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CHAPTER - I

- a) Members of Board**
- b) Aims & Objectives**
- c) Report on the working of the Board**

Members of the Board (During the period under Report)

CHAIRMAN

1. **Shri S. Sundareshan**
Secretary,
Ministry of Petroleum & Natural Gas

MEMBERS

2. **Shri Bijoy Chatterjee**
Secretary,
Deptt. of Chemicals & Petrochemicals
(upto 01.01.2011)
3. **Shri M. Raman**
Secretary,
Deptt. of Chemicals & Petrochemicals
(From 01.01.2011 onwards)
4. **Smt. Vilasini Ramachandran**
Special Secretary (Expenditure),
Ministry of Finance
5. **Shri P.K.Sinha**
Special Secretary & Financial Adviser,
Ministry of Petroleum & Natural Gas
6. **Shri D.N.Narasimha Raju**
Joint Secretary,
Ministry of Petroleum & Natural Gas
7. **Shri Sunil Kumar Srivastava**
Director General,
Directorate General of Hydrocarbons
8. **Shri B. M. Bansal**
Chairman & Managing Director
Indian Oil Corporation Ltd.
(Upto 30.09.2010)

- | | |
|---|--|
| <p>9. Shri R. S. Butola
Chairman & Managing Director
Indian Oil Corporation Limited
(28.02.2011 onwards)</p> | <p>17. Shri Anand Kumar
Director (R&D),
Indian Oil Corporation Limited
(upto 30.06.2010)</p> |
| <p>10. Shri B.C. Tripathi
Chairman & Managing Director,
GAIL (India) Ltd.</p> | <p>18. Dr. R. K. Malhotra
Director (R&D),
Indian Oil Corporation Limited
(01.07.2010 onwards)</p> |
| <p>11. Shri R.S. Sharma
Chairman & Managing Director,
Oil and Natural Gas Corporation Ltd.
(upto 31.01.2011)</p> | <p>MEMBER SECRETARY</p> |
| <p>12. Shri A. K. Hazarika
Chairman & Managing Director,
Oil and Natural Gas Corporation Ltd.
(01.02.2011 onwards)</p> | <p>19. Shri Arun Kumar
Secretary,
Oil Industry Development Board</p> |
| <p>13. Shri Ashok Sinha
Chairman & Managing Director
Bharat Petroleum Corporation Limited
(upto 18.08.2010)</p> | |
| <p>14. Shri R. K. Singh
Chairman & Managing Director
Bharat Petroleum Corporation Limited
(08.12.2010 onwards)</p> | |
| <p>15. Shri Arun Balakrishnan
Chairman & Managing Director
Hindustan Petroleum Corporation Limited
(upto 31.07.2010)</p> | |
| <p>16. Shri Roy Choudhary
Chairman & Managing Director
Hindustan Petroleum Corporation Limited
(01.08.2010 onwards)</p> | |

OFFICERS/BANKERS/AUDITORS OF THE BOARD (DURING THE PERIOD UNDER REPORT)

Secretary	Shri Arun Kumar
FA&CAO	Shri T.S.Balasubramanian
Bankers	i) State Bank of India ii) Oriental Bank of Commerce iii) Corporation Bank iv) Indian Overseas Bank
Auditors	Principal Director of Commercial Audit & Ex-officio Member, Audit Board –II, Mumbai
Office of the Board (Registered)	Oil Industry Development Board 301, World Trade Centre Babar Road, New Delhi-110001.
Corporate Office	Oil Industry Development Board OIDB Bhawan, Plot No. 2, 3 rd Floor, Sector -73, NOIDA- 201 301. (U.P.)
Telephone Nos.	011-23413540 [Delhi office] 011-23414692 0120-2594602 [NOIDA Office] 0120-2594627
Fax	011-23414882 [Delhi office] 0120-2594630 [NOIDA office]
E-mail	oidb-mopng@nic.in
Website	www.oidb.gov.in

CHAIRMAN AND MEMBERS OF THE BOARD



S. Sundareshan



Bijoy Chatterjee



M. Raman



Vilasini Ramachandran



P. K. Sinha



D. N. Narasimha Raju



Sunil Kumar Srivastava



B.M. Bansal



R. S. Butola



B. C. Tripathi



R. S. Sharma



A. K. Hazarika



Ashok Sinha



R. K. Singh



Arun Balakrishnan



Roy Choudhary



Anand Kumar



R. K. Malhotra



Arun Kumar

Aims & Objectives

To administer Oil Industry Development Fund.

