

Using Corporate Social Responsibility for Improving Goodwill and Ensure Smooth Operations: A Case Study of Cambay Asset, ONGC

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ABSTRACT

Cambay Asset is one of Oil and Natural Gas Corporation's Hydrocarbon producing Assets which contributes to nearly 0. 215 MMT of Oil and 8 MMSCM of Gas yearly. It has a net profit of nearly Rs. 200 Crores per annum and having a total manpower of nearly 800. In the present Case the impact of CSR activities which is a mandatory requirement under the Company's Act has led to generation of goodwill and also in the process indirectly led to the increase in production of oil. Through this paper we will get to know many new conclusions. Corporate Social Responsibility is defined as the company's responsibility towards the community and environment (both ecological and social) in which it operates. Companies can fulfill these responsibilities through various means like conducting education programs, pollution reduction, waste management, infrastructure development in rural areas, health management etc. Further we will study more in the paper below.

Keywords: *CSR corporate social responsibility; Panday assests; PMT act.*

1.0 Brief Background

Cambay Asset is one of Oil and Natural Gas Corporation's Hydrocarbon producing Assets which contributes to nearly 0. 215 MMT of Oil and 8 MMSCM of Gas yearly. It has a net profit of nearly Rs. 200 Crores per annum and having a total manpower of nearly 800.

2.0 Introduction to CSR

Corporate Social Responsibility is defined as the company's responsibility towards the community and environment (both ecological and social) in which it operates. Companies can fulfill these responsibilities through various means like conducting education programs, pollution reduction, waste management, infrastructure development in rural areas, health management etc.

CSR is not charity or donation but a means of conducting business by which corporate entities contribute to the development of society. Many companies use CSR as a strategic tool for banding and visibility in their areas of operations, which help in maintaining good relations with the locals so that there are no industrial relations problems.

"The Companies Act 2013 has formulated Section 135, Companies (Corporate Social Responsibility) Rules, 2014 and Schedule VII which prescribes mandatory provisions for Companies to fulfill their CSR. The new Indian Company Law that received the President's Assent in August 2013 includes a novel provision which mandates that companies spend 2% of their profits on "Corporate Social Responsibility".

3.0 Applicability of CSR Provisions

On every Company including its holding or subsidiary having:

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Net worth of Rs 500 crore, or more, or
 Turnover of Rs 1000 crore, or more, or
 Net profit of Rs 5 crore, or more
 During the immediately preceding financial year.

However, if a company ceases to meet the above criteria for three consecutive financial years then it is not required to comply with the CSR provisions till such time it meets the specified criteria.

4.0 Schedule VII

Activities which may be included in the companies in their Corporate Social Responsibility may be related to:

- Eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation. Contributing in the Swach Bharat Mission for promotion of sanitation and making safe drinking water available to all.
- Promoting education, including special education and employment generating vocational skills especially among children, elderly, differently abled, livelihood enhancement projects etc.
- Promoting gender equality, empowering women, setting up homes and hostels for women and orphans, setting up old age homes, day care centres and other facilities for the old people, senior citizens and provide facilities for the socially and economically backward groups etc.
- Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining the quality of air, soil and water, contribution to the Clean Ganga Fund etc.
- Protection of national heritage, art and culture including restoration of buildings and sites of historical significance and works of art, setting up public libraries, promotion and development of traditional arts and handicrafts
- Measures for the benefit of armed forces veterans and their dependents and war, widows etc.
- Training to promote rural sports, nationally recognised sports, Paralympic sports and Olympic sports etc.
- Contribution to the Prime Minister's national relief fund or any other fund set up by the Central Government for socio economic development and relief and welfare of the Scheduled Caste, Scheduled Tribes, Other Backward Classes and Minorities and Women etc.
- Contribution or funds to technology incubators located within academic institutions approved by the Central Government
- Rural development projects
- Slum area development “

5.0 Case Study Details

The Cambay Asset situated in Western India in the state of Gujarat and 14 oilfields , the major producing fields in the above being Padra, Akholjuni, Anklav and Kathana.

The first oil find in the country by ONGC was in the well Lunej #1 in 1958 which is about 6 km from Cambay town. In a manner of speaking Cambay is the mother project of ONGC and the above well has now been converted into a Museum.

The process of Oil exploration and exploitation involves drilling into the earth using highly sophisticated oil drilling rigs. In this process the initial process of exploration involves carrying out geological rock analysis, seismic analysis and then interpretation of the data and finally the locations for carrying out the drilling are released.

After this phase the important activity of land acquisition begins. The land acquisition is carried out under the Land Acquisition Act, PMP Act (Petroleum and Mining Pipeline Act) etc. The entire process involves delicate negotiations with the various land owners regarding, damage compensation, payment of rentals etc. Based on the results, the acquisition carried out is of a temporary or permanent nature. In case there is a potential for good oil then the permanent acquisition is recommended otherwise the temporary acquisition with yearly payment of rental is recommended.

In the Padra area of the Cambay Asset, there a total of no. of 136 wells. Out of these 58 are flowing and 28 are non-flowing.

In a place where there has been a sudden spike in real estate prices, the builder lobby has captured huge tracts of land with the help of local officials. One such well Padra #51 Well had been closed for a period of 12 years due to various encroachments of the approach road. This was a classic case of improper documentation and lack of accountability. The Padra area was under the Ankleshwar asset till 2015 when they were handed over to Cambay after it was converted into a full-fledged Asset. In the handing over and taking over of documents it was observed that the erstwhile land acquisition department had not acquired all the documents related to the approach to the well, as a result the well had to be closed for a long period of time.

The Management at Cambay decided to pursue negotiation and visited the site to discuss the issue with village seniors. The Management put across the point of importance of oil production for the nation's energy requirements and also the various requirements of the villagers w.r.t roads, infrastructure, requirement in schools, medical etc. were discussed.

After a series of discussions and deliberations there was no progress and no solution could be found. In the meantime, regardless of the outcome of the talks, the ONGC like a responsible corporate continued its various CSR activities in the area some of which include:

- CT Scan machine at Cardiac Care Hospital, Cambay
- CC road towards the cremation ground in Gudel village
- Distribution of nearly 6200 sweaters in 42 schools in and around Khambhat
- Construction of 6 nos. of community toilets in Khambhat
- Implementation of organic farming techniques among the farmers of the nearby villages of Sokhda

The news of the various CSR activities in and around Khambhat reached the villagers and they themselves came to the negotiating table and suggested an alternative approach road, which would help the movement of machinery to be put in place to get the well on production. The alternative route did not create any disturbance to the villagers and was helpful in putting the well back on production after more than a decade.

On its part in the first phase ONGC provided a CSR aid of Rs. 4,51,440/- which included a new garbage collection van to the Sangma Gram Panchayat with a promise of more to follow.

5.1 Benefits accrued

The total well production per day from the well comes to 7 m³ per day which is 5 tonnes per day. The annual production from this well comes to $5 \times 365 = 1825$ tonnes of oil. In terms of barrels per day it comes to $1825 \times 6.7 = 12,227.50$

6.0 Conclusion

This leads us to the conclusion that implementation of CSR schemes can lead to a huge amount of increase in goodwill and ensures smooth operations for the Company.

References

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