

# Delivering on Promises



**Essar Oil Limited**

ANNUAL REPORT 2011-12

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

(As on November 9, 2012)

Shashi Ruia, Chairman  
Prashant Ruia  
Naresh K. Nayyar, Deputy Chairman  
Lalit Kumar Gupta, Managing Director & CEO  
Chakrapany Manoharan, Director (Refinery)  
Philip S. Aiken  
Dilip J. Thakkar  
K. N. Venkatasubramanian  
K. V. Krishnamurthy  
Melwyn Rego, Nominee of IDBI Bank Ltd.  
V. K. Sinha, Nominee of LIC of India  
Suneet Shukla, Nominee of IFCI Ltd.

## COMPANY SECRETARY

Sheikh S. Shaffi

## TRANSFER AGENTS

M/s Datamatics Financial Services Ltd.  
Unit: Essar Oil Limited  
Plot No. B-5, Part B Cross Lane,  
MIDC, Andheri (East), Mumbai – 400 093  
Tel: +91-22-66712151 to 66712156  
Fax: +91-22-66712209  
Email: eolinvestors@dfssl.com  
Website: www.dfssl.com

## AUDITORS

M/s Deloitte Haskins & Sells, Ahmedabad

## BANKERS

ICICI Bank Ltd.  
State Bank of India  
IDBI Bank Ltd.  
Punjab National Bank  
HDFC Bank Ltd.  
Axis Bank Ltd.  
Indian Overseas Bank  
Oriental Bank of Commerce  
Indian Bank  
Central Bank of India  
Bank of India  
State Bank of Patiala  
Allahabad Bank  
Syndicate Bank  
Bank of Baroda  
State Bank of Mysore

## REGISTERED OFFICE

Khambalia Post, Post Box No. 24  
Dist. Jamnagar – 361 305, Gujarat  
Tel: +91-2833-661444  
Fax: +91-2833-662929  
Email: eolinvestors@essar.com

## CORPORATE OFFICE

Essar House, Post Box No. 7945  
11, Keshavrao Khadye Marg  
Mahalaxmi, Mumbai – 400034  
Tel: +91-22-66601100  
Fax: +91-22-23544281/ 23540450  
Website: www.essar.com

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# DELIVERING ON PROMISES – CREATING LONG-TERM SUSTAINABLE VALUE

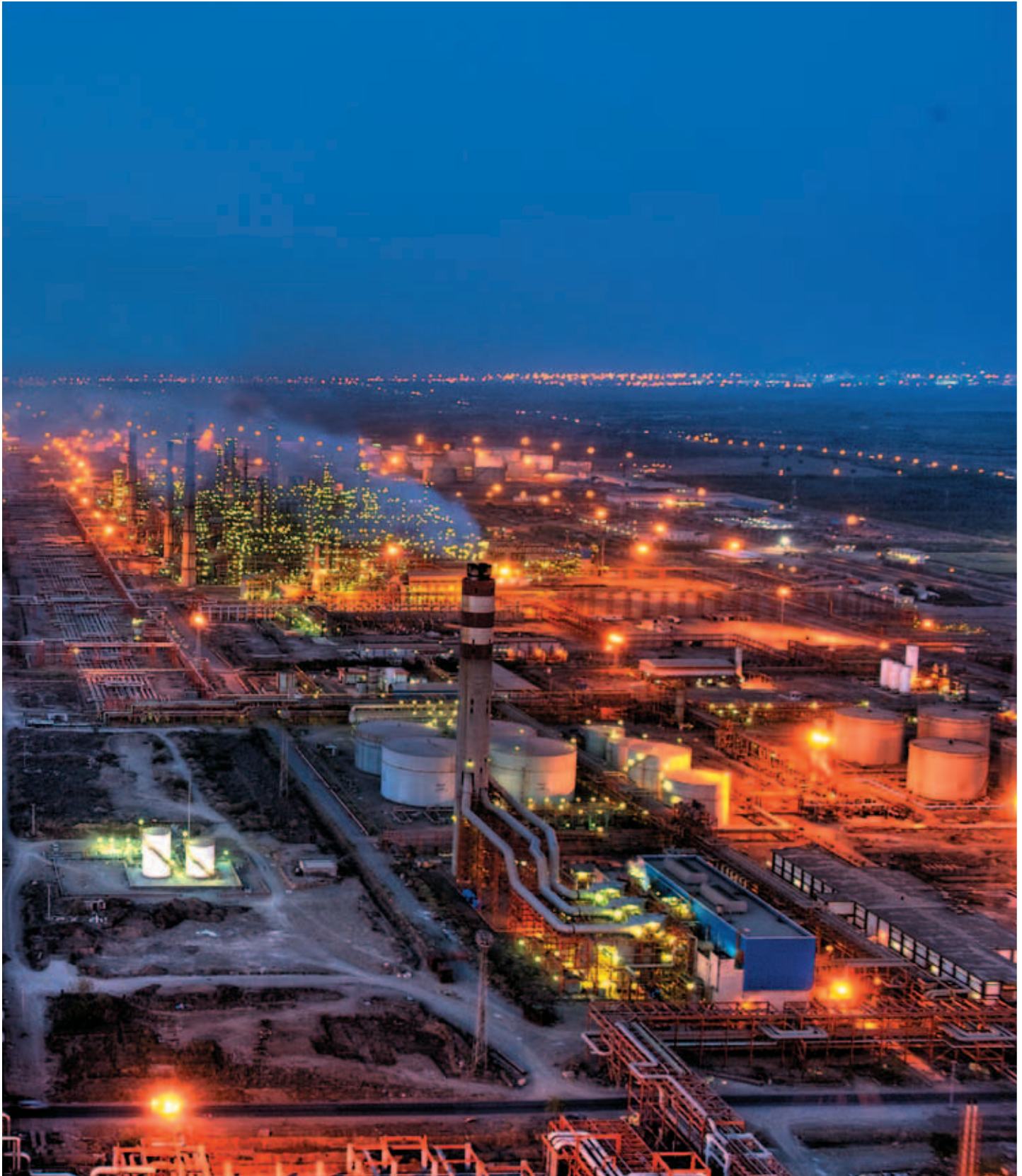
The journey which started as a dream to build a world-class refinery at Vadinar has finally come true. The completion of the refinery expansion and optimisation project has been a huge turning point for Essar Oil Ltd. We are proud to have dedicated a world-class refinery to the nation – India's second-largest single location refinery – one of the world's most complex refineries. With the completion of our expansion projects, we have now moved out of the capex mode. Commercialisation of our assets represents

a significant opportunity for us, given the rising domestic and global oil demand.

As we move ahead, we're poised for consolidating our market position. We endeavour to participate in fulfilling India's energy requirement. We continually strive to deploy innovative practises to create benchmarks in the refining industry and focus on strengthening our balance sheet to create long-term sustainable value for our shareholders.

> WEST VIEW OF TRAIN 1 EXPANSION AT VADINAR

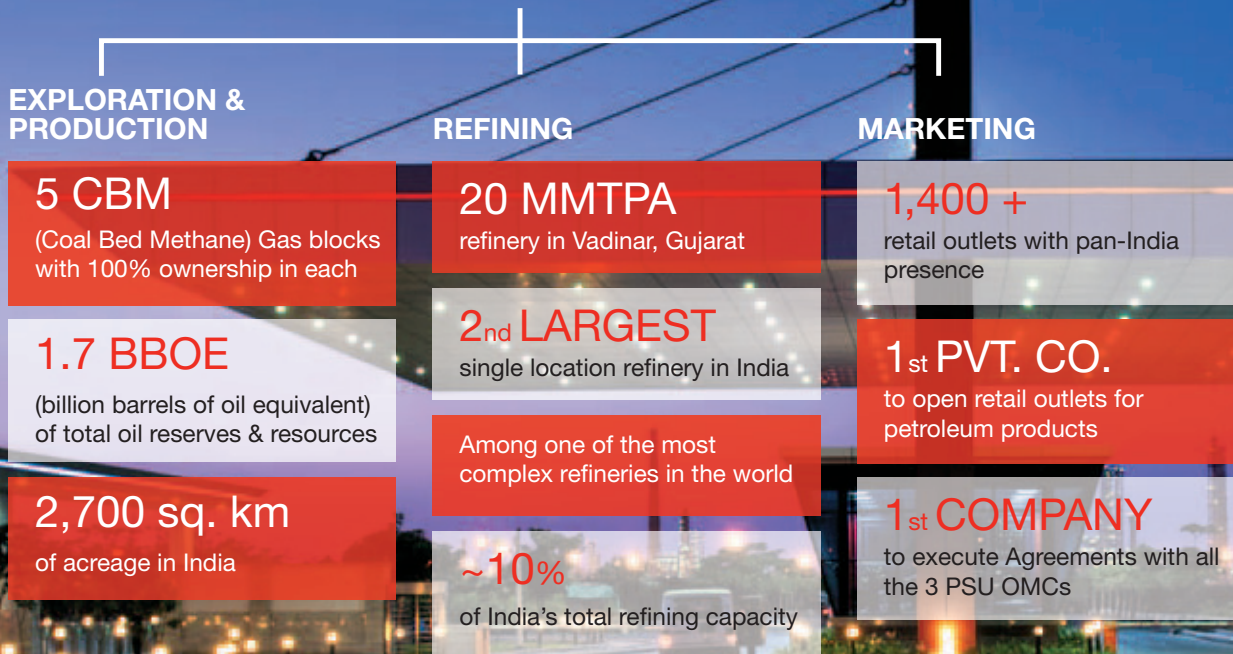




# AN INSIGHT INTO ESSAR OIL

Essar Oil (part of the US\$ 27 billion by revenue Essar Group and majority owned by LSE-listed Essar Energy plc) is a fully-integrated oil and gas company of international scale with strong presence across the hydrocarbon value chain – from exploration and production to refining and oil retail. It has a portfolio of onshore oil and gas blocks, with about 1.7 billion barrels of oil equivalent in reserves and resources. It owns and operates a highly complex state of the art 20 MMTPA refinery at Vadinar and pan India retail presence through over 1,400 retail stations.

## ESSAR OIL

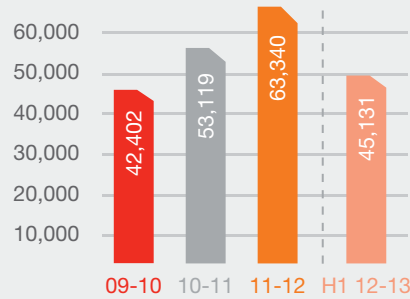


> MAIN ENTRANCE OF THE VADINAR REFINERY

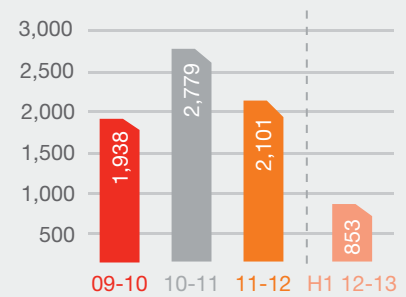


## HIGHLIGHTS

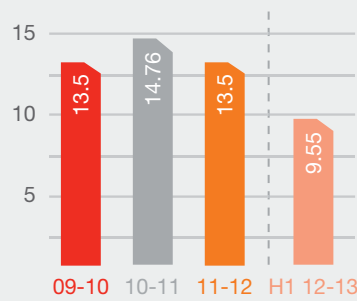
## REVENUE\* (₹ CRORE)



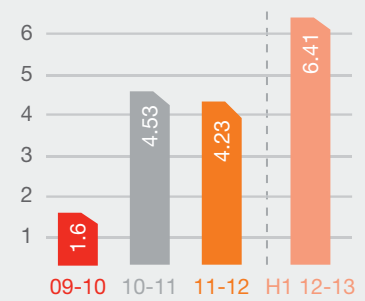
## EBITDA\* (₹ CRORE)



## THROUGHPUT (MMT)



## CP GRM (US\$/BBL)



\* Based on reopened accounts and before exceptional items



## CHAIRMAN'S MESSAGE



SHASHI RUIA

### *Dear Shareholders,*

It gives me immense pleasure to present our annual report for the financial year ended March, 2012. The year gone by will be known as stepping stone in the history of Essar Oil, which transforms our dream to build a highly complex world-class refinery into reality. We did encounter several challenges in our journey, but, our resilience has paid off and we have emerged successful despite the odds and have delivered on promises made to our shareholders. I wish to reassure you that we are committed to delivering long-term sustainable value for our shareholders. I am deeply indebted to each one of you for your patience and faith in your Company.

#### **Business Outlook**

We are optimistic and look forward to a positive business scenario. One of the reasons for our optimism is the outlook for the

Indian economy. Notwithstanding the recent policy impasse and adverse macroeconomic factors, over the last five years, the Indian economy has grown around 35% pulling many people out of poverty and increasing the wealth of the middle-class. As more and more people in India see roads opening up to a better way of life, they want to improve their living conditions. Fundamental to these needs is the provision of energy; be that electricity or petroleum products for cars and other transportation. Demand for energy is rising rapidly and our world-class Vadinar refinery is fully-gearred to cater to the requirement of petroleum products to the Indian as well as international markets.

In the long-term, India is very well placed since it has a young population, not only in comparison to advanced economies, but also in relation to the larger developing

countries in Asia and Latin America. As a result, the working population is expected to increase by around 30% and the urban population is expected to increase from around 31% today to over 40%, over the next 20 years. If India is to meet its 12th Five Year Plan target of 9% GDP growth each year from 2012 to 2017, then according to India's Planning Commission, this will require energy supplies to grow at a rate of between 6.5% and 7% per year, which is above the rates of the last five years.

#### **Strategy**

Our strategy is to create a world-class, low-cost, integrated energy company focused on India and positioned to capitalise on India's growing energy demand. Our focus has now shifted from being a project-focused company to an operating company. As an operating company, we would like



WE HAVE OBSERVED A BIG PUSH FROM THE CENTRAL GOVERNMENT WHICH, WE BELIEVE, WILL BRING OUR **COUNTRY'S GDP BACK ON A 8%-9% GROWTH TRAJECTORY.**

to focus on operational excellence and implement innovative practices in our business to set new benchmarks for the industry. The completion of the Vadinar refinery expansion and optimisation projects brings the major capital expenditure cycle in our refining business to an end. The focus will now move to ensuring that all assets operate in line with the expectations, and we start to deliver the promised cash flows and profitability which will be utilised to de-leverage our balance sheet and maximise the shareholder's value.

#### People

An organisation breathes through the lungs of its people and flies on the strength of their dreams. No asset can be built, operated and managed without people. I am grateful to our employees and their family for their commitment to support the vision to convert

the Vadinar refinery into a leading refinery in the country today.

There are regulatory issues like approvals of pricing for CBM, complete deregulation of petroleum retail marketing etc. which are affecting the growth potential. During last few months, we have observed a big push from the Central Government on various reform agenda which we believe, will bring our country's GDP back on 8%-9% growth trajectory. These hurdles, however, will not deter us from our ambitions to become a world-class integrated energy player. We are committed and determined to create enduring and long-lasting value for all our stakeholders.

Best wishes,

Shashi Ruia  
*Chairman*

WE ARE COMMITTED AND DETERMINED TO **CREATE ENDURING AND LONG-LASTING VALUE** FOR ALL OUR STAKEHOLDERS.

## MD & CEO'S MESSAGE



LALIT KUMAR GUPTA

### *Dear Shareholders,*

It gives me great satisfaction and happiness to share with you that your Company successfully completed its Train I expansion project in March 2012 by adding various new units such as ISOM, DHDT, VGO-HT & DCU etc., taking the Refinery nameplate capacity from 10.5 MMTPA to 18 MMTPA and Refinery Complexity from 6.1 to 11.8 making it a world-class refinery despite several challenges.

I am also very happy to share with you that the optimisation Project to increase the Refinery capacity from 18 MMTPA to 20 MMTPA has been completed on 5th June 2012 almost four months ahead of schedule. The Vadinar refinery at 20 MMTPA, is today a prominent feature on the global refining map and also enjoys the distinction of being the second largest refinery at a single location in India, and accounts for

almost 10% of India's total refining capacity.

It's a matter of great pride for all of us that we have delivered on our promise of creating long-term sustainable value. Today, your Company has a strong presence across the entire hydrocarbon value chain – from exploration and production to refining to oil retailing on a global scale and is well positioned to take advantage of the rising energy demands of our growing nation.

You will be happy to know that your refinery has been set up at about half the global cost and our operating costs are also among the lowest worldwide. With the completion of our expansion and optimisation projects, our capital expenditure cycle has come to an end and now our full focus is on delivering value on the investments made to all our stakeholders.

I would also like to share with you that lenders have approved our debt restructuring exit proposal. On the sales tax incentive front, as per the directions of the Hon'ble Supreme Court your Company has paid ₹ 1,000 crore to the Gujarat Government while the balance amount of ₹ 5,169 crore will be repaid in eight quarterly installments starting from January 2, 2013 together with a simple interest of 10% p.a. w.e.f. January 17, 2012. We have tied up a loan of ₹ 5,000 crore to take care of funds requirements if any, to pay the sales tax dues to the Gujarat state government.

Your Company reported gross sales revenue at ₹ 63,340 crore, which is an increase of 19% over the last fiscal, with an EBITDA of ₹ 2,101 crore. However, the net loss of ₹ 1,285 crore is mainly due to the reversal of ₹ 778 crore towards sales tax deferral income,

YOUR REFINERY HAS BEEN **SET UP AT ABOUT HALF THE GLOBAL COST** AND OUR OPERATING COSTS ARE ALSO AMONG THE LOWEST WORLDWIDE

net of defeasement, accounted during the year. Optionally convertible FCCBs worth US\$ 262 million issued to subsidiary of our parent company Essar Energy plc have been made compulsorily convertible to boost our net-worth.

Let me now take you through some of the Operational highlights

#### Refinery

With the quantum jump in our Refinery capacity and complexity as referred to above our crude diet has turned much heavier. Despite that we will be able to produce high quality products meeting stringent Euro IV/V norms, which in turn will boost our profit margins in the future.

During the year we processed 13.50 MMT of crude at the refinery. This was 8.5% lower than the last year due to the planned shut down of 35 days taken for the

maintenance turnaround and tie in of base refinery with the expansion facilities. We have till date processed more than 75 grades of crude with Heavy and Ultra Heavy constituting 72% of the crude diet during the year.

We are happy to share that while setting up our refinery expansion and optimisation project we have not lost our focus on the safety aspects. We have achieved 1,460 LTI free days and over 11.30 million hours of safe operations for our employees. We are fully committed to a high level of capacity utilisation in the safest way. We are also happy to have achieved 1,000 major fire free days during the year.

We are very proud to share that we have received the prestigious "Refinery of the Year Award" from the Petroleum Federation (PetroFed). This award honours

the Company for its leading performance in operational efficiencies in refining during 2010-11 while meeting safety, health and environmental protection standards.

#### Marketing

Now that we are equipped with high quality products, we are focusing on maximising sales within our own country, which is a challenging task. As you all are very well aware, your Company is battling hard for getting a level playing field with the state-run oil companies for marketing of transportation fuels (diesel/petrol) through its retail network.

We continue to focus on the non-fuel business to offer a sustainable model to our franchisees and also where feasible provide multi fuel option to our customers. As part of our multi-brand strategy, we have tied up with over 20



YOUR COMPANY IS STRATEGICALLY POISED, POST EXPANSION AND OPTIMISATION AS WELL AS WITH THE RECENTLY COMMISSIONED CAPTIVE COAL BASED POWER PLANT, TO **BENEFIT FROM THE SUBSTANTIAL UPSWING IN DEMAND FOR PETRO PRODUCTS IN INDIA.**

consumer brands to offer multiple services to its consumers and at the same time provide additional revenue streams for the outlets. Additionally, we have established strategic tie-ups with the leading Gas Marketing Companies like Indraprastha Gas, Mahanagar Gas, Sabarmati Gas, GSPC, Adani and Gujarat Gas. Our aim is to become a major CNG/ALPG retail player in the country over the next few years.

During the year we commenced supplies of BS-IV grade products to more than 10 cities across India. We have successfully started marketing of Petcoke and have been able to quickly find markets to fully absorb the same.

We are hopeful that the Government of India will see the rationale of providing a level playing field with market driven pricing for petrol and diesel to encourage competition and ultimately drive value at the consumer's level. Our network and channel is poised to grab substantial market share once the level playing field is available.

**Exploration & Production**

Your Company is a leading CBM player in the country with 2,733

sq. km of acreage and more than 10 tcf of reserves and resources in place across five blocks.

Your Company's E&P assets have 1.7 billion barrels of oil equivalent of reserves and resources. Raniganj is our flagship block, where total proven and probable reserves (2P) are 113 billion cubic feet (bcf) gross (18.8 mmboe). In the Raniganj block we are producing 43,000 standard cubic metres per day of CBM gas.

**Global Business**

We have been successful in widening our crude basket, spreading our reach globally to optimise the crude mix and processing new grades. We have entered into term contract for target Heavy and Ultra heavy grades with global suppliers including National Oil Companies of Middle East and Latin America.

We exported 34% of our production across the globe viz. Far East, South Asian countries, USA, Europe, West Asia etc. We are constantly exploring avenues of maximising our realisation and are now capable of meeting stringent specification and market opportunities in markets like

Australia, New Zealand, North West Europe, Mediterranean, etc.

**The Road Ahead**

Your Company is strategically poised, post expansion and optimisation as well as with the recently commissioned captive coal based power plant, to benefit from the substantial upswing in demand for petro products in India. We believe that transport fuels demand especially petrol and diesel are expected to register healthy growth rates. We are well positioned to capture a substantial portion of the incremental demand.

I believe we have ended the year stronger and safer and with a clear strategy and momentum well supported by all the Stakeholders. The EOL Team remains focused on enhancing shareholders value safely, reliably and efficiently.

I thank each one of you for your continued support.

Lalit Kumar Gupta  
**Managing Director & CEO**



> FLUIDISED CATALYTIC CRACKING UNIT AT VADINAR



# MANAGEMENT DISCUSSION AND ANALYSIS

## GLOBAL INDUSTRY OUTLOOK



### GLOBAL GROWTH DRIVERS

- > RISING DEMAND FOR PETROLEUM PRODUCTS
- > GEOGRAPHICAL SHIFT IN DEMAND
- > SHIFTING TRENDS TOWARD PRODUCT USAGES & CLEANER FUEL
- > REFINING MARGINS TO IMPROVE

### > NAPHTHA HYDROTREATER UNIT AT VADINAR

Energy is essential for economic growth and in the absence of viable alternatives in the foreseeable future; demand for petroleum products is expected to rise.

In the past few years, we have observed the progressive shift in oil demand away from OECD (Organisation for Economic Co-operation and Development) countries towards non-OECD countries led by Asian countries. As per IEA, OECD oil demand has remained more or less stagnant at 45.5 million barrels/day since

2009, whereas non-OECD demand has risen from 40 mbd in 2009 to 43 mbd in 2011 and could touch 45 mbd in 2012. During 2013, it is expected that non-OECD oil demand will overtake OECD demand led by strong demand growth of petroleum products from Chinese, Middle Eastern and Indian economies.

On the supply side, OECD has been registering steady growth with increase in Canadian and US production. To build up global stocks and guard against



supply constraints arising from sanctions on Iran, Saudi Arabia has increased crude oil production substantially. Libyan crude oil production registered a smart recovery after exit of the Gaddafi regime. Iraq has also been witnessing impressive growth in oil production. The sustainable spare capacity is estimated at 2.3 mbd after excluding the countries like Iraq, Iran, Libya and Nigeria which are experiencing political instability. OPEC NGLs (Natural Gas Liquid) are also growing at an impressive rate. The increases have ensured adequate supply of oil in global markets in spite of loss of Sudanese production due to the creation of South Sudan and the declining supplies from Iran due to the tightening of sanctions.

The Refining sector in the world is going through tumultuous times and large scale closures are being witnessed. As per BOA-ML report dated June 13, 2012, during the last year, over 0.9 mbd of refining capacity had closed in Europe and the East Coast of USA. These closures have resulted in a tightening of the product supply balance resulting in improving refining margins. The light and heavy crude oil differentials have begun to show some widening from the narrow differentials witnessed in 2009/2010. Hence, going forward, complex refineries should be able to take advantage of cheaper crude oil to improve their margins. The refining sector is facing large fluctuations in the oil price, arising from geo-political uncertainties.

Markets have observed shifting trends in product usages wherein naphtha and fuel oil are being replaced by cheaper natural gas for petrochemical and fertilizer feedstock and for heating usage. Further, tightening sulphur limit in marine fuels reduced the demand for fuel oil. However, 2011-12 saw rather unusual high demand for high sulphur fuel oil from Japan for power generation due to forced closure of nuclear power reactors in Japan. Similarly, diesel engines being more efficient than petrol engines, the governments across globe including India have been using tax structure to encourage more use of diesel. This has resulted in increasing demand for middle distillates, compared to light distillates. The complex Indian refineries are better positioned to adapt to the changing trends in product usage.

The fragile economic recovery, sovereign debt crisis of Eurozone and recurring differences in ways to resolve the crisis continued to weigh on the global economic sentiment. The global energy markets witnessed some major events during last year – the annual average oil prices recorded historic highs; the political events in the Middle East and North African region led to production disruptions highlighting the instability in oil producing countries; the disastrous impact of the combined earth quake and tsunami leading to a nuclear incident in Fukushima and closure of all nuclear plants. Consequently, Japan has witnessed a reversal in its hitherto falling hydrocarbon demand trend. The shale gas

developments in the US have proved to be a silver lining on the supply side of the energy markets.

Going forward, the refining margin is expected to remain strong with some degree of fluctuation due to volatility inherent to international oil prices. The rationale for the strong refining margins is global oil demand growth of 1 mmb/d which is close to normal, resilience of the Asian and Middle East economies in the face of decline in Europe, refinery closures in the west particularly of low complexity factor and global thrust for cleaner fuels. Also the backwardation in the market is not encouraging large scale storage of products which will help support the refining margins.



> A SECTION OF THE CDU AT VADINAR

# INDIAN ECONOMIC REVIEW

## INDIA OIL MARKET: STRENGTHS

- > ACCESS TO HIGH GROWTH MARKET
- > HIGHER COMPLEXITY TO AID BETTER MARGINS
- > VERTICAL INTEGRATION

> EXPLORATION SITE AT RANIGANJ

## INDIA: A SNAPSHOT

### 7.1 %

CAGR GDP (since CY2007)

### 1.85 TRILLION

GDP absolute (US \$)

### 4.2 %

Growth in Consumption of petroleum products (since 2007-08)

### 0.4 MTOE

Per capita consumption of energy

### 217 MMTPA

Total refining capacity

### 240 MMTPA

Total refining capacity (by 2015)

### 8.6 %

Growth of Auto fuels: Gasoil (Diesel) since 2007-08

### 10.1 %

Growth of Auto fuels: Gasoline (Petrol) since 2007-08

### 46 MMT

Net export of petroleum products (2011-12)

INDIA, DESPITE RECENT SLOWDOWN IN GDP GROWTH RATES, REMAINS THE **SECOND FASTEST GROWING MAJOR ECONOMY IN THE WORLD.**

The slow-down is a result of sluggish growth in the industrial sector which registered only 2.8% growth while the mining sector disappointed with a negative growth of 1.9% due to constraints in getting environment clearances and land acquisition. The other factors affecting growth are stubborn inflation, the currency depreciation vis-à-vis US Dollar, etc. The currency depreciation during the last year was almost 14.58%. Notwithstanding these short term factors, the Economy is on the growth trajectory and India is well placed to deliver strong

growth in the future. The Reserve Bank of India's quarterly survey of professional forecasters in March 2012 indicated 7.2% GDP growth for 2012-13.

During past few months, the Indian Government is pushing the reform agenda to implement various pending policy decisions. They have taken several steps including reduction in key interest rates, acceleration of approval process for key infrastructure and energy projects and passed the long pending bills like FDI in Retail, Insurance and enhancing the FDI

limit in aviation sector in a bid to revive growth. On the exchange front, the RBI has taken various steps to maintain the Rupee/US\$ exchange rate including curbing speculation in derivatives and forex transactions. We believe that government actions on key reforms will bring our GDP back on track and also stabilise our exchange rate and encourage new investment cycle which is essential to keep our economy growing at healthy rate.



## GLOBAL OIL ON DEMAND

- 1**
- > Demand grew to 89.1 million barrels per day in 2011 & expected to grow by 0.8 mb/d in 2012 and 1.0 mb/d in 2013 (Source: IEA)
  - > Non-OECD demand to overtake OECD in 2013

## INDIAN GROWTH OUTLOOK

- 2**
- > High economic growth rates of 7% to 8% and with over 15% of the world's population, India is a significant consumer of energy resources.
  - > Infrastructure spending is increasing by 23.3% to ₹ 2,14,000 crore in 2012-13
  - > Government focus on infrastructure spending supported by participation from private sector, strong GDP growth led by internal consumption and high disposable income with Indian middle-class.

## CRACK MARGINS

- 3**
- > Gasoil and Gasoline crack margins at a premium of US\$ 17.78/bbl and US\$ 11.43/bbl, respectively for the 12 months ended March, 2012.

## INDIAN BUSINESS OUTLOOK

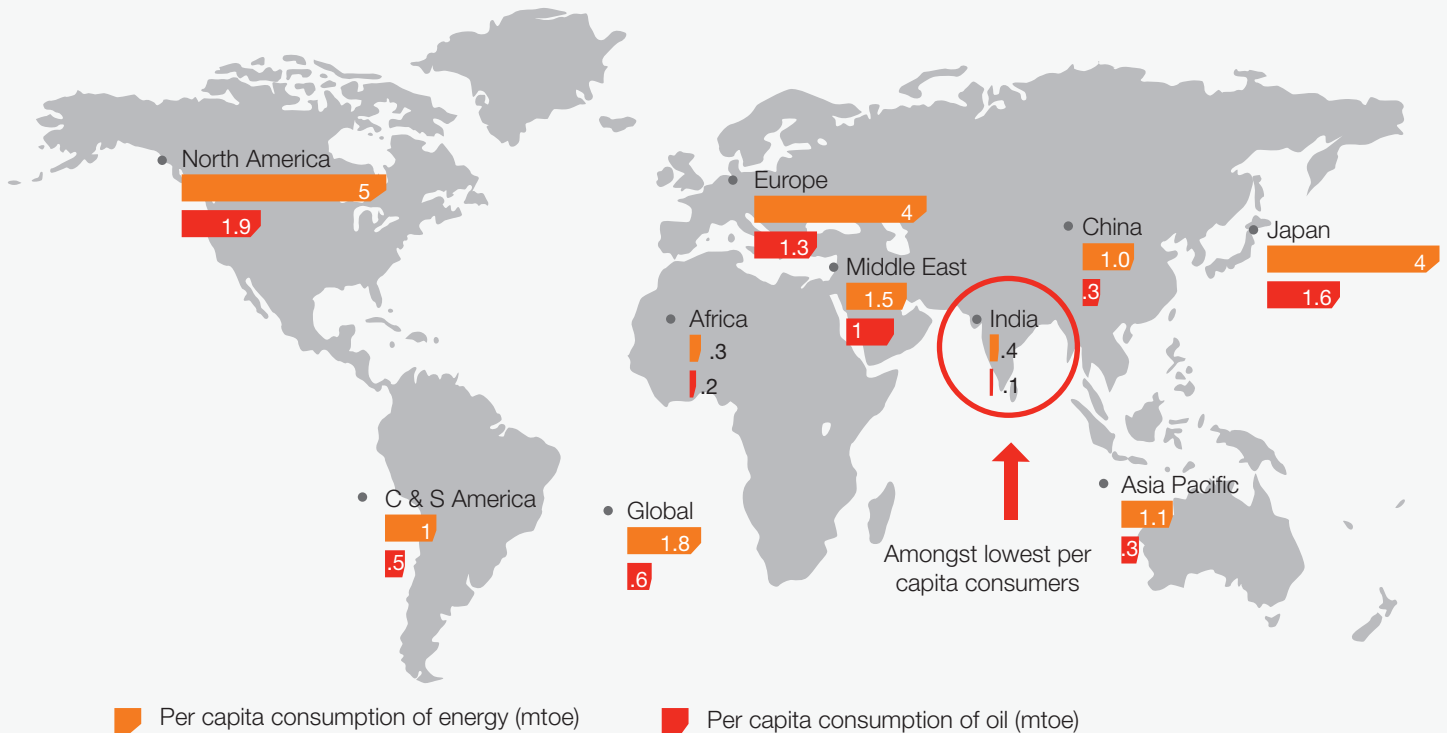
- 4**
- > Petroleum products demand in India is expected to demonstrate strong growth over the next 5 years (4.1% as per 12th Year Plan)
  - > Government's thrust for cleaner fuel (implementation of Euro IV for 20 cities & Euro III for balance cities) to provide boost to complex refineries

# PETRO PRODUCTS DEMAND TO GROW RAPIDLY FOR NEXT 5-10 YEARS



> SKID SEPARATOR AT RANIGANJ

## PER CAPITA CONSUMPTION OF ENERGY AND PETROLEUM PRODUCTS



Source: BP Statistical Review, PPAC, Tata Securities Research

## INDIAN OIL & GAS CONSUMPTION

# 5

- > India imports more than 75% of its Crude Oil requirement
- > India has low per capita oil and gas consumption compared to other major emerging markets. Per capita oil and gas consumption of India is expected to catch up with its counterparts in developed countries led by the following factors.
  - > Gasoil and Gasoline – Auto fuel – demand grew at a CAGR of 8.6% and 10.1% over the last 5 years
- > Surging demand from transport sector as vehicle ownership, particularly of four-wheel vehicles, is forecasted to increase rapidly in the years ahead
- > Despite major new natural gas discoveries in recent years, India continues to depend on gas imports to meet its needs. Indian demand for Natural Gas has grown more than 20% during 2008-10 and that too is constrained due to supply bottlenecks, else the growth rate would have been much higher than actually achieved.



