

Petroleum case study

Business



Agriculture, which is the prime occupation of rural India, is an interactive proposition here due to the frequency of droughts, the inhospitable terrain and the lack of irrigation facilities that plague the area.

With a few industries around, the only source of income seems to be animal husbandry, the traditional craft of patchwork and mirror embroidery. It is one of the twelve districts in Rajasthan currently receiving funds from the Backward Regions Grant Fund Programme (BRGF). In the recent times, Farmer has observed a structural change in its economy as depicted by district income estimates at current prices.

Total income generated in 1999-2000 was Rs. 165071 lakh, which increased to Rs.

259338 lakh in 2004-05; a 1.57 time increase. Simultaneously, the contribution of agriculture and allied sectors declined from 38.4 percent to 32.3 percent from 1999-00 to 2004-05. There is an increase in contribution of mining and manufacturing sector from 20.

5 percent to 24.0 percent during this period. The contribution of service / tertiary sector improved from 41.2 percent to 43.8 percent.

Construction sector has improved its contribution and in 2004-05 contributed 10. Percent in the district's income. The major activity in service sector is trade, hotel and restaurants (14.4%) and is followed by real estate activities (%) and other services) Transport, banking, railways, communication and public administration have gained in their shares in district income during the aforesaid period. With the setting up of Oil refinery in Farmer the land

will be oozing black gold, the picture will change and the state will develop, thus Farmer will put the foundation for the making of a new Dry.

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K. Gain (Dean, SIBS); Dry. Ruche Goal (Associate Professor, less) Page 1
Restaurants. Hindustan Petroleum Corp.

Ltd (HP) will set up RSI 37, 320-core oil refinery and petrochemical complex in Farmer in Restaurants. HP will hold 74 per cent stake in the nine million tone a year refinery with Government of Restaurants taking 26 per cent. The unit is planned to go on stream in four years. Ere refinery, which will fulfill nearly a decade-old demand of the state, will run on crude oil from neighboring oilfields of Cairn India.

Half of the crude oil requirement at the proposed refinery will come from the Farmer oilfields of Cairn and the rest will be imported.

Besides taking 26 per cent stake, the state government has given in-principle approval for providing an interest free loan of RSI 3, 736 core per annum for 15 years from the date of commercial production. Ere state government has also assured continuous supply of 28 MGM of water for the project from Nadir Gandhi canal and about 3, 500 acres of land for refinery, terminal and township near Leila area in Farmer.

NH did ONCE withdraw? Originally, in 2005 state-owned Oil and Natural Gas Corp. (ONCE), committed to build the refinery, which owns 30 per cent interest in the Farmer oilfields of Cairn India, UT later it started soft-peddling the project. Last year, HP entered the fray and has proposed to take 51 per
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cent stake in the project. ONCE, which originally had the authorization from the government for processing the Farmer crude at the proposed refinery, too is now keen to take a stake in the project.

Restaurants government faced difficulties in acquiring about 926 hectares of land in Lila and therefore it has now shifted the location to Pandora, Inhere it will be required to acquire much less land for the project. The refinery will process crude oil produced in Restaurants as well as Arab mix crude. Cairn India, which holds 70 per cent interest in the fields, currently produces about 175, 000 barrels per day oil (8. 75 million tones a year) from the Restaurants fields and has potential to go up to 300, 000 bad (1 5 million tones).

Pedant Resources, which in 2011 acquired Cairn India for USED 8.

67 billion, too is interested in taking a small equity of 2-3 per cent in the project. The refinery will play pivotal role in moving Restaurants ahead on the road to prosperity. Oil royalties and additional revenues will help improve the country's GAP growth in addition to raising avenue reserves. The refinery will bring investment of RSI. 86, 000 core in the next four years, will provide employment 30-35 million people of economically backward border areas. Currently exploring 1.

5 lack of crude oil per day and Restaurants has become the second largest oil producer after Maharajah's (RSI 2. 25 lack barrels). If Restaurants produce 3 lack barrels of oil Dry. T. K. Gain (Dean, SIBS); Dry.

Ruche Goal (Associate Professor, less) Page 2 per day, which will be 35% of national production in the country and Restaurants will become the number

one oil producer in the country, In Restaurants, refinery UCM petrochemical complex will also led to the establishment of industries involved in petrochemical, petroleum engineering, petroleum pharmaceutical research, polymers and plastics in Restaurants.

Naphtha, diesel, gasoline, kerosene and aviation fuel (gasoline) will also be produced. After the establishment of oil and other industries, it will increase youth employment opportunities. After setting refining capacity of 9. 14 million tones a year from oil exploration, which Nil give an annual royalty of RSI.

5000 core, is expected to reach 13-15 thousand ore annually. This will prove crucial in improving the country's fiscal situation. Crude oil reserves in this area can be taken advantage of for the next 40 years. Wrought this, not only in the industrial areas of Restaurants will make progress, but it Nil also improve the financial position of the government. After commencement of the commercial production, the Chief Minister Shoo Ocelot NAS approved an annual package tot RSI.

3376 scores (viability gap tending) to H rush financial incentive package of total RSI. 56, 040 scores has been sanctioned for 15 {ears. Apart from these facilities like free-of-cost land, water and development of basic infrastructure will be given by the State Government.

Ninth everything said and done, what remains to be seen is the actual implementation of the project because a lot of finances are at stake and it requires efficient use of resources and good execution of the plans for this project to be successful. Advocates of this project say that there will be huge
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advantages to the people of Restaurants through this project, some of these are : a. Employment generation b.

Raising the standard of living Huge earnings to the Government of Restaurants d. The oil finding will substantially add to self-reliance of the country in the energy sector e.

Considering the huge volume and related economic and managerial Investment, the project has well been planned under public-private partnership approach. This approach has to be carefully sustained with gradually opening it to inclusion of entrepreneurs, Nags and other related entities. New set of employment opportunities, sector manipulation, infrastructure development, industrial and service sector development, education and training deeds are the key developments after oil finding.

These would have great impact on socio-economic structure of the region.

Dry. T. K. Gain (Dean, SIBS); Dry. Ruche Goal (Associate Professor, less) Page 3 In the environment of conducive technology and managerial breakthroughs, the case of Farmer oil finding and related socioeconomic developments should be well planned and managed.

The present analytical study is a positive step in this direction. Some impact of the project is already visible in Farmer. Otherwise economically a backward area, Farmer is now becoming a centre of attention.

Land prices have started rising. Tourist inflow has also increased substantially.

Real Estate Dealers are now tossing on Farmer. It is clear that the Farmer refinery will have a lot of impact on the people. But what will be the net impact on the poorest people living in this region remains to be explored. Question: Spell out methodology for carrying out Social Cost Benefit Analysis of this project. At a glance, do you recommend such projects to be taken up by State Governments – specially when the state is otherwise backward?

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