To render financial and other assistance conducive for the development of oil industry.

To make grants and advance loans for activities such as: -

- ✱ Prospecting for and exploration of crude Oil & Natural Gas
- ✱ Projects providing pollution free environment
- ✱ Refining & marketing of petroleum and petroleum products
- ✱ Conservation for greater economy of hydrocarbons.

Funding of research and development programmes for sustainable development of oil industry

To promote indigenisation of oil field equipment and Services in the country.

Funding the activities related to energy security of India.

1. Introduction

The Oil Industry (Development) Act, 1974 was enacted following successive and steep increase in the international prices of crude oil and petroleum products since early 1973, when the need of progressive self-reliance in petroleum and petroleum based industrial raw materials assumed more importance. The following objects were included in the statement of Objects and Reasons for the Oil Industry (Development) Bill, 1974:

- (i) The programs for securing self-reliance in petroleum & petroleum based raw materials should be rapidly stepped up.
- (ii) Necessary resources for execution of such programs must be assured.
- (iii) For these purposes cess be levied on crude oil and natural gas to create an Oil Industry (Development) Fund.
- (iv) The fund would be used exclusively to provide financial assistance to the organizations engaged in development programs of oil industry.

Preamble to the Oil Industry (Development) Act clarifies that the purpose of the Act is to provide for the establishment of a Board for development of oil industry and for that purpose to levy duty of excise on crude oil and natural gas and for matters connected therewith.

2. Organizational Set-up and Functions of the Board

The Oil Industry Development Board was established on 13th January, 1975 under the Oil Industry (Development) Act, 1974 to provide financial assistance for development of Oil Industry. Its organizational set up consists of:

- a) Chairman b) Members and c) Secretariat

The Oil Industry Development Board is functioning under the administrative control of Ministry of Petroleum & Natural Gas. The functions of the Board have been defined in Section 6 of OI Act.

The measures for which Board may render assistance for the promotion of Oil Industry include:

- a) Prospecting for and exploration of mineral oil within or outside India;

- b) The establishment of facilities for production, handling, storage and transportation of crude oil;
- c) Refining and marketing of petroleum and petroleum products;
- d) The manufacture and marketing of petrochemicals and fertilizers;
- e) Scientific, technological and economic research which could be directly or indirectly useful to oil industry;
- f) Experimental or pilot studies in any field of oil industry;
- g) Training of oil industry personnel in India or abroad.

Any oil industrial concern or other person who is engaged in any activity, which is directly or indirectly connected with the oil industry in the country, is eligible for financial or other assistance from the Board.

The Board is also duty bound to carry out such directions as may be issued to it from time to time by the Central Government for the efficient administration of the Act.

3. Resources of the Board

Section 15 of the Oil Industry (Development) Act, 1974 provides for collection of cess as a duty of excise on indigenous crude oil and natural gas. The cess has been levied on crude oil, from time to time, at the following rates:

Rs.60 per tonne	w.e.f. 23 rd July, 1974
Rs.100 per tonne	w.e.f. 13 th July, 1981
Rs.300 per tonne	w.e.f. 15 th February, 1983
Rs.600 per tonne	w.e.f. 1 st March, 1987
Rs.900 per tonne	w.e.f. 1 st February, 1989
Rs.1800 per tonne	w.e.f. 1 st March, 2002
Rs.2500 per tonne	w.e.f. 1 st March, 2006

No cess is leviable on crude oil produced from NELP blocks.

