

problems. Implementation of our programme for rehabilitation and modernisation of these factories is held up on account of the difficulty in getting import facilities for the required spares and equipment. Demand for cement in West Pakistan has been slack and "as a result, competition has developed. Every effort is being made to revitalise the sales organisation and improve the despatches. I am glad to add that relations between the management and workers at both the factories of your subsidiary in Pakistan have taken a welcome turn. A long-term agreement has been reached at Shantinagar (Karachi) Works covering wages and other demands. A similar agreement is likely to be

concluded with the workers at Dandot Works also. Both the factories are working well except for the problems created by the lack of rehabilitation of the plant and equipment for reasons which I have just mentioned.

I wish to refer now to the long-term agreement signed at Dalmiapuram in November, 1961 in regard to the payment of bonus to the employees. As a result of the formula by which the quantum of bonus has been linked to the clinker production attained in the relevant year at your Dalmiapuram Works, I am confident that industrial peace would prevail at Dalmiapuram and workers would tell their full cooperation in

augmenting production. I wish to express my satisfaction at the growth of sound and cordial relations between your Company and the workers unions evidenced by increasing willingness to resort to mutual discussions and negotiations for the settlement of outstanding issues. The agreement in regard to bonus is an outstanding example of this growing cooperation.

Finally, I would like to express on your behalf and on my own, our appreciation of the services rendered to the Company by all executives, staff and workers.

*Note* : This does not purport to be a report of the proceedings of the General Meeting.

## Oil India Limited

### Speech of the Chairman, Shri Khandubhai K Desai

THE following is the speech of the Chairman, Shri Khandubhai K Desai, M P, delivered at the 3rd Annual General Meeting of the Company, held at Duliajan Assam, on June 22, 1962.

Gentlemen,

The report of the Board of Directors gives you an idea of the financial position of your company and explains in some detail the extent of its operations during the year 1961. I shall refer briefly to some of the salient features in this report later, but I think it is important in the first place for us to realise their context against a more general background.

#### Consumption of Petroleum Products

The consumption of petroleum products in a developing economy like India is bound to grow at a rate faster than what has been generally estimated in the past. We are at the present moment still dependent to a very considerable degree on imports both of crude and of products and this is again dependent on the availability of foreign exchange for such imports. This is of particular relevance at a time like this, when all else is overshadowed by the continuing foreign exchange crisis with which this country is faced. At present we are spending about Rs 80 crores every year in foreign exchange on imports of crude oil and petroleum products. It is well to remember this fact

when considering or discussing the large scale programme of oil exploration that has been launched during the last few years by the Government of India. In the public sector the Oil and Natural Gas Commission propose to spend about Rs 200 crores on exploration and production operations, and they aim to achieve a production target of about 3.5 million tons per year during the final year of the Third Five-Year Plan. I would like to take this opportunity to congratulate the Oil and Natural Gas Commission on the signal successes they have already achieved in the Gujarat Region, and to pay our tribute to the dedicated and unremitting efforts they are making to increase India's oil potential,

#### Oil India to produce 3 Million Tons of Crude Oil by 1963

As far as the programmes of your own Company are concerned Oil India's reserves stand at about 45 million tons of oil and 720,000 million cu ft of gas at present and with the existing number of wells drilled by Oil India so far and those to be completed by the end of 1963, Oil India would be in a position to meet its commitments of supplying nearly 3 million tons a year to the Refineries at Gauhati and Barauni and the Assam Oil Company Refinery at Digboi. This total production of 3 million tons would mean a foreign exchange saving of more

than Rs 20 crores a year. If we are fortunate to discover oil in the new concession areas in respect of which an exploration licence is pending with the Assam Government, this in turn would greatly assist not only in saving on further imports of crude, but in further expansion of the Refineries at Gauhati and Barauni. This is a matter therefore which should have priority specially as Oil India's prospecting programme does not involve any foreign exchange expense as the latter has already been underwritten by The Burmah Oil Company, Government's partner in Oil India. We had originally planned to start work in the new area in October 1961. Unless the exploration licence is granted promptly it would not be possible to start the work even in the coming cold weather and any further delay would seriously impede progress in the vital field of oil exploration and development.

Our annual report gives you some idea of the facts and figures of oil drilling and operations during the year 1961.

