94 itself because of the following reasons:

(i) Actual operating cost was much higher than allowed because of wage cost arising out of additional impact of short term agreement with employees. DA revision in 1992-93 and ISO Certification expenses and increase in other operating expenses due to higher rate of inflation than considered while fixing the rate of Rs. 440/- per KL.

(ii) While computing blending fee of Rs. 440/- yearly capital expenditure was taken at Rs. 2 crore whereas the actual capital expenditure increased to 4 crores and in 1995-96 IOBL will need 7 crores to carry out modernisation/technological upgradation to fight out the competition.

(iii) It was considered necessary to dispense with the concept of yearly cash recoupment by adopting the normal commercial method of cost plus as applicable to petroleum products to make IOBL commercially more viable.

III. Reasons for awarding contract to M/s Raaj Unocal for 5 Years

Whenever new facilities are commissioned, the existing system is phased out over a period of time. This is done to ensure that in case the new system does not perform well, the availability of required grades to our customers does not suffer and we do not loose business to competitors.

In line with the above thinking, it was decided to retain facilities of M/s Raaj Unocal till 1998-99 to take care of construction period as well as the first year of commissioning of Asaoti Plant when initial teething problems are likely to occur. However, to phase out the contract of M/s Raaj Unocal completely, the quantity in 1998-99 has been reduced to 24,000 KL.

[Ministry of Petroleum & Natural Gas O.M. No. P-38012/2/94-IOC dated 30.11.95]

Comments of the Committee

Please see paragraph Nos. 33 and 34 of Chapter I of the Report.

Recommendation (Serial No. 11, Paragraph 18)

After going into the details, the Committee are not convinced with the reasons and justifications given by the Company for entering into the agreement with M/s Raaj Unocal Lubricants Limited that too at such an exorbitant blending fee. They feel that with the sales performance of lubes showing a declining trend, the existing plants of IOBL could have very well catered to the demands of the Northern Region. The increase in the inventory level is a further evidence of decreasing demand. The Committee

feel that the decision to engage the Company by IOC was ill-timed and mis-calculated. The Committee are unable to comprehend as to what were the considerations which prompted IOC to agree to a blending fee as high as Rs. 1120/- per KL as against Rs. 440/- per KL which was being paid to IOBL at the time. The agrument put forward by the company that the rates payable to the private company have been fixed based on commercial considerations hardly convince the committee. The savings by way of transportation of base oil to Delhi in place of finished product is also too negligible to compensate the higher blending cost. The committee are, therefore, of the firm view that the blending fee fixed was unrealistic and unjustified. What is more surprising is the very fact that all through an impression had been given to the Committee that engaging of M/s Raaj Unocal was an interim measure till such time the Asaoti Plant is commissioned, the facts speak otherwise since the private company has been engaged by IOC for a term of 5 years, *i.e.* upto February, 1999 though Asaoti Plant is expected to be commissioned by 1997-98. In view of this, the justifications given by IOC for engaging the company for blending appear inadequate. The committee were also surprised to find the Secretary of the Ministry not taking any responsibility in the matter. Since IOC is accountable to the Administrative Ministry, who have their nominees also on the company's Board, they wonder how the Ministry could plead complete absolution. The Committee are of the view that the matter needs to be investigated thoroughly. They, therefore, recommend that an independent enquiry be conducted into the deal and those guilty be brought to book within a period of six months from the date of presentation of this report.

Reply of the Government

1. From the clarifications as given in replies to recommendations 16 and 17, it will be appreciated that there were adequate reasons for hiring the facilities of M/s Raaj Unocal and the benefits of this are also reflected in the first year of operation (1994-95) by containing loss of sales volume, reduction in inventories, regulation of production, cutting of overtime cost etc.

2. Similarly, the detailed analysis of various components of blending cost has been explained in reply to recommendation no. 17 and it would be seen that the IOBL cost of Rs. 440/- is a suppressed cost and is not comparable mainly because of the following reasons:—

(a) Certain operating cost which are borne by M/s. Raaj Unocal are not borne by IOBL. For example, General Management cost is borne by Indian Oil Corporation (Parent Company) in case of IOBL. Similarly, the interest cost is borne by

IOBL at a subsidised rate of 3% as compared to the prevailing lending rate of SBI.

(b) No Returns and depreciation has been allowed to IOBL while fixing blending fees of Rs. 440/- per KL

(c) IOBL blending fees is based on concept of recoupment of annual cash requirement whereas M/s. Raaj Unocal blending fees is worked out on normal commercial considerations of cost plus returns.

(d) Reduction in the IOBL fees by cash surplus generated in the Grease Plant.

(e) Major difference in the blending capacity of IOBL and M/s. Raaj Unocal.

3. In case these factors which have suppressed the cost are put at par, the blending fee of Rs. 1120/- per KL payable to M/s Raaj Unocal is considered very reasonable. It is lower than rate paid for similar blending by other lubricant marketers in the market.

4. The proposal of M/s. Raaj Unocal was received in January '93 and after a thorough scrutiny at various levels for a period of 12 months was finalised.

5. From the above, it would be observed that the decision to engage the facilities of M/s. Raaj Unocal was strategic decision to meet the challenge of the competitors particularly from the private sector and we have succeeded in the first year of its operation itself by reducing the loss of sales volume from the expected 13% to only 5%. Similarly, the rate of Rs. 1120/- is a reasonable rate based on the cost plus formula and the same cannot be compared with the rate of Rs. 440/- for the reasons as explained in reply to recommendation No. 16.

6. The contract period of 5 years has been agreed to after due deliberations and taking into account the fact that the Asaoti Plant will be coming up in 1997-98 and will not be in full production in its first year of commissioning. Contractual obligations in 5th year operation is at reduced volume.

7. In view of the above, it is hoped that the Committee would review its earlier conclusions based on the detailed facts and figures given in reply to recommendation Nos. 16 & 17.

8. We also feel that for the reasons explained above, there is no *prima facie* case for conducting a detailed enquiry. We undertake that CBI is *suo moto* looking into this matter.