## INDIAN BUSINESS OUTLOOK

> INSIDE VIEW OF THE POWER PLANT AT VADINAR

### INDIAN GROWTH STORY TO CONTINUE INDIA TRENDS 2030

**91 MILLION**

urban households will be middle-class, up from 22 million today

Energy security remains a key concern for India as the country depends upon imports to meet more than 75% of its hydrocarbon energy requirements. The growth in domestic oil and gas production is not commensurate with growing consumption of petroleum products in fast-developing economy like India.

The total energy requirement is projected to grow at 6.5% per year between 2010-11 and 2016-17. Hence the rationale for investment in the energy sector in India remains strong. However, it is clear that if the Government is to facilitate delivery of the targeted investment in infrastructure and energy, the regulatory issues described earlier will need to be tackled rapidly.

There remain distortions in the energy sector in India due to the continued heavy Government subsidy of energy and fuel prices

for consumers. If the Indian economy is to grow in a world of high energy prices it is clear that in the medium to long-term, the Government will need to remove these distortions, replacing them with far more targeted subsidies for the poor.

In the fuel retail sector, the Government acknowledges that it needs to remove the general subsidies on petroleum products and instead focus specific subsidies on those who have a real need. Only recently, two pilot projects have been initiated – one for kerosene and the other for LPG. These projects aim to test the feasibility of an end-use focused subsidy capture. However, there is strong political and popular pressure to resist fuel price increases. Although petrol prices are deregulated, state-owned refiners and fuel retailers nonetheless kept petrol prices on hold for around six months,



## 590 MILLION

people will live in cities, nearly twice the population of United States today

## 900 MILLION

square meters of commercial space and residential space needs to be built – or a new Chicago every year

## 2.5 BILLION

square meters of roads will have to be paved, 20 times the capacity added in the past decade

through May 2012, despite sharp increases in crude prices. This meant that private sector retailers such as Essar could not compete with public sector players for selling their products at retail level during this period.

Very heavy subsidies remain in diesel, where there has so far been no deregulation and indeed, there have been no increases in diesel prices since July 2011. Once the Government tackles this issue, it will benefit Essar Oil's strategy to further roll out its retail business. In the refining sector, demand for crude oil in India is forecast to rise from 164 MMTPA in 2010-11 to 205 MMTPA in 2016-17. According to the Planning Commission's Approach in the 12th Five Year Plan document the proportion of crude oil coming from imports will rise from 76% to 80% over that period. Vehicle ownership is forecast to rise from 15 per 1,000 of population currently, compared with China's 55 per 1,000, according to the International Energy Agency. The rate of growth in vehicle sales in India is increasing sharply each year.

Although India will remain the principal market for Essar Oil's expanded refinery capacity, there is expected to be an increase in exports from Vadinar in the short

term to around 30% - 35% of sales due to new capacity being built by public sector refiners.

Essar Oil expects demand to outstrip this new capacity within the next three years, and potentially earlier for products such as gasoil. The move to increase the quality of fuels in major urban areas to BS IV standard should increase domestic demand for higher quality products from the Vadinar refinery.

In our upstream exploration and production business, we continue to see slow progress in receiving approvals for our oil and gas blocks, including our Raniganj CBM block in West Bengal, where we are still awaiting final environmental approval and gas sales price approval from the Indian Government. This is despite the high level of imports of oil and gas needed to meet demand in India which in turn is putting upward pressure on prices. This situation is expected to continue despite significant discoveries of both oil and gas in India in recent years. Essar Oil has 8 oil and gas blocks located in India and given the forecast increases in domestic demand; commercialisation of these assets continues to represent a significant opportunity for Essar Oil.

## x 5

Indian GDP will multiply 5 times by 2030

## 7,400 KM

of metro and subways will need to be constructed, 20 times the capacity added in the past decade

## COMPANY OVERVIEW



> DIESEL AND GASOIL HYDROTREATER UNITS AT VADINAR

**20 MMTPA**

world-class highly complex refinery

**1,400 +**

Essar-branded fuel retail outlets spread across the country.

Essar Oil Limited is a fully integrated oil and gas company with a strong presence across the hydrocarbon value chain – from exploration and production to refining and oil retail.

In the mid-stream segment, we have a world-class highly complex refinery of 20 MMTPA (million metric tonnes per annum) at Vadinar, Gujarat, which has a crude refining capacity of 405,000 barrels per stream-day (bpsd). In the upstream segment, we have

a portfolio of eight oil and gas blocks in India with about 1.7 billion barrels of oil equivalent in reserves and resources. We are one of the leading CBM (coal bed methane) players in India with an acreage of over 2,700 square km and more than 10 tcf of reserves and resources under 5 blocks. In the downstream segment, we have over 1,400 Essar-branded fuel retail outlets spread across the country.



## REFINERY OPERATIONS

During 2011-12, our refinery processed 13.5 million tonnes (98.41 mmbbl) of crude. Our Crude Distillation Unit (CDU) operated at almost 128% of its nameplate capacity during the year. The other units operated well beyond their nameplate capacities. Throughput for the year declined compared to previous year, due to a planned 35-day shutdown undertaken for tie-ins of expansion units with the existing refinery, revamp of CDU, VDU,

SRU and FCC units and routine maintenance of existing refinery.

We have produced around 70% light and middle distillates despite processing of more than 72% of heavy and ultra-heavy crude. The Vadinar refinery processed more than 25 varieties of crude during the year, including ultra-heavy and tough crudes. The crude slate comprised Mangala crude from Rajasthan.

Essar Oil continues to focus on the domestic market for the sale of its products because of the better price realisation. However, export sales from the Vadinar refinery in 2011-12 were 34% of the total sales as compared to 32% for the year ended March, 2011.

The majority of exports in 2011-12 were fuel oil, but in 2012-13, post the upgrade in complexity, exports will consist primarily of higher value middle and light distillates, such as gasoil, gasoline and VGO.

During the 12 month period, our CP GRM declined to US\$ 4.23/bbl (excluding sales tax incentive) compared with a CP GRM of US\$ 4.53/bbl (excluding sales tax incentive) in 2010-11, due to decline in Gasoil cracks and reduction in light and heavy crude differentials.

We continue to focus on cost optimisation and innovative practices at our Vadinar refinery. As a part of this, we have introduced VG-30 bitumen, a product developed in-house which enables the refinery to improve margins.

Innovative measures adopted by

the refinery team ensured that the on-stream factor was above 98.3%. This reflects the high availability of refinery plants and equipment.

On the cost reduction front, the refinery has been able to effectively put a check on fuel and loss at 6.3%. This has been achieved by maintaining a constant focus on energy saving schemes.

During the year, the refinery participated in a global benchmark study with a reputed international benchmark study consultant. The outcome of the study has been truly encouraging. The refinery ranked in the first quartile, among peers, in almost 40% of the key performance indicators. This demonstrates our capability to have emerged as one of the best performing refineries in the world.

DURING 2011-12,  
OUR REFINERY  
PROCESSED  
**13.5 MILLION  
TONNES**  
(98.41 MMBBL)  
OF CRUDE.



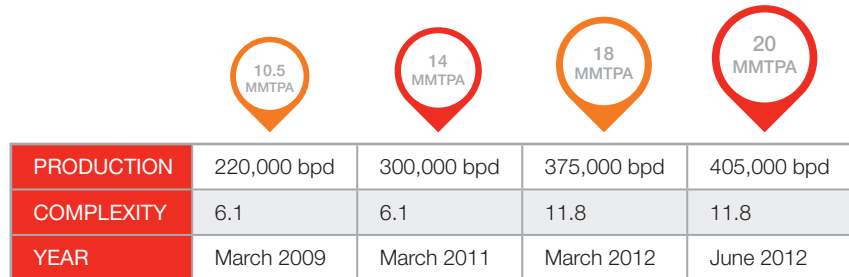
## EXPANSION AND OPTIMISATION PROJECTS

The Vadinar refinery Phase 1 expansion project was completed towards the end of March 2012, increasing capacity to 18 MMTPA, or 375,000 bpd, and complexity to 11.8 from 6.1 previously. This significantly improves gross refinery margins by allowing the percentage of lower cost heavy and ultra-heavy crudes processed to rise to around 80% of the total throughput, while at the same time enabling production of a greater proportion of high value middle and light distillate products, with middle distillates, diesel and jet fuel, becoming the principal products.

The refinery had a planned shutdown for 35 days during September and October 2011. This was to enable integration and hook up jobs of the base refinery with the expansion facilities. This successful turnaround has become a benchmark as it was completed within schedule. The shutdown period was also utilised for maintenance and inspections jobs of existing facilities. The refinery also upgraded its existing Advance Process Control system and some of its electrical control systems.

Further, the optimisation project at Vadinar, to lift capacity to 20 MMTPA or 405,000 bpd, was completed in June 2012, four months ahead of schedule. Under the optimisation project, the VBU was converted into a CDU to process ultra-heavy and tough crude on a standalone basis. Secondary units along with supporting infrastructure

## INCREASE IN CAPACITY OVER THE YEARS



> DELAYED COKER UNIT AT VADINAR

such as pipelines, tankages and blending facilities, have also been completed to support the optimisation project. Completion of these projects brings to an end the

current major capital expenditure programme in our Refining business. The refinery's expansion and optimisation plan was completed with a total investment of approximately ₹ 10,800 crore. With this, we now account for nearly 10% of India's total refining capacity.

With the completion of expansion and optimisation projects, the share of ultra-heavy crude will go up to 60%. With this, the overall share of heavy and ultra-heavy crude will rise to 80% of the refinery's total crude basket. In terms of product yield, the refinery now has the flexibility to produce higher value and high-quality products. These products also conform to Euro IV and V specifications, accepted in domestic and international markets. Close to 80% of the refinery's total production will now be of valuable light and middle distillates and more than 50% of gasoil (diesel) and gasoline (petrol) will meet Euro IV/V specifications.

We have entered into long-term crude sourcing contracts with global suppliers, including several national oil companies from



> DELAYED COKER UNIT AT VADINAR

Latin America. We are also targeting several new markets for our high quality products such as Australia, New Zealand and North-west Europe. Countries in the Indian subcontinent are also being targeted for the export to capitalise on their product requirements.

However, the Company will continue to market majority of its products in the domestic market.

We are very proud to share that we have received the prestigious “Refinery of the Year Award” from the Petroleum Federation (PetroFed). This award honours the Company for its leading performance in operational efficiencies in refining during 2010-11 while meeting safety, health and environmental protection standards.

WE HAVE RECEIVED  
THE PRESTIGIOUS  
**“REFINERY  
OF THE YEAR  
AWARD”** FROM  
THE PETROLEUM  
FEDERATION  
(PETROFED).





> POWER PLANT AND UTILITIES AT VADINAR

## QUALITY ASSURANCE

The refinery has a state-of-the-art ISO certified laboratory well equipped to monitor the quality of finished products. The laboratory is a member of the Inter Lab Certification programme by ASTM (American Society for Testing and Materials). ASTM helps in maintaining the laboratory, as per global benchmarks.

The True Boiling Point (TBP) apparatus has been effectively used at the refinery. This enables

testing of crudes, thus optimising the operations to obtain a quality product at least possible cost. The TBP apparatus also helps in evaluating new crudes to simulate actual conditions in the refinery and determine the properties of new products.

The laboratory has been upgraded in tandem with changing requirements post our expansion projects. The facilities ensure round-the-clock support to

monitor, test and maintain quality assurance for various products. Our R&D team also endeavors to come up with new methods and technologies. Successful production of VG-30 grade bitumen stands testimony to our continued efforts in this direction.





THE LABORATORY IS A MEMBER OF THE **INTER LAB CERTIFICATION PROGRAMME BY ASTM** (AMERICAN SOCIETY FOR TESTING AND MATERIALS).

## CASE STUDY 1

### Vadinar Refinery Expansion: 35-day turnaround

Post expansion and optimisation, the Vadinar refinery has emerged as the second-largest single location refinery in India and one of the most complex globally in terms of complexity.

To enable the optimisation process, the entire plant was shut down for 35 days during September and October. This was to enable the original base refinery units to be tied into the new expansion facilities. The shutdown also enabled simultaneously carrying out extensive maintenance of routine nature in key existing tanks, vessels, pipelines and other equipment.

The aim was to complete 1,618 revamp tasks and 2,492 maintenance and inspection jobs. This involved about 190 pieces of heavy machinery, cranes and other equipment. A team of about 15,000 people worked 24 hours a day in shifts to ensure the timely completion of the turnaround.

Precision delivery of a hugely complex plan was the need of the hour during the expansion process. A turnaround of this magnitude normally takes around 45-60 days. However, a well-coordinated team work made sure the task was achieved in a record time of 35 days. This enabled the refinery to ramp up its production with immediate effect.

## CASE STUDY 2

### Vadinar Refinery Optimisation Project

A key focus area for the Refinery Team was to maximise the use of available resources. This was aimed at ensuring minimum cost and improving profitability. As a part of the expansion, a major original unit – Visbreaker – was superseded by the installation of a Delayed Coker unit.

The optimisation project was implemented to turn the Visbreaker into an additional Crude Distillation Unit (CDU). This unit was dedicated to exclusively process heavy and ultra-heavy crudes. The process enabled the refinery to add another 2 MMTPA to its processing capacity and improve profit margins. This is the first time the conversion of a Visbreaker into a CDU has been carried out in India.

**SALES & MARKETING**

In its fuel retail business, Essar Oil operates a unique franchise-based retail network model, and retails gasoline (petrol) and gasoil (diesel) under the Essar brand. As on March 31, 2012, Essar Oil had approximately 1,400 operational retail outlets with another 200 under construction. The operational sites include 17 Auto LPG (ALPG) and CNG stations as on 31st March 2012. A strategy of controlled expansion and network rationalisation is being followed. This is due to the fact that diesel prices are not market-driven and even for petrol the prices are not revised in tandem with the International Market.

In 2011-12, the industry recorded lower than expected growth rates for many products, barring diesel. While petrol grew by a mere 5.6%, fuel oil declined by 19%. Additionally, the commissioning of new refineries and capacity augmentation of existing PSU refineries also affected product sales.

During 2011-12, we sold 7.8 MMT of products in the domestic market. This was lower than total sales clocked in 2010-11, primarily on account of the 35-day shutdown of the refinery undertaken for expansion and upgradation projects. More than 60% of our total refinery production was evacuated in the domestic market.

Total sale of diesel, petrol, kerosene and LPG to PSU Oil Marketing Companies stood at 6.8 MMT. This serviced a very significant portion of the country's overall demand for petroleum products.



> ESSAR OIL RETAIL OUTLET AT BHUJ

	PRODUCTS SOLD	CUSTOMER TYPE
PSUs	Gasoline, Gasoil, LPG, SKO, Fuel Oil and Bitumen	National Oil Companies: IOCL, BPCL, HPCL
Industrial Customers	Fuel Oil, Bitumen, ATF, Sulphur, Petcoke	Traders, commercial users, cement factories and power plants
Retail Outlets	Gasoline and Gasoil	Over 1,400 retail outlets of Essar
Export Sales	Fuel Oil, Gasoline, Naphtha and Gasoil	Oil majors: BP, Shell, Chevron, ConocoPhillips, Total etc. Traders: Fal Oil, Koch, Marubeni, Glencore, Trafigura, Vitol etc.

A fresh product purchase and sale agreement was signed with Indian Oil Corporation for a period of 3+1 years. A similar agreement was also signed with Shell India.

Only for a few months during the entire year did we have the opportunity of selling petrol at market prices. In December, we managed to record our highest ever monthly petrol sales at 23.7 TKL. Clearly, this highlights the potential of our retail network, given the right operating environment. Our overall retail sales for the year stood at 135 TMT.

The addition of ALPG and CNG facilities at our retail outlets was another key area of focus during the year. We commissioned 12 CNG facilities during the year. We now have 14 CNG stations and 3 ALPG stations which are a part of our network. We have entered into strategic tie-ups with the leading Gas Marketing companies like Indraprastha Gas, Mahanagar Gas, GSPC, Adani and Gujarat Gas. This has proved to be extremely lucrative for our franchisees and has provided them with an alternate revenue source.

We also continued to expand our non-fuel retail offerings across the network. Our services are now available across segments. Some of these are auto components, lubricants, food and beverages, agro-products, telecom, banking and finance and tourism.

We also entered into sale and purchase agreements with Cement Manufactures for Petroleum coke. We have recently begun its production.

## Case Study

3

### Essar Oil's Non-fuel Offering at Retail Outlets

To accrue the advantages of price deregulation, Essar Oil has built a huge network of over 1,400 retail fuel outlets across India. Since the Government policy does not provide a level playing field for private players to market their products through retail outlets, we started focusing on increasing our non-fuel retail activities and set up ALPG and CNG pumps at our outlets in collaboration with various Gas Marketing Companies. This serves multiple purposes. On one side, it provides an additional source of income to our franchisees and on the other, it helps attract more customers to the retail outlets and provide an opportunity for standalone gas players to set up their units directly within the existing outlets of the Company.

### EXPLORATION & PRODUCTION

Essar Oil has the largest acreage of coal bed methane (CBM) blocks in India. Gas resources across 5 CBM blocks are to the tune of approximately 10 trillion cubic feet.

Our Exploration and Production business currently has 1.7 billion barrels (approximately) of oil equivalent of reserves and resources. This is spread across a portfolio of 8 oil and gas blocks.

During the 12-month period, there was a sharp upliftment in

2P (total proven and probable reserves) and 2C (best estimate contingent) reserves to 157 million barrels of oil equivalent (mmboe). The upliftment was owing to independent evaluation of the Raniganj CBM block in West Bengal by international consultants Netherlands, Sewell & Associates, Inc. (NSAI).

Within our overall portfolio, there are 837 mmboe of best estimate prospective resources and 734 mmboe of un-risked, in place resources.

At Raniganj, our first CBM project, 2P reserves are 113 billion cubic feet (bcf) gross, or 18.8 mmboe. This was as per NSAI's evaluation in September 2011. 2C resources also increased to 445 bcf gross, or 74.1 mmboe. This compares with the previous evaluation of 201 bcf gross, or 34 mmboe. The 2011 evaluation shows there remains 297 bcf gross, or 49 mmboe, of best estimate prospective resources of gas at Raniganj. In addition, NSAI also upgraded the calorific value of the gas from 8,500 kcal/scm to 9,660 kcal/scm.

Current production at Raniganj is around 43,000 standard cubic metres (scm) per day. As of now, the Company has drilled over 100 wells. Environmental clearance for an additional 200 wells has been received. West Bengal Government recently granted Petroleum Mining Lease for the entire block at Raniganj. Final environmental approval from MoEF and finalisation of price by Gol is expected shortly. Once all the clearances are received, our peak production will rise to around 3 million scm/day.



A provisional gas price for test sales of US\$5.25/mmbtu plus US\$1.00/mmbtu for transportation charges has been approved by the Government. This is towards incidental gas produced during Phase II. The Government is in the process of deciding the full commercial sales price for Raniganj and other CBM developers in India.

Till date, we have consents for about 300 wells which are being drilled. We are seeking environmental approval to a total of 500 wells to achieve full production. The full field development plan has been approved by the Director General of Hydrocarbons (DGH).

## Case Study

4

### Vertical & Directional Drilling

Typical Vertical CBM wells are spaced at about 500 m from each other. Since the coal formations from where the gas is extracted are almost running continuous across the area, it is possible to drill through the same intended coal seam even if the spud location (initiation point of drilling) is different. Essar is utilising this technique to aggregate the number of drilling locations at the same locations thereby drilling upto 5 wells from the same well pad though drilling "Directional Wells". This not only decreases the cost and hassle associated with Land Acquisition but also is useful in aggregating the various surface facilities at one location resulting in ease of operations.

## SWOT ANALYSIS

### Strengths

- > Strategic location of Refinery
- > Refinery ramped up to 20 MMTPA with complexity of 11.8
- > Higher margins by enhanced heavy crude basket and wider product offerings
- > Low Operating Cost
- > Infrastructure and skilled manpower

### Weaknesses

- > Export of treated VGO
- > High cost of capital affecting profitability and viability of future growth
- > Exposure to geo-political risks for crude sourcing due to inadequate equity crude

### Opportunities

- > New markets for higher quality and premium products
- > Rising demand for oil products
- > Growth in automobile sector
- > Greater thrust on infrastructure
- > Identified quick-payback margin booster schemes

### Threats

- > Decline in Global Oil Demand
- > Weak refining margins
- > Geo-political unrests in Middle East & North Africa
- > Rise in consumption/availability of natural gas / alternative fuels
- > Continued regulated gasoil retail pricing
- > Addition of complex refining capacity in Asia to increase demand for tough and heavy crudes

## INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

We have adequate internal control systems and procedures commensurate with the size and nature of our business. Our systems of internal controls are designed to manage the risk of failure. This can only provide reasonable, and not absolute, assurance against material mis-statement or losses.

During the year, internal controls were significantly refined and improved. Implementation of an internal control policy has been achieved with lines of responsibility and delegated authority. This has been possible with a clearly defined operating structure.

Our operating procedure includes appropriate systems for reporting information to the management. These procedures are business dependent. However, all significant operational businesses use SAP general ledger systems with automated controls and reconciliation processes.

In addition, we also have a comprehensive Management Information System (MIS). This involves daily MIS reporting and monthly and quarterly performance reviews. There is also an annual business plan with operating and capital expenditure budget plans.

At Essar Oil, a number of processes have been constituted for monitoring the system of internal control. These are also aimed at reporting any significant control failings or weaknesses. These are combined with details of corrective actions. We also have

a well-developed and adequately-staffed internal and management audit function. This works under the guidance of the Audit & Governance Committee.

Our parent company Essar Energy plc has appointed Ernst & Young Pvt. Limited as its internal auditor. This internal audit function reports directly to the parent company's Audit Committee. It has undertaken a number of planned audits on subsidiary companies' operations. The audit observations pertaining to the Company are shared with the Audit and Governance Committee.

A Management Audit Committee, chaired by the Managing Director, has also been formed which regularly reviews significant internal audit observations to ensure all the issues are properly addressed.

## TECHNOLOGY

In an era where technology changes with rapid pace, businesses need to adopt latest systems and applications to strengthen their processes in tandem with dynamic markets. We have developed a culture to adapt new technology for our businesses to benchmark our operating procedures with global standards.

Our robust systems and seamless integration of business processes ensure faster updation of data in the systems without any duplication and errors in data entry. We mapped complete business processes from crude procurement to dispatch of finished products in our systems. We are using Bulldog to capture buy and sell trades, which is integrated into SAP ERP system to ensure data integrity. We

are using SAP-FICO, MM, SD, HR, PM, QM, PS and Treasury modules to cover almost all the business processes. Our refinery warehouse is using SAP Warehouse Management System to increase the efficiency of the warehouse and keep track of material at storage bin level.

We have been using Manufacturing Execution System (MES) software from Aspentech for our process monitoring, control and optimisation purpose. We have successfully implemented a web-based, real time process information system to monitor all our process units, data reconciliation and mass balancing system for material balance, Advanced Process Control Technology for control of critical units like FCCU and other units. Our Tankfarm information and Blending Optimisation systems optimise the MS and HSD production.

WE HAVE SUCCESSFULLY IMPLEMENTED A **WEB-BASED, REAL TIME PROCESS INFORMATION SYSTEM** TO MONITOR ALL OUR PROCESS UNITS.



> CONTROL ROOM OF THE POWER PLANT AT VADINAR

We have also implemented Laboratory Information Management System (LIMS) for monitoring Crude and product qualities, which is integrated with MES system to enhance the visibility of data.

Product dispatch is equipped with automated loading system, which is integrated with SAP to ensure that order to billing is tracked in the system with direct data flow. We are ensuring that our customers are getting product quantities with real time temperature and density

of the product which enhances the accuracy of the measurement.

We have business intelligence tools to provide reports from system as per manager's requirements to ensure the data integrity. Tools like SAP BI, BO and in-house dashboards are making sure that managers have right information to take the decisions. Our managers are able to visualise plant operating parameters on their BlackBerry and live data is available on a continuous basis to ensure better operations.

All our locations are secured with access control systems and our premises are monitored round the clock with CCTV cameras to safeguard the locations. Attendance system is integrated with access control system.

Safety is the culture, which we follow across all over locations. Our in house developed safety and audit system allows users to capture incidents and analyse patterns to ensure that the same is not repeated in future. We have Root Cause Analysis tool integrated with SAP system to



ensure that analysis is generating maintenance notification as and when required.

We developed many portals like health, process safety, management of change, canteen, reliability and learning e-library with a view to update employees about any change in technology, process, and systems.

### PEOPLE, POLICIES AND PRACTICES

Essar Oil has 1,697 employees (including advisors) as on March 31, 2012. We have designed and implemented HR practices and programmes to inspire and motivate every employee to deliver his/her best. These programmes are aimed to achieve performance recognition, development and career opportunities, compensation, benefits and work-life balance. These HR programmes have helped in achieving an overall Engagement Score of 81% in the Aon Hewitt Employee Engagement Survey 2012 which puts EOL in the range of 'High Performance' in line with the Best Employers in India (77% being the average score of Best Employers last year).

Innovation has been a key focus area for the Human Resources Department. Our HR team implemented an innovative culture through an 'Out of the Box' Programme. The Programme has been very unique as it translated

*\*Cautionary Statement*

*Certain words and statements in this Management Discussion and Analysis are forward looking based on numerous assumptions regarding your Company's present and future business strategies and the environment in which your Company will operate in the future. The important factors that could cause actual results, performance or achievements to differ materially from such forward-looking statements include, among others, changes in demand and supply, government policies or regulations, political and economic development within and outside India and, in particular, changes relating to the administration of oil and gas industry.*



> EXPLORATION RIG AT RANIGANJ

into savings worth over ₹ 100 crore. The 'Innovation Room' implemented as a part of this programme has been one-of-its-kind in the country.

Our HR processes leverage technology very effectively and have been designed to be 'talent ready' to face business challenges. We have also been pioneers in implementing a Balanced Scorecard methodology in our HR functions. This effort has played a pivotal role in cascading our business strategy to every employee.

Other initiatives have been facilitated under the GEM Programme. For instance, there was a system implemented to inculcate a culture of reinforcement of high performance. Some of these initiatives are Appreciation Hour and Appreciation Cards.

### Key Programme & Practices adopted by Essar Oil

- > Essar Oil initiated the Balanced Scorecard methodology which played a pivotal role in cascading business strategy to all employees.
- > Another programme implemented during the year was 'Career Ladders Programme' which aims to provide more clarity to employees on career paths.
- > The GEM programme initiatives such as Appreciation Hour, Appreciation cards have helped in inculcating a culture of recognising and reinforcing high performance.
- > Reaching out to employees through unique learning initiatives such as 'Learning on the Move' and 'Library at your Desk' have been introduced to provide all employees access to the latest learning tools.
- > Engaging employees' families through regular forums under the Family Connect and other sports & cultural initiatives.
- > Some of the important achievements also include ISO 9001:2008 certification for all HR processes by United Kingdom Accreditation Service, Golden Peacock Award for Innovative HR practices, Greentech Award for Technology Excellence in HR and Golden Peacock Award for Excellence in Learning & Development.

## SUSTAINABILITY AT ESSAR OIL



ON ONE SIDE, WE HAVE  
A RESPONSIBILITY  
TO MEET THE  
REQUIREMENT OF OUR  
GROWING ECONOMY  
**AND ON THE OTHER,  
WE NEED TO  
ENSURE A HEALTHY  
ENVIRONMENT FOR  
OUR EMPLOYEES  
AND MINIMISE THE  
IMPACT ON OUR  
ENVIRONMENT**

> GREEN BELT AT THE VADINAR REFINERY

Essar Oil today operates a 20 MMTPA refinery – second largest private sector refinery at western coast of India at Vadinar and has 100% ownership in five CBM blocks covering more than 2,700 square kilometre with reserves and resources of more than 10 tcf.

The sectors, in which we operate, are core of global economy. The petro products and CBM gas produced by our Company are used for driving the cars and buses and keep our industries running. Unarguably, these sectors' impact our economy, society and environment. On one side, we have a responsibility to meet the requirement of our growing economy and on the other, we need to ensure a healthy environment for our employees and minimise the impact on our environment. One of the biggest challenges for our business operation is to maximise its positive impact on the planet.

### HEALTH, SAFETY & ENVIRONMENT

One of our core business values is our commitment towards excellence in Health, Safety and Environmental (HSEF) Performance. We take utmost care of health and safety of all our employees. Our well-equipped Occupational Health Center at the refinery enables medical surveillance of our employees and contract workers. Further, while conducting exposure monitoring for the employees, occupational health risks are managed very well.

In our continuous endeavor to become an industry benchmark for HSEF practices, we engaged



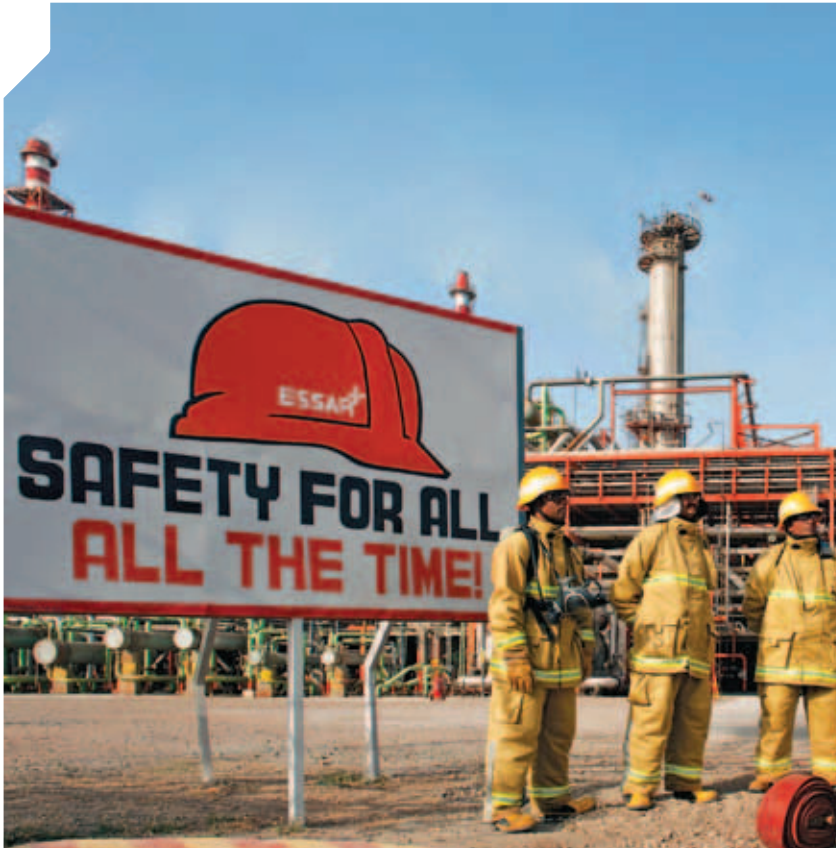
> HEALTH CENTRE AT TOWNSHIP

DuPont Sustainable Solutions for Safety Management systems for occupational health monitoring and health risk assessment. We have also fully implemented Leak Detection and Repair (LDAR) Programme across the refinery. We take all precautionary measures to ensure the safety of our employees. This clearly reflects in our refinery safety performance. Our refinery has been able to achieve 1,460 days without lost time incidents (LTI) as of March 31, 2012.

While the environment is one of the top priorities of the organisation, we also strive to create awareness among our

OUR REFINERY  
HAS BEEN ABLE TO  
ACHIEVE **1,460 DAYS**  
**WITHOUT LOST TIME**  
**INCIDENTS (LTI) AS**  
**OF MARCH 31, 2012**





> FIRE CREW AT THE VADINAR REFINERY

neighbouring communities on various environmental issues such as pollution, green cover and leading anti-plastic campaigns at schools. These initiatives support government programmes on conservation and tree planting drives.

We have won various awards at national and international level which is testimonial of our commitment towards improvement of health, safety and environment in every sphere of our business operations.