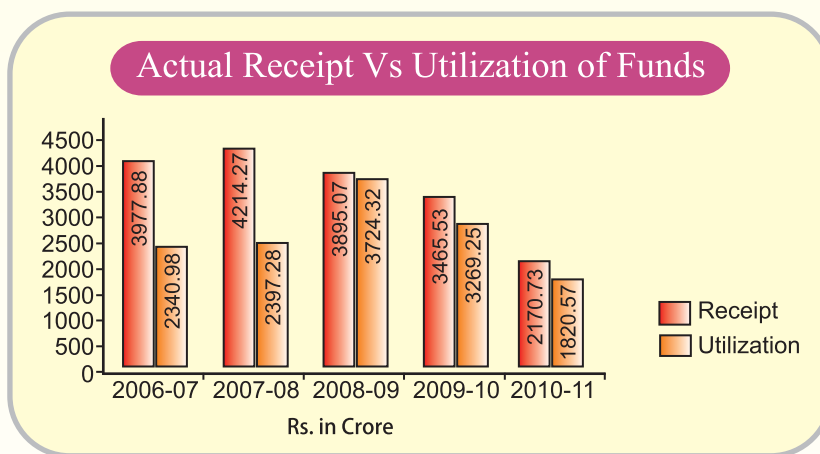
The Central Government has, in the public interest, limited the duty of excise on crude oil production to Rs. 900 per tonne from the 26 identified fields under Production Sharing Contracts.

The proceeds of the duties of excise levied under Section 15 of Oil Industry (Development) Act are first credited to the Consolidated Fund of India and the Central Government may, if Parliament by appropriation made by law in this behalf, so provides, pay to the Board from time to time, from out of such proceeds, after deducting the expenses of collection, such sums of money as it may think fit for being utilized exclusively for the purposes of this Act.

Accordingly, the Central Government has paid an amount of Rs. 902 crore to OIDB out of the cess amount of more than Rs. 95320 crore (**Annexure**) since inception and up to 31st March 2011.

The Central Government under section 17 of the Act may also, after due appropriation made by Parliament by law in this behalf, pay to the Board by way of grants or loans such sums of money as the Central Government may consider necessary. However, no loan or grant has been given to OIDB so far.

The OIDB also generates its internal resources by way of interest income on loans given to various oil sector companies and short-term investment of surplus funds in Fixed Deposit Receipts. The cess receipts along with these internal receipts have contributed to Oil Industry (Development) Fund to accumulate to Rs.10175 crore approximately as on 31st March, 2011.



4. Assistance to Oil Industry

The OIDB has been entrusted with the responsibility to render, in such manner, to such an extent and on such terms and conditions, as it may deem fit, financial and other assistance for the promotion of all such measures as are, in its opinion, conducive to the development of oil industry. The Board has been generally rendering financial assistance by way of:

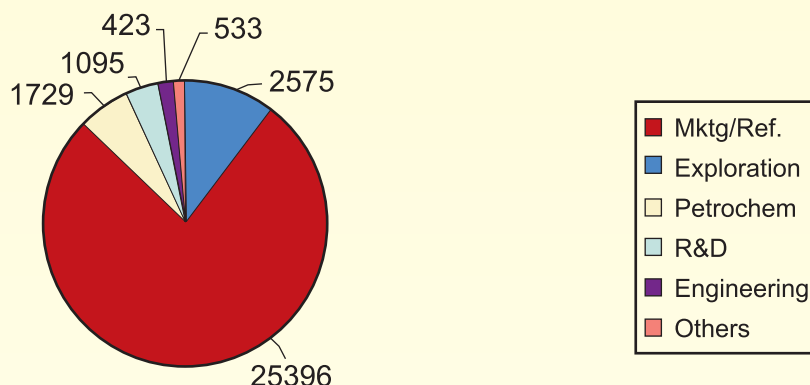
- (i) Advancing loans to oil industrial concerns;
- (ii) Disbursement of grants for the implementation of research and development programs conducive to the development of oil industry;
- (iii) Subscribing to the stocks and shares of Oil Industrial concerns.