[Ministry of Petroleum. & Natural Gas O.M. No. P-38012/2/94-IOC dated 30.11.95]

Comments of the Committee

Please see Paragraph Nos. 33 and 34 of Chapter I of this Report.

CHAPTER V

RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT ARE STILL AWAITED

Recommendation (Serial No. 3, Paragraph 3)

The Committee have been informed that pursuant to the recent liberalised economic policies and fiscal restructuring in the country, both the Corporate Perspective Plan and the Long Range Plan are being updated keeping in tune with the national policies. With the economic reforms, IOC was apprehensive of greater competition being faced from the private sector both in the field of refining as well as marketing of petroleum products. This contention of the Company attains significants in the light of the recommendations recently made by the Sunder Rajan Committee appointed by Government for total deregulation of Oil Industry by removing the Administered Price Mechanism. Undoubtedly removal of price controls and deregulation of the marketing sector will lead to opening up of the petroleum sector to competition from all fronts. Whereas IOC was very forthcoming in expressing its apprehension that this might lead to decline in the market share of PSUs like IOC, the Ministry seems to be unconcerned about the Company's prospects. During evidence, the Secretary of the Ministry went to the extent of saying that the Corporation has a corporate view and the Government has a Government view. The Committee would like to emphasise that it is the responsibility of the Administrative Ministry to safeguard the Corporate objectives and interests of a public undertaking under its control. At the same time they feel that in the light of the changing economic policies of the Government, IOC should be proposed to face greater competition in the days to come. The company should update its Corporate Plan and Long Range Plan expeditiously in order to equip itself with a definite strategy and plan of action to face the new challenges.

Reply of the Government

Long Range Plan has been updated covering VIII Five Year Plan upto 1997 and got approved by the Board *vide* agenda No. CH/1670 dated 28.7.94. In view of the changing economic policies of the Government, as suggested by the Committee we have taken up corporate perspective Plan-2000 and Long Range Plan 1997 again for updation to a time span upto 2007 AD and 2002 AD respectively which is in advanced stage of finalisation.

[Ministry of Petroleum & Natural Gas O.M. No. P-38012/2/94-IOC dated 30.11.95]

Comments of the Committee

Please *see* Paragraph No. 11 of Chapter I of the Report.

Recommendation (Serial No. 4, Paragraph 4)

IOC was one of the first companies to have signed MOU with the Government right from the year 1989-90. The Committee note that MOU signing companies are supposed to be delegated certain powers exercisable under the MOU to enable attainment of the targets and objectives. While the performance of the Company has been rated in the range of excellence from the beginning, the Committee found that full benefits of MOU, especially with regard to delegation of powers, have not really accrued to the Company. The Secretary of the Ministry was very candid in admitting it: "Yes, some things have been given partly and some have not been complied with". He was also supportive of the proposals for enhancing the authority of the Board from the existing Rs. 50 crores for approval of projects and delegation of more powers to PSUs for entering into joint ventures. The Committee have in their 36th Report (1994-95) on Gas Authority of India Limited extensively dealt with the question of giving autonomy to PSUs to the extent it is envisaged in the system of MOU. The Committee desire that Government should take serious note of the recommendations of the Committee and take urgent steps to further delegate powers to PSUs under the MOU arrangement.

Reply of the Government

The question of delegating more powers to the PSUs to incur capital expenditure and also enter into joint ventures is already under consideration of the Government.

[Ministry of Petroleum & Natural Gas O.M. No. P-38012/2/94-IOC dated 30.11.95]

Comments of the Committee

Please *see* Paragraph No. 14 of Chapter I of the Report.

Recommendation (Serial No. 23, Paragraph 34)

The Committee are astonished to find that there are four Government Directors on the Board of IOC whereas the DPE guidelines strictly provide that the number of Government Directors on the Board of a Public Undertaking should in no case exceed two.

Reply of the Government

The Indian Oil Corporation is the largest commercial organisation in India. Taking into account its vast network of pipelines and refineries

throughout India, marketing activities, sales volume and financial transaction, it was considered necessary to have three representatives of this Ministry, concerned with its three important areas of operation i.e. marketing, refining and finance, as part-time Directors on its Board. Since all the programmes/projects of IOC are formulated in consultation with Planning Commission, it was considered desirable to have a representative of Planning Commission concerned with Energy Sector also on IOC's Board as fourth part time Government Director. The Ministry of Petroleum & Natural Gas is aware of the DPE's guidelines regarding the constitution of the Board of Directors of PSUs. It will take a decision regarding reconstitution of the Boards including that of IOC as per DPE guidelines in due course keeping in view the interests of the PSUs under its administrative control.

[Ministry of Petroleum & Natural Gas O.M. No. P-38012/2/94-IOC dated 30.11.95]

Comments of the Committee

Please *see* Paragraph No. 40 of Chapter I of the Report.

Recommendation (Serial No. 23, Paragraph 35)

The DPE guidelines also provide for appointment of part-time non-official Directors on the Board of Public Undertakings. This helps to provide guidance of experts and professionals to PSUs at Board level. However, the Government seems to be content with the present arrangement of having only functional Directors and Government Directors. The Committee are of the view that Government should consider the desirability of inducting non-official Directors on the Board of the Company. They would therefore, recommend that Government should review the structure of the Board and take steps to rationalise it in accordance with the DPE guidelines.

Reply of the Government

The recommendation of the Committee to review the structure of the Board of IOC in accordance with the DPE guidelines has been noted for necessary action.

[Ministry of Petroleum & Natural Gas O.M. No. P-38012/2/94-IOC dated 30.11.95]

NEW DELHI;
26 February, 1996
7 Phālguna, 1917(S)

KAMAL CHAUDHRY,
Chairman,
Committee on Public Undertakings.