- > Petrofed (Petroleum Federation of India) Award in the category 'Refinery of the Year' for performance during 2010-11.
- > Energy Conservation Awards from the Ministry of Petroleum and Natural Gas.
- > 3rd prize for managing steam leaks during Oil and Gas conservation fortnight (OGCF-2011) survey.
- > 2nd prize for performance in energy optimisation and hydrocarbon loss management (Jawaharlal Nehru Centenary Awards 2011) Awards from the Indian Chemical Council (ICC).

- > International Safety Award with distinction from British Safety Council.
- > Golden Peacock Award for Occupational Health & Safety.
- > Best safety performance by Gujarat Safety Council, Government of Gujarat.
- > Award for Occupational Health and Safety by Royal Society for the Prevention of Accidents (RoSPA), UK.
- > Greentech Award for Environment Management.
- > 5S award from Quality Circle Forum of India (QCFI).
- > National Award for Excellence in Water Management from Confederation of Indian Industry (CII).
- > SHE Award in manufacturing sector (large) industries by CII.
- > Safety excellence award from Federation of Indian Chambers of Commerce & Industry (FICCI).
- > Received the Water Cess Rebate from GPCB for three consecutive years (2008-09 to 2010-11).
- > Emerged as India's top-ranked company in Carbon Management in recent Global 3rd party Carbon Disclosure Project (CDP) assessment under the energy sector. This helped us score the highest Carbon Disclosure Leadership Index (CDLI) points in the disclosure.

### **CLIMATE CHANGE**

We recognise our responsibility towards climate change mitigation and adaptation. We view climate change as an opportunity that can



> MOBILE CLINIC AT RANIGANJ

strengthen the organisation and position us for future growth and success. The emerging climate change regulations can affect the competitiveness of industrial sectors and impact profit potential and trade flows. Therefore, it is imperative to have a structured approach to carbon management to manage the impact of climate regulations on our organisation's growth and profitability

We have a two-pronged approach towards climate change mitigation and adaptation. This includes providing clean solutions to our customers and reducing our own carbon footprint by adapting to the latest technology and

energy conservation measures. In addition, managing regulations and stakeholders expectations as well as cost reductions will be the key factors in our approach.

A detailed structured Green House Gases (GHG) accounting and disclosure at CDP following the international protocols has been worked out. Based on this, Essar Oil is working towards a robust GHG management system to have results year-on-year. This is also aimed at showing its positioning with the industry standards. CDP ranked Essar Oil the best in carbon management in India in the energy sector during 2011. EOL gradually intends to build GHG reduction

CDP RANKED  
ESSAR OIL **THE**  
**BEST IN CARBON**  
**MANAGEMENT IN**  
**INDIA IN THE ENERGY**  
**SECTOR DURING 2011.**

targets to operational levels requiring each operation to assess their GHG performance and to look for best practices to monitor, inventories, report and own the greenhouse gas emissions stemming from their operations

We adopt the approach of looking at climate change as a focal activity towards sustainable growth for our organisation. This prepares us to respond to evolving scenarios on account of climate change more effectively than our peers. These can be risks associated with regulatory, stakeholder, financial risks and opportunities.

At Essar Oil, the GHG mitigation approach includes optimisation and energy conservation schemes. Various activities have been carried out across the refinery to reduce energy consumption and, in turn, the GHG emissions.

### **POLLUTION PREVENTION**

The oil terminal at Vadinar for cargo loading and unloading of Essar Oil refinery is governed by International Maritime Organisation's guidelines and protocol. Onshore pollution prevention and control is managed by Vadinar Oil Terminal Ltd. (VOTL). Our on-shore pollution prevention and control measures (at HC storages) include primary, secondary and tertiary containment.

Primary containment includes engineering controls through adequate tank design. Secondary containment includes 100% bundling with 110% capacity. Tertiary containment includes diversion of the spilled material to a slop tank specifically designed for the purpose.

Any spill (chemical/oil) over 100 litres is considered significant, as per our Company procedures. There were no significant oil spills at any of our sites during the reporting period.

100% double hulled tankers are used to transport the Company's oil products via sea route. The average age of these tankers is about 10 years.

### **PROTECTION FROM AIR POLLUTION**

We have installed a state-of-the-art air pollution control equipment at all sites to control air pollution. Pollution abatement measures are implemented according to the nature of the operation and business. Stack emission and ambient air quality is being monitored by Company as well as State Pollution Control Board.

### **PROTECTION OF WATER RESOURCES**

Resources, such as water, have become more critical and valuable to a company's operations than what was previously assumed. It is a key business risk that needs to be managed, like energy and carbon. As far as possible, we design and run our operations in ways that help reduce water use.

Utmost care is also taken not to contaminate ground water as a result of the operations. This is ensured by way of design as well as regular monitoring.

### **BIODIVERSITY**

Several measures have been taken to ensure we have a minimal effect on the existing biodiversity. Some of the measures include

translocation of coral from the intertidal and sub-tidal pipeline and jetty corridor to nearby locations. Over 2,300 specimens belonging to 23 species of hard coral and one species of soft coral were trans-located by the National Institute of Oceanography. This was done under the supervision of Essar Oil and the Marine National Park Authority. The health of corals, mangrove and associated ecosystem in the region is monitored on a monthly basis.

Additionally, 150 hectares of mangroves have been planted in the last three years. Further plantation is ongoing in close consultation with the National Marine Park Authority. A study on the ecological aspects of mangroves planted has been initiated.

To demonstrate our continued commitment towards biodiversity and related initiatives, Essar Oil has supported the Marine National Park authority to establish a marine research station in the National Park and Sanctuary.

### **COMMUNITY INITIATIVES**

Essar Oil's CSR activities in Vadinar cover over 15 villages around the refinery site with a combined population of over 35,000. Health camps organised by Essar Oil also attract a large population from other villages in the region.

At Raniganj, the E&P team at the CBM site covers over 19 villages and reaches over 20,000 people.

The monthly fodder assistance programme covers 13 villages around the Vadinar refinery. The fodder assistance programme





> LABOUR CAMP SCHOOL

takes care of the fodder requirements of over 2,600 cows in 13 villages by providing assistance of ₹ 265 per cow. A cow is a very important resource in the rural communities as the milk and milk products form an important part of the community's diet.

Some of our activities and initiatives run throughout the year, such as a community health clinic, or are held periodically, such as vaccination programmes or education campaigns, while some are activities with a single, one time objective, such as construction of a water tank or providing computers and sewing machine to a local jail.

Essar's work in providing access to drinking water in the Vadinar region directly benefited over 28,000 community members in 11 villages.

#### EDUCATION

Education is one the 3Es of Essar Oil's social responsibility philosophy. We have been deeply involved in supporting rural education at our sites through a variety of ways. Our focus on education seeks to achieve the following objectives:

- > Resolving fundamental issues of access and quality of education
- > Using education to enable young minds to achieve their true potential

AT VADINAR, ESSAR ORGANISED THE LIBRARY INCLUSION PROGRAMME, A WORKSHOP INVOLVING 50 TEACHERS OF 25 SCHOOLS FROM THE KHAMBALIA AND LALPUR BLOCKS OF JAMNAGAR DISTRICT.

- > Promoting creative tools to make education an enriching experience
- > Improving infrastructure and environment for better knowledge acquisition

Our activities during the year include:

- > Financial support for local teachers and students
- > Construction & refurbishment of school buildings, classrooms & upgrade of school infrastructure
- > Donation of computers, notebooks and stationary
- > Support for implementation of educational schemes and projects of local governments
- > Organisation of classes for computer education, language, and adult literacy

At Vadinar, Essar organised the Library Inclusion Programme, a workshop involving 50 teachers of 25 schools from the Khambalia and Lalpur blocks of Jamnagar district. The workshop had two priorities –

refurbishing the existing libraries in schools and cultivating a habit of reading among children using the libraries as a medium.

The Company has recently organised a week long cleanliness campaign – “Let’s keep our city clean” with school children’s at Jamnagar. The drive of this campaign was to create awareness among people in various parts of the city and sensitise them about civic hygiene, sanitation and waste management.

### HEALTHCARE

Most of our operational sites are located in rural areas with poor healthcare facilities and a wide prevalence of curable diseases. Making healthcare more accessible to rural communities around our operational area has been, and will continue to be, a strong focus area. Essar Oil’s efforts in healthcare around the refinery benefited over 39,000 community members during the year.

ESSAR OIL’S EFFORTS  
IN HEALTHCARE  
AROUND THE REFINERY  
BENEFITED OVER  
**39,000 COMMUNITY  
MEMBERS DURING  
THE YEAR**



> MOTHER-CHILD CENTRE AT VADINAR



> STITCHING CENTRE AT VADINAR

Some of our significant contributions and responsibilities towards healthcare have been:

- > Operating a 24 hour Community Health Centre at Jankhar village, near the Vadinar refinery, and running community centres at other sites
- > Running mobile clinics reaching out to villages at our operational sites in Vadinar and Raniganj
- > Operating Mother & Child welfare clinics at various locations
- > Organising and sponsoring health camps, including those for eye-care, cancer, vaccination, and general health check-ups for school children

At Essar Oil's CBM project site at Raniganj in West Bengal, the World Health Day was celebrated on April 7, 2011. This was done by organising special health camps for two schools in the vicinity of the project site. Camps were organised in association with the Vivekananda Hospital.

More than 170 students from Khatgoria and Borgoria villages received a preliminary ear, nose and throat and dental health check-up at the special camp. The health camps raised awareness levels about dental hygiene. These also helped the staff gather primary health data about the locals – information that will help medical practitioners, teachers and CSR teams target and address potential health issues.

Additionally, a drawing competition was also organised for students of the two schools. The theme of the competition was 'source of water for domestic purposes'. Students

were provided with drawing books and colour pencils for the event.

In India, close to 44 million children do not attend schools. In addition, nearly 2.7 million children drop out of schools every year. Access to quality education at our operational areas, thus, remains a commitment of considerable importance.

Going forward, we aim to focus on introducing alternative and practical educational techniques and methods. This is in addition to supporting rural schools with basic infrastructure, books and learning aids. Besides supporting existing schools, we also aim to construct additional schools in isolated areas close to operational sites.

During the year, we aim to expand the size and scale of our educational activities at most of our operational sites. This includes expansion of pre-school education interventions and partnering with local communities. This is aimed towards setting up educational committees to monitor the educational progress of school

children. The committees will also monitor curriculum intervention and pedagogical support and library programmes.

We propose to set up additional centres at the Vadinar and Raniganj sites. This will be based on the demand and success of our existing training and employment centres. These new centres will seek to provide technical training to local youth who seek alternative livelihood opportunities. We will build further on expanding the scope and reach of our health care centres and clinics.

### ENTREPRENEURSHIP AND WOMEN EMPOWERMENT

As entrepreneurship forms a key pillar of our social responsibility philosophy, we strive to create enabling environments for community members. At the villages in Vadinar, Essar Oil conducts three-month long programmes in adult education, computer education, stitching and general English speaking courses.



> COMPUTER CENTRE



## ESSAR OIL SUMMARY

OUR EXPANDED REFINERY IS CAPABLE OF PRODUCING AROUND 80% OF LIGHT AND MIDDLE DISTILLATES AS COMPARED TO 67% IN PRE-EXPANSION ERA.

**THE COMPANY WILL REQUIRE AROUND 85-90 MILLION BARRELS OF ULTRA-HEAVY CRUDE FOR THE EXPANDED REFINERY.**

We have successfully completed refinery expansion virtually to build world-class highly complex refinery of 20 MMTPA. Our Refinery has the capability to process any crude available in global market and produce world-class product to cater domestic as well as global demand. Presently, we are capable of processing around 60% of ultra-heavy crude as compared to 20% earlier. Further, the capability to process avg. API has also improved to 25/26 as compared to avg. API of 32/33 for pre-expanded refinery.

Our expanded refinery is capable of producing around 80% of light and middle distillates as compared to 67% in pre-expansion era. The Company will require around 85-90 million barrels of ultra-heavy crude for the expanded refinery. The Company would be sourcing 15-20% of its crude requirement from the domestic market; 35-40% from

the Latin American sources and 30-40% from West Asia.

The Company sells one third of its products in the exports market, mainly Gasoline and Fuel Oil. Post expansion, main export products would be Gasoline, Gasoil, and VGO. EOL is planning to leverage the presence of its parent company, Essar Energy, in product deficit markets and sharing of streams, like moving VGO to Stanlow, amongst refineries. The Company is targeting Australia, New Zealand and north-west Europe for exporting high quality fuels.

The Optimisation Project, a classic case of in-house innovation under which VBU converted CDU is used to process ultra-heavy crudes on standalone basis. It will bring additional saving in the form of reduction in overall crude cost.



> UTILITIES AREA AT VADINAR



> A SECTION OF THE CDU AT VADINAR

From the third quarter of 2012, we would replace our liquid fuel/ Natural Gas fired power plant with Coal fired power plant. This will provide a boost of minimum US\$1/ bbl to our gross refinery margin. Expanded Refinery along with other process innovations/ improvement would provide quantum jump in our profitability and cash flow.

Historically, Vadinar refinery made around US\$ 3.0/bbl margin over IEA Singapore margin but, now, with completion of expansion projects and implementation of coal based power plant, the refinery is set to deliver US\$ 7/ US\$ 8 margin over IEA margin. In other words, your Company is well equipped to face any cyclical changes happening in refinery Industry.

Vadinar Refinery has been built with very competitive capital cost of US\$ 12,750/ per barrel as against

global average of US\$ 23,000/bbl and Indian avg. of US\$ 18,000/ bbl. Its operating cost at ~USD 2.50/bbl, is also very competitive as compared to other refineries in India and very low as compared to operating cost of other global refineries at the west.

The West Bengal State Government granted Petroleum Mining Lease for the entire block area at Raniganj on June 29, 2012, paving the way for fast track development of the block. As of now, the Company has drilled over 100 wells, producing ~43,000 scmd of CBM gas. Nearly 10 rigs are already operating at site and 20 more rigs will be deployed to achieve fast-track development of CBM block. Environment clearance for phase I (15 test wells) and phase II (58 wells) received. Final environmental approval from MoEF for phase III and pricing approval from the government for commercial sales is expected shortly.

The CDR core group approved the CDR exit proposal of the Company. Under the scheme, the existing CDR debt facility of ₹ 9,400 crore will be replaced by new facilities on revised terms with similar group of lenders. CDR exit will not only provide operational flexibility to the Company but also offer an opportunity to reduce overall cost of debt by replacing existing rupee debt with foreign currency debt.

The RBI in its recent guidelines has permitted the corporate to raise External Commercial Borrowing to refinance the existing rupee debts of the Company. The ECB eligibility of the Company under

the guideline has been fixed at 50% of the past 3 years exports. Accordingly, your Company had sought and obtained the RBI's approval to raise US\$ 1.5 billion of ECBs, which will reduce the overall cost of debt of the Company.

Further, the Supreme Court has passed the judgement in the Gujarat sales tax case directing the Company to pay the balance sales tax dues of ₹ 5,169 crore in eight quarterly instalments starting from January 2013. The amount has to be paid with an interest of 10% per annum for the period beyond January 17, 2012 as against the 18% per annum demanded by the state government. The demand of Gujarat State for around ₹ 1,800 crore as interest for the period up to January 17, 2012, is not payable in view of this decision. With this judgement, the whole matter of Gujarat Sales Tax repayment has come to conclusion.

With completion of our expansion projects, the capex cycle for the Company has come to an end. The free cash flow generated from refinery business will be mainly used to deleverage the balance sheet thereby correcting the leverage to maximise the shareholders value.

## BOARD OF DIRECTORS' PROFILES



### SHASHI RUIA

Chairman & Promoter Director

**Mr. Shashi Ruia, Chairman,** is a first generation entrepreneur industrialist. He has made invaluable contributions towards strengthening the core and infrastructure sectors in India and has steered the Essar Group to a premiere position in global industry. He began his career in

the family business in 1965 under the guidance of his father late Mr. Nand Kishore Ruia. Along with brother Ravi, Shashi Ruia founded the Essar Group, which today is a multinational conglomerate with operations in more than 25 countries, employing 75,000 people, and revenues of US\$17 billion. Essar Group is a leading player in the sectors of Steel, Oil & Gas, Power, Communications, Shipping Ports & Logistics, Construction and Minerals. Mr. Shashi Ruia's vision saw the Essar Group gain a first mover advantage in many of these businesses. Mr. Shashi Ruia has masterminded the Group's business strategy and consolidated a range

of activities through backward and forward integration. This has enabled the Group unleash unique synergies across its businesses. Mr. Shashi Ruia was on the managing committee of the Federation of Indian Chambers of Commerce and Industry (FICCI) and has been the chairman of the Indo-US Joint Business Council and is a former president of National Shipowners Association. In 2007, Mr. Shashi Ruia joined the elite list of achievers, who will fund 'The Elders', a group of world renowned personalities who have joined hands to tackle the world's most difficult problems. Mr. Shashi Ruia is a recipient of the Business India Businessman of the Year award 2010.



### PRASHANT RUIA

Promoter Director

**Mr. Prashant Ruia** has been actively involved with Essar Group's operations and management since 1985 and

spearheads the Group's growth and diversification both within India and internationally. He is known for his project execution skills, financial expertise and people management capabilities. He was instrumental in commissioning of the Vadinar refinery in record time and the acquisition of Algoma Steel in Canada.

He holds several key positions on various regulatory and professional boards. He was recently appointed on the Audit Committee of World

Steel Association. He is a member of the Energy Board Room at the World Economic Forum. He has also served as Chairman of the Hydrocarbons Committee of the Confederation of Indian Industries in 2008 and as member of the Prime Minister of India's Advisory Council on Trade & Industry in 2007. He is Chairman on the board of Essar Energy plc, which listed on the London Stock Exchange in May 2010.





## NARESH NAYYAR

Dy. Chairman

**Mr. Naresh Nayyar** joined the Board on October 15, 2007 as Managing Director. He resigned from the position on December 2, 2011 to

focus on wider responsibilities of the Energy business portfolio of Essar Group. He continues on the Board as Non Executive Director and has been assigned the newly created role of Deputy Chairman. He has more than 35 years' experience in the oil & gas industry. Prior to joining Essar Oil, Mr. Nayyar was in ONGC Mittal Energy Ltd. where he was instrumental in steering its growth through mergers and acquisitions. Prior to that he served with Indian Oil Corporation since 1975 where he rose to become its Director (Planning

& Business Development) on the Board, after having handled several key assignments in planning and business strategy, finance, treasury and international trade. Mr. Naresh Nayyar has been a nominee of IOC on the Board of reputed companies like ONGC, IBP and Petronet LNG and also Chairman of Lanka IOC Ltd., Sri Lanka and Indian Oil Panipat Power Consortium Ltd.

He is a Chartered Accountant and an alumnus of the Indian Institute of Management, Ahmedabad.



## L. K. GUPTA

Managing Director & CEO

**Mr. L. K. Gupta** is the Managing Director and Chief Executive Officer of Essar Oil Ltd. since December 2, 2011. In his current position he is responsible for

managing downstream oil business of Essar Oil Limited.

Mr. Gupta has 31 years of leadership experience in core sectors of Energy (Oil & Gas), Utilities (Power) and Steel. Before joining Essar Oil, he was CEO and Joint Managing Director of JSW Energy Ltd. from June 2010, where he was heading the integrated business of Power Generation, Transmission and Trading of more than 3500 MW Power Plants. Prior to this from May 2006 he was Director (Finance) with Mangalore Refinery & Petrochemicals Ltd., an

ONGC subsidiary. At MRPL he was responsible for Finance, Taxation, Insurance, Legal and Commercial function as well as International Trade including Crude Procurement Strategy and Strategic Management of major Expansion projects. He was recognised by CNBC TV18 as the Best Performing CFO in the Indian Oil & Gas sector in 2008-2009.

Mr. Gupta is a Rank Holder Chartered Accountant, a Company Secretary and holds a Bachelors Degree in Commerce (Gold Medallist), from Jiwaji University, Gwalior.



## C. MANOHARAN

Director (Refinery)

**Mr. C. Manoharan** was appointed as Director (Refinery) on March 29, 2012. He joined Essar Oil Limited as

Head of Refinery in May 2008. He started his career as Engineer Trainee in 1977 at Indian Oil Corporation Limited (IOCL), Gujarat Refinery, Baroda. He handled a variety of key assignments in various positions in Refining Operations, Maintenance, and Technical Services at Gujarat Refinery, Panipat Refinery as well as Head Office (Refinery Division). His last assignment with IOCL was at Panipat Refinery as Executive Director. Mr. Manoharan has also

worked for 2 years on deputation to Nigeria providing technical assistance to the operating personnel at Port Harcourt Refinery of NNPC. He was a Board member and also served as Chairman of Indian Oil Technologies Limited. He also has the distinction of being the first Indian to be on the panel of NPRA's Q&A 2003 session held at New Orleans in U.S.A. He is a Chemical Engineer from Calicut University, Kerala.



**PHILIP AIKEN**

Director

**Mr. Philip Aiken** was appointed to the board of directors on August

14, 2012. He has over 35 years of experience in industry and commerce. Mr. Aiken is currently Sr. Independent Director of Essar Energy Plc and Kazakhmys Plc, a Non-Executive Director of National Grid Plc and Miclyn Express Offshore and was recently appointed Chairman of the AVEVA Group. He has held senior positions with BTR and the BOC Group in the UK and

Australia. Previous appointments include Group President Energy, BHP Billiton and President BHP Petroleum, Chairman of the 2004 Sydney World Energy Congress and a board member of Governor of Guangdong International Consultative Council, World Energy Council and Monash Mt Eliza Business School. He has done his Bachelor of Engineering (Chemical) from Sydney University.



**DILIP J. THAKKAR**

Independent Director

**Mr. Dilip J. Thakkar** was appointed to the board of directors on November 3, 1994. He is a practicing chartered accountant, with over 51 years' experience in taxation and foreign exchange

regulations. He is associated with several public and private companies as a director.

He is a Fellow of the Institute of Chartered Accountants of India.



**K. N. VENKATASUBRAMANIAN**

Independent Director

**Mr. K. N. Venkatasubramanian** was appointed to the board of directors on November 29, 2000. He has over 50 years of experience in the oil & gas and petrochemicals sectors having worked for IPCL, IOCL and Gulf Oil Limited. He has previously served as Director, Marketing and Director, Operations of IPCL, Chairman and Managing

Director of Engineers India Ltd., Chairman and Managing Director of IOC and as Chairman of Gulf Oil Ltd. He is currently Chairman of Times Technoplast Ltd.

He is a chemical engineer from A.C. College of Technology, Chennai and an M.Tech from IIT, Kharagpur.



**K. V. KRISHNAMURTHY**

Independent Director

**Mr. K. V. Krishnamurthy** was appointed to the board on January

22, 2010. He has more than 33 years' experience in public sector banking. His expertise includes domestic and international banking, treasury management, risk management, foreign exchange management and human resource management. He is credited with the remarkable turnaround of both Bank of India and Syndicate Bank, two leading nationalised banks. He has been the chairman/director of nationalised banks including Bank of India, Bank

of Baroda, Syndicate Bank and other financial institutions including Indo Hong Kong International Finance Company Ltd., Export Credit Guarantee Corporation of India and Agricultural Finance Corporation of India Ltd. Mr. Krishnamurthy is also a director on the board of various Indian public limited companies.

He is a Chartered Accountant and a fellow of the Indian Institute of Bankers, having previously served as a member of its Governing Board.



### MELWYN REGO

Nominee of IDBI Bank Ltd.

**Mr. Melwyn Rego** was appointed to the board of directors on October 18, 2010. He joined IDBI in February 1984. His assignments were in the areas of Rehabilitation Finance, Project Finance, Treasury and International Banking. In September 2003, Mr. Melwyn Rego was

appointed as Managing Director & CEO of IDBI Homefinance Ltd., a position he held upto December 2007 whereafter he returned to IDBI Bank. He is currently Executive Director at IDBI Bank Ltd. He is a Bachelor of Commerce and an MBA.



### SUNEET SHUKLA

Nominee of IFCI Ltd.

**Mr. Suneet Shukla** was appointed to the board of directors on November 9, 2012. He has worked in manmade fiber industry for 9 years before joining IFCI Limited in April 2000. At IFCI he gained vast experience in all the dimensions of project financing, structured financing and equity/equity related structures. He headed the Hyderabad Regional Office of

IFCI Ltd. for more than two and half years and is currently heading the Mumbai Regional Office since April 2011.

He is a graduate in Chemical Technology from HBTI, Kanpur, a CAIIB from Indian Institute of Banking and Finance and has done MBA (Banking and Finance) from IGNOU.



### VINAY K. SINHA

Nominee of LIC of India

**Mr. Vinay K. Sinha** was appointed to the board of directors on October 30, 2006. Prior to his retirement, Mr. V. K. Sinha was the zonal manager of the northern zone, Life Insurance Corporation of India ("LIC") at New Delhi where he headed the offices of LIC situated in 6 states: Delhi, Punjab, Haryana, Rajasthan, Himachal Pradesh and Jammu &

Kashmir. He started his career as a Direct Recruit Officer in 1977 and in a career spanning more than 3 decades, he has held prominent positions as Sr. Divisional Manager (in-charge) of Jamshedpur and Muzaffarpur for the LIC.

He holds a Bachelor of Arts (Honours) degree.



> A SECTION OF THE CDU AT VADINAR



# DIRECTORS' REPORT

## To the Members of Essar Oil Limited

Your Directors have pleasure in presenting the 22<sup>nd</sup> annual report & audited accounts of the Company for the financial year ended March 31, 2012.

	(₹ in Crore)	
	2011-2012	2010-2011
Gross Revenue from Operations	63,427.77	53,191.81
Net Revenue including other income	58,761.39	47,342.21
Earnings before Finance cost, depreciation and amortization, exceptional items and Tax	2,100.76	2,779.49
Profit / (Loss) before Taxes and Exceptional Items	(48.02)	828.39
Less: Exceptional items	1,237.46	1,083.43
Less: Provision for Income Tax / Deferred Tax Liability	-	(3.35)
Net Profit / (Loss) after tax	(1,285.48)	(251.69)
Add: Balance brought forward from previous year	(2,879.34)	(2,627.65)
Balance to be carried to Balance Sheet	(4,164.82)	(2,879.34)

## Financial results

This financial year has been a year of significant importance since the refinery was able to increase its capacity from 10.5 MMTPA to 18 MMTPA with improved complexity from 6.1 to 11.8. Subsequent to financial year ending March 31, 2012, your Company has added another 2 MMTPA capacity by undertaking certain optimization activities taking the total refining capacity to 20 MMTPA. During the year, the Company recorded a strong revenue growth of 19% at ₹63,428 crore, up from ₹53,192 crore in the previous financial year before reversal of sales tax benefit. This growth is primarily driven by increased product prices, partly offset by reduction in the sales quantity on account of the planned refinery shut down undertaken during September-October 2011 for tie-in of new units to expand the refining capacity to 18 MMTPA and to carry out routine maintenance activities. The Current Price Gross Refinery Margin (CP GRM) (excluding sales tax benefit) for the refinery business is US\$4.23 per barrel compared to US\$4.53 per barrel for the previous financial year. The EBIDTA for the current financial year has decreased to ₹ 2,101 crore from ₹ 2,779 crore for last financial year. This is mainly on account of decrease in refinery throughput due to the planned shutdown, decline in gross refinery margin, MTM provision for forex losses, shutdown expenditures and reduction in income on account of non defeasement of sales tax incentive post passing of order of Hon'ble Supreme Court. For the financial year ended March 31, 2012, the loss before and after tax is due to lower EBIDTA as explained above, exceptional items on account of reversal of assignment income arising out of defeasement of sales tax incentive benefits of

₹778 crore for the period from April 2011 to December 2011 subsequent to the Hon'ble Supreme Court order dated January 17, 2012 denying the Gujarat Sales tax incentive benefit to the Company, creation of provision of sales tax interest of ₹ 83 crore for the period from January 17, 2012 to March 31, 2012 and creation of a provision of ₹ 376 crore in accordance with Corporate Debt Restructuring (CDR) Exit proposal approved by CDR Core Group. The Company reported negative PAT (after exceptional items) for current financial year at ₹ (1,285) crore as against previous year figure of ₹(252) crore.

During the financial year, the Company has modified the terms of the outstanding Foreign Currency Convertible Bonds aggregating to US\$262 million making them compulsorily convertible into equity shares or Global Depository Shares. The Bonds were originally convertible at the option of the Bond holders.

Due to absence of profits during the financial year, the Board has not recommended any dividend for the year. Information on the operational performance, etc. of the Company for the financial year is given in the Management Discussion and Analysis which is annexed to the Directors' Report.

A statement containing salient features of the audited Balance Sheet as at March 31, 2012, Statement of Profit and Loss and Cash flow Statement for the year ending on that date and Auditors Report on the Abridged Financial Statements along with Auditors Report on the full financial statements forms part of the Annual Report.

With reopening of accounts of proceeding three financial years, as explained in subsequent paras, the financial statements for financial year 2011-12 approved by the Board of Directors on May 12, 2012 have consequently been revised and approved by the Board of Directors on November 9, 2012.

## Sales Tax Incentive

The Hon'ble Supreme Court of India, on January 17, 2012, allowed an appeal filed by the Gujarat Government and set aside the judgment of the Gujarat High Court dated April 22, 2008, thus denying the Company benefits under a sales tax incentive scheme of the Government of Gujarat to the Company. Hence, the sales tax amount collected and retained by the Company since May 1, 2008 to January 17, 2012 became payable.

Subsequent to above order, the Company received demand notices from the Gujarat Government for repayment of the full amount of sales tax deferment liability of ₹ 6,169 crore collected by the Company along with applicable interest (i.e. 18% p.a.).

While the Company started paying the Sales Tax / VAT collected from the date of Supreme Court judgement i.e. January 17, 2012, it also submitted a proposal on April 5, 2012 to the Gujarat Government for remission of the whole amount of interest on the tax amount payable and also to allow the Company to pay the tax amount without interest in convenient instalments. This was not accepted by the Government. The Company therefore filed a writ petition on May 7, 2012 before the Hon'ble Gujarat High Court which was dismissed by the Hon'ble High Court on June 25, 2012.

## DIRECTORS' REPORT

The Company filed a Special Leave Petition ('SLP') before the Hon'ble Supreme Court on July 10, 2012 against this order of Gujarat High Court. In compliance with the directives of the Supreme Court, the Company paid an amount of ₹1,000 crore on July 26, 2012 against the sales tax dues. The Supreme Court vide its order dated September 13, 2012 directed the Company to pay interest @ 10% p.a. on the sales tax dues with effect from January 17, 2012 and also to repay the sales tax amount in eight equal quarterly installments along with interest starting from January 2, 2013.

### Re-opening of books of accounts for financial years 2008-09, 2009-10 and 2010-11

As a consequence of the above-referred Supreme Court order, to reflect a true and fair view in the books of account for the three financial years ended on March 31, 2009, March 31, 2010 and March 31, 2011 based on the permission received from the Ministry of Corporate Affairs, the Company proposes to re-open the books of accounts and financial statements for the said three financial years. Necessary resolution seeking approval of shareholders for re-opening of the said financial statements has been incorporated in the Notice convening the ensuing Annual General Meeting. Except for reflecting true and fair view of the sales tax incentives/liabilities etc. concerning the Government of Gujarat there is no material change in the reopened and revised accounts of the Company.

Consequent to reopening of the books of account for the above three financial years, the financial statements for these years have been revised. The statement containing the salient features of the reopened and revised audited Balance Sheets, Statements of Profit and Loss, Cash Flow statements and auditors reports on the abridged revised financial statements for the financial years 2008-09 to 2010-11 along with Auditors' report on full revised financial statements and amendments to Directors' Reports for respective financial years form part of the Annual Report. With amendment in the aforementioned financial statements, there are corresponding changes in the consolidated financial statements of the Company and its subsidiaries prepared in accordance with Accounting Standard AS 21 for the financial years ended on March 31, 2009 and March 31, 2010. Accordingly, statements containing the salient features of the reopened and revised audited Consolidated Balance Sheets, Statements of Profit and Loss, Cash flow statements and auditors' reports on the abridged revised consolidated financial statements for the financial years 2008-09 and 2009-10 form part of the Annual Report.

### Corporate Debt Restructuring

A debt restructuring package for the Company, under the Corporate Debt Restructuring Scheme, of Reserve Bank of India was approved by the lenders to the Refinery Project in 2003. Subsequent to this, the Company successfully completed the Refinery Project in 2008.

During the year, the Company sought approval of its lenders to exit from the CDR scheme. The CDR Core Group has approved the CDR exit proposal at its meeting held on June 29, 2012. The

major commercial terms and conditions of CDR exit have been approved and detailed terms and conditions of CDR exit are to be discussed and decided in subsequent lenders' meetings.

CDR exit will give the Company greater financial and operational flexibility. Various stringent covenants like raising further borrowing, dividend payments, undertaking new projects, making new investments, etc. will be relaxed. Offshore lenders will be able to participate in project refinancing and working capital facilities.