The Board also funds the expenditure of Contract Cell of Ministry of Petroleum & Natural Gas

5. Deployment of funds

The OIDB has accorded highest priority to the programs connected with exploration, production, refining, marketing, research and development and the activities related to the energy security of India. OIDB has provided financial assistance of Rs.30,174 crore in the form of loan assistance to oil companies and grant-in-aid of Rs.1577 crore to various institutions/companies since its inception and up to 31st March 2011 for implementation of various programs conducive to the development of oil industry. In addition, the OIDB has invested its funds in the equity share of M/s Biecco Lawrie Ltd (BLL) to the tune of Rs.17.58 crore and Rs.341.24 crore approximately in ISPRL upto the end of March 2011. As per directions of the Government, the OIDB has been paying additional royalty to State Governments & Contractors to meet its commitment on fiscal stability in Production Sharing Contracts (PSCs) relating to discovered fields in first and second rounds of NELP. The OIDB has so far paid an amount of Rs.93.86 crore approximately to various State Governments/contractors on this account upto 31.03.2011. A major portion of the loan assistance has been given to oil companies for meeting capital outlay of plan projects. The sector wise disbursement as on 31st March 2011 is as under:

SECTOR-WISE DISBURSEMENT AS ON 31.03.11



6. Terms & Conditions of OIDB loans

The OID Board determines the terms and conditions governing the loans from time to time keeping in view the nature of the project(s) being undertaken by the Oil PSUs and the current market scenario. An independent Project Appraisal Cell carries out the eligibility of OIDB loan assistance. Based on the recommendations of this cell, the OID Board considers the loan assistance to various oil companies.

Review of Interest Rates on OIDB loan

The OID Board has constituted a Standing Committee for review of the interest rates on OIDB loans for different tenures after taking into account the interest rates prevailing in the market and giving its recommendations to the Board. The Committee meets once in every quarter to review the interest rates on OIDB loans. The formulation for charging interest rates on OIDB loans is as follows :

- The month-end interest rates for Government Securities having different residual maturities as per the latest available RBI's monthly bulletin is taken as the benchmark rates for computing interest rates on OIDB loans for different tenures.
- 50% of the Corresponding month-end margins of AAA rated Bond on Government securities available in page INCORP (Quote AAA INBMK) is added to the benchmark rate.

Discounts

As per the recommendations of the Committee, further discounts on interest rates on OIDB loans are also given to certain type of projects such as: -

- ❖ Projects of Strategic National Importance that have a direct bearing on the energy security of the country are eligible for a discount of 100 basis points on the effective interest rates.
- ❖ Environmental Improvement projects and projects for special areas, such as, North-East region, J&K state etc. are eligible for a discount of 50 basis points on the effective interest rates.

Accordingly, the OIDB loans for the months of April 2010 to March 2011 carried the following interest rates:

Interest rates charged on OIDB loans (Financial Year 2010-11)

(%) per annum

Month	Period of Loan			
	1 Year	3 Years	5 Years	10 Years
April 2010	6.08	7.02	7.70	8.05
May 2010	5.71	7.14	7.98	8.29
June 2010	5.41	7.01	7.70	8.24
July 2010	5.58	6.74	7.60	8.04
August 2010	5.88	6.82	7.63	8.00
September 2010	6.24	6.98	7.66	8.05
October 2010	6.81	7.38	7.91	8.24
November 2010	7.14	7.56	8.06	8.29
December 2010	7.22	7.59	8.02	8.20
January, 2011	7.42	7.82	8.13	8.36
February, 2011	8.02	8.07	8.18	8.29
March, 2011	8.26	8.35	8.31	8.37

7. Investment of surplus funds

In the course of its functioning, cash surpluses arise in OIDB due to gap between availability of funds and their drawal by Oil Companies/grantee institutions. As per Oil Industry (Development) Rules, the Board may decide about the manner and place of deposit of funds, provided that the deposit shall be made in any of the following bank or their wholly owned subsidiary as may be decided by the Board namely:

- A. State Bank of India
- B. Nationalized Banks

During January 2008, Ministry of Finance (MOF) has instructed that the practice of calling competitive bids for bulk deposits should be discontinued on the ground that it generates undesirable competition amongst banks leading to temporary hike in deposit rates. The MOF further suggested that the organization should place their bulk deposits with the banks with which they are having a regular course of business. MOF has clarified that these instructions are applicable to OIDB also. Accordingly, the OIDB is now following the instructions issued by MOF and keeping its surplus funds in banks with which it operates its regular transactions.