APPENDIX I

(*Vide* Reply to recommendation Sl. No. 2)

MC/ES: 12220
23rd April, 90

General Manager (Sales)
Indian Oil Corporation Ltd.,
(Marketing Division),
Indian Oil Bhavan,
G-9, Ali Yavar Jung Marg,
Bombay (East),
Bombay- 400 051.

Sub: FO/LSHS allocation to new customers—Need for revision in volume share-out.

Dear Sir,

Please refer your D.O. No. 16413 dt. 25.1.90 on the above subject.

As per SPE norms, all the oil companies are entitled to uniform growth rates for all price control products (taken together) excluding free trade products.

On the above basis IOC's entitlement on the bottom line works out to 56.89% (reference OCC's letter No. MC&FS: 12220 dt. 14.11.89).

Accordingly, we agree that you are entitled to 56.89% of the incremental demand emerging in respect of FS/LSHS.

The above is however, subject to the following:—

1. FO/LSHS & Naphtha are to be treated as balancing product for adjustment of imbalance in the market potential in other products.
2. As such, the entitlement in respect of FO/LSHS & Naphtha in respect of various companies are subject to upward/downward adjustment depending upon the market potential in other products.

Thanking you,

Yours faithfully,

Sd/-
(B.B. Kaura)

APPENDIX II

(*Vide* Reply to recommendation Sl. No. 2)

04.03.1994

PLG: 8423

Jt. Secretary (Marketing)
Ministry of Petroleum & Natural Gas,
Shastri Bhawan,
NEW DELHI-110 001

Kind Attention: Shri Devi Dayal

Sub: Implementation of the Scheme of Sales Plan Entitlement of Oil Marketing Companies.

Dear Sir,

This has reference to Ministry's letter dated 07.02.1994.

A. We are glad to note that the share out of Retail Outlet as conveyed in Ministry's letter dated 19.01.1994 i.e. 56.5% share to IOC(M) in new outlets will continue. This will go a long way in correcting the imbalances in HSD and MS market share of IOC(M) *vis-a-vis* SPE as well as arresting the current trend of declining market participation of IOC(M) in these products.

B. However, we note from item (ii) page (2) of the Ministry's letter under reference, that Naphtha/NGL and FO/LSHS will be allocated to different marketing companies in the ratio of their bottom line SPE which is 56.89% for IOC(M). There is a need to allocate the FO/LSHS and Naphtha to new customers atleast in the ratio of the companywise actual market participation in these products in the base year 1987-88 for the following reasons:

(1) As you may be aware the market participation of IOC(M) in these products in the last six years starting from 1987-88 which is the base year for SPE entitlement working, is as under:

(% Participation)

	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93
FO/LSHS	69.9	68.8	68.6	67.6	69.0	68.4
Naphtha	65.8	62.2	60.6	61.6	61.3	59.4

The participation levels are consistently higher than the SPE bottom line participation of 56.89%. It is this higher level participation of IOC(M) in these products that only partly compensates for the lower achievement than the allocated SPE participation in respect of retail sales of HSD and MS. This position will continue even with the 56.5% share of Retail Outlets to IOC(M). As a result, actual overall participation of IOC(M) for all products is lower than SPE Bottom Line participation as per details given below and is expected to continue to be so.

(2) The gap between overall SPE entitlement and actual sales of IOC(M) in terms of participation in the last five years starting from 1989-90 are as under:

Year	SPE % Participation (1)	Actual % Participation (2)	% by which actual Participation is Lower (2 - 1)
1989-90	56.7	55.9	(0.8)
1990-91	56.7	55.7	(1.0)
1991-92	56.7	55.6	(1.2)
1992-93	56.7	54.7	(2.0)
1993-94	56.6	53.9 (A-J)	(2.7)

(3) IOC(M)'s overall market participation in SPE products is continuing to drop from the SPE base year (1987-88) level of 56.7% as per details given below for the last 5 years; whereas OMC's participation is increasing to the corresponding extent.

Year	%of overall Mkt share in SPE products	
	IOC(M)	OMC's
1989-90	55.9	44.1
1990-91	55.7	44.3
1991-92	55.5	44.5
1992-93	54.7	46.3
1993-94(A-J)	53.9	46.1

Allocation of new FO/LSHS & Naphtha customers in the ratio of bottom line SPE will further reduce actual participation in these

products and hence also overall participation of IOC(M). Thus the difference between SPE participation and actual participation shown in item '2' above will widen.

(4) The Ministry's letter dated 08.11.1988 lays down the principle as follows:—

"As the share of IOC(M) declined from 61% in 1976-77 to 56.5% in 1987-88, it was decided that with effect from 01.04.1988, the oil companies will be given uniform growth rates".

This means that IOC(M)'s overall participation should continue at the level of 1987-88 participation. Para '2' of Ministry's letter dated 07.02.1994 under reference basically upholds this scheme. The allocation of FO/LSHS & Naphtha customers on the basis of bottom line SPE will not enable this to happen and IOC(M)'s participation, which is already below the SPE allocated participation will continue to go down.

In this above context, it is our submission that not only IOC(M)'s share of new customers should be at the level of actual participation in the SPE base year 1987-88 for these products i.e. 69.9% for FO/LSHS and 65.8% for Naphtha respectively but also some of the existing customers of HPC/BPC (who were earlier handed over by IOC(M) to the extent of 1.4 million tonnes) should be handed back to IOC(M) to bring IOC(M)'s overall paticipation to the SPE allocated level of 56.89%.

This request is also in line with the principle laid down in OCC's letter MC:ES:12220, dated 23.4.1990 (Copy attached) that "FO/LSHS & Naphtha are to be treated as balancing products for adjustment of imbalances in the market potential in other products" i.e. any shortfall with reference to SPE bottom line allocated participation needs to be made good by adjustment of FO/LSHS/Naphtha customer allocation.

We hope the Ministry will look into out above submission favourably and decide on action as per para 'C' above.