### Directors

During the year Mr. Naresh Nayyar relinquished the role of Managing Director & CEO and was assigned the newly created role of Deputy Chairman. Further, during the year, Mr. L K Gupta has been appointed as Managing Director & CEO with effect from December 2, 2011. Also, Mr. C Manoharan has joined the Board as Director (Refinery) with effect from March 29, 2012, Mr. Philip Aiken an Independent Director on the Board of parent company; Essar Energy Plc has joined the Board as Promoter company representative with effect from August 14, 2012. Mr. Prashant S Ruia had resigned from the Board with effect from April 23, 2012. Subsequently, he has been appointed as Director

*This financial year has been a year of significant importance since the refinery was able to increase its capacity to 18 MMTPA and also improve its complexity from 6.1 to 11.8. Subsequent to the financial year ending, your Company has added another 2 MMTPA capacity by undertaking certain optimization activities taking the total refining capacity to 20 MMTPA. During the year, the Company recorded a strong revenue growth of 19% at ₹ 63,428 crore, up from ₹ 53,192 crore in the previous financial year before reversal of sales tax benefit.*

## DIRECTORS' REPORT

with effect from August 14, 2012. Mr. P Sampath resigned as Director from the Board during the year. Mr. Anshuman S. Ruia resigned as Director with effect from August 7, 2012. Mr. Suneet Shukla joined as nominee of IFCI Ltd. on the Board in place of Mrs. Manju Jain with effect from November 9, 2012. The Board wishes to place on record its appreciation for the guidance and valuable services rendered by Mr. Anshuman S Ruia, Mr. P Sampath and Mrs. Manju Jain during their tenures as members of the Board.

Mr. Naresh Nayyar and Mr. Dilip J Thakkar retire by rotation at the ensuing Annual General Meeting (AGM) and offer themselves for re-appointment. Mr. L K Gupta and Mr. C Manoharan are proposed to be appointed as Managing Director & CEO and Director (Refinery) respectively at the AGM. Further, it is proposed to appoint Mr. Prashant S Ruia and Mr. Philip Aiken as Non Executive Directors, liable to retire by rotation, at the AGM. Particulars of the directors being re-appointed/appointed, as required under clause 49 of the listing agreement with the Stock Exchanges, are given in the Notice / Explanatory Statement convening the ensuing Annual General Meeting, forming part of the Annual Report.

### Directors' Responsibility Statement

Pursuant to the provisions of section 217(2AA) of the Companies Act, 1956, it is hereby confirmed:

- i) that in the preparation of the accounts for the financial year ended March 31, 2012, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for that period;
- iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safe guarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) that the Directors have prepared the accounts for the financial year ended March 31, 2012 on a 'going concern' basis.

### Corporate Governance

In terms of clause 49 of listing agreement with the Stock Exchanges, a certificate from the auditors of the Company on compliance of conditions of Corporate Governance is annexed to the Directors' Report. A report on Corporate Governance as provided in clause 49 of the listing agreement is included in the Annual Report.

### Employees Stock Option Scheme

The Company has introduced Essar Oil Employees Stock Option Scheme – 2011 (Scheme). The disclosures required to be made under the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (Guidelines) is enclosed as Annexure B forming part of this report. A certificate obtained from the auditors confirming compliance with the Guidelines and shareholders resolution approving the Scheme will be placed before the shareholders at the Annual General Meeting.

### Particulars of Employees

Information as per section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, is given in the Annexure forming part of this Report. However, as per the provisions of section 219(1)(b)(iv) of the said Act, the Report and Accounts are being sent to all shareholders of the Company excluding the statement of particulars of employees under section 217(2A) of the said Act. Any shareholder interested in obtaining a copy of this statement may write to the Company Secretary, for the same, at the Registered Office of the Company.

### Energy, Technology Absorption and Foreign Exchange

The particulars as prescribed under section 217(1)(e) of the Act read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are set out in Annexure A to this Report.

### Fixed Deposits

Your Company has not accepted any public deposits under section 58A of the Companies Act, 1956 during financial year under report.

### Holding Company

The Company, within the meaning of section 4(6) of the Companies Act, 1956, is an indirect subsidiary of Essar Oil & Gas Limited, Mauritius (formerly known as Vadinar Oil), which along with its subsidiary holds 87.09% of the total share capital. Essar Oil & Gas Limited in turn is a wholly owned subsidiary of Essar Energy Plc.

### Subsidiary Company

During the financial year, Essar Oil Mauritius Limited, Mauritius (EOML), has become subsidiary of the Company. The paid-up capital of EOML is US\$1.00. There were no operations in EOML during the financial year. As required under section 212 of the Companies Act, 1956, the audited financial statements along with the Directors' Report and Auditors' Report thereon of the subsidiary company for the financial year ended as on March 31, 2012 are included in the Annual Report. The control on EOML is intended to be temporary. Hence, consolidated financial



## DIRECTORS' REPORT

statements are not prepared as per AS 21 on Consolidated Financial Statements.

### Auditors and Auditors' Report

M/s. Deloitte Haskins & Sells, Chartered Accountants, Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting.

M/s. Deloitte Haskins & Sells, Chartered Accountants, have informed the Company that, if appointed, their appointment will be within the limits prescribed under section 224(1B) of the Companies Act, 1956. Accordingly, the members' approval is being sought to their appointment as the Auditors of the Company at the ensuing Annual General Meeting. Our comments on the Audit observations are as below:

- (i) Auditors have drawn attention that the accumulated losses of the Company as on March 31, 2012 are more than 50% of its net worth.

To improve the net worth, during the year the terms of Foreign Currency Convertible bonds (FCCBs) have been amended whereby the above bonds have now become compulsorily convertible into equity shares / Global Depository Shares (GDSs) on the same terms and conditions. Terms and conditions of FCCBs are mentioned in note 2 to Abridged Revised Financial Statements (note 6 to the full financial statements).

The Company has incurred cash losses during the year mainly due to reversal of income recognized during Financial Years 2008-09 to 2011-12 by defeasance of sales tax liability as detailed in Note 10 to Abridged Financial Statements (note 38 of the full financial statements). There were no cash losses in the preceding financial year. With the refining capacity increased to 20 MMTPA coupled with improved complexity, the revenues and profitability of the Company are expected to significantly improve.

- (ii) On use of funds raised on short term basis amounting to ₹ 3,180.62 crore for long term investment / purposes, the Company had received a sanction letter for a loan of ₹ 1,133 crore on December 29, 2010 from a Bank to part fund the Optimization Project. Under this arrangement, the Company availed ₹ 500 crore Interim facilities in the form of letter of credit / letter of undertaking (LC/LUT) Facilities. The Company had finalized long term Rupee Term Loan

(RTL) facility agreement in July 2012 and under this RTL agreement, LC/LUT can be converted into long term loan. Pending disbursement of the loan as on March 31, 2012, the Company has utilized short term funds in form of project creditors / ICDs for the project temporarily. This will be progressively replaced by long term funds, once the term loan is disbursed.

Hon'ble Supreme Court of India, vide its order dated September 13, 2012 directed the Company to pay the outstanding sales tax amount in 8 equal quarterly installments along with interest from January 2, 2013. The Company in the meanwhile has tied up with a Bank for availing facilities of up to ₹ 5,000 crore for meeting the sales tax and other obligations.

Other observations of the Auditors in the Audit report, if any, are explained, wherever necessary, in the appropriate notes to accounts and are self-explanatory.

### Cost Auditors and Cost Audit Report

M/s. Chandra Wadhwa & Co. were appointed as the Cost Auditor for the financial year ended March 31, 2012. The cost audit report for financial year ended March 31, 2012 will be filed with the Registrar of Companies, Gujarat within the prescribed time period.

### Acknowledgement

The Board wishes to express appreciation and place on record its gratitude for the faith reposed in and co-operation extended to the Company by the Government of India, state governments, various government agencies/departments, financial institutions, banks, customers, suppliers and investors of the Company. Your Directors place on record their appreciation of the dedicated and sincere services rendered by the employees of the Company.

For and on behalf of the Board of Directors

**LALIT KUMAR GUPTA**      **NARESH NAYYAR**  
Managing Director & CEO      Deputy Chairman

Mumbai, November 09, 2012

## ANNEXURE A TO THE DIRECTORS' REPORT

Statement of particulars under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988

### A. Conservation of Energy

#### a) Energy Conservation measures taken:

In the Refinery at Jamnagar several initiatives have been taken for conservation of energy which has consistently improved the Company's energy consumption pattern. Refinery's fuel and loss has reduced considerably since its commissioning which has been achieved by persistent efforts by refinery team for energy conservation. A separate Energy Cell has been formed to look after all energy conservation activities as listed below:

- i) Mapping of Refinery energy consumptions along with regular monitoring and optimization of energy critical parameters;
- ii) Minimization of heat loss from steam piping through insulation repair / replacement / up gradation;
- iii) Regular steam traps and steam leakage audits to minimize preventable steam losses;
- iv) Minimizing power consumption through optimum selection/loading of drives; and
- v) Third party energy audit and benchmarking of Energy Consumption by Solomon for Fuel and loss optimization.

On energy conservation front, the Refinery has received following awards:

- 2nd Prize for performance in Energy Optimization and Hydrocarbon Loss Management by Center for high technology under Ministry of Petroleum & Natural Gas (CHT) for Jawaharlal Nehru Centenary Awards – 2011; and
- 3rd Prize for managing Steam Leaks by CHT during Oil and Gas Conservation Fortnight (OGCF-2011) survey.

In the Coal Bed Methane (CBM) fields at Raniganj, West Bengal all well head pumps are powered by VFD (Variable Frequency Drive) driven motors for power optimization. Since all the power requirement is catered by in house power generation from CBM gas, there is no consumption of any power from domestic grid.

#### b) Additional Investments and proposals, if any, being implemented for reduction of consumption of energy:

In the Refinery:

- i) Up-gradation of HP Steam header insulation to minimize insulation loss and save energy to the tune of 1200 MT of fuel equivalent per annum;
- ii) Commissioning of recontacting modification in SGU to minimize the energy consumption and saving to the tune of ₹485 lakh per annum;
- iii) Maximization of hot feed to FCCU; and
- iv) Increasing extraction of steam from 104 to 140 TPH in power plant (77MW) Steam Turbine generators equivalents to 2 MW power recoveries.

In the CBM fields

1. Gas gensets are being installed for all upcoming wells.
2. Gas engine driven compressors will be used in place of motor driven compressors at all future Gas Gathering Stations for low pressure compression.
3. Gas Turbines will be used for high pressure compression for supplying gas to customers in place of High Tension power from grid.
4. Power supply to entire water treatment plant will be catered by gas engine generators.

#### c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:

Implementation of the energy conservation measures identified above have already started accruing benefits to the Refinery on a recurring basis.

The energy conservation measures undertaken at the CBM fields have resulted in reduction in power requirement from the grid thus reducing cost of energy consumption. In-house power generation will lead to increased reliability of continuous operations. Gas gensets in place of diesel gensets will reduce both the energy costs and also carbon footprint.

## ANNEXURE A TO THE DIRECTORS' REPORT

d) Total energy consumption and energy consumption per unit of production as per Form 'A' is attached hereto:

## FORM A

	2011 - 12	2010-11
<b>A POWER AND FUEL CONSUMPTION:</b>		
<b>1 Electricity</b>		
<b>(a) Purchased</b>		
Unit ('000 KWH)	41,842.64	89,628.54
Rate / Unit (including minimum demand charge)	11.92	6.27
Total Amount (₹ in lakh)	4,989.24	5,621.32
<b>(b) Own Generation</b>		
(i) Through Diesel Generator	NA	NA
Unit ('000 KWH)		
KWH per litre of diesel oil		
Cost / Unit (₹ /KWH)		
(ii) Through Steam Turbine/Generator Unit ('000 KWH)	573,364.50	478,227.60
KWH per litre of Fuel Oil/Gas	3.29	3.32
Cost / Unit (₹ /KWH)	11.87	10.26
<b>(c) Electricity Consumed (a+b) ('000 KWH)</b>	615,207.14	567,856.14
<b>2 Coal (specify quality and where used)</b>	NA	NA
<b>3 Furnace Oil/other Liquid fuels-Purchased</b>		
Quantity (MTs)	0	0
Total amount (₹ in lakh)	NA	NA
Average Rate (₹ /MT)	NA	NA
<b>4 Others/ Internal Generation</b>		
(i) Fuel Gas& Natural Gas		
Unit (MTs)	319,282.89	288,058.93
Total amount (₹ in lakh)	109,093.20	61,353.20
Average Rate (₹/MT)	34,168.20	21,298.84
(ii) Liquid Fuel–Fuel Oil		
a) FO		
Unit (MTs)	273,632.63	323,997.75
Total amount (₹ in lakh)	70,010.54	50,936.69
Average Rate (₹ /MT)	25,585.60	15,721.31
b) HSD, Sour Naphtha		
Unit (MTs)	28,883.03	Nil
Total amount (₹ in lakh)	12,999.98	Nil
Average Rate (₹ /MT)	45,009.04	Nil
(iii) Solid Fuel –Fluidised Catalytic Cracker Coke		
Unit (MTs)	181,200.32	199,823.91
Total amount (₹ in lakh)	39,824.92	26,985.88
Average Rate (₹ /MT)	21,978.39	13,504.83
<b>5 Total Liquid Fuel – (Purchased + Own Generation) (MT)</b>	273,632.63	323,998.00
Total Fuel Gas, Liquid, Solid – (Purchased + Own Generation)	802,998.88	811,880.60
<b>B CONSUMPTION PER UNIT OF PRODUCTION:</b>		
(i) Actual Production (MTs) –	12,673,556	13,894,796
(ii) Consumption per MT of Production		
- Electricity (Purchased + Generated) KWH/MT	48.54	40.87
- Liquid Fuel (FO/LSHS/NAPHTHA) (Purchased + Internal Generation) – MTs	0.024	0.023
- Fuel Gas and natural gas – MTs	0.026	0.021
- FCCU coke – MTs	0.014	0.014



## ANNEXURE A TO THE DIRECTORS' REPORT

### B. TECHNOLOGY ABSORPTION

- e) Efforts made in technology absorption at the Refinery are set out in Form 'B' hereto:

#### FORM B

Research and Development (R & D)

#### 1) Specific areas in which R & D carried out by the Company

- Trials with various additives to enhance properties of bitumen, in particular viscosity, to meet VG30 specs.
- Trials to add value to sulfur.
- Developed adsorbent to improve and stabilize colour of Kerosene.
- Trials to use bitumen as binder for coal briquetting.
- Analytical tool for crude oil characterization being designed and developed.
- Following Crude Assays were carried out using TBP apparatus:

Sr No	Crude Name	Sr No	Crude Name
1	Iran Heavy	17	Espo
2	Basrah Lt	18	Morical-16
3	Mangala	19	Iran Light
4	Nowrooz	20	DFC
5	Qatar low sulfur condensate	21	Murban
6	Forozen	22	Castilla
7	MarunKhami Condensate	23	Azeri
8	Arab Ext.Lt	24	Belayim
9	Isthmus	25	Loreto
10	Bijupura	26	Arab medium
11	Albian Heavy	27	Escalente
12	Marlim	28	Nare Blend
13	PatozMarinza	29	Basrah Light
14	Jubarte	30	Upper Zakum
15	Qarun	31	Maya
16	Cold Lake	32	Kuito

#### 2) Benefits derived as a result of the above R&D

- Field trials with one of the additives for enhancing viscosity of bitumen were successfully implemented.
- Valuation to sulfur, study is in progress.
- Improved adsorbent shall enhance colour of kerosene and also life of adsorbent.

- Bitumen as binder shall utilize the coal fine powder and safe handling.
- The analytical tool is currently under fabrication. It shall improve the utilization of tougher crudes through appropriate blending and thereby enhance the GRM.
- Enhanced use of heavy / high sulfur crudes.

#### 3) Future plan of action –

Continuation of current R&D activities.

#### 4) Expenditure on R & D: ₹ 233.52 lakh

- Capital – ₹ 177.13 lakh
- Recurring – ₹ 56.39 lakh
- Total – ₹ 233.52 lakh
- Total R & D expenditure as a percentage of total turnover–negligible.

### Technology, absorption, adaptation and innovation

#### 1) Efforts, in brief, made towards technology absorption, adaptation and innovation

The Company has commissioned the Refinery Expansion Project in March, 2012 making it one of the most complex and modern refineries of the world and India's second largest single-location refinery, with an annual capacity of 18 million metric tones per year (MMTPA), or 375,000 barrels per day (bpd). Refinery Expansion project Unit capacities are tabulated below:

Sr. No.	Description	Capacity	Process Licensor
1	ISOM (Isomerisation Unit)	0.7 MMTPA	UOP
2	VG0HDT (Vacuum Gasoil Hydrotreater)	6.2 MMTPA	UOP (VGO and Coker Naphtha Processing)
3	DHDT (Diesel Hydrotreater)	3.8 MMTPA	UOP
4	DCU (Delayed Coker Unit)	6.6 MMTPA	CB&I Lummus (earlier ABB)
5	HMU – I (Hydrogen Manufacturing Unit)	130,000 Nm <sup>3</sup> /hr	HALDOR TOPSOE
6	SRU – I (Sulphur Recovery Unit)	675 TPD	JACOBS
7	SWS – I (Sour Water Stripper)	1.95 MMTPA	UOP
8	ARU – I (Amine Regeneration Unit)	7.80 MMTPA	UOP

- The DCU, which is among the world's largest units of its type, is a key addition to Vadinar Refinery because of its ability to convert bottom-of-the-barrel vacuum residue into valuable products such as gasoil, gasoline and vacuum gas oil.

## ANNEXURE A TO THE DIRECTORS' REPORT

- With a capacity of 6.5 million tons, the VGOHDT is among the largest units of its kind. It will help the refinery produce low Sulphur, high octane gasoline (petrol). The unit is also capable of producing naphtha, kerosene and gas oil (diesel).
- Sulphur recovery unit will help the refinery to recover 99.9 per cent of sulphur in acid gases. The SRU plays a key role in helping the refinery meet the latest emission norms. Addition of a new SRU to the refinery configuration will also enable EOL to process sour and opportunity crudes.
- The Company has also commissioned a state-of-the-art effluent treatment plant (ETP) with a capacity of 540 cubic metres per hour. The treated water will be reused for cooling tower or for the generation of demineralised water through the RO plant.

Apart from the Expansion Project, an Optimization Project has been commissioned in June 2012 at the Vadinar Refinery to further increase the capacity to 20 MMTPA (405,000 bpd).

### 2) Benefits derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution, etc.

With commissioning of new facilities and use of latest technologies the Refinery has become one of the most complex and modern refineries of the world. The refinery now has a complexity of 11.8 up from 6.1 previously. The capacity expansion and complexity enhancement gives the Refinery, the capability to process over 80 per cent heavy and ultra-heavy of lower cost crude oils. Today the Refinery is capable of producing Euro V grade fuels which are able to meet the most stringent quality requirements. With enhanced capabilities, the Refinery is helping to cope up with the growing fossil fuel demands of our country.

### 3) In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished :

- a) **Technology imported:**
- i. UOP Technology for major units VHOHT, DHDT, ISOM was imported and implemented for the production of HSD and MS. Technology is proved to be performing well meeting all design specifications.
  - ii. Delayed Coker Unit Technology from Chicago Bridge & Iron Company (CB&I) to convert Vacuum Residue into valuable distillates and petroleum coke through severe thermal cracking and to eliminate production of Fuel oil.

iii. HALDOR TOPSOE, Denmark Technology to manufacture 99.9% pure Hydrogen required for secondary processing units. Guarantee performance test was completed and technology is proved to meet all design specifications and requirements.

iv. JACOBS Technology, USA for Sulfur Recovery Unit.

#### b) Year of import.

All above Technologies imported in 2011-12

#### c) Has technology been fully absorbed?

i) UOP - Yes

ii) CB&I – Yes

iii) HALDOR TOPSOE – Yes

iv) JACOBS- Yes

#### d) If not fully absorbed, areas where this has not taken place, reasons there for and future plans of action

Nil.

### C. Foreign Exchange Earnings and Outgo

- e) Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services and export plans:

The Indian economy has been able to sustain a high rate of growth despite global economic concerns in USA & in the Euro zone. India continues to be heavily dependent on imports for meeting its crude oil requirements. The Company has been able to source some requirements from the domestic market resulting in some reduction in forex outgo. The Company's sales focus had been to supply maximum quantity of its products to PSU oil companies. However, with the country having enough refining capacity, surplus products produced from the Company's Refinery over and above the domestic requirement were exported. This year, the Company has exported large quantities of surplus Gasoline and Fuel Oil. Some quantities of Naphtha and Gasoil have also been exported. Further, the commissioning of the Isomerisation Unit had improved the quality of gasoline exports thereby contributing to improved forex earnings.

#### f) Total foreign exchange used and earned:

Particulars relating to Foreign Exchange outgo and earnings appear in note no.30 and 33 to the full revised financial statements.

## ANNEXURE B TO THE DIRECTORS' REPORT

Information required to be disclosed under the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

The members at the 21st Annual General Meeting held on August 12, 2011, approved introduction of Essar Oil Employee Stock Option Scheme 2011. Each option is convertible into equivalent number of equity shares of ₹10/- each of the Company. Options granted shall vest in a graded manner in three equal installments, at the end of 3rd / 4th / 5th years from the grant date. The options can be exercised within 7 years from the date of vesting.

### Particulars of options granted during the financial year 2011-12 are as follows:

Options granted	3,211,391
Exercise price	₹69.05
Pricing formula	Closing price of the equity shares of the Company on the date immediately preceding the date of grant i.e. December 1, 2011 at the National Stock Exchange of India Ltd. being the exchange having the higher quantity of trading on the Company's shares
Options cancelled / forfeited	300,642
Options lapsed	Nil
Total number of options in force	2,910,749*
Options vested	Nil
Options exercised	Nil
Number of shares allotted pursuant to exercise of options	Nil
Variation of terms of options	Nil
Amount realized by exercise of options (in ₹)	Nil

\* The Company has granted options to three employees in excess of 1,50,000 equity shares per employee subject to shareholders' approval at the ensuing AGM.

### Employee wise details of options granted:

- Options granted to Senior managerial personnel:  
Nil at the time of grant of options. However, Mr. C. Manoharan,

who was granted 191,509 stock options as an executive of the Company, was subsequently appointed as Director (Refinery).

- Employees who were granted options amounting to 5% or more of options granted during the year are as follows:

Name of the employee	No. of options granted*
Narendra Vachharajani	220,971
Chakrapany Manoharan	191,509

\*The above does not include options granted which have been subsequently cancelled.

- No employee was granted options during the year equal to or exceeding 1% of the issued equity shares of the Company at the time of the grant.

The diluted earnings per share (EPS) on potential issue of shares upon exercise of options is ₹(9.41). The Company has recognized a compensation cost of ₹ Nil in FY 2011-2012 based on the intrinsic value of options. However, had the Company used the fair value of options to determine the compensation cost for the year ended March 31, 2012, the loss for the year would have been higher by ₹1.32 crore and loss after tax would have been ₹(1,286.60) crore. Accordingly, EPS basic and diluted earnings per share would have been ₹(9.42).

The exercise price of ₹69.05 is equal to the market price at the time of grant of option. The weighted-average exercise price and weighted-average fair values of options is ₹69.05 and ₹47.94, respectively.

The fair value of the options granted is ₹47.94. The key assumptions used to estimate the fair value of options granted during the year ended March 31, 2012 are as follows:

Risk – free interest rate	8.36%
Expected life (years)	15
Expected volatility	69.04%
Expected dividend	0.00%
The price of underlying share in market at the time of option grant	₹69.05

## AUDITORS' CERTIFICATE

To  
The Members of Essar Oil Limited

- We have examined the compliance of conditions of Corporate Governance by Essar Oil Limited ("the Company"), for the year ended 31st March, 2012 as stipulated in clause 49 of the Listing Agreement entered into by the said Company with stock exchanges in India.
- The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
- In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company

has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

- We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Deloitte Haskins & Sells  
Chartered Accountants  
(Registration No: 117365W)

R.D. Kamat  
Partner  
Membership No. 36822  
Mumbai, November 09, 2012



# CORPORATE GOVERNANCE REPORT

## 1. Company's philosophy on Corporate Governance:

Essar Oil Ltd. believes that adhering to global standards of Corporate Governance is essential to enhance shareholder value and achieve long term corporate goals. The Company is committed to ethical conduct of business, manages its affairs with

fairness to all stakeholders and operates with openness, integrity and accountability. The Board of Directors conducts the business of the Company in due compliance with its Memorandum and Articles of Association and the laws applicable to the jurisdictions of the places where the Company operates and undertakes a periodic review of business plans, performance and compliance to regulatory requirements.

## 2. Board of Directors:

The composition of the Board of Directors and other required details are given below:

Name	Category	No. of Board Meetings attended	Whether attended last AGM	No. of other director-ships held #	Committee Membership Δ	
					Member	Chairman
Shashikant N Ruia (Chairman)	Promoter Non-Executive	Nil	No	2	Nil	Nil
Prashant S Ruia <sup>1</sup>	Promoter Non-Executive	Nil	No	1	1	Nil
Naresh K Nayyar <sup>2</sup>	Dy. Chairman	6	Yes	1	Nil	Nil
Lalit K Gupta <sup>3</sup>	Managing Director & CEO	2	NA	1	2	Nil
Chakrapany Manoharan <sup>4</sup>	Director (Refinery)	NA	NA	Nil	Nil	Nil
D J Thakkar	Independent Non-Executive	5	Yes	13	10	5
K N Venkatasubramanian	Independent Non-Executive	6	Yes	5	3	2
K V Krishnamurthy	Independent Non- Executive	6	No	8	10	5
Melwyn Rego	Nominee of IDBI Bank Ltd.	6	No	1	Nil	Nil
V K Sinha	Nominee of LIC	5	Yes	Nil	1	Nil
Manju Jain <sup>7</sup>	Nominee of IFCI Ltd.	4	No	2	Nil	Nil
Anshuman S Ruia <sup>5</sup>	Promoter Non-Executive	4	No	2	2	Nil
P Sampath <sup>6</sup>	Director	4	No	1	Nil	Nil

# Excluding directorship in Private Limited Companies and Foreign Bodies Corporate and companies under section 25 of the Companies Act, 1956.

Δ Memberships/chairmanships of Audit Committee and Shareholders Grievance Committee including positions held in the Company.

<sup>1</sup> Ceased to be Director with effect from April 23, 2012. Appointed as Director with effect from August 14, 2012.

<sup>2</sup> Designation changed from Managing Director to Deputy Chairman (Non-Executive Director) with effect from December 2, 2011.

<sup>3</sup> Appointed as Managing Director & CEO with effect from December 2, 2011.

<sup>4</sup> Appointed as Director (Refinery) with effect from March 29, 2012.

<sup>5</sup> Ceased to be Director with effect from August 7, 2012.

<sup>6</sup> Ceased to be Director with effect from March 29, 2012.

<sup>7</sup> Ceased to be Director with effect from November 9, 2012.

## CORPORATE GOVERNANCE REPORT

Mr. Philip Aiken, Promoter Company representative has been appointed as Non Executive Director of the Company with effect from August 14, 2012. Further, Mr. Suneet Shukla has been appointed as Nominee of IFCI Ltd. in place of Mrs. Manju Jain with effect from November 9, 2012.

Six Board Meetings were held during the financial year 2011-2012 on April 11, 2011; May 3, 2011; July 11, 2011; November 1, 2011; December 2, 2011 and February 17, 2012.

The management of the Company is conducted by the Managing Director & CEO, who is assisted by the Heads of Divisions/ Departments, subject to the supervision and control of the Board of Directors. Mr. Iftikhar Nasir, CEO - Exploration and Production, Mr. S. Thangapandian, CEO - Marketing and Mr. Suresh Jain, Chief Financial Officer are permanent invitees for attending Board Meetings of the Company.

Mr. Naresh K Nayyar and Mr. D J Thakkar retire by rotation and being eligible, seek re-appointment at the ensuing 22nd Annual General Meeting (AGM). Further, it is proposed to appoint Mr. Prashant S Ruia and Mr. Philip Aiken as Directors liable to retire by rotation, Mr. L K Gupta as Managing Director & CEO and Mr. C Manoharan as Director (Refinery) at the ensuing AGM. A brief resume of the directors retiring by rotation along with the nature of their expertise and the details of other directorships and the committee positions held by them and their shareholdings have been disclosed to the shareholders through notes/Explanatory Statement annexed to the Notice for the ensuing AGM. None of the Directors is related to any other director except for Mr. Prashant S Ruia and Mr. Anshuman S Ruia, who are sons of Mr. Shashikant N Ruia, Chairman. As on March 31, 2012, Mr. D J Thakkar, Mr. K N Venkatasubramanian and Mr. V K Sinha held 300 shares, 6,500 shares and 120 shares respectively in the Company. None of the other directors hold any shares in the Company. Brief profile of all the directors is separately setout in the Annual Report.

### 3. Code of Conduct for Directors and Senior Management:

The Company has adopted a Code of Conduct ('Code') for Directors and Senior Management personnel one level below the Executive Directors including all Functional Heads. The Code has been posted on the Company's website.

The Directors, Senior Management and Functional Heads have affirmed compliance with the Code. The declaration to this effect of the Managing Director & CEO is given below:

#### DECLARATION BY MANAGING DIRECTOR & CEO

I, Lalit Kumar Gupta, Managing Director & CEO, of Essar Oil Limited hereby declare that all the Board Members and Senior Executives one level below the Executive Directors including all Functional Heads have affirmed for the financial year ended March 31, 2012, compliance with the Code of Conduct of the Company laid down for them.

Lalit Kumar Gupta  
 Managing Director & CEO

November 9, 2012

### 4. Audit & Governance Committee:

The Audit & Governance Committee comprises of 4 members viz: Mr. D J Thakkar, Mr. K N Venkatasubramanian, Mr. K V Krishnamurthy and the nominee of Life Insurance Corporation of India, Mr. V K Sinha. All the members of the Committee are financially literate. Mr. D J Thakkar, a qualified Chartered Accountant, chairs the meetings of the Committee. The constitution and terms of reference of the Committee are set out in compliance with the requirements of section 292A of the Companies Act, 1956 and clause 49 of the Listing Agreement.

During the financial year 2011-2012, the Committee met six times. Mr. K N Venkatasubramanian and Mr. K V Krishnamurthy attended all meetings. Mr. D J Thakkar and Mr. V K Sinha attended five meetings. The Statutory Auditors, Internal Auditors, the Managing Director, the Chief Financial Officer and the Vice-President (Accounts) are invited to attend the meetings of the Committee. The Company Secretary of the Company acts as the Secretary to the Committee.

### 5. Remuneration Committee:

The Remuneration Committee has 4 Non-Executive, Independent Directors as members viz: Mr. K N Venkatasubramanian, Mr. D J Thakkar, Mr. K V Krishnamurthy and the Nominee Director of IDBI Bank Ltd., Mr. Melwyn Rego. Mr. K V Krishnamurthy was inducted in the Committee on December 2, 2011.

One meeting was held during the year 2011-2012. All of the Committee members attended the meeting. Mr. K N Venkatasubramanian generally chairs the meetings. The terms of reference of Remuneration Committee include review, determination, increase/ decrease and approval of remuneration, determination of terms of appointment, Company's policy for specific remuneration package, etc. for the Executive and other Directors.

#### Remuneration to Directors

##### Non - Executive Directors

The Non Executive Directors do not draw any remuneration from the Company except for sitting fees. The Non Executive Directors are being paid sitting fees at the rate of ₹ 20,000/- for attending each meeting of the Board of Directors and ₹ 10,000/- for attending each meeting of Committee thereof. The sitting fees paid to the Directors for the year ended March 31, 2012 are as follows: Mr. Anshuman S Ruia: ₹ 80,000/-; Mr. Naresh Nayyar ₹ 20,000/-; Mr. P Sampath: ₹ 1,00,000/-; Mr. D J Thakkar: ₹ 3,60,000/-; Mr. K N Venkatasubramanian: ₹ 2,10,000/-; Mr. K V Krishnamurthy: ₹ 3,70,000/-; Mr. Melwyn Rego: ₹ 1,30,000/- (paid to IDBI Bank Ltd.); Mr. V K Sinha: ₹ 1,50,000/- (out of which ₹ 90,000 paid to LIC of India) and Mrs. Manju Jain: ₹ 80,000/-. During the year, there were no pecuniary relationships or transactions between the Company and any of its Non-Executive Directors.

The Company has not granted any stock options to its Non-Executive Directors.