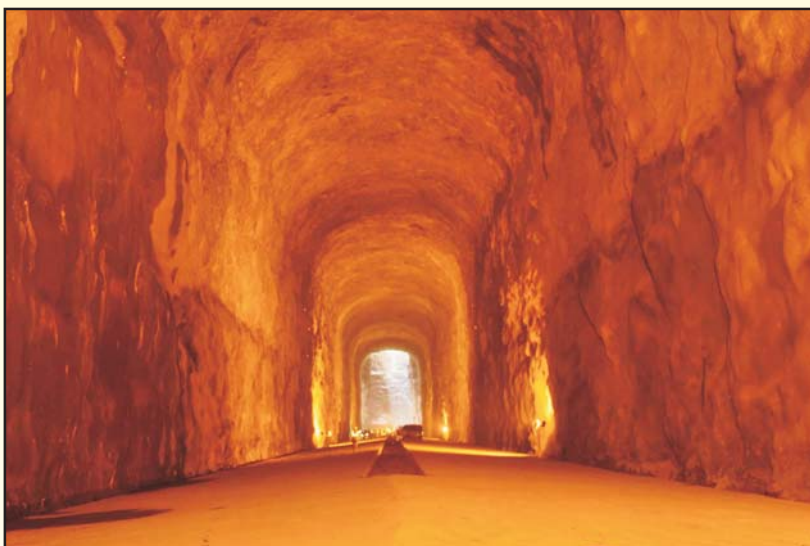
8. Major Activities

i) Construction of Strategic Crude Oil Storages through a Special Purpose Vehicle named “Indian Strategic Petroleum Reserves Limited” (ISPRL)

To ensure energy security, Government of India has decided to build a strategic crude oil reserve of 5 MMT through a Special Purpose Vehicle (SPV). The SPV named Indian Strategic Petroleum Reserves Limited (ISPRL) was initially a subsidiary of Indian Oil Corporation Limited. Later on w.e.f. 09.05.2006 it became a wholly owned subsidiary of Oil Industry Development Board (OIDB). Three locations selected for creating storages are Visakhapatnam (1.00 MMT), Mangalore (1.5 MMT) and Padur (2.5 MMT). Capital cost for constructing the strategic storage facilities is estimated at Rs.2397 crore and operation and maintenance cost at Rs.90 crore per annum at September, 2005 prices. The authorized and paid up capital of the company as on 31.03.2011 is Rs.1000 crore and Rs.341.24 crore respectively. OI DB has contributed Rs.961.89 crore towards equity participation (including Rs. 620.65 crore pending allotment of shares) in ISPRL. Status of the projects at the above 3 locations as on 31.03.2011 is as under:

a) Visakhapatnam

Engineers India Limited (EIL) has been appointed as Project Management Consultant (PMC). Out of 68 acres of land required for the project, 38 acres has been taken on lease from Vishakhapatnam Port Trust (VPT) and Memorandum of Understanding (MOU) has been signed for the balance land with Eastern Naval Command. Statutory clearances have been obtained. After supplementary site investigations, to avail the benefits of lower marginal costs for additional capacity, the cavern capacity has been increased to 1.33 MMT and approval accorded by the Government for the same.



Visakhapatnam Crude Cavern under Construction

The Underground works are being carried out by M/s Hindustan Construction Company. As of March 31st 2011, 18.74 lakh cubic meters of excavation was completed. The above ground works were awarded to M/s IOTIESL on 30.11.2009. As on 31.3.2011, orders for major critical items like crude submersible pumps and seepage water pumps etc. were placed. Materials have started arriving at site and site grading works were in progress. The overall project progress as of 31.3.2011 is 74.1%. The scheduled mechanical completion date for the project is October, 2011 and commissioning date is April, 2012. However, a rock slide incident inside Cavern A has impacted the completion schedule. The repair/restoration works are in progress.