Thanking you,

Yours faithfully,
for INDIAN OIL CORPORATION LIMITED,

Sd/-
(M.A. Pathan)
EXECUTIVE DIRECTOR (MKTG. OPERATIONS)

ED(S&P), HO
GM(P&S), HO

APPENDIX III

(*Vide* Reply to recommendation Sl. No. 2)

Ministry of Petroleum & Natural Gas,
Shastri Bhawan,
NEW DELHI-110 001

KIND ATTN: SHRI T.N.R. RAO, SECRETARY(P)

Dear Sir,

Sub: *Shortfall in Sales Plan Entitlement (SPE) volume of IOC(M) and Assam Oil Division(AOD).*

This has kind reference to the discussions during the meeting held on 20.6.1994.

At the outset, we express our gratitude for the appreciation of our problems regarding shortfall in the overall achievement of SPE volumes by both IOC(MD) and IOC(AOD).

As explained by us in this meeting, we would like to place before you the problems faced by us with regard to SPE achievements.

During the year that has just ended *viz.* 1993-94, the SPE v/s actual with regard to IOC(MD) and IOC(AOD) is as under:

(Fig. in '000 MTs)

Division	Prorata Sales Plan Entitlement Volume	Actual Sales 1993/94	Shortfall
IOC(M)	33287	31760	1527
IOC(AOD)	959	716	243

In the past also, when other Marketing Companies were falling short, of their SPE volumes, IOC had transferred certain Fuel Oil and Naphtha consumers voluntarily to enable them to achieve their volumes.

It was also recognised by the Government and OCC that Naphtha and FO/LSHS shall act as Balancing Products and suitable adjustment will be made amongst the Oil Cos. by way of transfer etc.

However, despite discussions on this issue, other Marketing Cos. have not agreed to voluntary transfer of consumers to IOC(MD) and IOC(AOD) for making up the shortfall in volume.

As you would appreciate, SPE volumes form the basic factor based on which all other adjustments in the Administered Schemes takes place. Hence, this shoftfall in volume is seriously affecting the overall returns of IOC.

This shortfall can be partly made by preferential allocation of new Naphtha/NGL consumers in favour of IOC(MD) and IOC(AOD).

We understand that MOP&NG is in the final stage of allocation of new NGL/Naphtha consumers. We appeal to you for preferential allocation of new consumers to the extent of 1.527 million tonnes per annum potential to IOC(MD) and 243 TMT potential to IOC(AOD). Balance potential of new consumers can be allotted among all the Marketing Cos. in the ratio of SPE for Naphta/NGL.

We sincerely hope that justice will be done to IOC.

Thanking you,

Yours faithfully,
for Indian Oil Corporation Ltd.

Sd/-
(B.K. Bakshi)
Chairman (I/C)

APPENDIX IV

(*Vide* Reply to recommendation Sl. No. 2)

SP:NAP:GEN: 44 16.03.95

Dear

Sub: *Continuing Alarming Shortfall in Actual Achievement* vis-a-vis *Sales Plan Entitlement (SPE) of IOC(MD) and IOC(AOD)*

Kindly refer to enclosed copies of letter No. SP:NAP:GEN: 44 of 26.7.94 from our Chairman and also our earlier letter No. PLG:8423 of 4.3.94.

2. During the last QPR held on 14.2.95, this subject was discussed once again when both the Secretary and you had kindly appreciated our request and agreed to substantially enhance Naphtha linkages in favour of IOC to make up the shortfall in sales *vis-a-vis* SPE in an accelerated manner.

For ready recapitulation, the relevant facts are briefly outlined below:

(i) The current accepted principle of SPE has been spelt out in Ministry's letter of 08.11.1988 as follows:

"As the above share of IOC(MD) declined from 61% in 1976-77 to 56.5% in 1987-88, it was decided that with effect from 1.4.88, the oil companies will be given uniform growth rate."

However, unfortunately, due to reasons known to you, the gap between the overall SPE and actual participation of IOC increased alarmingly over the last five years as indicated below:

	SPE % participation	Actual % participation	% by which actual participation is lower
	(1)	(2)	(3)
1990-91	56.7	55.7	(1.0)
1991-92	56.7	55.5	(1.2)
1992-93	56.7	54.7	(2.0)
1993-94	56.6	53.9	(2.7)

Similar shortfalls were also experienced by IOC(AOD).

(ii) In this connection, a copy of OCC's letter MC&ES/12220 of 23.4.90, which *inter alia*, stipulates the following action for bridging such inbalances, is enclosed.

"The above is, however, subject to the following:—

(i) FO/LSHS & Naphtha are to be treated as balancing product for adjustment of imbalances in the market potential in other products.

(ii) As such, the entitlement in respect of FO/LSHS & Naphtha in respect of various companies are subject to upward/downward adjustment depending upon the market potential in other products."

(iii) As is evident from the following, the total shortfall for IOC during 1994-95 would be as high as around 1.8 million tonnes, which is totally untenable *vis-a-vis* principles laid down by the Government.

('000 MTs)
Estimated

Division	*Pro-rata SPE volume (A-J)*	*Actual Sales 94-95 (A-J)*	*Shortfall 94-95 (A-J)*	*Shortfall 94-95*
IOC(MD)	*29724*	*28451*	*1273*	*1528*
IOC(AOD)	*855*	*623*	*232*	*278*
			TOTAL	*1806*

(iv) In the past, when other marketing companies like HPC/BPC were falling short of their SPE volumes, IOC had transferred certain fuel oil and Naphtha consumers to the extent of around 1.4 million tonnes to enable them to achieve their SPE volumes.

(v) We are indeed grateful to you for providing some relief in terms of Naphtha linkages over the last two years and also for ensuring fair RO share-out for IOC with a prospective effect.

(vi) However, a number of Naphtha linkages approved relate to projects, which will need several years for commissioning, as can be seen from the following schedules:

Name of Customer	Location	Allocation (TMTPA)	Expected Commissioning
GIPCL	Gujarat	216	1998-99
GTEC	Bharuch	450	1998-99
IFFCO (Expansion)	Phulpur	450	1997-98

In view of such anticipated delay, the alarming shortfall in the sales

vis-a-vis SPE will continue, unless decisive aciton is kindly taken by the Ministry.