## CORPORATE GOVERNANCE REPORT

### Executive Directors

During the financial year 2011-2012, remuneration paid to the Executive Directors was as under:

(Amount in ₹)

	Mr. Naresh Nayyar Managing Director	Mr. Lalit Kumar Gupta Managing Director & CEO	Mr. Chakrapany Manoharan Director (Refinery)
Basic Salary	3,235,887	4,761,290	44,871
Allowances & Perquisites	6,290,903	10,143,810	44,946
Retirement benefits	394,778	571,355	5,385
Performance Bonus	6,343,767*	-	-
<b>TOTAL</b>	<b>16,265,335</b>	<b>15,476,455</b>	<b>95,201</b>
Service contract	Upto December 2, 2011	5 years from December 2, 2011	3 years from March 29, 2012
Notice period	6 months	3 months	3 months

\* Includes bonus paid for previous year.

In terms of the Essar Oil Employee Stock Options Scheme – 2011, the executive directors are entitled to be granted stock options. Prior to being appointed as Director (Refinery), Mr. C. Manoharan, in his capacity as Head of Refinery, was granted 191,509 stock options. There is no separate provision for payment of severance fee. In terms of the applicable provisions of the Companies Act, 1956, due to inadequacy of profits during the financial years in which Mr. Naresh K Nayyar was appointed approval has been obtained from the Central Government for appointment and payment of remuneration and the remuneration paid is within the approval so obtained.

## 6. Investors' Relations:

### i) Investors' Relations Committee

As of March 31, 2012, the Investors' Relations Committee comprised of 4 members viz: Mr. P S Ruia, Mr. D J Thakkar; Mr. L K Gupta and Mr. K V Krishnamurthy. Mr. D J Thakkar generally chairs the meetings. The Committee was reconstituted in December 2011 by induction of Mr. L K Gupta in place of Mr. Naresh Nayyar. Mr. Prashant S Ruia was member of the Committee upto April 23, 2012. Subsequently, Mr. Naresh Nayyar has been again inducted as a committee member from May 12, 2012.

During the financial year 2011-2012, the Committee had 17 meetings. Mr. D J Thakkar attended 17 meetings, Mr. Naresh Nayyar attended 8 meetings, Mr. L K Gupta attended 5 meetings and Mr. K V Krishnamurthy attended 16 meetings.

### ii) Company Secretary

The Company Secretary, Mr. Sheikh S Shaffi, is the Compliance Officer.

### iii) Requests/complaints

There were no complaints from share/debenture holders pending at the beginning of the financial year. During the financial year, 769 complaints were received and 769 complaints were replied to/resolved. As of March 31, 2012, there were no pending complaints.

1,117 requests involving transfer of 1,42,550 shares were received during the financial year. There were 9 requests involving 900 shares pending to be processed. These pending requests are less than 2 days old.

### iv) Equity share certificates lying unclaimed:

The details regarding the unclaimed certificates of equity shares lying with the Company are as follows:

Sr. No.	Particulars	No. of shares	No. of shareholders
1.	Aggregate no. of shareholders and the outstanding shares whose share certificates are lying unclaimed at the beginning of the year	42,650	263
2.	Number of shareholders who approached the Company for claiming share certificates during the year	700	5
3.	Number of shareholders to whom share certificates were forwarded during the year	700	5
4.	Aggregate number of shareholders and the outstanding shares whose share certificates were lying unclaimed at the end of the year.	41,950	258

The Company has subsequently transferred outstanding shares in respect of which share certificates are lying unclaimed to a demat account titled "Essar Oil Limited – Unclaimed Suspense Account".



## CORPORATE GOVERNANCE REPORT

### 7. General Body Meetings

#### a) Annual General Meetings

The date, time and venue of the last three Annual General Meetings and special resolutions passed at the meetings are given below:

Financial Year	Date	Time	Venue	Special resolutions passed
2010-2011	August 12, 2011	2:30 p.m.	Khambhalia Post, Dist. Jamnagar	2
2009-2010	September 24, 2010	2:30 p.m.	Khambhalia Post, Dist. Jamnagar	3
2008-2009	June 27, 2009	2:30 p.m.	Khambhalia Post, Dist. Jamnagar	2

In addition to the above, one Extraordinary General Meeting has been held in the last three years on April 22, 2010 at 2:00 p.m. at the Registered Office at Khambhalia Post, Dist. Jamnagar. One special resolution was passed at the said meeting.

All resolutions including the Special Resolutions are generally passed by show of hands.

#### b) Postal ballot

No resolutions were required to be put through postal ballot last year. Presently there are no proposals to pass any resolution by postal ballot.

### 8. Disclosures:

- The Company does not have any material related parties' transactions which have potential conflict with the interest of the Company at large. Transactions with related parties are disclosed in note no. 14 to the accompanying notes of the abridged revised financial statements of the Company forming part of the Annual Report (they appear in corresponding note no. 47 to full Financial Statements).
- The financial statements have been prepared in accordance with the accounting policies generally accepted in India. In compliance with clarificatory orders dated August 4, 2006 and August 11, 2006 issued by Hon'ble Gujarat High Court, interest on certain categories of debentures has been accounted on cash basis as detailed in note 3(a) to Abridged revised Financial Statements forming part of the Annual Report (refer note No. 7(ii)(a) to the full Financial Statements).

Regarding certain funded interest facilities as referred in note 3(c) to Abridged revised Financial Statements (refer note no. 7(ii) (c) to the full Financial Statements), to give accounting effect to reflect the substance of the transactions and in the absence of specific guidance available under the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 and consideration of CDR exit proposal

submitted by the Company which has been recommended for approval to the CDR Core Group by CDR Empowered Group. CDR exit proposal has been subsequently approved by CDR Core group.

- There were no instances of non-compliance on any matter related to the capital markets, during the last three years.
- In respect of compliance with the non-mandatory requirements, the Company has constituted a Remuneration Committee details whereof are given under the heading: Remuneration Committee. The quarterly, half-yearly and annual financial results are put up on the Company's website, besides being available on [www.corpfilng.co.in](http://www.corpfilng.co.in) and are being published in English and Gujarati newspapers. The auditor's observations have been adequately explained in Director's Report and also in the notes to the accounts wherever necessary and are self-explanatory.
- The Company has a Risk Management Policy Framework for risk identification, assessment and control to effectively manage risks associated with the business of the Company.
- The Managing Director & CEO and the Chief Financial Officer have certified to the Board of full compliance as per clause 49(V) of the Listing Agreement for the financial year ended March 31, 2012.

### 9. Means of Communication:

- Quarterly/annual financial results are regularly submitted to Stock Exchanges in accordance with the Listing Agreement and published in all editions of English daily, Business Standard and in a Gujarati daily, Jai Hind. The quarterly/annual results are also made available at the Company's website, [www.essar.com](http://www.essar.com). The quarterly/annual financial results are also sent by email to those shareholders, whose email IDs are registered with the Company/Depository Participants. Official news releases, presentations, etc. made to media and analysts are displayed on the Company's website. Official press releases are sent to Stock Exchanges.
- Management Discussion and Analysis Report, in compliance with the requirements of clause 49 of the Listing Agreement with Stock Exchanges, is annexed to the Directors' Report which forms part of this Annual Report being sent to all the members of the Company.
- Full text of Annual Reports of the Company is made available on the website of the Company [www.essar.com](http://www.essar.com).
- The quarterly/annual financial statements along with Corporate Governance reports, Shareholding Pattern, Annual Report and other documents in compliance with the requirements of Listing Agreement entered into with Stock Exchanges are available on the websites of BSE and NSE.
- Printed copy of the Chairman's Speech is distributed to all the shareholders at the Annual General Meeting.

## CORPORATE GOVERNANCE REPORT

(vi) Reminders were sent to those investors whose interest / redemption amount on debentures were unencashed as per records of the Company and due for transfer to IEPF advising them to seek demand drafts in lieu of their lapsed warrants.

### 10. General Shareholder Information:

i.	<b>AGM date, time and venue</b>		December 20, 2012 at 2:30 p.m. at the Registered Office of the Company at Khambhalia Post, Dist. Jamnagar - 361305
ii.	<b>Tentative financial calendar</b>	Approval of the results for the quarter ending June 30, 2012; September 30, 2012; December 31, 2012; and March 31, 2013.	Within 45 days of the quarter ending
		Audited annual results for the year ending March 31, 2013.	Before May 31, 2013
iii.	<b>Date of Book closure</b>		December 18, 2012 to December 20, 2012 (both days inclusive)
iv.	<b>Dividend payment date</b>		N. A.

### v. Listing of equity shares on Stock Exchanges:

The equity shares of the Company are listed at Bombay Stock Exchange Ltd. (BSE) and National Stock Exchange of India Ltd. (NSE). The Company has paid the annual listing fees for the financial years 2011-2012 and 2012-2013 to BSE and NSE.

The addresses of the stock exchanges are setout below:

Bombay Stock Exchange Ltd. 1 <sup>st</sup> Floor, Rotunda Bldg P. J. Towers, Dalal Street Mumbai - 400 023	National Stock Exchange of India Ltd. Exchange Plaza, 5 <sup>th</sup> Floor, Plot No. C/1, G Block Bandra Kurla Complex, Bandra (East) Mumbai - 400 051
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### vi. Stock Codes:

Equity shares	
Trading Symbol	
Bombay Stock Exchange Limited	500134
National Stock Exchange of India Limited	ESSAROIL
ISIN with NSDL and CDSL	INE011A01019
Non - Convertible Debentures	
12.50% Secured Non Convertible Debentures of ₹ 105/- each redeemable on 23.07.2018	INE011A07073

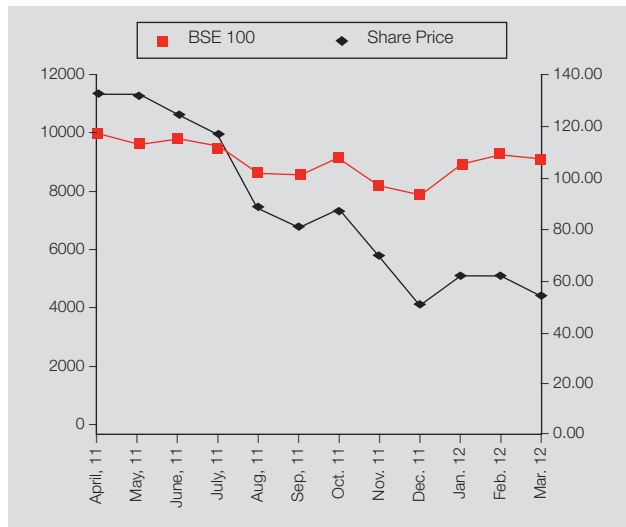
## CORPORATE GOVERNANCE REPORT

### vii. Stock Market price data for the financial year 2011-2012:

High/Low (based on daily closing prices), closing prices and average of the aggregate of daily traded volume at NSE and BSE for each month in the financial year ended March 31, 2012 are as under:

Month	Year	NSE				BSE			
		(in ₹ per share)			(in lakh)	(in ₹ per share)			(in lakh)
		High	Low	Close	Volume	High	Low	Close	Volume
April	2011	139.95	127.05	132.05	18.59	139.80	126.90	132.35	6.91
May	2011	133.05	121.45	131.30	8.02	132.95	121.35	130.90	2.81
June	2011	131.45	114.50	124.60	5.86	131.35	114.85	124.45	2.12
July	2011	128.80	116.70	116.70	10.15	128.95	116.55	116.55	2.99
August	2011	115.95	79.65	88.40	9.53	116.25	79.70	88.15	3.55
September	2011	97.50	80.45	80.45	10.48	97.55	80.55	80.55	3.21
October	2011	87.00	73.85	87.00	7.92	86.85	74.00	86.85	2.99
November	2011	85.75	67.95	69.25	10.00	85.80	67.85	69.15	3.59
December	2011	70.65	46.65	50.30	20.72	70.65	46.85	50.10	7.03
January	2012	62.85	50.05	61.45	46.42	63.05	50.00	61.40	17.52
February	2012	69.35	61.05	61.05	51.86	69.35	61.10	61.30	17.94
March	2012	61.95	52.50	53.65	24.41	62.00	52.55	53.55	8.30

### viii. Performance of share price in comparison to BSE 100:



ix. Share Transfer Agent: M/s. Datamatics Financial Services Ltd. is the Share Transfer Agent of the Company. The Share Transfer Agent acknowledges and executes transfers of securities and arranges for issue of interest/redemption warrants. The Share Transfer Agent also accepts, deals with and resolves requests, queries and complaints of share/debenture holders.

x. Share Transfer System: The Company's shares are traded on the Stock Exchanges compulsorily in dematerialised mode. Physical shares which are lodged for transfer with the Transfer Agent are processed and returned to the shareholders within a period of 15-20 days.

### xi. Distribution of shareholding as on March 31, 2012:

No. of Shares	No. of Shareholders	%	No. of Shares	%
Upto 500	376,727	95.45	46,835,641	3.43
501- 1000	11,069	2.80	8,608,291	0.63
1001 – 2000	3,988	1.01	6,027,816	0.45
2001- 3000	1,086	0.28	2,782,568	0.20
3001- 4000	490	0.13	1,768,845	0.13
4001 – 5000	332	0.08	1,567,119	0.11
5001 – 10000	555	0.14	4,043,110	0.30
10001 and above	448	0.11	1,294,033,696	94.75
<b>TOTAL</b>	<b>394,695</b>	<b>100.00</b>	<b>1,365,667,086</b>	<b>100.00</b>

### Shareholding pattern as on March 31, 2012:

Sl. No.	Category	No. of shares	%
<b>I</b>	<b>PROMOTERS</b>		
a.	Promoter and Promoter Group	218,020,941	15.96
b.	Depository for GDSs	1,010,522,772	73.99
	<b>Sub-total</b>	<b>1,228,543,713</b>	<b>89.96</b>
<b>II</b>	<b>NON-PROMOTERS</b>		
a.	FIs and Banks	11,328,132	0.83
b.	Mutual Funds and UTI	10,154,800	0.74
c.	Foreign Institutional Investors	26,851,332	1.97
d.	Private Corporate Bodies	15,061,852	1.10
e.	Indian Public	71,253,264	5.22
f.	NRIs and OCBs	2,473,993	0.18
	<b>Sub-total</b>	<b>137,123,373</b>	<b>10.04</b>
<b>TOTAL</b>		<b>1,365,667,086</b>	<b>100.00</b>



## CORPORATE GOVERNANCE REPORT

### xii. Dematerialisation of shares:

As on March 31, 2012, 98.61% of the Company's total shares, i.e. 1,346,627,869 shares were held in dematerialized form and 1.39% i.e. 19,039,217 shares were held in physical form.

### xiii. Outstanding GDRs / ADRs / Warrants or any Convertible instruments, conversion date and likely impact on equity:

6,604,724 Global Depository Shares (GDSs) represented by 1,010,522,772 equity shares were outstanding as on March 31, 2012. Each GDS represents one hundred and fifty three (153) equity shares.

The US\$ 115 million Foreign Currency Convertible Bonds (FCCBs) are convertible at any time on and after June 15, 2011 or from the date the shares of the Company cease to be listed, whichever is earlier, into fully paid equity shares of ₹ 10 each at a conversion price of ₹ 138 per share or global depository shares (GDSs) each representing 153 equity shares subject to adjustments, with a fixed rate of exchange on conversion of ₹ 46.60 to US\$ 1.00.

The US\$ 147 million FCCBs are convertible at any time on and after July 9, 2011 or from the date the shares of the Company cease to be listed, whichever is earlier, into fully paid equity shares of ₹ 10 each at a conversion price of ₹ 153 per share or GDS each representing 153 equity shares subject to adjustment, with a fixed rate of exchange on conversion of ₹ 46.85 to US\$1.00.

The above FCCBs were originally convertible into equity shares / GDSs at the option of the Bond holders. The terms

of the above FCCBs have been modified during the year to make them compulsorily convertible securities.

### xiv. Transfer of unclaimed amount to Investor Education & Protection Fund:

For the financial year ended on March 31, 2012, the Company has transferred to Investor Education Protection Fund (IEPF) in compliance with Section 205C of the Companies Act, 1956, ₹ 5.49 Lakh remaining unpaid or unclaimed for a period of 7 years from the date the amount became due for payment.

### xv. Plant Location:

The Refinery of the Company is located at Khambhalia Post, Dist. Jamnagar – 361 305, Gujarat. The Company's oil fields are located at Mehsana, Gujarat and the Coal Bed Methane (CBM) fields are located in Durgapur, West Bengal.

### xvi. Address for communication:

For any assistance, request or instruction regarding transfer or transmission of shares and debentures, dematerialization of shares / debentures, change of address, non-receipt of annual report, interest warrant and any other query relating to the shares and debentures of the Company, please write to the following address: M/s. Datamatics Financial Services Ltd., Unit: Essar Oil Limited, Plot No. B - 5, Part B Cross Lane, MIDC, Andheri (East), Mumbai – 400 093. Phone: 91-22-66712151 to 66712156, Fax: 91-22-66712209, Email: eolinvestors@dfssl.com

For any assistance, share / debenture holders may also write to the Company at the following email ID exclusively designated for the purpose: eolinvestors@essar.com

## AUDITORS' REPORT

**TO,**

**THE MEMBERS OF ESSAR OIL LIMITED**

1. We have audited the attached Revised Balance Sheet of Essar Oil Limited ("the Company") as at March 31, 2012, the Revised Statement of Profit and Loss and the Revised Cash Flow Statement for the year ended on that date, both annexed thereto ("the revised financial statements"). These revised financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these revised financial statements based on our audit.
2. We had previously audited the Balance Sheet of the Company as at March 31, 2012, the Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date, both annexed thereto ("the original financial statements") which were approved by the Board of Directors of the Company in its meeting held on May 12, 2012. Our report dated May 12, 2012 on the original financial statements expressed a modified opinion with respect to the matter described in paragraph 3(a)(ii) of the said report.

As explained in Note 38 to the attached revised financial statements, the original financial statements have been revised pursuant to revision of the financial statements for the years ended March 31, 2009, March 31, 2010 and March 31, 2011 ("the prior years") in accordance with the approval of the Ministry of Corporate Affairs ("the MCA") obtained during the financial year 2012-13 subsequent to the approval of the original financial statements by the Board of Directors of the Company. The said note explains the effect of the revision of the financial statements for the prior years on the opening balances for the financial year 2011-12. As explained in the Note, the effects of the revision of the financial statements of the prior years on the opening balances include decrease of opening balance of Reserves and Surplus as at April 01, 2011 by ₹ 3,006.17 Crores.

In view of the above, our report dated May 12, 2012 on the original financial statements stands replaced by this report.

3. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
4. Attention is invited to:
  - (a) Note 38 to the revised financial statements wherein it is stated that, the Honorable Supreme Court of India has vide its order dated January 17, 2012, set aside the order of the Honorable High Court of Gujarat

dated April 22, 2008 which had earlier confirmed the Company's eligibility to the 'Capital Investment Incentive Premier/Prestigious Units Scheme 1995 – 2000' of the State of Gujarat ("the Scheme"), making the Company liable to immediately pay ₹ 6,168.97 Crores being the sales tax collected under the Scheme ("the sales tax dues"). The Company has deposited ₹ 1,000 Crores on account of the sales tax as per the directive of the Honorable Supreme Court on July 26, 2012. In response to a Special Leave Petition filed by the Company with the Honorable Supreme Court seeking payment of the sales tax dues in installments and without interest, the Honorable Supreme Court has, on September 13, 2012, passed an order allowing the payment of the balance sales tax dues in eight equal quarterly installments beginning January 2, 2013 with interest of 10% p.a. with effect from January 17, 2012.

Consequent to the above and having regard to the revision of the financial statements for the prior years referred in paragraph 2 above, the Company has reversed income of ₹ 978.59 Crores recognised during April 1, 2011 to December 31, 2011 by defeasance of the deferred sales tax liability under the Scheme, reversed liability of ₹ 45.21 Crores recognised during the said period towards contribution to a Government Welfare Scheme for being eligible under the Scheme, recognised interest income of ₹ 155.13 Crores (net of break up charges of ₹ 10.57 Crore) on account of interest receivable from the assignee of the defeased sales tax liability and recognised interest of ₹ 83.39 Crores (net of ₹ 43.33 Crores capitalized as cost of qualifying fixed assets) on sales tax dues; and presented the same under 'Exceptional Items' in the Revised Statement of Profit and Loss.

- (b) Note 7(ii)(c) of the revised financial statements detailing the recognition and measurement of the borrowings covered by the Corporate Debt Restructuring Scheme ("the CDR") as per the accounting policy consistently followed by the Company in the absence of specific guidance available under the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 and consideration of the CDR exit proposal submitted by the Company which has been recommended for approval to the CDR Core Group by the CDR Empowered Group.
- (c) Note 7(ii)(a) of the revised financial statements describing the fact about accounting of interest on certain categories of debentures on a cash basis as per the Court order.
5. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.

## AUDITORS' REPORT

6. Further to our comments in paragraph 4 and in the Annexure referred to in paragraph 5 above, we report that:
- (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) The Revised Balance Sheet, Revised Statement of Profit and Loss and Revised Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) In our opinion, and according to the information and explanations given to us, the Revised Balance Sheet, Revised Statement of Profit and Loss and Revised Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - (e) In our opinion and to the best of our information and according to the explanations given to us, the revised financial statements give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (i) in the case of the Revised Balance Sheet, of the state of affairs of the Company as at March 31, 2012;
    - (ii) in the case of the Revised Statement of Profit and Loss, of the loss of the Company for the year ended on that date; and
    - (iii) in the case of the Revised Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
7. On the basis of the written representations received from the directors, other than the nominee directors appointed by public financial institutions and banks who have been granted exemption from the provisions of Section 274(1)(g) of the Companies Act, 1956, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2012 from being appointed as director under section 274(1)(g) of the Companies Act, 1956.

For **Deloitte Haskins & Sells**  
Chartered Accountants  
(Registration No. 117365W)

**R. D. Kamat**  
Partner

Mumbai, November 09, 2012

Membership No. 36822

## ANNEXURE TO THE AUDITORS' REPORT

TO,

### THE MEMBERS OF ESSAR OIL LIMITED

[Referred to in paragraph 5 our report of even date]

1. In respect of its fixed assets:
  - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - (b) The fixed assets of the Company have been physically verified during the year by the Management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As per the information given to us by the Management, no material discrepancies as compared to book records were noticed in respect of the fixed assets verified during the year.
  - (c) In our opinion and according to the information and explanations given to us, the Company has not made any substantial disposals of fixed assets during the year affecting the going concern status of the Company.
2. In respect of its inventories:
  - (a) As explained to us, inventories were physically verified during the year by the Management at reasonable intervals.
  - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.
  - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories. No material discrepancies were noticed on physical verification as compared to the book records.
3. According to the information and explanation given to us, the Company has neither granted nor taken any loans, secured or unsecured, to/ from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4 (iii) (a) to (g) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
4. In our opinion and according to the information and explanations given to us, and considering that some of the items purchased are of specialised nature and suitable alternative sources do not exist for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. Having regard to this, during the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
5. (a) To the best of our knowledge and belief and according to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
  - (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, the Company has not accepted any public deposits within the meaning of Section 58A and 58AA of the Companies Act, 1956, or any other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. No Order has been passed by the Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal. Accordingly, the provisions of clause 4 (vi) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
7. In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.
8. We have broadly reviewed the books of account maintained by the Company pursuant to the Companies (Cost Accounting Records) Rules, 2011 prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 in respect of manufacture of petroleum products and are of the opinion that *prima facie* the prescribed cost records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determine whether they are accurate or complete.
9. In respect of statutory dues:
  - (a) According to the information and explanations given to us, the Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Investor Education and Protection Fund, Income Tax, Sales Tax other than those covered in paragraph (c) below, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and any other statutory dues, as applicable, with the appropriate authorities. As explained to us, the provisions of Employees State Insurance are not applicable to the Company during the year.  
There are no undisputed amounts payable in respect of the above statutory dues outstanding as at March 31, 2012 for a period exceeding six months from the date they became payable.
  - (b) According to the information and explanations given to us, details of Excise Duty, Customs Duty and Sales Tax other than those covered in paragraph (c) below, which have not been deposited as on March 31, 2012 on account of disputes are given below:

Name of Statute	Nature of dues	Forum where dispute is pending	Period to which the amount relates	Amount (₹ in Crores)
Gujarat Value Added Tax Act 2003	Sales Tax & Interest	Gujarat Sales Tax Tribunal	2007-08	0.20



## ANNEXURE TO THE AUDITORS' REPORT

Name of Statute	Nature of dues	Forum where dispute is pending	Period to which the amount relates	Amount (₹ in Crores)
Central Excise Act, 1944	Excise Duty, Interest, Fine and Penalty	Central Excise & Service Tax Appellate Tribunal (CESTAT)	2006-07 2007-08 2008-09 2009-10	49.20
		Commissioner of Central Excise (Appeals)	2006-07 2007-08 2008-09 2009-10	15.58
Customs Act 1962	Customs Duty, Interest, Fine and Penalty	Central Excise & Service Tax Appellate Tribunal (CESTAT)	2006-07 2008-09 2010-11	1.01
		Commissioner of Customs Excise (Appeals)	2006-07	7.49
Service Tax Rules, 1994	Penalty	Commissioner of Central Excise (Appeals)	2004-05 2005-06 2009-10	1.51
Madhya Pradesh Sthaniya Kshetra Me Mal Ke Pravesh Par Kar Adhinyam Act, 1976	Entry Tax, Penalty and Interest	Tribunal	2008-09	0.02
		Deputy Commissioner of Commercial Tax	2007-08	0.07

According to the information and explanations given to us, there were no dues pending to be deposited on account of any dispute in respect of Income Tax, Wealth Tax, Service Tax, and Cess as on March 31, 2012.

- (c) Note 38 to the revised financial statements and paragraph 4(a) of the auditors' report refer to the Supreme Court Judgment of January 17, 2012. The sales tax dues covered by the said judgment are ₹ 6,168.97 Crores. The Company has deposited ₹ 1,000 Crores on account of the sales tax as per the directive of the Honorable Supreme Court on July 26, 2012. In response to a Special Leave Petition filed by the Company with the Honorable Supreme Court seeking installments for payment of the sales tax dues without interest, the Honorable Supreme Court has, on September 13, 2012, passed an order allowing the payment of the balance sales tax dues in eight equal quarterly installments beginning January 2, 2013 with interest of 10% p.a. with effect from January 17, 2012. Accordingly, the Company has recognised liability on account of interest of ₹ 126.72 Crores from January 17, 2012 to March 31, 2012 in the revised financial statements.
10. *The accumulated losses of the Company as at March 31, 2012 are more than 50% of its net worth. The Company has incurred cash losses during the year. There were no cash losses in the immediately preceding financial year.*
11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date.

12. According to the information and explanations given to us and based on the information available, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause 4 (xii) of the Companies (Auditor's Report), Order, 2003 are not applicable to the Company.
13. In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
14. In our opinion and according to the information and explanations given to us the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Companies (Auditor's Report), Order, 2003 are not applicable to the Company.
15. In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given guarantees for the loans taken by others from banks and financial institutions are not, *prima facie*, prejudicial to the interest of the Company.
16. To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, term loans availed by the Company were, *prima facie*, applied by the Company during the year for the purposes for which the loans were obtained, other than temporary deployment pending application.
17. *On the basis of an overall examination of the revised balance sheet as at March 31, 2012 and the revised cash flow statement of the Company for the year then ended and according to the information and explanations given to us, we report that funds raised on short-term basis amounting to ₹ 3,180.62 Crores have, prima facie, been used for long term investment/purposes.*
18. The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Sec. 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4 (xviii) of the Companies (Auditor's Report), Order, 2003 are not applicable to the Company.
19. According to the information and explanations given to us and the records examined by us, securities have been created in respect of the debentures except for the personal guarantees by some of the directors together with collateral securities.
20. The Company has not raised any monies by way of public issues during the year. Accordingly, the provisions of clause 4 (xx) of the Companies (Auditor's Report), Order, 2003 are not applicable to the Company.
21. To the best of our knowledge and belief and according to the information and explanations given to us, no material fraud on or by the Company was noticed or reported during the year.

For **Deloitte Haskins & Sells**  
Chartered Accountants  
(Registration No. 117365W)

**R. D. Kamat**  
Partner

Mumbai, November 09, 2012

Membership No. 36822

## REVISED BALANCE SHEET

as at March 31, 2012

(₹ in crore)

Particulars	Notes	As at	
		March 31, 2012	March 31, 2011
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
a) Share capital	4	1,382.27	1,382.27
b) Reserves and surplus	5	798.47	2,149.46
Foreign currency compulsory convertible bonds	6	1,340.00	-
<b>Non-current liabilities</b>			
a) Long-term borrowings	7	12,202.80	11,618.33
b) Deferred tax liability (net)	8	-	-
c) Other Long term liabilities	9	4,795.55	6,426.99
d) Long-term provisions	10	1.00	1.00
<b>Current liabilities</b>			
a) Short-term borrowings	11	3,818.37	2,331.25
b) Trade payables	9	10,810.04	6,494.85
c) Other current liabilities	9	4,910.50	3,355.64
d) Short-term provisions	10	30.63	29.58
<b>TOTAL</b>		<b>40,089.63</b>	<b>33,789.37</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
a) Fixed assets	12		
(i) Tangible assets		21,299.90	11,729.96
(ii) Intangible assets		20.02	14.13
(iii) Capital work-in-progress		1,760.47	8,176.67
b) Non-current investments	13	103.00	103.00
c) Long-term loans and advances	17	410.93	486.01
d) Other non-current assets	18	1,809.64	1,703.38
<b>Current assets</b>			
a) Current investments	13	0.00	-
b) Inventories	14	7,681.67	5,749.14
c) Trade receivables	15	3,996.93	2,423.64
d) Cash and bank balances	16	2,060.94	2,937.99
e) Short-term loans and advances	17	228.02	321.17
f) Other current assets	18	718.11	144.28
<b>TOTAL</b>		<b>40,089.63</b>	<b>33,789.37</b>

The accompanying notes are an integral part of the revised financial statements.

In terms of our report attached

 For **Deloitte Haskins & Sells**  
 Chartered Accountants

**R. D. Kamat**  
 Partner  
 Mumbai, November 09, 2012

For and on behalf of the Board of Directors

**Lalit Kumar Gupta**  
 Managing Director and Chief Executive Officer

**S. S. Shaffi**  
 Company Secretary  
 Mumbai, November 09, 2012

**Naresh Nayar**  
 Deputy Chairman

**Suresh Jain**  
 Chief Financial Officer

## REVISED STATEMENT OF PROFIT AND LOSS

for the year ended March 31, 2012

Particulars	Notes	(₹ in crore)	
		For the year ended March 31, 2012	For the year ended March 31, 2011
<b>INCOME</b>			
Revenue from operations	19	58,336.63	47,060.92
Other income	20	424.76	281.29
<b>TOTAL REVENUE</b>		<b>58,761.39</b>	47,342.21
<b>EXPENSES</b>			
Cost of raw materials consumed	21	52,894.81	42,129.27
Purchase of traded goods	22	1,957.16	1,964.20
(Increase) / Decrease in inventories of finished goods and work-in-progress	23	(988.10)	(1,157.64)
Employee benefits expense	24	134.56	119.67
Other expenses	25	2,662.20	1,507.22
		<b>56,660.63</b>	44,562.72
<b>Earnings before finance costs, depreciation and amortisation expenses, exceptional items and tax (EBIDTA)</b>		<b>2,100.76</b>	2,779.49
Finance costs	26	1,386.84	1,220.24
Depreciation and amortization expenses	12	761.94	730.86
<b>Profit / (Loss) before exceptional items and tax</b>		<b>(48.02)</b>	828.39
Exceptional items	37	1,237.46	1,083.43
<b>Profit / (Loss) before tax</b>		<b>(1,285.48)</b>	(255.04)
Tax expense:			
(a) Current tax (previous year - Excess provision reversed ₹ 3.77 crore)		-	(3.92)
(b) Deferred tax		-	0.57
<b>Profit / (Loss) for the year from continuing operations</b>		<b>(1,285.48)</b>	(251.69)
<b>Earnings per equity share (Face value ₹ 10 per share) :</b>	27		
(1) Basic (in ₹)		(9.41)	(1.87)
(2) Diluted (in ₹)		(9.41)	(1.91)

The accompanying notes are an integral part of the revised financial statements.

