



IIMC CASE RESEARCH CENTER (IIMCCRC)

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BPCL: IS CHANGE THE ONLY OPTION?

“We are trying to secure our next 10 year’s refining capacities with a thrust to move and de-risk our refining business by going into petro chemicals. A lot of work is going on. We want to utilize one end of the spectrum (upstream business) to support our downstream operations and also by venturing into petrochemicals; we can become an integrated company.”

On Thursday, July 29, 2017¹; R Ramachandran, Director (Refineries) of BPCL briefed these words to the news media to reflect on the roadmap that BPCL had embarked to emerge as a public sector behemoth. In the 2017 budget speech² by the Hon’ble Finance Minister, it had been clearly elucidated that the oil industry landscape was likely to encounter a major transformation through consolidation, mergers, and acquisitions. The Govt. of India was likely to strengthen the public sector “oil major” by restructuring and integrating their capabilities to tackle higher risks, availing economies of scale, and creating more value for the stakeholders. Following this proposition, the Government of India approved an ‘in principle’ sale of Hindustan Petroleum Corporation Limited (HPCL) – India’s third-largest refiner-retailer³ – to Oil and Natural Gas Corporation Limited (ONGC) with the objective of creating an integrated oil company with global size and heft. Nonetheless, the integrated company was not numero uno on any parameter at the global level as on date⁴. However, in accord with the global vision of the Central Public Sector Enterprises (CPSEs), BPCL also needed to

¹ Express News Service, 2017, August 29, “Bharat Petroleum Corporation to de-risk by focusing on petrochemicals business”, *The New Indian Express*

² Budget Speech 2017-18 Retrieved from <http://www.thehindu.com/business/budget/article17127401.ece/BINARY/Budget%20Speech.pdf> , in October, 2017

³ Times News Network, 2017, July 20, “Govt. clears HPCL sale to ONGC, may mop up ₹28k cr.”, *The Times of India*, page 17.

⁴ Ibid.

Prof. Indranil Bose, Pratik Tarafdar of Indian Institute of Management Calcutta and Wallace Jacob of Tolani Maritime Institute Pune developed this case study as the basis for class discussion rather than to illustrate the effective or ineffective running of an organization.

expand their businesses to integrate horizontally and vertically. So, Ramachandran envisaged the change to diversify and consolidate as the viable option to attain the major growth trajectory.

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