3. We understand that the Ministry is in the final stage of allocation for several important Naphtha consumers. We fervently appeal to you for preferential allocation of new consumers like NTPC Kawas & Essar Power, Hazira to IOC(MD) and IOC(AOD) for making up the shortfall *vis-a-vis* SPE, estimated at over 1.8 million tonnes during 1994-95.

APPENDIX V

(*Vide* Reply to recommendation Sl. No. 2)

IOC'S PRIORITY FOR GETTING NAPHTHA LINKAGES

(TMT)

	Customer	Ref of IOC's Letter to MOP-&NG	Qty./ Annum	Remarks	Exptd. date of Commissioning
1.	Essar, Hazira (Power)	SP:NAP:ESSAR: dt. 19.7.94	550	Customer prefers supplies through IOC.	Ready
2.	NTPC —Fawas —Jhanor	SP:NAP: dt. 23.7.93	 750 200	Customer prefers supplies through IOC.	Ready 96-97
3.	AECo., Vatva	SP:NAP:GEN:44 dt. 27.7.94	83	Customer prefers supplies through IOC.	96-97
4.	RIL, Bawana	SP:NAP:RIL:78 dt. 20.9.94	557	Customer prefers supplies through IOC.	98-99
5.	Fedia Distt., Jhabua	SP:NAP:GEN:44 dt. 8.2.95	380	Customer prefers supplies through IOC.	97-98
6.	Dyna Malowski Power Co.	SP:NAP:GEN:44 dt. 20.10.94	420	Customer prefers supplies through IOC.	97-98
7.	TNIDC, Madras	SP:NAP: dt. 16.8.93	96	Customer prefers supplies through IOC.	97-98

APPENDIX VI

(*Vide* Reply of recommendation Sl. No. 2)

Indian Oil Corporation Limited
(Marketing Division)
Indian Oil Bhavan,
G-9, Aji Yavar Jung Marg,
Bandra (East) Bombay 400 051
Phone: 6400670
Fax: 6400606

No. SP.NAP.GEN. 44 30th March, 1995

Dear Shri Devi Dayalji,

This is further to my letter of even reference dated 16.3.95. I am again writing to you within a short time interval to stress the importance of the subject especially in the context of the proposed MOU targets. During the preliminary discussions of MOU held in your chamber on 6th February 95 you had proposed that IOC's market share in respect of SPE products should increase every year by 0.5%, so that in the next 5 years, the gap of 2.6% existing between SPE and actual market participation can be bridged. We had at that time pointed out that IOC should be given commensurate linkages by MOP & NG to achieve this target. This has been confirmed by our Corporate Office letter No. CHCO/CP-205 dated 10-3-95 to you.

We expect to achieve a market participation of 54.4% for IOC (MD) and 1.2% for AOD during the financial year 1994-95. Compared to SPE target of 58.2% the materialisation is expected to be 55.6% (54.4 + 1.2) which would amount to a shortfall of 1.8 Million Tonnes in quantitative terms *vis-a-vis* pro-rata SPE volume.

OCC has already finalised the SPE for the year 1995-96. A copy of their letter No. MC&ES: 12240. SPE dated 21-2-95 (Annexure-I) in this regard is attached. The total volume of SPE products sale during 1995-96 is expected to be 67.2 MMT and hence, 0.5% of this volume would amount to 336 TMT. This means that IOC should not only obtain additional linkages equal to its existing percentage market share in individual products *i.e.* Naphtha/NGL, FO/LSHS, etc., but also obtain further linkages to the tune of 336 TMT to increase the market participation by 0.5% in 1995-96. It is the established policy of MOP to treat FO/LSHS and Naphtha as balancing products to compensate for the shortfall in sales achievement of other products so that the overall SPE bottom line is

maintained as brought out in our letter dated 16.3.95. Since TIOC's SPE achievement is less than its entitlement for reasons well known to you (lower achievement in retail due to inadequate retail participation), and that of the Other Marketing Companies is more than their entitlement, it therefore, follows that linkages given by the Ministry should be first given in favour of IOC so that the targetted market share is achieved and only thereafter given to OMCs.

We are enclosing two statements, one showing companywise linkages (Annexure-II) given during 1994-95 and the other showing the pending linkages (Annexure-III). The effect of the linkages given in respect of plants that have been commissioned in 1994-95 is reflected in the IOC's market participation during the year 1994-95. After careful assessment, we are of the view that in 1995-96. After careful assessment, we are of the view that in 1995-96, the total requirement of the customers attached to IOC would remain more or less at the same level as that obtaining in 1994-95. IOC has not received and fresh linkages for the plants which will commissioned in 1995-96.

From Annexure-III it may be observed that the expected offtake of the plants that would be commissioned in 1995-96 and for which linkages are pending with MOP & NG is only 676 TMT. The only other plant that would be commissioned in 1995-96 is Bindal Agro for which linkage has already been given to BPC (Annexure-II).

You are requested to allocate 100% of the linkages in respect of plants to be commissioned in 1995-96 for which linkages are pending with MOP & NG in favour of IOC. I would like to point out that even if this is done, it would not still help to achieve 0.5% growth in market participation which is explained below:

(A)	Bindal Agro allocated to BPC (Annexure-II)	72 TMT
(B)	Expected offtake out of linkages pending · with MOP (Annexure-III)	676 TMT
		748 TMT
(C)	64.4% of total (IOC's existing participation of Naphtha/NGL) :	.482
(D)	Add: 332 TMT to give 0.5% additional market partcipation	332 TMT
(E)	Total additional volume accruing in 1995-96	814 TMT

APPENDIX VII

कार्पोरेट कार्यालय
कोर 2, 7, इंस्टीट्यूशनल एरिया
लोधी रोड, नई दिल्ली

Indian Oil Corporation Limited
CORPORATE OFF.
Scope Complex Core 2,
7, Institutional Area, Lodhi Road,
New Delhi
Phone: Of.: 4360636, 4360243 Res. 4618
Grams: OILREFIN Telex: 03166
Fax:91-011-4360822
DM/2
23.5.1995

Dear D. Kilber,

(Vide Reply to Recommendation Sl. No. 2)

1.0 As you are aware, the Parliamentary Committee on Public Undertakings has severely criticised the progressive decline in Indian Oil's Market Share during the review period. The Committee has also stressed the need for identification of the factors responsible for the poor sales performance *vis-a-vis* projections and recommended that an immediate action plan may be adopted to improve Market Share.