In terms of our report attached

For **Deloitte Haskins & Sells**  
Chartered Accountants

**R. D. Kamat**  
Partner  
Mumbai, November 09, 2012

For and on behalf of the Board of Directors

**Lalit Kumar Gupta**  
Managing Director and Chief Executive Officer

**S. S. Shaffi**  
Company Secretary  
Mumbai, November 09, 2012

**Naresh Nayyar**  
Deputy Chairman

**Suresh Jain**  
Chief Financial Officer

## REVISED CASH FLOW STATEMENT

for the year ended March 31, 2012

(₹ in crore)

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit / (loss) before tax as per revised statement of profit and loss	(1,285.48)	(255.04)
Adjustments for :		
Depreciation / amortisation (Including ₹ 25.77 crore (Previous year ₹ Nil) considered in exceptional items)	787.71	730.86
Fixed assets / capital work in progress written off / provided	-	14.79
Interest on income tax refund	(0.37)	(1.70)
Interest received on deposits (other than margin deposits)	(100.76)	(23.94)
Profit on sale of participating interest in an E&P block	-	(5.13)
Profit on sale of fixed assets (net)	(0.08)	(0.00)*
Unrealised exchange differences	212.79	(151.93)
Interest (Including ₹ 433.44 crore (Previous year ₹ Nil) considered in exceptional items)	1,451.95	908.12
Bad debts written off / doubtful debts provided for	(0.02)	5.47
Write back old liabilities / excess accrual	(29.46)	(0.07)
<b>Operating profit before working capital changes</b>	<b>1,036.28</b>	<b>1,221.43</b>
Working capital changes		
Adjustments for :		
Changes in inventories	(1,981.64)	(1,750.65)
Changes in receivables, advances and deposits	(2,580.95)	(1,139.47)
Changes in payables	4,047.54	3,009.51
<b>Cash generated from operating activities</b>	<b>521.23</b>	<b>1,340.82</b>
Income tax refund / (payment) (net) (including interest)	(44.43)	(160.62)
<b>Net cash generated from operating activities (A)</b>	<b>476.80</b>	<b>1,180.20</b>
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>		
Additions to fixed assets / capital work in progress	(2,791.97)	(4,374.10)
Sale of fixed assets	1.11	0.01
Sale of participating interest in an E&P block	-	5.13
Sale / (Purchase) of Investment in a subsidiary	(0.00)*	-
Placement of long term deposits	(826.45)	(1,417.87)
Encashment of long term deposits	2,174.87	6.31
Interest received on deposits (other than margin deposits)	98.68	23.94
<b>Net cash used in investing activities (B)</b>	<b>(1,343.76)</b>	<b>(5,756.58)</b>



## REVISED CASH FLOW STATEMENT

for the year ended March 31, 2012

(₹ in crore)

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings (including funding of interest (refer note 7))	9,448.78	6,151.08
Repayment of borrowings	(5,437.00)	(1,355.94)
Changes in short term borrowings (net)	104.72	(555.34)
Proceeds towards GDS issued / to be issued (net of amounts repatriated)	-	1,210.37
Interest paid	(1,736.52)	(846.46)
Bills of exchange honoured	(1,495.03)	(1,335.39)
Bills of exchange accepted	299.36	1,215.89
<b>Net cash generated from financing activities (C)</b>	<b>1,184.31</b>	4,484.21
<b>Net (decrease) / increase in cash and cash equivalents (A+B+C)</b>	<b>317.35</b>	(92.17)
Cash and cash equivalents at the beginning of the year	122.81	214.98
Cash and cash equivalents at the end of the year	440.16	122.81
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>317.35</b>	(92.17)

Notes:

Cash and cash equivalents included in the revised cash flow statement comprise of the following balance sheet amounts:

(₹ in crore)

Particulars	As at March 31, 2012	As at March 31, 2011
Cash on hand and balances with banks		
Cash and cash equivalents (refer note 16)	440.18	122.78
Less : Effect of exchange rate changes	0.02	(0.03)
<b>Cash and cash equivalents as restated</b>	<b>440.16</b>	122.81

\*amount less than ₹ 1 lakh

In terms of our report attached

For **Deloitte Haskins & Sells**  
Chartered Accountants**R. D. Kamat**  
Partner  
Mumbai, November 09, 2012

For and on behalf of the Board of Directors

**Lalit Kumar Gupta**  
Managing Director and Chief Executive Officer**S. S. Shaffi**  
Company Secretary  
Mumbai, November 09, 2012**Naresh Nayyar**  
Deputy Chairman**Suresh Jain**  
Chief Financial Officer

## NOTES

to revised financial statements for the year ended March 31, 2012

### 1. CORPORATE INFORMATION:

Essar Oil Limited (The Company) is a public limited company domiciled in India and incorporated under the provisions of the Companies Act, 1956. The equity shares of the Company are currently listed on the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) in India. It is primarily engaged in the business of refining and marketing of petroleum products in domestic and overseas markets. It is also engaged in the business of Exploration and Production.

### 2. BASIS OF PREPARATION :

The revised financial statements of the Company have been prepared in accordance with Generally Accepted Accounting Principles in India ("Indian GAAP"). The Company has prepared these revised financial statements to comply in all material respects with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The revised financial statements of the Company have been prepared on an accrual basis and under the historical cost convention. Attention is invited to note (7)(ii)(a).

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

#### a) Presentation and disclosure of financial statements:

During the year ended March 31, 2012, the revised Schedule VI notified under the Companies Act, 1956 has become applicable to the Company. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The Company has accordingly reclassified the previous year figures to meet the requirements applicable for the current year.

#### b) Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires the management of the Company to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and disclosures relating to contingent liabilities, at the end of the reporting period. Though the management believes that the estimates used are prudent and reasonable and are based on management's knowledge of current events and actions, actual results could differ from these estimates resulting in material adjustments to be recognized in the periods in which the results are known / materialise.

#### c) Revenue recognition

Revenue on sale of goods is recognised when property in the goods is transferred to the buyer for a price or

when all significant risks and rewards of ownership have been transferred to the buyer and no effective control is retained by the Company in respect of the goods transferred to a degree usually associated with ownership and no significant uncertainty exists regarding the amount of consideration that will be derived from the sale of goods.

Revenue on transactions of rendering services is recognised under the completed service contract method. Contract is regarded as completed when no significant uncertainty exists regarding the amount of consideration that will be derived from rendering the services.

Interest income is recognized on time proportion basis taking into account the amount outstanding and rate applicable.

#### d) Government grants

Government grants are recognised only when there is reasonable assurance that the conditions attached to the grants will be complied with and where such benefits have been earned and it is reasonably certain that the ultimate collection will be made.

#### e) Tangible assets and depreciation

##### i. Tangible Assets

Tangible assets are recorded at cost less accumulated depreciation and impairment loss, if any. Cost is inclusive of non-recoverable duties and taxes, cost of construction including erection, installation, commissioning, know how and expenditure during construction including borrowing costs and results of trial run operations.

##### ii. Depreciation

Depreciation on plant and machinery is provided as per straight line method. All other assets are depreciated as per written down value method. Depreciation is computed at the rates based on the estimated useful lives of the assets or at the rates provided under Schedule XIV of the Companies Act, 1956, whichever is higher.

Depreciation on additions / deductions to fixed assets made during the year is provided on a pro-rata basis from / upto the date of such additions / deductions, as the case may be.

Cost of assets purchased and/or constructed by the Company whose ownership vests with others by virtue of a contract or otherwise, are amortised at the higher of rates based on the estimated useful lives of the assets or the contract period, or at the rates provided under Schedule XIV of the Companies Act, 1956.

## NOTES to revised financial statements for the year ended March 31, 2012

### f) WIP and Expenditure during construction period

Direct expenditure on projects or assets under construction or development is shown under capital work-in-progress.

Expenditure incidental to the construction of projects or assets under construction or development that take substantial period of time to get ready for their intended use is accumulated as expenditure during construction, pending allocation to fixed assets and other relevant accounts, as applicable.

### g) Intangible assets and amortisation

Intangible assets are recognised only when it is probable that the future economic benefits that are attributable to the assets will flow to the Company and the cost of the assets can be measured reliably. Intangible assets are stated at cost less accumulated amortisation and impairment loss, if any.

Intangible assets are amortised over the best estimate of their useful lives, subject to a rebuttable presumption that such useful lives will not exceed ten years.

### h) Oil and gas exploration and development of assets

The Company follows the full cost method of accounting for its oil and gas exploration and development activities whereby, all costs associated with acquisition, exploration and development of oil and gas reserves, are capitalised under capital work-in-progress, irrespective of success or failure of specific parts of the overall exploration activity within or outside a cost centre (known as 'cost pool').

Exploration and evaluation expenditure remain outside the cost pool until determination of commercial reserves or otherwise. These costs remain un-depleted, subject to there being no evidence of impairment. When any field in a cost pool is ready to commence commercial production, the accumulated costs in that cost pool are transferred from capital work-in-progress to the gross block of assets under producing properties. Subsequent exploration expenditure in that cost pool is added to the gross block of assets either on commencement of commercial production from a field discovery or failure. In case any block is surrendered, the accumulated exploration expenditure pertaining to such block is transferred to the gross block of assets within the cost pool.

Expenditure carried within each cost pool (including future development cost) is depleted on a unit-of-production basis with reference to quantities, with depletion computed on the basis of the ratio that oil and gas production bears to the balance proved and probable reserves at commencement of the year.

### i) Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the

recoverable amount of the asset. If such recoverable amount of the asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the statement of profit and loss. If at the balance sheet date, there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount but limited to the carrying amount that would have been determined (net of depreciation / amortisation) had no impairment loss been recognised in prior accounting periods.

### j) Valuation of inventories

Inventories (other than crude oil extracted by exploration and production segment) are valued at the lower of cost and net realisable value. The cost of crude inventory is determined using the first in first out cost formula and the cost of finished goods inventory, work-in-progress and stores and spares are determined using the weighted average cost formula. Finished goods and work-in-progress include costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Closing stock of crude oil extracted and in saleable condition is valued at net realisable value.

### k) Foreign currency transactions

Foreign currency transactions are accounted at the rate normally prevailing on the transaction date. Monetary items denominated in foreign currency other than net investment in non-integral foreign operations are translated at the exchange rate prevailing at the balance sheet date. In case of non-integral foreign operations, all the assets and liabilities are translated at the closing rate whereas the income and expense items are translated at average exchange rate during the period.

Exchange differences arising on a monetary item that, in substance, forms part of an enterprise's net investments in a non-integral operation are accumulated in a foreign currency translation reserve until the disposal of the net investment, at which time the same is recognised in the statement of profit and loss.

Exchange differences arising on settlement or conversion of short term monetary items are recognised in the statement of profit and loss or capital work-in-progress / expenditure during construction, as applicable. Exchange differences relating to long term monetary items are accounted as under:

- (i) in in so far as they relate to the acquisition of a depreciable capital asset added to / deducted from the cost of the asset and depreciated over the balance useful life of the asset;
- (ii) in other cases such differences are accumulated in "Foreign Currency Monetary Item Translation Difference

**NOTES** to revised financial statements for the year ended March 31, 2012

Account" and amortised in the statement of profit and loss over the balance life of the long term monetary item or March 31, 2020 whichever is shorter.

Premia or discounts arising on forward exchange contracts entered into for the purpose of hedging currency risk, are recognized in the statement of profit and loss or expenditure during construction, as applicable, over the life of the contract.

The impact of exchange rate differences between the rates prevailing on the date of forward exchange contracts and the rate prevailing on the balance sheet date or on the dates of settlement of forward exchange contracts whichever is earlier, is recognised in the statement of profit and loss or expenditure during construction, as applicable.

**l) Derivative instruments (other than forward exchange contracts)**

**Commodity derivatives**

In order to hedge its exposure to commodity price risk, the Company enters into non-speculative hedges such as forward, option or swap contracts and other appropriate derivative instruments. These instruments are used only for the purpose of managing the exposure to commodity price risk and not for speculative purposes. The premium and gains / losses arising from settled derivative contracts and mark to market (MTM) losses in respect of outstanding derivative contracts as at balance sheet date are credited for gains or charged for losses to the raw material consumed in so far as it relates to the derivative instruments taken to hedge risk of movement in price of crude oil, and credited for gains or charged for losses to sales in so far as it relates to the derivative instruments (including margin cracks) taken to hedge risk of movement in price of finished products. The net MTM gains in respect of outstanding derivatives contracts are not recognised on conservative basis.

**Others**

Gains or losses arising on settlement of financial derivative contracts are credited for gains or charged for losses to the statement of profit and loss or expenditure during construction, as applicable, as and when settlement takes place. The net MTM losses in respect of outstanding derivative contracts as at the balance sheet date are provided for. The net MTM gains in respect of outstanding derivative contracts are not recognised on conservative basis.

**m) Lease**

**Operating lease**

Lease expenses and lease income on operating leases are recognised on a straight line basis over the lease term in the statement of profit and loss or expenditure during construction, as applicable.

**Finance lease**

**As lessee:**

Assets taken on lease are capitalised at fair value or net present value of the minimum lease payments, whichever is lower. Depreciation on the assets taken on lease is charged at the rate applicable to similar type of fixed assets as per accounting policy of the Company on depreciation. If the leased assets are returnable to the lessor on the expiry of the lease period, depreciation is charged over its useful life or lease period, whichever is shorter. Lease payments made are apportioned between the finance charges and reduction of the outstanding liability in respect of assets taken on lease. The leases are generally recognised in the books of account at the inception of the lease term. The leases of assets under construction are recognized on commencement of the lease term in accordance with International Accounting Standard 17-Leases, as there is no specific guidance available under Indian Accounting Standard (AS-19) Leases.

**As lessor:**

The assets given under a finance lease are recognised as a receivable in the balance sheet at an amount equal to the net investment in the lease. The recognition of finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding in respect of the finance lease.

**n) Employee benefits**

**i. Post-employment benefit plans**

Contribution to defined contribution retirement benefit schemes are recognised as expense in the statement of profit and loss / expenditure during construction, as applicable, when employees have rendered services entitling them to contributions.

For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the statement of profit and loss / expenditure during construction, as applicable, for the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested, and is otherwise amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation and is adjusted both for unrecognised past service cost, and for the fair value of plan assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the scheme, if lower.



## NOTES to revised financial statements for the year ended March 31, 2012

### ii. Short-term employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employee renders the services. These benefits include compensated absences such as paid annual leave, and performance incentives.

### iii. Long-term employee benefits

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as a liability at the present value of the defined benefit obligation determined actuarially by using Projected Unit Credit Method at the balance sheet date.

### iv. Employee Stock Option Scheme:

Stock options granted to employees under the employees' stock option scheme (ESOS) are accounted by adopting the intrinsic value method in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on accounting for employee share based payments issued by the ICAI. Accordingly, the excess of market price of the shares over the exercise price is recognised as deferred employee compensation and is charged to statement of profit and loss account on straight-line basis over the vesting period.

The number of options expected to vest is based on the best available estimate and are revised, if necessary, if subsequent information indicates that the number of stock options expected to vest differs from previous estimates.

### o) Valuation of investments

Investments are classified into long term and current investments. Long term investments are carried at cost. Diminution in value of long term investments is provided for when it is considered as being other than temporary in nature. Current investments are carried at the lower of cost and fair value.

### p) Borrowing costs

Borrowing costs that are attributable to the acquisition, construction or development of qualifying assets (i.e. the assets that take substantial period of time to get ready

for its intended use) are charged to expenditure during construction.

Other borrowing costs are recognised in the statement of profit and loss.

### q) Taxation

Provision for current taxation is computed in accordance with the relevant tax laws and regulations. Deferred tax is recognised on timing differences between the accounting and the taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the reporting date. Deferred tax assets are recognised only when there is a reasonable certainty that sufficient future taxable income will be available against which they will be realised. Where there is a carry forward of losses or unabsorbed depreciation, deferred tax assets are recognised only if there is a virtual certainty supported by convincing evidence of availability of taxable income against which such deferred tax assets can be realised in future.

Minimum alternative tax (MAT) paid in accordance with tax laws, which gives rise to future economic benefit in form of adjustment of future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal tax after the tax holiday period. Accordingly it is recognised as an asset in the balance sheet when it is probable that future economic benefit associated with it will flow to the company and the asset can be measured reliably.

### r) Provisions, contingent liabilities and contingent assets

A provision is recognised when there is a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Contingent liabilities are not recognised but disclosed unless the probability of an outflow of resources is remote. Contingent assets are neither recognised nor disclosed.

### s) Measurement of EBIDTA

The company has elected to present earnings before interest (including finance costs), depreciation and amortization expenses and tax (EBIDTA) as a separate line item on the face of the statement of profit and loss. The Company measures EBIDTA on the basis of profit / (loss) from continuing operations and does not include interest (including finance costs), depreciation and amortization expenses, exceptional and extraordinary items and tax.

NOTES to revised financial statements for the year ended March 31, 2012

#### 4. SHARE CAPITAL

(₹ in crore)

Particulars	As at March 31, 2012		As at March 31, 2011	
	Number of shares	Amount	Number of shares	Amount
<b>Authorised</b>				
Equity shares of ₹ 10 each	5,000,000,000	5,000.00	5,000,000,000	5,000.00
<b>Issued and subscribed</b>				
Equity shares of ₹ 10 each	1,427,593,086	1,427.59	1,427,593,086	1,427.59
<b>Paid up</b>				
Equity shares of ₹ 10 each fully paid up	1,365,667,086	1,365.67	1,365,667,086	1,365.67
Add : Forfeited shares - Equity shares of ₹ 10 each	61,926,000	16.60	61,926,000	16.60
		<b>1,382.27</b>		<b>1,382.27</b>

**a) Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period :**

(₹ in crore)

Particulars	As at March 31, 2012		As at March 31, 2011	
	Number of shares	Amount	Number of shares	Amount
Shares outstanding at the beginning of the year	1,365,667,086	1,365.67	1,201,529,604	1,201.53
1,072,794 GDS* are represented by 164,137,482 equity shares	-	-	164,137,482	164.14
Shares outstanding at the end of the year	1,365,667,086	<b>1,365.67</b>	1,365,667,086	<b>1,365.67</b>

\*Each GDS represents 153 equity shares

**b) Terms / rights attached to the equity shares / Global depository shares (GDSs) :**

The company has only one class of equity shares having a par value of ₹ 10 per share. Each holder of equity share is entitled to one vote per share.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

Holders of GDS will be entitled to receive dividends, subject to the terms of the Deposit Agreement, to the same extent as the holders of shares, less the fees and expenses payable under such Deposit Agreement and any Indian tax applicable to such dividends. Holders of GDSs will not have voting rights with respect to the Deposited Shares.

**c) Shares held by holding / ultimate holding company and / or their subsidiaries / associates:**

(₹ in crore)

Particulars	As at March 31, 2012		As at March 31, 2011	
	Number of shares	Amount	Number of shares	Amount
4,761,000 GDSs (Previous year 4,761,000 GDSs) held by Essar Oil & Gas Limited (formerly known as Vadinar Oil), Mauritius, the holding Company pursuant to section 4(6) of the Companies Act, 1956.	728,433,000	728.43	728,433,000	728.43
1,843,724 GDSs (Previous year 1,843,724 GDSs ) held by Essar Energy Holdings Ltd., Mauritius, subsidiary of the holding company.	282,089,772	282.09	282,089,772	282.09
Equity shares held by Essar Energy Holdings Ltd., Mauritius, subsidiary of the holding company.	178,858,624	178.86	177,654,041	177.65
Equity Shares held by Essar Power Hazira Holdings Ltd (formerly known as Hazira Steel 2), subsidiary of ultimate holding company, Essar Global Ltd.	100	0.00*	100	0.00*

\* Amount less than ₹ 1 lakh

## NOTES to revised financial statements for the year ended March 31, 2012

### d) Stock Options :

On December 02, 2011, Company approved grant of 32,11,391 options (convertible into equivalent number of equity shares of ₹ 10/- each of the Company, in three equal installments i.e. at the end of 3rd / 4th / 5th years from the grant date) to the eligible employees and Executive Directors of the Company pursuant to Essar Oil Employee Stock Option Scheme 2011 approved by the members at the 21st Annual General Meeting held on August 12, 2011. The exercise period for the options is 7 years from the date of vesting.

These stock options have been granted at an option value of ₹ 69.05 per equity share of face value of ₹ 10/- each (i.e. the closing price of the equity shares of the Company on December 01, 2011 at the National Stock Exchange of India Ltd, being the exchange having the higher quantity of trading of Company's shares).

Out of above, 29,10,749 options were outstanding as on March 31, 2012. The Remuneration Committee of the Board of Directors has noted the cancellation/forfeiture of 3,00,642 stock options on May 12, 2012.

### e) Details of shareholders (including GDS holders) holding more than 5% shares in the Company :

(₹ in crore)

Particulars	As at March 31, 2012		As at March 31, 2011	
	Number of shares	% of shares	Number of shares	% of shares
4,761,000 GDSs (Previous year 4,761,000 GDSs) held by Essar Oil & Gas Limited (formerly known as Vadinar Oil) Mauritius, the holding Company pursuant to section 4(6) of the Companies Act, 1956.	728,433,000	53.34%	728,433,000	53.34%
1,843,724 GDSs (Previous year 1,843,724 GDSs) held by Essar Energy Holdings Ltd., Mauritius, subsidiary of the holding company.	282,089,772	20.66%	282,089,772	20.66%
Equity shares held by Essar Energy Holdings Ltd., Mauritius, subsidiary of the Holding Company.	178,858,624	13.10%	177,654,041	13.01%

## 5. RESERVES AND SURPLUS

(₹ in crore)

Particulars	As at March 31, 2012	As at March 31, 2011
<b>Capital reserve</b>		
Balance as per last balance sheet	40.89	40.89
	(A) <b>40.89</b>	40.89
<b>Securities premium account</b>		
Balance as per last balance sheet	4,928.45	2,729.01
Add : Premium on issuance of GDS	-	2,199.44
	(B) <b>4,928.45</b>	4,928.45
<b>Debenture redemption reserve</b>		
Balance as per last balance sheet	37.21	37.21
	(C) <b>37.21</b>	37.21
<b>General reserve</b>		
Balance as per last balance sheet	22.25	22.25
	(D) <b>22.25</b>	22.25
<b>Surplus / (Deficit) - Balance in statement of profit and loss</b>		
Balance as per last balance sheet	(2,879.34)	(2,627.65)
Add : Net profit / (loss) for the year	(1,285.48)	(251.69)
	(E) <b>(4,164.82)</b>	(2,879.34)
<b>Foreign currency monetary item translation difference account</b>		
Balance as per last balance sheet	-	-
Add : Foreign currency monetary item translation difference account (refer note 35)	(65.51)	-
	(F) <b>(65.51)</b>	-
<b>Total ( A+B+C+D+E+F)</b>	<b>798.47</b>	2,149.46

NOTES to revised financial statements for the year ended March 31, 2012

## 6. FOREIGN CURRENCY COMPULSORY CONVERTIBLE BONDS

The Company had issued FCCBs of USD 115 million on June 15, 2010 and USD 147 million on July 9, 2010 which were convertible into 38,833,443 and 45,016,372 equity shares or into 253,813 and 294,224 GDSs at a fixed price of ₹ 138 per share and ₹ 153 per share at the option of the holders of the FCCBs until their maturity dates of June

15, 2028 and September 30, 2028 respectively. The bonds bear interest of 5% per annum, subject to certain conditions, on the outstanding principal amount of the bonds from (and including) January 1, 2016 payable semi-annually.

During the year, the terms of the bonds have been amended whereby the above bonds have now become compulsorily convertible into equity shares / GDSs on the same terms and conditions as above.

## 7. LONG TERM BORROWINGS

(₹ in crore)

Particulars	As at March 31, 2012		As at March 31, 2011	
	Non current portion	Current Maturities	Non current portion	Current Maturities
<b>(A) Secured loans / borrowings</b>				
<b>Debentures</b>				
12.5% Non convertible debentures	184.21	-	184.21	-
(i)	<b>184.21</b>	-	184.21	-
<b>Term loans and funded interest facilities</b>				
-From banks	8,469.15	1,349.60	7,058.38	466.86
-From financial institutions	1,242.73	312.22	1,518.23	124.75
<b>Funded interest facilities (comprising funding of interest for the period October 01, 1998 to December 29, 2003 and funded interest thereon)</b>				
From banks	2,327.73	-	1,865.32	-
Less: Amount not payable as of balance sheet date (refer note (ii)(c) below)	1,572.07	-	1,459.69	-
	755.66	-	405.63	-
From financial institutions	1,034.86	-	813.19	-
Less: Amount not payable as of balance sheet date (refer note (ii)(c) below)	688.28	-	628.37	-
	346.58		184.82	-
Amount disclosed under the head "Trade payables / Others" (refer note 9)		(1,661.82)		(591.61)
(ii)	<b>10,814.12</b>	-	9,167.06	-
(A) - (i+ii)	<b>10,998.33</b>	-	9,351.27	-
<b>(B) Unsecured loans / borrowings</b>				
<b>Foreign currency convertible bonds (FCCBs) (refer note 6)</b>	-	-	1,170.51	-
<b>Finance lease obligation {refer note 39(i)}</b>				
- From related parties (refer note 47)	45.11	12.98	50.52	12.98
- From others	1.23	0.53	1.45	0.53
<b>Other loans</b>				
- Conditional grant from a bank	6.85	-	6.28	-
- From related parties (refer note 47)	1,151.28	27.92	1,038.30	19.76
Amount disclosed under the head "Trade Payables / Others" (refer note 9)		(41.43)		(33.27)
(B)	<b>1,204.47</b>	-	2,267.06	-
<b>TOTAL (A+B)</b>	<b>12,202.80</b>	-	11,618.33	-



## NOTES to revised financial statements for the year ended March 31, 2012

### (i) Security for term loans and funded interest facilities from banks and financial institutions and debentures

- a) Term loans and funded interest facilities of ₹ 9,362.06 crore (Previous year ₹ 9,029.48 crore) and debentures of ₹ 184.21 crore (Previous year ₹ 184.21 crore) are secured / to be secured by first ranking security interests (pari passu with loans for refinery expansion) on all immovable assets (except certain leased out assets), all movable assets other than current assets and second ranking security interests on current assets, present and future, security interest on rights, title and interests under project documents, trust and retention accounts, insurance policies all in relation to the refinery including refinery expansion, by pledge of certain shares of the Company held by promoters / associates of promoters or of the Company, by personal guarantees of promoters of the Company together with collateral securities. A term loan of ₹ 109.82 crore (Previous year ₹ 134.45 crore) {(including funded interest facilities of ₹ 5.82 crore) (Previous year ₹ 30.45 crore)} is also secured by a corporate guarantee and certain assets of a Group Company.
- b) Corporate term loan from a bank of ₹ 500.00 crore (Previous year ₹ Nil) are secured / to be secured by first charge on all current assets (ranking pari passu with working capital facility) excluding that of exploration and production division, second charge by way of mortgage of land and building and plant and machinery and other assets excluding certain category of assets, personal guarantees of some of the promoters and corporate guarantee by a Group Company and other collaterals being second charge on pledge of certain shares of the Company and that of a Group Company held by promoters and second charge by way of mortgage over a property of Group Company.
- c) Term loans of ₹ 4,562.03 crore (Previous year ₹ 2,713.26 crore) for the Refinery expansion are secured / to be secured by first ranking security interests (pari passu with loans for Refinery) on all immovable assets, all movable assets other than current assets and second ranking security interests on current assets, present and future, charge over immovable properties leased to entities implementing the terminal utility, power utility and township utility (subject to prior charge in favour of the lenders financing the said utilities), security interest on rights, title and interests under project documents, trust and retention accounts, insurance policies in relation to the Refinery, including Refinery expansion and further by pledge and non disposal undertaking of certain shares/global depository shares of the Company held by promoters / associates of promoters or of the Company, personal guarantees of promoters of the Company together with collateral securities

and certain undertakings from holding and Group Companies and residual charge on the company's participating interest and cash flows related to upstream oil and gas, coal bed methane fields and related assets subject to certain approvals.

- d) Term loans of ₹ 306.21 crore (Previous year ₹ 93.19 crore) is secured / to be secured by first charge on immovable assets and movable assets (present and future), first charge over book debts, operational cash flows, receivables, trust and retention accounts, Debt Service Reserve account, participating interest under CBM contract, security interest on rights, title and interests under the project documents, insurance policies, clearances, rights under letter of credit, guarantee, performance bond, corporate guarantee and bank guarantees, all in relation a CBM Project.
- e) Term loan from a bank of ₹ 6.00 crore (Previous year ₹ 10.80 crore) is secured by hypothecation of current assets of an oilfield, bank escrow accounts for certain receivables and corporate guarantee by a Group Company.

### (ii) Repayment and other terms:

- a) Secured redeemable non – convertible debentures (“NCDs”) of ₹ 105/- each consists of :

16,918,250 (Previous year 16,918,250) – 12.50% NCDs of ₹ 105/- each amounting to ₹ 177.64 crore (Previous year ₹ 177.64 crore) with repayments starting from December 2014 ending in June 2018.

700,000 (Previous year 700,000)– 12.5% NCDs, of ₹ 100 each on private placement basis partly paid up at ₹ 93.86 per debenture amounting to ₹ 6.57 crore (Previous year ₹ 6.57 crore), with repayments starting from December 2014 ending in June 2018.

The Hon'ble High Court of Gujarat has, in response to the Company's petition, ruled vide its orders dated August 04, 2006 and August 11, 2006 that the interest on certain categories of debentures should be accounted on cash basis. In accordance with the said petition / order, funded / accrued interest liabilities amounting to ₹ 428.24 crore (Previous year ₹ 355.95 crore) as at March 31, 2012 have not been accounted for. This amount carries interest rate ranging from 5% to 12.50% and are repayable from December 2014 ending in March 2027

- b) The Interest rates for Master Restructuring Agreement (“MRA”) loans from Banks and Financial institutions amounting to ₹ 7,101.70 crore (Previous year ₹ 6,941.42 crore) are ranging from Libor + 2.5% p.a. to 12.50% p.a. with different repayment installments starting from December 2009 to March 2027.

NOTES to revised financial statements for the year ended March 31, 2012

- c) The MRA dated December 17, 2004 entered pursuant to Corporate Debt Restructuring Scheme, gives an option, subject to consent of its lenders, to the Company to prepay funded interest loan (FS Loan) of ₹ 2,471.63 crore (Previous year ₹ 2,471.63 crore) at any point in time during their term at a reduced amount computed in accordance with the mechanism provided in the MRA or in full, by one bullet payment in March, 2026. Interest on FS loan was not payable if FS loan was prepaid by April 24, 2012 and therefore considering the plans to prepay FS loan, interest liability on FS was earlier considered as a contingent liability and now recognised as loan as the same is funded. The Company's proposal to exit from Corporate Debt Restructuring (CDR) was approved by CDR Empowered group and recommended to CDR Core Group for final approval during the year. The revised terms proposed for CDR exit, inter alia, includes an option to prepay funded interest on FS Loan amounting to ₹ 684.08 crore as at March 31, 2012 at a reduced amount at any point of time during its term and accelerated repayment schedule of FS Loan with instalments during March 2021 to March 2026. The repayment terms of funded interest on FS loan is in 40 equal quarterly instalments beginning June 30, 2015 as per MRA and there is no change in these terms as per CDR exit proposal.

Similarly, ₹ 206.88 crore (Previous year ₹ 206.88 crore) due to a lender ("other funded interest loan") is payable by a single bullet payment in 2031 with an option to prepay this amount as per the agreed terms at a reduced amount at any point of time during its term.

In order to reflect substance of the above, in terms of presentation in balance sheet, an amount of ₹ 2,260.35 crore (Previous year ₹ 2,088.06 crore) {including ₹ 1,720.28 crore of FS loan (Previous year ₹ 1,909.88 crore), ₹ 364.87 crore of funded interest on FS Loan (Previous year ₹ Nil) and ₹ 175.20 crore of other funded interest loan (Previous year ₹ 178.18 crore)} being the amount not payable as at Balance Sheet date has been presented as deduction from the funded interest facilities under secured loans/borrowings to reflect the present obligation on the balance sheet date. The changes in the present obligation of the said loans subsequent to capitalisation of the Refinery Project till the date of balance sheet is treated as finance cost/exceptional item in the statement of profit and loss.

- d) Term loans amounting to ₹ 4,071.90 crore (Previous year ₹ 2,267.30 crore) carry interest rate linked with respective banks' prime lending rate/base rate/LIBOR plus margin/liquidity premium and are repayable in installments starting from December

2012 ending in September 2018. Out of total amount of ₹ 4,071.90 crore (Previous year ₹ 2,267.30 crore), an amount of ₹ 1,707.61 crore (Previous year ₹ 1,443.52 crore) pertaining to Buyers' credit will be converted into term loan.

- e) Term loans amounting to ₹ 306.21 crore (Previous year ₹ 93.19 crore) carry interest rate linked with respective banks prime lending rate/base rate/LIBOR plus margin and are repayable in installments starting from March 2014 and ending in June 2021. Out of total amount of ₹ 306.21 crore (Previous year ₹ 93.19 crore), an amount of ₹ 32.47 crore (previous year ₹ 6.53 crore) pertaining to Buyers' credit will be converted into term loan.
- f) Term loans amounting to ₹ 6.00 crore (Previous year ₹ 10.80 crore) carry 11.50% interest rate with repayments ending in July 2023.
- g) ECB loan amounting to ₹ 490.13 crore (Previous year ₹ 444.46 crore) carry interest rate of LIBOR + 2.75% are repayable in installments starting from January 2012 ending in October 2018.
- h) Corporate loan amounting to ₹ 500.00 crore (Previous year ₹ Nil) carry interest rate of Bank's Base Rate + Margin of 3.75% and is repayable in installments from June 2013 to March 2016.
- i) Buyers' Credit Facilities amounting ₹ Nil (Previous year ₹ 1.50 crore) carry a maximum interest rate of 3.5% p.a. and will be ultimately converted into term loan.
- j) The pilot project for coal bed methane gas was partially financed by a conditional grant of USD 0.89 million (Previous year USD 0.89 million) and ₹ 2.31 crore (Previous year ₹ 2.31 crore) received from a bank. The conditional grant, in terms of the agreement, will be repayable in the event the Company puts the project to commercial use, and repayments to the bank will be based on gross annual sales derived from the commercial exploitation of the project, subject to a maximum repayment of 200% of the conditional grant. Commercial exploitation of the project is dependent upon getting necessary approvals from the Government of India.
- k) Unsecured loans from related parties includes ₹ 1,109.00 crore (previous year ₹ 968.80 crore) carrying interest rate 9.5% is repayable by 2015. Rupee loan amounting to ₹ 70.20 crore (Previous year ₹ 89.26 crore) carrying interest rate 10.25% repayable by April 25, 2014 in various installments.