#### Transport of Crude Oil through Pipeline

While the achievement of our production target is all important special mention should also be made of the transport problem, viz, the construction of the 720-mile long Oil India pipe line from Nahorkatiya to Barauni. The completion of the

first stage of this pipeline to Gauhati was delayed due to abnormally heavy rains in the middle of 1961 which led to the suspension of work. However as soon as this was foreseen arrangements were made to build up stocks of crude at Gauhati Refinery by means of railway tank-wagons to enable the Refinery to commence operations as scheduled on 1st January 1962. The first stage of the pipeline was actually completed by the beginning of March and pumping of crude oil to the Refinery had commenced. We take this opportunity to congratulate The Burmah Oil Company (Pipe Lines) Limited and the contractors for having done a good job under difficult circumstances. Progress on the second stage from Gauhati to Barauni is satisfactory and we are hopeful that the whole line will be ready when the Barauni Refinery goes on stream early in 1963. This pipeline system traversing a difficult terrain, cutting across three state boundaries is the second longest in the East (including the Middle East) and will be one of the most modern and automatic.

Oil India's Organisation takes Shape

The year 1961 as you would see has been a momentous one in the history of this young organisation. The Second Supplemental Agreement brought Government's shareholding on a par with that of the Burmah Oil Company, thus giving it parity on the Board of Directors. The first task to which the newly reconstituted Board addressed itself was the setting up of a separate organisation for Oil India.

As from 1st January 1962, we took over on Oil India's payroll all the staff required — executive, clerical and labour — engaged on Oil India's work who had hitherto been employees of the Assam Oil Company. The organisational set-up, provision for future recruitment, the devolution of powers and duties to the Managing Director and to the officers in the field and other allied matters have been charted out and are now in actual operative effect. This transition I am glad to say has been effected without any friction, and I would like to take this opportunity to convey our grateful thanks for managing Oil India's affairs to Assam Oil Company and for their cooperation since then.

Like any other industrial undertaking however, Oil India has had its own share of difficulties during the year. The new Board was faced almost immediately with a strike by the contractors' labour, but this was fortunately settled in a brief time.

#### Land Acquisition

Another serious problem that arose was the question of land acquisition for further drilling in our existing concession areas. It is not always possible to acquire land under the Land Acquisition Act 1894 or Rule 119 of the Assam Land & Revenue Regulations. Therefore, we had to resort to private negotiations in certain cases. We were however, caught on the horns of a dilemma, as we found that adherence to existing procedure for acquisition of land entailed much time and uneconomical use of drilling outfits; although land could be obtained more quickly by private negotiation, prices spiralled and our continuing to pay high prices became impossible not only because of the excessive cost to the Company but also because of the overall effect on land prices for other industrial ventures within the State. We have sought the cooperation of both the Government of India and the Government of Assam in this regard and we trust that with their assistance some solution can be found to this problem.

#### Utilisation of Natural Gas

The utilisation of natural gas produced along with oil and by itself has presented problems of planning. The Assam Government have now set up a Committee on which Oil India is represented, which would go into these questions regarding market availability of gas, the demands from various consumers, the capital costs involved in storage equipment, the price at which the gas is to be sold etc. It is gratifying to note that the Assam Government is very keen on fostering and developing gas-based industries in the State

Another important matter to which I would like to refer is the Royalty question. I earnestly trust that there would be an early settlement of this question as this would enable us to proceed more expeditiously with our development programmes.

As far as our financial position is concerned, I do not think it is necessary for me to go into this in any detail as this is fully set out in the report before you. As you would see the financial picture shows that the net surplus after providing for depreciation, taxation and development rebate amounts to Rs. 1.15 crores which is being transferred to the general reserve. Taking into account that we are still in the development stage and our sales in 1961 were limited to about 300,000 tons I think this can be considered reasonably satisfactory.

In conclusion I would like particularly to thank my colleagues from the Board for their cooperation and assistance. From the very beginning it was realised by both partners in Oil India (the Government of India and the Burmah Oil Co) that the successful working of Oil India with two equal shareholders would depend primarily on a basic understanding and agreement on matters concerning the formulation of policy at the Board level combined with a certain amount of give and take on both sides. I am glad to say that this system has worked smoothly and successfully.\* The Board has functioned as a homogenous team and I trust it would continue to function on the same lines in future. This has been due to the spirit of cooperation shown by both the partners and to their understanding of the common objective — namely, to make this new venture a success.

Finally, I would like, on behalf of your Company to express my appreciation to the staff and workers of Oil India who have given their full loyalty to this new organisation and who have spared no pains to contribute to its successful working. In this connection I must pay here a tribute to Shri M. J. Condon, the previous Managing Director of Oil India, who was instrumental in evolving a basis for the Government and the Burmah Oil Company to work together and in making the transition smooth. I would also like to place on record my appreciation of the excellent team work done by our present Managing Director, Shri J. C. Finlay and the Financial Director, Shri Govindan Nair, which has rendered possible the setting up of Oil India on its feet.