2.0 You may also kindly recall that this matter was discussed in QIR held on 14.2.1995 when you had kindly observed that "Naphtha linkages of bulk customers to IOC/AOD should be considered keeping in view the combined growth of IOC and AOD in focus".

2.1 For ready reference, the companywise performance for 1994/95 for SPE products is indicated below:

	IOC (Incl. AOD)	BPC	HPC	IBP	MRL/ CRL
SPE market Share (%age)	58.2	18.7	19.0	3.7	0.4
Actual Market Share (%age)	55.6	19.9	19.4	4.7	0.4

3.0 To facilitate a decisive action for bridging the shortfall, a special presentation was made to the IOC Board of Directors on 6.4.1995. It was appreciated by the Board that:

(a) The shortfall in MS and HSD retail sales in terms of quantity is larger than the total shortfall in sales of SPE products. In other words, the shortfall in the total sales is entirely caused by shortfall in MS and HSD retail sales.

IOC was the last oil company to be established in country and, as such, its growth in the retail trade has been weak from the beginning, since the high potential sites—especially in the metropolitan cities—were already with the OMCs. This weakness was further aggravated by the decision to peg IOC(M)'s share-out of new retail outlets at 40% from 1982-83 till 1993-94.

(b) IOC, as a result, has a very low share of only 23.8% of the retail outlets of the metropolitan cities which account for as much as 23.9% of the total MS retail sales of the country. Further, in respect of MS, the all-India retail outlet shareout at 38.9% is substantially lower than the stipulated SPE market share of 43.1%.

(c) In respect of HSD retail sales, though the actual market share is more than the retail outlet. Share-out, the retail outlet share-out at 37.9% continues to be substantially lower than the SPE Retail HSD SPE share-out of 47.5%. As around 70% of the growth in SPE products is contributed by growth in HSD retail, the staggering shortfall in RO share-out inevitably leads to increasingly alarming gaps in actual achievement *vis-a-vis* SPE.

(d) Although, in respect of LPG, Naphtha/NGL, ATF, HSD (direct sales), FO/LSHS and Bitumen, our actual performance has been somewhat better than the SPE share outs, this fall far short of the gap in MS and HSD retail performance.

3.1 It was also agreed that the help of the Ministry of Petroleum & Natural Gas should be urgently sought in respect of the following to decisively bridge the shortfall as per Govt. policy spelt out vide OCC's Letter No. MC&ES/12220 dated 23.4.1990 which, *inter alia*, stipulates that FO/LSHS and Naphtha are to be treated as balancing products for bridging such imbalances.

(i) As FO/LSHS and Naphtha are treated as balancing products as per Govt. policy, additional allocation of 1.8 MMT of such products in the form of customer linkages should be made preferentially to IOC to balance overall shortfall in SPE.

(ii) The return of 1.4 MMTPA of Naphtha/FO/LSHS surrendered by IOC to meet shortfall in SPE achievement of OMCs back to IOC could form a part of such additional allocation on the basis of the same rationale and Industry Discipline adopted earlier.

This is absolutely essential especially since the OMCs did not hand over appropriate number of Retail Outlets to IOC earlier to correct the imbalance in IOC's Retail Outlets share out *vis-a-vis* SPE.

4.0 It is only in the above context that we have been persistently requesting for preferential allocation of NGL/Naphtha and FO/LSHS customers to IOC before considering any allocation to other oil companies, who have been consistently exceeding their Sales Plan Entitlements, through, *inter alia*, the following letters as well as submissions in various forums:

(a) No. PLG:8423 of 4.3.1994
(b) No. SP:NAP:GEN:44 of 26.7.1994
(c) No. SP:NAP:GEN:44 of 16.3.1995
(d) No. SP:NAP:GEN:44 of 30.3.1995 and
(e) Do No. GMC/1 of 10.4.1995

5.0 In view of above and also the enhancement of 0.5% envisaged in IOC's Market Share in the draft MOU for 1995/96, the imperative need for allocation of 100% of the linkages in respect of the plants likely to be commissioned in 1995/96, is also being repeatedly emphasised.

5.1 We are, therefore, naturally greatly disappointed to learn that out of the only two major plants requiring Naphtha/NGL as fuel, which are likely to be commissioned in 1995/96—NTPC, Kawas and Essar Power, Hazira—the former has already been allocated in favour of HPCL and the linkage for the latter is being considered in favour of BPCL. At a time when IOC essentially needs these linkages as the life-line for bridging the shortfall *vis-a-vis* SPE and also rightfully deserves such allocations on the basis of the established Govt. Policy and rationale as explained above, a review of the above decisions would appear to be imperative.

In fact, both Essar Power, Hazira and NTPC, Kawas have formally requested the Government to give linkages in favour of IOC only. Such commitments to purchase from IOC were obtained through extensive and sustained marketing efforts by IOC's field officers. At this juncture, any decision to provide linkages in favour of OMCs would seriously erode the morale and motivation of IOC's sales force, thus adversely affecting IOC's marketing efforts.

The Fuel Oil linkage in respect of NTPC Dadri, an existing customer of IOC, which has been recently given to BPCL also needs a similar review.