## NOTES to revised financial statements for the year ended March 31, 2012

## 8. DEFERRED TAX (LIABILITY) / ASSET (NET)

(₹ in crore)

Particulars	As at	
	March 31, 2012	March 31, 2011
<b>Deferred tax liability</b>		
Fixed asset (excess of net book value over written down value as per the provisions of the Income Tax Act, 1961)	(1,731.99)	(994.50)
<b>(A)</b>	<b>(1,731.99)</b>	<b>(994.50)</b>
<b>Deferred tax assets (restricted to the extent of deferred tax liability considering virtual / reasonable certainty, as applicable)</b>		
Disallowance u/s 43B of The Income Tax Act, 1961	1,366.73	629.01
Merger expenses	0.04	0.06
Unabsorbed depreciation carried forward as per provisions of the Income Tax Act, 1961	365.11	365.11
Provision for doubtful debts	0.11	0.32
<b>(B)</b>	<b>1,731.99</b>	<b>994.50</b>
Net deferred tax (liability) / asset	<b>(A) + (B)</b>	-

## 9. TRADE PAYABLES / OTHERS

(₹ in crore)

Particulars	As at March 31, 2012		As at March 31, 2011	
	Short term	Long term	Short term	Long term
<b>(i) Trade Payables</b>				
- Dues to micro and small enterprises (refer note 45)	1.79	-	1.04	-
- Others for goods and services	10,808.25	-	6,493.81	-
<b>Trade Payables</b>	<b>10,810.04</b>	<b>-</b>	<b>6,494.85</b>	<b>-</b>
<b>(ii) Other</b>				
Current maturities of secured long-term debts {refer note 7(A)}	1,661.82	-	591.61	-
Current maturities of unsecured long-term debts {refer note 7(B)}	27.92	-	19.76	-
Current maturities of finance lease obligations {refer note 7(B)}	13.51	-	13.51	-
Interest accrued but not due on loans/borrowings	57.46	173.72	38.55	81.70
Interest accrued and due on loans/borrowings	1.62	-	2.34	-
Capital creditors**	417.88	-	149.71	421.14
Bills Payable for capital creditors**	174.18	-	32.80	1,322.61
Statutory dues (refer note 38)	2,021.50	4,519.56	183.68	4,565.11
Advance received from customers	451.96	-	2,216.68	-
Security deposits	16.74	3.23	13.74	2.27
Unclaimed debenture interest and principal (secured)* {for security details refer notes under note 7(i)(a)}	36.45	-	38.64	-
Temporary overdrawn bank balances	-	-	34.83	-
Other liabilities	29.46	99.04	19.79	34.16
<b>Other Current Liabilities</b>	<b>4,910.50</b>	<b>-</b>	<b>3,355.64</b>	<b>-</b>
<b>Other Long term Liabilities</b>	<b>-</b>	<b>4,795.55</b>	<b>-</b>	<b>6,426.99</b>

\*₹ 0.05 crore amount due and outstanding to be credited to Investor Education and Protection Fund as at balance sheet date was deposited by April 26, 2012.

\*\*Capital creditors / bills payable (long term) as at March 31, 2011 includes suppliers' credit convertible into long term loans on their becoming due in line with the term loan agreements.

NOTES to revised financial statements for the year ended March 31, 2012

## 10. PROVISIONS

(₹ in crore)

Particulars	As at March 31, 2012		As at March 31, 2011	
	Short term	Long term	Short term	Long term
Provision for employee benefits (refer note 46)				
- Earned leave	30.63	-	28.97	-
- Gratuity	-	-	0.61	-
Other Provisions				
- Site restoration	-	1.00	-	1.00
<b>TOTAL</b>	<b>30.63</b>	<b>1.00</b>	<b>29.58</b>	<b>1.00</b>

## 11. SHORT TERM BORROWINGS

(₹ in crore)

Particulars	As at	As at
	March 31, 2012	March 31, 2011
<b>Secured borrowings</b>		
- Buyers' credits and bills discounting	3,620.28	2,311.08
- Bank overdraft	198.09	-
- Others	-	20.17
<b>TOTAL</b>	<b>3,818.37</b>	<b>2,331.25</b>

### Security for short term borrowing:

#### (i) Buyers' credits and bills discounting:

- ₹ 3,286.65 crore (Previous year ₹ 2,304.55 crore) are secured by first charge on all current assets (ranking pari passu with Corporate Term Loan) excluding that of Exploration and Production division, second charge by way of mortgage of land and building and plant and machinery and other assets excluding certain category of assets, personal guarantees of promoters, corporate guarantee by a Group Company, other collaterals being second charge on pledge of certain shares of the Company and that of a Group Company held by promoters and second charge by way of mortgage over a property of Group Company.
- ₹ 327.65 crore (Previous year ₹ Nil) are secured by first charge on all goods procured under the LCs opened by the banks and guarantee by an ultimate holding Company.

- ₹ Nil crore (Previous year ₹ 6.53 crore) are secured/ to be secured by first charge on immovable assets and movable assets (present and future), first charge over book debts, operational cash flows, receivables, trust and retention account, Debt Service Reserve account, participating interest under CBM contract, security interest on rights, title and interests, insurance policies, clearances, rights under letter of credit, guarantee, performance bond, corporate guarantee and bank guarantees all in relation to a CBM project.
  - ₹ 5.98 crore (Previous year ₹ Nil) are secured by fixed deposits maintained with a bank.
- Bank overdraft from bank of ₹ 198.09 (Previous year ₹ Nil) is secured by fixed deposits maintained with the bank.
  - Term loan from bank ₹ Nil (Previous year ₹ 20.17) is secured by fixed deposits maintained with the bank.



## NOTES to revised financial statements for the year ended March 31, 2012

## 12. FIXED ASSETS

Description of the assets	Gross block (at cost) (I)		Depreciation / amortisation (II)		Net block (III) = (I - II)	
	As at April 01, 2011	Additions	Deductions/ Write Offs	As at March 31, 2012	As at March 31, 2012	As at March 31, 2011
<b>A) Tangible assets</b>						
Land	143.43	4.71	-	-	148.14	143.43
Building	334.50	333.79	-	22.90	668.29	255.84
Plant and machinery	13,085.27	10,011.80	0.94	745.24	23,096.13	11,087.96
Producing properties	188.12	-	-	2.28	188.12	185.62
Furniture and fixtures	15.81	1.20	-	1.49	17.01	7.25
Office equipments	50.38	6.28	0.85	32.71	55.81	17.67
Vehicles	10.40	1.65	-	5.66	12.05	4.74
Aircraft	10.00	-	-	1.68	10.00	8.32
<b>TOTAL (A)</b>	<b>13,837.91</b>	<b>10,359.43</b>	<b>1.79</b>	<b>782.60</b>	<b>24,195.55</b>	<b>11,710.83</b>
<b>B) Tangible assets taken on lease</b>						
Land	0.17	-	-	-	0.17	0.17
Building	72.73	-	-	5.48	72.73	13.69
Plant and machinery	5.62	-	-	0.95	5.62	4.67
Furniture and fixtures	0.88	-	-	0.43	0.88	0.45
Office equipments	0.67	-	-	0.52	0.67	0.15
<b>TOTAL (B)</b>	<b>80.07</b>	<b>-</b>	<b>-</b>	<b>6.94</b>	<b>80.07</b>	<b>19.13</b>
<b>C) Tangible assets given on lease</b>						
Plant and machinery	18.20	-	-	18.20	18.20	-
<b>TOTAL (C)</b>	<b>18.20</b>	<b>-</b>	<b>-</b>	<b>18.20</b>	<b>18.20</b>	<b>-</b>
<b>Total Tangible assets (A+B+C)</b>	<b>13,936.18</b>	<b>10,359.43</b>	<b>1.79</b>	<b>788.46</b>	<b>24,293.82</b>	<b>11,729.96</b>
<b>D) Intangible assets</b>						
Softwares and licenses	38.41	14.15	-	8.26	52.56	14.13
Total Intangible assets (D)	38.41	14.15	-	8.26	52.56	14.13
<b>TOTAL (A+B+C+D)</b>	<b>13,974.59</b>	<b>10,373.58</b>	<b>1.79</b>	<b>796.72</b>	<b>24,346.38</b>	<b>11,744.09</b>
Previous Year	13,802.50	173.32	1.23	738.20	13,974.59	11,744.09
Capital work-in-progress (Including expenditure during construction)						8,176.67

## NOTES:

- Total depreciation / amortisation / depletion for the year - ₹ 796.72 crore (Previous year ₹ 738.20 crore) is charged / allocated as under :
  - ₹ 761.94 crore (Previous year ₹ 730.86 crore) to revised Statement of profit and loss and ₹ 25.77 crore to exceptional items;
  - ₹ 4.90 crore (Previous year ₹ 4.70 crore) to Expenditure during construction;
  - ₹ 4.11 crore (Previous year ₹ 2.64 crore) to Capital work-in-progress (exploration activities);
- Plant and machinery includes capital expenditure of ₹ 23.27 crore (Previous year ₹ 23.27 crore) incurred by the Company for a 220 KVA line from Paschim Gujarat Viji Company Limited (PGVCL) feeder, the ownership of which vests with PGVCL and is amortised over a period of 20 years.
- Land includes ₹ 34.44 crore (Previous year ₹ 34.44 crore) representing cost of land leased to Vadinar Oil Terminal Limited (VOTL), Vadinar Power Company Limited (VPCL), Vadinar Ports and Terminals Limited (VPTL) and Vadinar Properties Limited. A charge has been created against the land leased to VPCL and VOTL in favour of lenders of VPCL and VOTL respectively. Buildings include Gymnastic buildings being depreciated at the rate of 31.67%. IT assets being depreciated at the rate of 63.00% based on WDV method.
- Additions to plant and machinery includes exchange loss of ₹ 132.75 crore (Previous year gain of ₹ 2.19 crore), on long term monetary items, borrowing cost of ₹ 131.58 crore (Previous year ₹ Nil) arising out of CDR exit proposal, gain of ₹ 23.77 crore (Previous year ₹ Nil) on duty draw back and ₹ 34.09 crore on interest on sales tax liability.
- The estimated useful life of softwares and licenses is estimated to be 5 years from the date of acquisition.
- Capital work-in-progress includes exchange loss of ₹ 33.08 crore (Previous year gain of ₹ 2.67 crore).
- The company has completed the refinery expansion project to expand the refining capacity from 10.50 MMTPA to 18 MMTPA by installation of new units along with expansion of existing refinery. All expenditure pertaining to the completed refinery project being capital advances, capital work-in-progress and expenditure during construction have been capitalised during the year. The Company is in the process of increasing the capacity further to 20 MMTPA and the expenditure incurred for this purpose is accounted as a part of capital advances, capital work-in-progress and expenditure during construction.

**NOTES** to revised financial statements for the year ended March 31, 2012

## 9 Expenditure During Construction (EDC) includes:

(₹ in crore)

Particulars	As at	
	March 31, 2012	March 31, 2011
<b>Opening Balances</b> (A)	1,077.80	777.13
Add: Incurred during the year		
Interest and other finance charges	846.82	231.36
Interest income	(2.65)	(19.44)
Consumption of chemicals	2.78	
Consumption of stores and spares	11.91	
Power and fuel	210.16	0.05
Salaries, wages and bonus	55.54	39.85
Contribution to / provision for provident and other funds	2.51	2.29
Staff welfare expenses	3.89	4.71
Insurance	13.09	5.91
Professional fees	35.58	12.49
Rent	1.72	1.13
Repairs and maintenance	30.17	2.99
Sundry expenses	10.63	20.82
Depreciation	4.90	4.70
(Gain) / Loss on foreign exchange fluctuation (Net)	11.10	2.69
Net value of intermediates / products transferred to / from new units	9.36	-
<b>TOTAL</b> (B)	<b>1,247.51</b>	309.55
Less: Capitalised (C)	<b>2,171.92</b>	8.88
<b>Expenditure During Construction pending allocation</b> (A+B-C)	<b>153.39</b>	1,077.80

**13. INVESTMENTS**

(₹ in crore)

Particulars	As at March 31, 2012		As at March 31, 2011	
	Non Current	Current	Non Current	Current
<b>Trade Investment</b>				
<b>Investment in equity instrument</b>				
<b>Investment in subsidiary (fully paid-up) (unquoted)</b>				
1 (Previous year Nil) equity share of USD 1 of Essar Oil Mauritius Limited (formerly known as Pitney Mauritius Holdings Limited) (Face value USD 1)***	-	0.00*	-	-
<b>Investment in associate (fully paid-up) (long-term, unquoted)</b>				
102,999,994 (Previous year 102,999,994) equity shares of ₹ 10 each of Vadinar Power Company Limited (VPCL) (Face value ₹ 10)	103.00	-	103.00	-
<b>Other Investments (Long term, unquoted)</b>				
<b>Investment in equity instrument</b>				
13,000,000 (Previous year 13,000,000) equity shares of ₹ 10 each of Petronet VK Limited (Face value ₹ 10) **	13.00	-	13.00	-
1,584,000 (Previous year 1,584,000) equity shares of ₹ 10 each of Petronet CI Limited (Face value ₹ 10) (company under liquidation)	1.58	-	1.58	-
₹ 10,000,000 (Previous year 10,000,000) equity shares of ₹ 10 each of Petronet India Limited (Face value ₹ 10)	10.00	-	10.00	-
	<b>127.58</b>	<b>0.00*</b>	127.58	-
Less : Provision for diminution in value of Other Investments (Long term, unquoted)	24.58	-	24.58	-
<b>TOTAL</b>	<b>103.00</b>	<b>0.00 *</b>	103.00	-

## NOTES to revised financial statements for the year ended March 31, 2012

Refer note 3 (o) for basis of valuation.

\*Amount less than ₹ 1 lakh

\*\*All the shares are pledged with a lender against the loan disbursed to the Company.

\*\*\*During the year, the Company acquired Essar Oil Mauritius Limited (EOML, formerly known as Pitney Mauritius Holdings Limited) as a wholly owned subsidiary on September 01, 2011. EOML did not undertake any commercial activity during the year. Summary of the Audited Financial Statements of EOML on March 31, 2012 is as follows:

Particulars	USD\$ (Audited)	₹ crore (Exchange rate: 1USD = ₹ 51.15)
Income	-	-
Expenses	7,631	0.04
Net results of operations – Loss	7,631	0.04
Total Assets (Cash and Cash Equivalents)	199	0.00*
Total Liabilities	19,044	0.10
Net Assets/Equity	(18,845)	(0.10)

The control on EOML is intended to be temporary. Hence, consolidated financial statements are not prepared as per Accounting Standard 21 - Consolidated Financial Statements.

### 14. INVENTORIES

(₹ in crore)

Particulars	As at March 31, 2012	As at March 31, 2011
Raw material {including material in transit ₹ 1,561.16 crore (Previous year ₹ 1,736.03 crore)}	4,059.24	3,043.05
Work-in-progress	2,280.15	1,480.15
Finished goods	1,079.93	891.83
Stores and spare parts {including material in transit ₹ 6.68 crore (Previous year ₹ 14.35 crore)}	236.91	274.32
Other consumables	25.44	59.79
<b>TOTAL</b>	<b>7,681.67</b>	<b>5,749.14</b>

Refer note 3 (j) for basis of valuation.

### 15. TRADE RECEIVABLES (Unsecured and considered good, unless otherwise stated)

(₹ in crore)

Particulars	As at March 31, 2012	As at March 31, 2011
Trade Receivables		
Outstanding for a period exceeding six months from due date of payment		
- Considered good	0.82	-
- Considered doubtful	-	-
Others - considered good*	3,958.07	2,367.30
Bills Receivable**	38.04	56.34
<b>TOTAL</b>	<b>3,996.93</b>	<b>2,423.64</b>

\*includes ₹ 1,101.46 crore (previous year ₹ 450.00 crore) backed by letters of credit facilities or bank guarantees.

\*\* Backed by letters of credit facilities.

NOTES to revised financial statements for the year ended March 31, 2012

## 16. CASH AND BANK BALANCES

(₹ in crore)

Particulars	As at March 31, 2012		As at March 31, 2011	
	Current	Non Current	Current	Non Current
<b>Cash and cash equivalents</b>				
<b>Balances with banks in:</b>				
- Current accounts	155.31	-	56.25	-
- Deposits with maturities less than 3 months	284.65	-	66.29	-
<b>Cash on hand</b>	0.22	-	0.24	-
<b>(A)</b>	<b>440.18</b>	<b>-</b>	<b>122.78</b>	<b>-</b>
<b>Other bank balances</b>				
Balances with banks in current accounts - Earmarked accounts (unclaimed debenture interest)	35.94	-	38.40	-
Margin deposits and escrow accounts**	1,519.37	0.79	1,363.50	20.10
Other deposits	65.45	0.00*	1,413.31	0.58
Amount disclosed under the head "Other current / Non current assets" (refer note 18)		(0.79)		(20.68)
<b>(B)</b>	<b>1,620.76</b>	<b>-</b>	<b>2,815.21</b>	<b>-</b>
<b>TOTAL (A+B)</b>	<b>2,060.94</b>	<b>-</b>	<b>2,937.99</b>	<b>-</b>

\*Amount less than ₹ 1 lakh

\*\*Deposit accounts comprises ₹ 1,520.16 crore (previous year ₹ 1,383.60 crore) margin deposits mainly placed for letters of credit facilities, guarantees and short term borrowing.

## 17. LOANS AND ADVANCES (Unsecured and considered good, unless otherwise stated)

(₹ in crore)

Particulars	As at March 31, 2012		As at March 31, 2011	
	Current	Non Current	Current	Non Current
<b>Advances recoverable in cash or in kind or for value to be received</b>				
- From related parties (refer note 47)	46.55	-	73.59	-
- From director	1.34	-	-	-
Prepaid expenses	48.73	-	35.10	-
Balances with government authorities				
- Considered good	65.91	-	129.32	-
- Considered doubtful	0.62	-	0.73	-
- Less: Provision for doubtful advances	(0.62)	-	(0.73)	-
- Others	35.47	-	23.01	2.25
<b>(A)</b>	<b>198.00</b>	<b>-</b>	<b>261.02</b>	<b>2.25</b>
<b>Advances on capital account</b>				
- To related parties (refer note 47)	-	75.84	-	211.57
- To other parties	-	5.93	-	37.34
<b>(B)</b>	<b>-</b>	<b>81.77</b>	<b>-</b>	<b>248.91</b>
<b>Security deposits</b>				
Deposit to related Parties (refer note 47)	11.74	98.99	25.80	50.23
Deposit to others				
- Considered good	1.09	4.55	3.09	18.22
- Considered doubtful	0.35	-	0.42	-
- Less: Provision for doubtful deposits	(0.35)	-	(0.42)	-



## NOTES to revised financial statements for the year ended March 31, 2012

(₹ in crore)

Particulars	As at March 31, 2012		As at March 31, 2011	
	Current	Non Current	Current	Non Current
(C) Advance income tax / Tax deducted at source	12.83	103.54	28.89	68.45
- Considered good	17.19	225.62	31.26	166.40
- Considered doubtful	-	-	0.02	-
- Less: Provision for doubtful	-	-	(0.02)	-
(D)	17.19	225.62	31.26	166.40
<b>TOTAL (A+B+C+D)</b>	<b>228.02</b>	<b>410.93</b>	<b>321.17</b>	<b>486.01</b>

## 18. OTHER CURRENT / NON CURRENT ASSETS

(₹ in crore)

Particulars	As at March 31, 2012		As at March 31, 2011	
	Current	Non Current	Current	Non Current
Other receivables*	536.94	1,735.45	23.28	1,604.94
Export incentive receivables	76.93	-	20.08	-
<b>Unamortised Expenses</b>				
-Ancillary cost for arranging the borrowing	3.56	73.38	1.71	77.65
-Forward contract premium	37.17	-	41.35	-
Interest accrued on deposits	63.51	0.02	57.86	0.11
Amount transferred from "cash and bank balances" (refer note 16)	-	0.79	-	20.68
<b>TOTAL</b>	<b>718.11</b>	<b>1,809.64</b>	<b>144.28</b>	<b>1,703.38</b>

\*Other non current receivables include ₹ 149.59 crore (Previous year ₹ 146.49 crore) due from government companies / agencies in respect of the Company's erstwhile oil drilling and offshore construction activities for which the Company received favorable awards in arbitration proceedings. The awards have since been challenged by the parties. Pending outcome of the litigations, the receivables are considered as recoverable based on the arbitration awards and assessment of the management.

## 19. REVENUE FROM OPERATIONS

(₹ in crore)

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
Sale of petroleum products*	61,251.42	51,026.27
Sale of traded goods - crude and petroleum products	2,085.47	2,089.29
Sales - others	2.63	3.54
Other operating revenue	88.25	72.71
<b>Revenue from operations (gross)</b>	<b>63,427.77</b>	<b>53,191.81</b>
Less : Excise duty	3,703.78	5,213.77
<b>Revenue from operations (net)</b>	<b>59,723.99</b>	<b>47,978.04</b>
Less : Sales tax / VAT	1,387.36	917.12
<b>TOTAL</b>	<b>58,336.63</b>	<b>47,060.92</b>

- Revenue from operations (gross) includes sale of goods net of trade discount, duty draw back income, recoverable sales tax / Value added tax (VAT) from customers, hedging loss/gain on product / cracks and excise duty.

\* includes net gain of ₹ 176.11 crore (Previous year net loss ₹ 219.63 crore) on the instruments for hedging of risk of movement in prices of finished goods and margins.

- During the year, the Company deferred payment of sales tax /VAT liability amounting to ₹1,507.01 crore for the period April 01, 2011 to December 31, 2011 (Previous year ₹1,811.41 crore April 01, 2010 to March 31, 2011) and defeased the same to a related party at its present value amounting to ₹ 528.42 crore (Previous year ₹591.41 crore). Sales tax/VAT amounting to ₹1,387.36 crore (Previous year ₹917.12 crore) shown above as deduction from "Revenue from operations (net)" includes the defeased value of sales tax/VAT liability of ₹528.42 crore (Previous year ₹591.48 crore) as per the defeasance agreement pursuant to which the assignee has undertaken to discharge the sales tax/VAT liability on the due dates. Pursuant to the Supreme Court Order dated January 17, 2012, the Company subsequently reversed the entire amount of income recognized in the current year as an exceptional item {refer note (37) & (38)}.

NOTES to revised financial statements for the year ended March 31, 2012

## 20. OTHER INCOME

(₹ in crore)

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
<b>Interest</b>		
a) On deposits	353.96	99.17
b) Others	21.36	41.51
	375.32	140.68
Profit on sale of fixed assets	0.08	0.00*
Profit on redemption of current investments	6.31	4.14
Exchange differences (net) (refer note 35)	-	93.87
Others	43.05	42.60
<b>TOTAL</b>	<b>424.76</b>	<b>281.29</b>

\*Amount less than ₹ 1 lakh

## 21. COST OF RAW MATERIALS CONSUMED

(₹ in crore)

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
Cost of materials consumed {refer note 31(a)}	52,894.81	42,129.27

\*includes net loss of ₹ 147.06 crore (Previous year net loss ₹ 70.27 crore) on the instruments for hedge of risk of movement in prices of crude oil.

## 22. PURCHASE OF TRADED GOODS

(₹ in crore)

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
Traded crude and petroleum products	1,954.43	1,964.20
Others	2.73	-
<b>TOTAL</b>	<b>1,957.16</b>	<b>1,964.20</b>

## 23. (INCREASE) / DECREASE IN INVENTORIES OF FINISHED GOODS AND WORK-IN-PROGRESS

(₹ in crore)

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
<b>Opening stock:</b>		
- Finished goods	891.83	369.35
- Work-in-progress	1,480.15	844.99
(A)	<b>2,371.98</b>	1,214.34
<b>Closing stock:</b>		
- Finished goods	1,079.93	891.83
- Work-in-progress	2,280.15	1,480.15
(B)	<b>3,360.08</b>	2,371.98
(Increase) / Decrease in stock	<b>TOTAL (A) - (B)</b>	<b>(988.10)</b>
		(1,157.64)

NOTES to revised financial statements for the year ended March 31, 2012

## 24. EMPLOYEE BENEFITS EXPENSE

(₹ in crore)

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
Salaries, wages and bonus	119.23	108.51
Contribution to / provision for provident and other funds	8.30	6.76
Staff welfare expenses	7.03	4.40
<b>TOTAL</b>	<b>134.56</b>	<b>119.67</b>

Also refer note 3(n)(iv) & 4(d) on Employee stock options

## 25. OTHER EXPENSES

(₹ in crore)

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
<b>Operating expenses:</b>		
Consumption of stores and spare parts	96.83	44.01
Intermediate material handling charges	129.08	20.55
Consumption of fuel	444.43	261.69
Power and fuel {Net of consumed out of own production ₹ 700.11 crore (Previous year ₹ 509.37 crore)}	268.95	242.81
Excise duty (difference between duty on opening and closing stock)	5.92	12.95
Other operating expenses	246.09	153.65
<b>(A)</b>	<b>1,191.30</b>	<b>735.66</b>
<b>Selling and marketing expenses</b>		
Terminalisation charges	6.56	8.73
Rent / ROI for retail outlets	16.26	14.89
Adhoc compensation to retail outlets	38.51	12.47
Product handling charges	313.39	338.49
Others selling and distribution expenses	24.95	34.56
<b>(B)</b>	<b>399.67</b>	<b>409.14</b>
<b>General and administrative expenses</b>		
Rates and taxes	2.14	1.66
Insurance	33.72	27.22
Professional fees	131.27	126.16
Rent	17.26	10.77
Repairs and maintenance		
a) Buildings	16.96	8.29
b) Plant and machinery	71.77	21.25
c) Others	29.79	17.21
Provision / write off of fixed assets / capital work-in-progress	-	14.79
Sundry expenses	142.61	135.07
Exchange differences (net) (refer note 35)	625.71	-
<b>(C)</b>	<b>1,071.23</b>	<b>362.42</b>
<b>TOTAL(A)+(B)+(C)</b>	<b>2,662.20</b>	<b>1,507.22</b>

## 26. FINANCE COSTS

(₹ in crore)

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
Interest		
a) On debentures {refer note 7 (ii)(a)}	23.36	25.24
b) On fixed loans	664.09	700.65
c) On others	272.71	126.78
Change in present obligation of certain loans {refer note 7(ii)(c)}	58.35	55.45
Other finance charges	368.33	312.12
<b>TOTAL</b>	<b>1,386.84</b>	<b>1,220.24</b>

NOTES to revised financial statements for the year ended March 31, 2012

## 27. EARNINGS PER SHARE

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Profit / (Loss) after tax (₹ In crore)	(1,285.48)	(251.69)
Profit / (Loss) attributable to ordinary shareholders (₹ In crore) (A)	<b>(1,285.48)</b>	<b>(251.69)</b>
Impact on profit / (loss) (net of tax) due to FCCB for Diluted EPS (₹ In crore)	3.80	18.76
Profit / (Loss) attributable to ordinary shareholders for Diluted EPS (₹ In crore) (B)	<b>(1,289.28)</b>	<b>(270.45)</b>
	Nos.	Nos.
Ordinary shares at the beginning of the year for basic EPS	1,365,667,086	1,201,529,604
Add: Weighted average number of ordinary shares issued	-	146,390,479
Weighted average number of ordinary shares for basic EPS (C)	<b>1,365,667,086</b>	<b>1,347,920,083</b>
Add: Shares deemed to be issued	83,849,816	71,658,611
Weighted average number of ordinary shares for diluted EPS (D)	<b>1,449,516,902</b>	<b>1,419,578,695</b>
Nominal value of ordinary shares (₹)	10/-	10/-
Basic earnings per share (₹) (A)/(C)	(9.41)	(1.87)
Diluted earnings per share (₹)	(9.41)	(1.91)
	(A)/(C)	(B)/(D)

## 28. CAPITAL COMMITMENTS

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) (including ₹ 0.86 crore (Previous year ₹ 0.95 crore) pertaining to joint ventures {refer note 40 (c)})	1,922.39	2,180.37
The above figures does not include ₹ 18,600.45 crore (Previous Year ₹ 17,487.58 crore) for contracts in relation to the implementation of the Phase II of Refinery Expansion Project, as the work under these contracts will commence only after definitive financial commitments being entered into, and following which, if the Company has not notified the counter-party that the work is to commence by September 2012, the contracts will terminate.		

## 29. CONTINGENT LIABILITIES

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
a) Income tax / sales tax / VAT and other demands of various years against which appeals have been filed by department / Company.	74.71	33.93
b) Claims against the Company not acknowledged as debts :		
(i) In respect of custom duty / excise duty	76.04	67.74
(ii) In respect of encashment of performance guarantee	7.98	7.98
(iii) Others	266.76	249.14
The above includes counter claims on the Company in certain arbitration matters ₹ 72.75 crore (Previous year ₹ 100.67 crore), rupee term loan interest and bank charges ₹ 7.99 crore (Previous year ₹ Nil), stamp duty on import of crude ₹ 174.94 crore (Previous year ₹ 126.47 crore), demand of road tax on certain heavy equipment ₹ 0.89 crore (Previous year ₹ 10.56 crore), Gujarat entry tax ₹ 3.28 crore (Previous year ₹ 5.38 crore), litigation for additional compensation in land acquisition matter ₹ 1.92 crore (Previous year ₹ 1.96 crore), other miscellaneous claims of ₹ 4.99 crore (Previous year ₹ 4.10 crore)		



NOTES to revised financial statements for the year ended March 31, 2012

### 29. CONTINGENT LIABILITIES (Contd.)

Particulars	(₹ in crore)	
	Year ended March 31, 2012	Year ended March 31, 2011
c) Interest not payable, if certain funded interest facilities are prepaid (refer note 7(ii)(c))	-	574.91
d) In respect of custom duty / FEMA matter, where the department has gone in appeal	32.59	79.21
e) Guarantees given by the Company on behalf of others	161.06	277.49
The claims by parties in respect of which the management has been legally advised that the same are frivolous and not tenable, have not been considered as contingent liabilities as the possibility of an outflow of resources embodying economic benefits is highly remote.		

### 30. CIF VALUE OF IMPORTS INCLUDING GOODS IN TRANSIT AND PROJECT IMPORTS (ON ACCRUAL BASIS)

Particulars	(₹ in crore)	
	Year ended March 31, 2012	Year ended March 31, 2011
a) Raw materials - crude oil	47,361.22	37,475.39
b) Components and spare parts (including other consumable spares)	112.81	150.81
c) Capital goods	662.46	1,950.92

### 31. DETAILS OF COST OF RAW MATERIALS CONSUMED AND STORES AND SPARE PARTS CONSUMPTION

Particulars	Year ended March 31, 2012		Year ended March 31, 2011	
	₹ in crore	%	₹ in crore	%
a) Cost of raw materials consumed* (including expenditure during construction)				
(1) Imported	47,121.37	88.89	38,432.35	91.22
(2) Indigenous	5,892.31	11.11	3,696.92	8.78
<b>TOTAL</b>	<b>53,013.68</b>	<b>100.00</b>	<b>42,129.27</b>	<b>100.00</b>
*Above figure includes cost of crude consumption during trial run ₹ 118.87 crore				
b) Consumption of stores and spare parts (including expenditure during construction)				
(1) Imported	26.96	24.80	7.71	17.52
(2) Indigenous	81.78	75.20	36.30	82.48
<b>TOTAL</b>	<b>108.74</b>	<b>100.00</b>	<b>44.01</b>	<b>100.00</b>

### 32. QUANTITATIVE AND OTHER INFORMATION WITH REGARD TO PRODUCTS EXTRACTED

Particulars	Opening stock		Extraction	Sales		Closing stock	
	Quantity in BBL	₹ in crore	Quantity in BBL	Quantity in BBL	₹ in crore	Quantity in BBL	₹ in crore
Extracted products	232.00	0.09	6,590.77	5,914.28	2.63	908.49	0.47
	(625.00)	(0.18)	(10,729.12)	(11,122.12)	(3.54)	(232.00)	(0.09)

Previous year figures have been shown in brackets.

