

Indian Oil Corporation case study



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Short Description

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Description

The public sector Indian Oil Corporation (IOC), the major oil refining and marketing company which was also the canalising agency for oil imports and the highest ranked Indian company in the Fortune 500, in terms of sales, planned to make foray into the foreign market by acquiring a substantial stake in the Balal Oil field in Iran of the Premier oil. The project was estimated to have recoverable oil reserves of about 11 million tonnes and IOC was supposed to get nearly four million tonnes.

When IOC started talking to the Iranian company for the acquisition in October 1998, oil prices were at rock bottom (U.S. \$11 per barrel) and most refining companies were closing shop due to falling margins. Indeed, a number of good oil properties in the Middle East were up for sale. Using this opportunity, several developing countries “made a killing by acquiring oil equities abroad”.

IOC, being a public sector company, needed government’s permission to invest abroad. Application by Indian company for investing abroad is to be scrutinised by a special committee represented by the Reserve Bank of India and the Finance and Commerce Ministries. By the time the government gave the clearance for the acquisition in December 1999 (i.e., more than a year after the application was made), the prices had bounced back to U.S. \$24 per barrel. And the Elf of France had virtually taken away the deal from under IOC’s nose by acquiring the Premier Oil.

The RBI, which gave IOC approval for U.S. \$15 million investment, took more than a year for clearing the deal because the structure for such investments were not in place, it was reported.

Questions:

- **Discuss internal, domestic and global environments of business revealed by this case.**

- **What are the major issues confronting the domestic governments in concluding the overseas investments of similar nature? Please list out your solutions in this regard.**

Details

- 1. Case study solved answers**
- 2. pdf/word**
- 3. Fully Solved with answers**