6.0 We are confident that based on a objective examination of the entire matter keeping the above perspective in view, justice would be done to IOC. However, in the unlikely eventuality of such action not being

found to be feasible, it is submitted that Ministry of Petroleum may kindly allow free solicitation of Naphtha/Fuel Oil business by the Oil Companies thus discontinuing the current system of allocation specially keeping in view the directional Govt. Policy of gradually moving towards free marketing of petroleum products as envisaged in para 1 of the Minutes of the Meeting hold in the Office of Secretary, P&NG on 19.8.1994 (copy enclosed).

We eagerly look forward to a positive response.

Yours sincerely,

(Sd.)
(R.K. Narang)

Dr Vijay L. Keldar,
Secretary to the Govt. of India.
Ministry of Petroleum & Natural Gas.
Shastri Bhavan,
New Delhi.

cc : Shri Devi Dayal, IAS
Jt. Secretary(M),
Ministry of Petroleum & NG.
Shastri Bhavan,
New Delhi.

cc : Shri Nirmal Singh
Jt. Secretary(R),
Ministry of Petroleum,
& NG,
Shastri Bhavan,
New Delhi.

cc : Dr. A.N. Saxena
Jt. Secy & Financal Adviser,
Ministry of Petroleum & NG.
Shastri Bhavan,
New Delhi.

cc : Dr. Uddesh Kohli
Adviser (Monitoring),
Planning Commission,
Yojana Bhavan,
New Delhi.

Kindly refer to the presentation made in the Board Meeting on 6.4.1995. We seek your intervention in resolving this issue so as to enable to improve our market participation.

APPENDIX VIII

(*Vide* Reply to recommendation Sl. No. 2)

Minutes of the meeting held on 19.8.1994 in Secretary P&NG's Chamber

List of participants attached.

1. Sales Plan Entitlement Schemes.

The issue of free solicitation of Naphtha/Fuel Oil business by the oil companies under a mutually agreed protocol was discussed in detail. It was pointed out that since both Naphtha and LSHS are now decanalised, there is no sanctity of the linkages given because any of the private parties are free to import if they find the International prices are advantageous to them. Oil companies were urged to consider seriously this issue because the principle of allocation through MOP&NG runs counter to the directional Government policy of gradually moving towards free marketing of petroleum products. The oil companies can develop a mutually agreed protocol among themselves at Directors or Chief Executives level regarding solicitation of business wherein they can negotiate terms and conditions with prospective customers for a long term fuel supply contract. The long term fuel supply contracts can be negotiated to include return stream quantity and prices end use keeping in view the administered prices and surplus availability and the requirement of import if necessary. Once the fuel supply contract is finalised, the other all companies should not interfere with the supplies and OCC can ensure SPM discipline by enforcing existing orders on the subject. This will ensure a general improvement in customer service because then they would have options as well as choice of vendor. If necessary and if agreed by the oil companies, the total Naphtha and LSHS sales volume can be taken out from the SPE for the purpose of bottomline market share. The Oil Industry agreed to seriously look into this proposition on that a final decision can be taken in this regard. They should submit report by 31.8.1994.

Action: By Oil Industry

APPENDIX IX

(*vide* Reply to recommendation Sl. No. 6)

No. 1(2)/F.F. II/94
Government of India
Ministry of Finance
Department of Expenditure
(Plan Finance — II Dvn.)

New Delhi, the 25 April, 1994

OFFICE MEMORANDUM

Based on the recommendations of the Committee appendix to review law & procedures in the Department of Expenditure and with a view to reducing the time lag between various stages of project approval procedure in respect of cases to be considered by PIB/EFCs, following time limits are laid down in super session of all earlier instructions on the subject:—

(1)	Circulation of the Feasibility Report by the Ministries after receiving from the PSUs to various appraision agencies (Any examination within the Ministry could be done simultaneously while the Reports are examine of the Appraising agencies).	1 Week
(2)	The Pre-PIB meeting to be held thereafter.	6 Weeks
(3)	Issue of minutes of the pre-PIB meeting by Financial Adviser of the concerned Ministry.	1 Week
(4)	Circulation of the PIB Memo to the Planning Commission.	4 Weeks
(5)	Appraisal Note of the Project appraisal Division of the Planning Commission (In case further clarifications are required to be furnished by the Ministries to the PAD, they should do it within the stipulated date so that the time limit is adhered to).	4 Weeks
(6)	Submission of PIB to Note to the PIB Sectt. in the Deptt. of Expenditure after the receipt of the PAD Note.	1 Week
(7)	PIB Meeting to consider the proposal thereafter.	2 Weeks
(8)	Issue of the minutes of PIB.	1 Week
(9)	Circulate the Draft Note for the Cabinet Committee on Economic affairs (CCEA) after the issue of the PIB minutes.	4 Weeks

2. These instructions may be adhered to by all concerned.

(M.S. VIRDI)
Joint Director (P.F. II)

All Ministries/Department of the Government of India etc. (As per standard distribution list)

All F.As (by name) Dr. A.N. Saxena, FA (M of Petroleum NG)

APPENDIX X

(Vide Reply to recommendation Sl. No. 12)

Capacity utilisation of IOC and other refineries in the country

(Figs. in % wt. on crude)

	1990-91	1991-92	1992-93	1993-94	1994-95	
1	2	3	4	5	6	7
GUWAHATI	92.14	100.76	95.92	107.1	104.0	
BARAUNI	73.22	68.53	69.31	67.3	67.3	DUE TO LOWER ASSAM CRUDE AVAILABILITY.
GUJARAT	98.25	98.72	102.94	99.3	104.1	LOWER CAPACITY UTILISATION IS DUE TO CORRECTIVE EN JOBS.
HALDIA	103.08	109.85	110.65	113.0	118.6	
MATHURA	104.11	109.62	104.62	113.6	111.7	
DIGBOI	113.10	109.26	109.46	110.8	107.2	
IOC TOTAL	97.30	99.57	99.64	101.4	103.1	
EXCL BOR	101.1	104.4	104.4	106.7	108.7	EXCLUDING BARAUNI REFINERY, WHEREIN CAPACITY UTILISATION WAS LOWER DUE TO LOWER ASSAM CRUDE AVAILABILITY, CAPACITY UTILISATION OF IOC WAS MORE THAN 100%.

1	2	3	4	5	6	7
NON-IOC REFINERIES						
HPC. BBY	104.8	85.9	105.9	108.7	95.3	
HPC VISAKH	77.0	87.1	100.6	98.8	111.5	
BPC. BBY	116.0	115.7	120.6	120.1	125.1	CAPACITY UTILISATION OF BPCL AND CRL ARE HIGHER AS
CRL	111.2	107.6	113.8	107.9	114.1	THEY STILL MAINTAIN THE INSTALLED CAPACITY OF 6.0 4.5 MMTPA RESPECTIVELY EVEN THOUGH ACTUAL CAPACITY ARE HIGHER AT 7.0 AND 5.0 MMTPA RESPECTIVELY OR EXPANSION OF 3.0 MMTPA HAS BEEN COMMISSIONED W.E.F. DEC. 94. BUT NOT CONSIDERED IN CAPACITY UTILISATION
MRL+ NARIMANAM	101.8	98.7	93.3	83.5	104.3	OPERATION OF MRL-NARIMANAM AT 0.5 MMTPA IS CONSIDERED W.E.F. NOV. 93. MRL CAPACITY AUGMENTATION 6.5 MMTPA FROM 5.6 MMTPA HAS BEEN CONSIDERED W.E.F. APR. 93.
BRPL	84.4	88.2	82.7	86.4	87.3	
TOTAL	102.1	98.8	105.8	102.2	108.8	
INDUSTRY	99.8	99.2	103.1	101.7	106.2	

APPENDIX XI

(*Vide* Reply to recommendation Sl. No. 12)

Crude T'put of IOC and other Refineries in the Country

(figs. in MMTPA)

	1990-91	1991-92	1992-93	1993-94	1994-95
GUWAHATI	0.783	0.856	0.815	0.911	0.884
BARAUNI	2.416	2.262	2.287	2.222	2.220
GUJARAT	9.334	9.378	9.780	9.434	9.888
HALDIA	2.835	3.021	3.040	3.106	3.258
MATHURA	7.809	8.231	7.844	8.518	8.377
DIGBOI	0.565	0.546	0.547	0.554	0.536
IOC TOTAL	23.742	24.294	24.313	24.745	25.163
NON-IOC REFINERIES					
HPC, BBY	5.766	4.723	5.822	5.980	5.239
HPC, VISAKH	3.464	3.920	4.527	4.448	5.016
BPC, BBY	6.957	6.940	7.233	7.203	7.505
CRL	5.005	4.842	5.123	4.857	5.136
MRL+ NARIMANAM	5.698	5.529	5.223	5.843	7.302
BRPL	1.139	1.164	1.116	1.167	1.179
TOTAL	28.029	27.118	29.044	29.498	31.377
INDUSTRY	51.771	51.412	53.357	54.243	56.540

APPENDIX XII

COMMITTEE ON PUBLIC UNDERTAKINGS

MINUTES OF THE 41ST SITTING OF COMMITTEE ON PUBLIC UNDERTAKINGS HELD ON 31ST JANUARY, 1996

The Committee sat from 14.00 hrs. to 17.30 hrs.

CHAIRMAN

Sqn. Ldr. Kamal Chaudhry

MEMBERS

2. Shri E. Ahamed
3. Prof. Susanta Chakraborty
4. Shri B. Devarajan
5. Shri Oscar Fernandes
6. Shrimati Sheela Gautam
7. Prof. (Smt.) Savithiri Lakshmanan
8. Dr. A. K. Patel
9. Shri Syed Shahabuddin
10. Shri Pius Tirkey
11. Shri Sanjay Dalmia
12. Shri Jagesh Desai
13. Smt. Kamla Sinha

SECRETARIAT

1. Shri G.C. Malhotra — *Joint Secretary*
2. Smt. P. K. Sandhu — *Director*
3. Shri P. K. Grover — *Under Secretary*

*OFFICE OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA

1.	Dr. B. P. Mathur	Dy. C&AG-cum-Chairman, Audit Board
2.	Shri R. Chandramauli	P&DCA & Ex-Officio Member, Audit Board, Bangalore
3.	Shri Jagbans Singh	Assistant C&AG (Commercial) and Secretary, Audit Board.

I. Consideration and Adoption of Draft Reports

** ** **

2. The Committee then considered the draft Report on the Action

** Present only during evidence of representatives of Ministry of Communications (Department of Tele-Communications)

Taken by Government on the recommendations contained in the 42nd Report of Committee on Public Undertakings (1994-95) on Indian Oil Corporation Limited and adopted the same.

3. The Committee authorised the Chairman to finalise the Reports on the basis of factual verification by the Ministries/Undertakings concerned and to present the same to Parliament.

II.* Evidence of representatives of Ministry of communications (Department of Telecommunications) in connection with examination of ITI Limited.

** ** **

The Committee then adjourned

'* Minutes relating to evidence of representatives of Ministry of Communications (Department of Telecommunications) kept separately.

APPENDIX XIII

(*Vide* Para 3 of Introduction)

Analysis of the Action Taken by Government on the recommendations contained in the 42nd Report of the Committee on Public Undertakings (Tenth Lok Sabha) on Indian Oil Corporation Ltd.

I.	Total number of recommendations	23
II.	Recommendations that have been accepted by the Government (*vide* recommendations at Sl. Nos. 1, 5 to 8, 10 and 12 to 22)	17
	Percentage to total	74%
III.	Recommendations which the Committee do not desire to pursue in view of the Government's replies	NIL
	Percentage to total	—
IV.	Recommendations in respect of which replies of Government have not been accepted by the Committee (*vide* recommendations at Sl. Nos. 2, 9 and 11)	3
	Percentage to total	13%
V.	Recommendations in respect of which final replies of Government are still awaited (*vide* recommendations at Sl. Nos. 3, 4 and 23)	3
	Percentage to total	13%