NOTES to revised financial statements for the year ended March 31, 2012

### 33. EXPENDITURE AND EARNING IN FOREIGN CURRENCY INCLUDING EXPENDITURE DURING CONSTRUCTION (ON ACCRUAL BASIS)

	(₹ in crore)	
	Year ended March 31, 2012	Year ended March 31, 2011
<b>a) Expenditure in foreign currency including expenditure during construction (on accrual basis)</b>		
(i) Interest	107.63	62.74
(ii) Travelling expenses	2.95	1.49
(iii) Professional / consultancy fees	31.85	26.82
(iv) Services	141.35	115.23
(v) On commodity hedging	314.45	472.84
(vi) Demurrage	19.85	8.77
(vii) Traded crude / Petroleum products purchase	1,246.50	553.66
(viii) Others	69.36	53.84
<b>b) Earnings in foreign currency including expenditure during construction (on accrual basis)</b>		
(i) Interest	-	0.04
(ii) FOB value of exports	19,915.33	15,006.02
(iii) Overseas trading of crude / Petroleum products	1,255.51	551.34
(iv) On commodity hedging	343.51	182.94
(v) Income from technical services	14.73	11.78
(vi) Income from sale of participating interest in an E&P block	-	5.13
(vii) Others	7.20	0.09

### 34. INSURANCE CLAIM

The Company had filed an insurance claim with respect to the losses caused due to damages to the Refinery project by a cyclone in the year 1998. The claim was initially disputed by the insurer but subsequently agreed to settle the same by arbitration. During the year, the Company received the arbitration award upholding the material damage claim but rejecting the advance loss of profit claim. The award has no impact on the revised financial statement of the Company since the Company has not accrued any income against this claim in the past.

### 35. DEFERRAL / CAPITALISATION OF EXCHANGE DIFFERENCES

In the view of notification dated December 29, 2011 issued by the Ministry of Corporate Affairs extending the option upto March 31, 2020 to capitalise / amortise the foreign exchange differences on long term foreign currency monetary items under para 46 and 46A of the Accounting Standard 11, The Effect of Changes in Foreign Exchange Rates, the Company

has continued to exercise the said option and has added to the cost of fixed assets exchange loss of ₹ 113.92 crore during the year (Previous year deduction due to gain ₹ 1.47 crore) and has accumulated exchange difference loss of ₹ 65.51 crore (Previous year ₹ Nil), pending to be amortized, in the Foreign Currency Monetary Item Translation difference account (FCMTD) as of March 31, 2012. On account of this, the loss for the year is lower by ₹ 179.43 crore (Previous year profit is lower by ₹ 1.47 crore) and fixed assets and FCMTD as at March 31, 2012 are higher by ₹ 113.92 crore and ₹ 65.51 crore respectively (Previous year fixed assets was lower by ₹ 1.47 crore and FCMTD ₹ Nil).

### 36. GDSS PROCEEDS UTILISATION

As at balance sheet date, the unutilized balance of proceeds from issue of global depository shares amounting to ₹ 14.75 crore (Previous year ₹ 19.29 crore from advance towards issue of global depository shares proceeds) is lying in bank deposit accounts.

NOTES to revised financial statements for the year ended March 31, 2012

### 37. EXCEPTIONAL ITEMS

Particulars	₹ in crore)	
	Year ended March 31, 2012	Year ended March 31, 2011
Reversal of defeased income (refer note 38)	778.25	1,083.43
Interest on sales tax liability (refer note 38)	83.39	-
CDR Exit impact (refer note 7(ii)(c))	375.82	-
<b>TOTAL</b>	<b>1,237.46</b>	<b>1,083.43</b>

### 38. SALES TAX

The Company was granted a provisional registration for its Refinery at Vadinar, Gujarat under the Capital Investment Incentive to Premier / Prestigious Unit Scheme 1995-2000 of Gujarat State ("the Scheme"). As the commercial operations of the Refinery could not be commenced before the timeline under the Scheme due to reasons beyond the control of the Company viz. a severe cyclone which hit the Refinery Project site in June 1998 and a stay imposed by the Hon'ble Gujarat High Court on August 20, 1999 based on a Public Interest Litigation which was lifted in January 2004 when the Hon'ble Supreme Court of India gave a ruling in favor of the Company, representations were made by the Company to the State Government for extension of the period beyond August 15, 2003 for commencement of commercial operations of the Refinery to be eligible under the Scheme. As the State Government did not grant extension of the period as requested, the Company filed a writ petition in Hon'ble Gujarat High Court which vide its order dated April 22, 2008, directed the State Government to consider the Company's application for granting benefits under the Scheme by excluding the period from July 13, 2000 to February 27, 2004 for determining the timeline of commencement of commercial production. Based on the order of the Hon'ble High Court, the Company started availing the benefits under the deferral option in the Scheme from May 2008 onwards and simultaneously defeased the sales tax liability covered by the Scheme to a related party. An amount of ₹ 6,308.94 crores was collected on account of sales tax covered by the Scheme and defeased at an agreed present value of ₹ 1,892.82 crores resulting in a net defeasement income of ₹ 4,416.12 crores which was recognised during the period May 01, 2008 to December 31, 2011. The Company also recognised a cumulative liability of ₹ 189.27 crores towards contribution to a Government Welfare Scheme which was payable being one of the conditions to be eligible under the Scheme.

The State Government had filed a petition on July 14, 2008 in the Hon'ble Supreme Court of India against the order dated April 22, 2008 of the Hon'ble Gujarat High Court. The Honorable Supreme Court of India has vide its order dated January 17, 2012, set aside the order of the Honorable High Court of Gujarat dated April 22, 2008 which had earlier confirmed the Company's eligibility to the Scheme, making the Company liable to pay ₹ 6,168.97

crores (net of payment of ₹ 236.82 crores) being the sales tax collected till January 16, 2012 under the Scheme ("the sales tax dues"). Consequently, the Company had reversed the income of ₹ 4,416.12 crores recognised during May 01, 2008 to December 31, 2011, reversed the cumulative liability of ₹ 189.27 crores towards contribution to a Government Welfare Scheme and recognised income of ₹ 264.57 crores (net of break up charges of ₹ 32.09 crores) on account of interest receivable from the assignee of the defeased sales tax liability, and had presented the same under 'Exceptional Items' in the Statement of Profit and Loss forming part of the financial statements for the year ended March 31, 2012 which were approved by the Board of Directors in its meeting held on May 12, 2012. These financial statements are hereinafter referred to as 'the original financial statements'.

The Company has deposited ₹ 1,000 crores on account of the sales tax as per the directive of the Honorable Supreme Court of India on July 26, 2012. In response to a Special Leave Petition filed by the Company with the Honorable Supreme Court of India seeking payment of the sales tax dues in installments and without interest, the Honorable Supreme Court has, on September 13, 2012, passed an order allowing the payment of the balance sales tax dues in eight equal quarterly installments beginning January 2, 2013 with interest of 10% p.a. with effect from January 17, 2012.

The Company has since reopened its books of account for the financial years 2008-09 to 2010-11 ("the prior years") in accordance with approval of the Ministry of Corporate Affairs ("the MCA") obtained during the financial year 2012-2013 subsequent to the approval of the original financial statements by the Board of Directors of the Company, for the limited purpose of reflecting true and fair view of the sales tax incentives / liabilities, etc. consequent to the order dated January 17, 2012 of the Hon'ble Supreme Court of India. Accordingly, the income aggregating to ₹ 3,437.53 crores recognised during May 01, 2008 to March 31, 2011 by defeasance of the sales tax liability and the cumulative liability of ₹ 144.06 crores pertaining to the prior years towards contribution to a Government Welfare Scheme were reversed, and interest of ₹ 109.44 crores (net of break up charges of ₹ 21.52 crores) recoverable from the assignee of the defeased sales tax liability was recognised and the net effect was presented as 'Exceptional Items' in the Revised Statement of Profit and Loss for the respective prior years.

**NOTES** to revised financial statements for the year ended March 31, 2012

The effects of the revisions have been explained in detail in the revised financial statements for the prior years

In view of the above, the original financial statements for the year ended March 31, 2012 have now been revised. Consequent to the said revision and having regard to the revision of the financial statements for the prior years described above, the Company has reversed income of ₹ 978.59 Crores recognised during April 1, 2011 to December 31, 2011 by defeasance of the deferred sales tax liability under the Scheme, reversed liability of ₹ 45.21 Crores recognised during the said period towards contribution to a Government Welfare Scheme for being eligible under the

Scheme, recognised interest income of ₹ 155.13 Crores (net of break up charges of ₹10.57 Crore) receivable from the assignee of the sales tax liability and recognised interest of ₹ 83.39 Crores (net of ₹ 43.33 Crores capitalized as cost of qualifying fixed assets) on the sales tax dues; and presented the same under 'Exceptional Items' in the Revised Statement of Profit and Loss.

The revised financial statements also consider the effect of subsequent events after the approval of the original financial statements in accordance with Accounting Standard 4, (AS 4), Contingencies and Events Occurring After the Balance Sheet Date.

The effects of the revisions of the financial statements for the prior years on the opening balances for 2011-12 have been summarised below:

Particulars	Original Financial Statements	Revised Financial Statements	Remarks
Reserves and Surplus	5,155.63	2,149.46	i) Reversal of income aggregating to ₹ 3,437.53 crore recognised during May 01, 2008 to March 31, 2011 by defeasance of the sales tax liability. ii) Reversal of the cumulative liability of ₹ 144.06 crore pertaining to the prior years towards contribution to a Government Welfare Scheme. iii) Recognition of interest of ₹ 109.44 crores (net of breakup charges of ₹ 21.52 crores) recoverable from the assignee of the sales tax liability under the defeasance agreement and iv) Consequential reversal of provision for current tax of ₹ 166.41 crores and reversal of deferred tax liability of ₹ 11.45 crores.
Deferred Tax Liability (Net)	11.45	-	Reversal of deferred tax liability
Other Long Term Liabilities	1,861.88	6,426.99	Recognition of sales tax liability ₹ 4,565.10 crore after setting off sales tax recoverable of ₹ 236.82 crore.
Trade Payables	6,638.91	6,494.85	Reversal of liability towards contribution to a Government Welfare Scheme ₹ 144.06 crore.
Other Current Liabilities	3,414.11	3,355.64	Reversal of liability in respect of defeasement amount payable to a related party ₹ 58.46 crore.
Short Term Provisions	195.98	29.58	Reversal of Provision for current tax ₹ 166.40 crore.
Long term loans and advances	319.61	486.01	Reclassification of tax paid under MAT to Long term Loans and advances of ₹ 166.40 crores.
Other non-current assets	288.00	1,703.38	i) Amount recoverable from related party ₹ 1,305.93 crore paid under defeasement agreement. ii) Accrual of interest income on receivable from the assignee of the sales tax liability under the defeasance agreement of ₹ 109.44 crore (net of provision of breakup charges of ₹ 21.52 crore)
Short Term Loans and advances	487.57	321.17	Reclassification of tax paid under MAT to Long term Loans and advances of ₹ 166.40 crores.
Other Current Assets	381.10	144.28	Offsetting sales tax recoverable ₹ 236.82 crore against sales tax liability.



**NOTES** to revised financial statements for the year ended March 31, 2012

The summary of changes in the original financial statements has been given below:

**a) Statement of Profit and Loss:**

(₹ in crore)

Particulars	Original Financial Statements	Revised Financial Statements	Remarks
Other Income	430.08	424.76	Revision in accrual of Interest Income.
Finance Cost	1,410.99	1,386.84	Finance costs (exchange difference) ₹ 24.15 crore capitalized to Fixed Assets based on the MCA's clarification dated August 9, 2012.
Exceptional Items	4,309.90	1,237.46	Following accounting effect given in the Statement of Profit and Loss of the prior years i) Reversal of income aggregating to ₹ 3,437.53 crores recognised during May 01, 2008 to March 31, 2011 by defeasance of the sales tax liability and reversal of the cumulative liability of ₹ 144.06 crores pertaining to the prior years towards contribution to a Government Welfare Scheme, and recognition of interest of ₹ 109.44 crores (net of break up charges of ₹ 21.52 crores) recoverable from the assignee of the defeased sales tax liability ii) Recognition of additional interest cost of ₹ 28.20 crore pursuant to CDR exit approved by the CDR Core Group on June 29, 2012. iii) Recognition of ₹ 83.39 crore of interest payable on the sales tax dues as per the Order of Supreme Court of India dated September 13, 2012.
Current Tax	(6.21)	-	Reversal of excess provision of Current Tax.
MAT credit entitlement of the earlier year	(160.19)	-	MAT credit entitlement of the earlier year reversed due to recognition of MAT refund receivable in the revised financial statements for the year ended March 31, 2011.
Deferred tax credit	(11.45)	-	Reversal of Deferred tax credit due to revisions explained above.
Net loss after taxes	(4,198.90)	(1,285.48)	Net Impact of the above
<b>b) Balance Sheet :</b>			
Reserves and surplus	891.23	798.47	i) Finance costs (exchange difference) of ₹ 24.15 crore capitalized to Fixed Assets based on the MCA's clarification dated August 9, 2012. ii) Recognition of additional interest cost of ₹ 28.20 crore pursuant to CDR exit approved by the CDR Core Group on June 29, 2012. iii) Recognition of ₹ 83.39 crore of interest payable on the sales tax dues as per the Order of Supreme Court of India dated September 13, 2012. iv) Revision in accrual of Interest Income of ₹ 5.32 crore.
Long term borrowings	11,813.85	12,202.80	i) Reclassification of long term borrowings of ₹ 720.05 crore as current liabilities in accordance with the repayment terms agreed as part of CDR exit approved by the CDR Core Group on June 29, 2012. ii) Inter corporate deposits (ICDs) of ₹ 1,109.00 crore from a related party have now been shown as long term borrowings. These were shown as deduction from the amount recoverable from the assignee of the defeased sales tax liability under the Scheme for presentation purpose only in the original financial statements.

**NOTES** to revised financial statements for the year ended March 31, 2012

(₹ in crore)

Particulars	Original Financial Statements	Revised Financial Statements	Remarks
Other Long term liabilities	102.27	4,795.55	i) The sales tax dues of ₹ 4,519.56 crores classified as long term liability considering payment in eight equal quarterly installments based on the order of the Hon'ble Supreme Court of India dated September 13, 2012. ii) Interest accrued but not due on ICD of ₹ 173.72 crore have now been shown as long term borrowings. These were shown as deduction from the amount recoverable from the assignee of the defeased sales tax liability under the Scheme for presentation purpose only in the original financial statements.
Other current liabilities	8,555.11	4,910.50	i) Reclassification of the sales tax dues of ₹ 4,519.58 crores as long term liability considering payment in eight equal quarterly installments based on the order of the Hon'ble Supreme Court of India dated September 13, 2012. ii) Recognition of ₹ 126.72 crore of interest payable on the sales tax dues as per the Order of Supreme Court of India dated September 13, 2012.. iii) Reclassification of long term borrowings of ₹ 720.05 crore as current liabilities in accordance with the repayment terms agreed as part of CDR exit approved by the CDR Core Group on June 29, 2012. iv) Recognition of interest accrued but not due of ₹ 28.20 crore pursuant to CDR exit approved by the CDR Core Group on June 29, 2012.
Short-term provisions	190.82	30.63	Current tax provision pertaining to the previous year reversed due to recognition of MAT refund receivable in the revised financial statements for the year ended March 31, 2011.
Tangible assets	21,244.48	21,299.90	i) Finance costs (exchange difference) of ₹ 24.15 crore capitalized to Fixed Assets based on the MCA's clarification dated August 9, 2012. ii) Capitalisation of interest of ₹ 34.08 crore on the sales tax dues pertaining to construction period/ trial run. iii) Reclassification of Capital work in Progress of ₹ 2.81 crore to Fixed Assets.
Capital work-in-progress	1,748.42	1,760.47	i) Capitalisation of interest of ₹ 9.24 crore on the sales tax dues pertaining to construction period/ trial run. ii) Reclassification of Capital work in Progress of ₹ 2.81 crore to Fixed Assets.
Long-term loans and advances	416.25	410.93	i) Reversal of Tax Deducted at Source (TDS) due to revision in interest income accrued of ₹ 5.32 crore. ii) Reclassification of tax paid under MAT to Long term Loans and advances of ₹ 160.19 crores. iii) Reversal of MAT credit entitlement of ₹ 160.19 crores recognised in original financial statements.
Other non-current assets	229.87	1,809.64	Reclassification of amount recoverable from the assignee of the defeased sales tax liability of ₹ 1,579.77 crores to non-current considering the terms of payment in eight equal quarterly installments.
Short term loans and advances	388.21	228.02	Reclassification of tax paid under MAT to Long term Loans and advances of ₹ 160.19 crores.

## NOTES to revised financial statements for the year ended March 31, 2012

(₹ in crore)

Particulars	Original Financial Statements	Revised Financial Statements	Remarks
Other current assets	1,015.17	718.11	<ul style="list-style-type: none"> <li>i) Reclassification of amount recoverable from the assignee of the defeased sales tax liability of ₹ 1,579.77 crores to non-current considering the terms of payment in eight equal quarterly installments.</li> <li>ii) Inter corporate deposits (ICDs) of ₹ 1,109.00 crores from a related party have now been shown as long term borrowings. These were shown as deduction from the amount recoverable from the assignee of the defeased sales tax liability under the Scheme for presentation purpose only in the original financial statements.</li> <li>iii) Interest accrued but not due on ICD of ₹ 173.72 crore have now been shown as long term borrowings. These were shown as deduction from the amount recoverable from the assignee of the defeased sales tax liability under the Scheme for presentation purpose only in the original financial statements.</li> </ul>
<b>c) Cash Flow Statement :</b>			
Net profit / (loss) before tax as per statement of profit and loss	(4,376.75)	(1,285.48)	<ul style="list-style-type: none"> <li>i) Reversal of income aggregating to ₹ 3,437.53 crores recognised during May 01, 2008 to March 31, 2011 by defeasance of the sales tax liability and reversal of the cumulative liability of ₹ 144.06 crores pertaining to the prior years towards contribution to a Government Welfare Scheme, and recognition of interest of ₹ 109.44 crores (net of break up charges of ₹ 21.52 crores) recoverable from the assignee of the defeased sales tax liability,</li> <li>ii) Recognition of interest accrued but not due ₹ 28.20 crore pursuant to CDR exit approved by the CDR Core Group on June 29, 2012.</li> <li>iii) Recognition of ₹ 83.39 crore of interest payable on the sales tax dues as per the Order of Supreme Court of India dated September 13, 2012.</li> <li>iv) Finance costs (exchange difference) ₹ 24.15 crore capitalized to Fixed Assets based on the MCA's clarification dated August 9, 2012.</li> <li>v) Revision in accrual of Interest Income of ₹ 5.32 crore.</li> </ul>
Interest	1,364.52	1,451.96	<ul style="list-style-type: none"> <li>i) Recognition of interest accrued but not due ₹ 28.20 crore pursuant to CDR exit approved by the CDR Core Group on June 29, 2012.</li> <li>ii) Recognition of ₹ 83.39 crore of interest payable on the sales tax dues as per the Order of Supreme Court of India dated September 13, 2012.</li> <li>iii) Finance costs (exchange difference) ₹ 24.15 crore capitalized to Fixed Assets based on the MCA's clarification dated August 9, 2012.</li> </ul>
Operating profit before working capital changes	(2,142.42)	1,036.28	Net Impact of the above

**NOTES** to revised financial statements for the year ended March 31, 2012

(₹ in crore)

Particulars	Original Financial Statements	Revised Financial Statements	Remarks
Changes in receivables, advances and deposits	(3,759.51)	(2,580.95)	i) Amount receivable from a related party ₹ 1,305.93 crore under defeasance agreement ii) Accrual of interest income on receivable from assignee of the sales tax liability under the defeasance agreement of ₹ 109.44 crore for the year (net of provision of breakup charges of ₹ 21.52 crore). iii) Offsetting of sales tax considered as recoverable ₹ 236.82 crore against sales tax liability.
Changes in payables	8,403.90	4,047.53	i) Sales tax liability ₹ 4,801.93 crore for the year ended March 31, 2011. ii) Reduction in defeasement amount payable to related party ₹ 58.47 crore, iii) Offsetting of sales tax considered as recoverable ₹ 236.82 crore against sales tax liability, iv) Reversal of liability towards contribution to a Government Welfare Scheme ₹ 144.06 crore v) Reversal of excess provision of Current Tax ₹ 6.21 crore.
Cash generated from operating activities	520.33	521.23	Net Impact of the above
Income tax refund / (payment) (net) (including interest)	(43.52)	(44.43)	Reversal of Excess provision
Additions to fixed assets / capital work in progress	(2,767.82)	(2,791.97)	Finance costs (exchange difference) ₹ 24.15 crore capitalized to Fixed Assets based on the MCA's clarification dated August 9, 2012.
Net cash used in investing activities (B)	(1,319.61)	(1,343.76)	Net Impact of the above
Interest paid	(1,760.68)	(1,736.53)	Finance costs (exchange difference) ₹ 24.15 crore capitalized to Fixed Assets based on the MCA's clarification dated August 9, 2012.
Net cash generated from financing activities (c)	1,160.15	1,184.31	Net Impact of the above

**39. LEASES**
**Finance lease:-**

(i) Future lease rental payable and reconciliation of minimum lease payments and its present value in respect of the assets:-

(₹ in crore)

Particulars	Minimum Lease payments/ Future lease rent payable		Interest		Present value of minimum lease payments	
	As at March 31, 2012	As at March 31, 2011	As at March 31, 2012	As at March 31, 2011	As at March 31, 2012	As at March 31, 2011
Future lease rental obligation payable:						
Not later than one year	14.61	14.61	1.10	1.10	13.51	13.51
Later than one year but not later than five years	53.56	58.43	17.53	20.00	36.03	38.43
Later than five years	40.33	49.93	30.01	36.39	10.31	13.54
<b>TOTAL</b>	<b>108.50</b>	<b>122.97</b>	<b>48.64</b>	<b>57.49</b>	<b>59.85</b>	<b>65.48</b>



## NOTES to revised financial statements for the year ended March 31, 2012

- (ii) General description of the leasing arrangements: - Leased Assets – Residential township, Transit accommodation and supply depot.
- Future lease rental payments are determined on the basis of quarterly / monthly lease payments as provided in the agreements.
- At the expiry of the lease term, the Company has an option to extend the lease on mutual terms and conditions. In case of the supply depot, the ownership gets transferred to the Company at the end of the lease term.
- Assets are taken on lease over a period of 10 to 20 years.
- (iii) The above disclosures pertain to lease arrangements where leases have commenced upon assets becoming ready to use.

### 40. EXPLORATION AND PRODUCTION ACTIVITIES

- a) As per the Company's policy of Full Cost method of accounting prescribed by the Guidance Note in "Accounting for Oil and Gas Producing Activities" issued by the "Institute of Chartered Accountants of India", the Company has identified the following 2 Cost Pools:
- (i) India CBM (Coal Bed Methane) Pool :
- a) Mehsana Pilot Project held outside Pool.
- b) RG (East) 2001/1 Block – Commercial Production not yet started and held outside Pool.
- c) RM-(E)-CBM-2008/IV (Rajmahal, Jharkhand, India)- in exploration phase, held outside pool
- d) TL-CBM-2008/IV (Talcher, Orissa, India)- in exploration phase, held outside pool
- e) IB-CBM-2008/IV (IB Valley, Orissa, India)- in exploration phase, held outside pool
- f) SP(NE)-CBM-2008/4 (Sohagpur, Madhya Pradesh, India)- in exploration phase, held outside pool
- (ii) India Oil & Gas Pool :
- a) Block CB-ON/3 - existence of commercial reserves established in ESU field, held inside Pool.
- b) Ratna & R-Series - discovered oilfield but contract not executed and hence held outside Pool.
- c) AA-ONN-2004/3 - In exploration phase, held outside pool
- d) AA-ONN-2004/5 - In exploration phase, held outside pool

On commencement of commercial production from ESU field forming part of CB-ON/3 block, the Pool has been transferred to "Producing Properties". Depletion on "Producing Properties" is being charged on a "Unit of Production" basis.

#### b) Summary of Cost Pools:

Cost Pool	Cost in Pool		Cost outside Pool		Total	
	As at March 31, 2012	As at March 31, 2011	As at March 31, 2012	As at March 31, 2011	As at March 31, 2012	As at March 31, 2011
India CBM	Nil	Nil	654.32	381.78	654.32	381.78
India Oil & Gas	188.12	188.12	111.21	104.62	299.33	292.74
<b>TOTAL</b>	<b>188.12</b>	<b>188.12</b>	<b>765.53</b>	<b>486.40</b>	<b>953.65</b>	<b>674.52</b>

#### c) Company's interest in oil & gas and CBM Joint Ventures as at March 31, 2012:

Sr. No.	Name of the Block	As at March 31, 2012	As at March 31, 2011
1	CB-ON/3 (Gujarat, India)	#100%	#100%
2	Ratna & R-Series (Maharashtra, India)	##50%	##50%
3	AA-ONN-2004/3 (Assam, India)	###10%	###10%
4	AA-ONN-2004/5 (Assam, India)	###10%	###10%
5	RG (East) 2001/1 ( West Bengal, India)	100%	100%
6	RM-(E)-CBM-2008/IV (Rajmahal, Jharkhand, India)	100%	100%
7	TL-CBM-2008/IV (Talcher, Orissa, India)	100%	100%
8	IB-CBM-2008/IV (IB Valley, Orissa, India)	100%	100%
9	SP(NE)-CBM-2008/4 (Sohagpur, Madhya Pradesh, India)	100%	100%

**NOTES** to revised financial statements for the year ended March 31, 2012

# Following commercial discovery in ESU field forming part of CB-ON/3 Block, and its subsequent approval by the Management Committee on August 4, 2006, ONGC has exercised its back-in rights of 30% for prospect ESU in financial year 2006-07, leaving the Company with a 70% Participating Interest in the ESU field. The Company continues to hold 100% interest in the rest of the CB-ON/3 Block.

## Balance 40% interest held by ONGC and 10% by Premier Oil.

### Balance 90% interest in block AA-ONN-2004/3 and AA-ONN-2004/5 are held by Essar Energy Holdings Limited (EEHL)

- d) i) Company's interest in Proved(1P) and Proved and Probable (2P) reserves of crude oil as on March 31, 2012 is as under:

Area of operation		Proved		Proved and probable	
		MT	MT	MT	MT
		As at March 31, 2012	As at March 31, 2011	As at March 31, 2012	As at March 31, 2011
Essar South Unawa (ESU) field Block CB-ON/3 - onshore Cambay Basin	Opening	84,257	85,760	261,022	262,525
	Additions	-	-	-	-
	Production	923	1,503	923	1,503
	Closing	83,334	84,257	260,099	261,022

- ii) Company's interest in Proved(1P) and Proved and Probable (2P) reserves of coal bed methane gas as on March 31, 2012 is as under:

Area of operation		Proved		Proved and probable	
		MMSCM	MMSCM	MMSCM	MMSCM
		As at March 31, 2012	As at March 31, 2011	As at March 31, 2012	As at March 31, 2011
RG(East)-CBM-2001/1 block West Bengal, India	Opening	-	-	-	-
	Additions	634	-	3,203	-
	Production	4	-	4	-
	Closing	630	-	3,199	-

**41. EXPORTS OBLIGATIONS**

(₹ in crore)

Obligation under	As at March 31, 2012	As at March 31, 2011
Exports Promotion Capital Goods Scheme (EPCG)	406.00	1,487.54
Advance License Scheme	-	67.63
<b>TOTAL</b>	<b>406.00</b>	<b>1,555.17</b>

Based on past performance, market conditions and business plans, the Company expects to fully meet the EPCG export obligation in the near future, and accordingly has not recognised the customs duty obligation amounting to ₹ 50.75 crore (Previous year ₹ 189.20 crore includes duty obligation on advance license scheme also) on the capital equipment as at balance sheet date. Export obligation of ₹ 406.00 crore (Previous year ₹ 1,555.17 crore) includes export obligation of ₹ 406.00 crore (Previous year ₹ 1,487.54 crore) against imports made by Vadinar Power Company Limited, an associate of the Company.

NOTES to revised financial statements for the year ended March 31, 2012

#### 42. DERIVATIVE INSTRUMENTS AND UNHEDGED FOREIGN CURRENCY EXPOSURES

Derivative contracts entered into by the Company and outstanding as at balance sheet date:

a) For hedging currency related risks:

- (i) The Company uses forward exchange contracts, options and interest rate swaps to hedge its exposure in foreign currency and interest rate. The information on outstanding contracts is given below:

Currency	Amount		Buy/Sell	
	As at March 31, 2012	As at March 31, 2011	As at March 31, 2012	As at March 31, 2011
<b>Forward contract :</b>				
US Dollar in million	850.00	949.00	Buy	Buy
Euro in million	-	0.49	Buy	Buy
<b>Options :</b>				
US Dollar in million	-	312.00	Buy	Buy
<b>Interest rate swap :</b>				
US Dollar in million	99.54	99.54	Buy	Buy

- (ii) The foreign currency exposure of the Company as at balance sheet date that have not been hedged by a derivative instrument or otherwise are given below:

Currency	Payable		Receivable		Loan Liabilities (Including Interest accrued)		LC Outstanding #	
	₹ In Crore	FC in Million	₹ In Crore	FC in Million	₹ In Crore	FC in Million	₹ In Crore	FC in Million
JPY	0.00** (0.04)	0.02 (0.74)	-	-	-	-	0.34	5.45
USD	7,787.37 (4,311.43)	1,522.26 (965.61)	1,615.59 (485.90)	315.81 (108.83)	4,112.16*** (3,544.20)***	803.84*** (793.77)***	895.55 (505.67)	175.06 (113.25)
EURO	9.14 (43.78)	1.34 (6.92)	4.94 (7.77)	0.72 (1.23)	282.32 (225.99)	41.31 (35.74)	66.70 (102.34)	9.76 (16.18)
GBP	4.40 (1.08)	0.54 (0.15)	2.28 (2.40)	0.28 (0.33)	13.98 (9.69)	1.71 (1.35)	0.55 (8.50)	0.07 (1.18)
CHF	0.01	0.00*	-	-	-	-	-	-
AUD	- (0.11)	- (0.02)	-	-	-	-	-	-
SEK	0.00**	0.00*	-	-	-	-	-	-
SGD	-	-	0.00**	0.00*	-	-	-	-
AED	0.00**	0.00*	-	-	-	-	-	-
<b>TOTAL</b>	<b>7,800.92</b> (4,356.44)	<b>1,622.81</b> (965.61)	<b>1,622.81</b> (496.07)	<b>315.81</b> (108.83)	<b>4,408.46</b> (3,779.88)	<b>803.84</b> (793.77)	<b>963.14</b> (616.51)	<b>175.06</b> (113.25)

# Other than in respect of recognised liability

\* Amount less than 0.01 million

\*\* Amount less than ₹ 1 lakh

\*\*\*excludes currency swap of ₹ 727.69 crore (USD 142.25 million) {Previous year ₹ 635.15 crore (USD 142.25 million)}

Previous year figures have been shown in brackets.

**NOTES** to revised financial statements for the year ended March 31, 2012

- (iii) Bank balances in foreign currency as at March 31, 2012 ₹ 0.53 crore (USD 0.10 million) (Previous year ₹ 4.14 crore (USD 0.93 million))
- b) For hedging commodity related risks:  
 Category wise break-up of commodity derivative contracts entered into by the Company and outstanding as at balance sheet date:

S r. No.	Nature of instrument	Crude oil purchases Qty. in Barrels ('000)		Petroleum product Qty. in Barrels ('000)	
		As at March 31, 2012	As at March 31, 2011	As at March 31, 2012	As at March 31, 2011
1	Net options	5,995	-	-	1,130
2	Margin hedging	-	-	1,425	5,965

**43. AUDITOR'S REMUNERATION**

Professional fees include fees to auditor for audit ₹ 1.95 crore (Previous year ₹ 1.00 crore), and IFRS audit ₹ 1.25 crore including ₹ 0.75 crore for earlier year (Previous year ₹ 0.75 crore including ₹ 0.05 crore for earlier years), taxation matters ₹ 0.07 crore (Previous year ₹ Nil), certification and other work ₹ 0.15 crore (Previous year ₹ 0.45 crore) and out of pocket expenses ₹ 0.09 crore (Previous year ₹ 0.12 crore).

**44. SEGMENT INFORMATION**

Sr. No.	Particulars	Year ended March 31, 2012	Year ended March 31, 2011
		(₹ In crore)	
<b>1</b>	<b>Information about primary segment - business:-</b>		
	Segment revenue		
	Refining including expansion and marketing	58,332.67	47,160.22
	Exploration and production activities	13.39	9.51
	Unallocated	4.24	27.59
	<b>Total segment revenue</b>	<b>58,350.30</b>	<b>47,197.32</b>
	Add : Interest income	375.32	140.68
	Add : Profit on sale of investment	6.31	4.14
	Add : Reversal of old liabilities / excess accrual	29.46	0.07
	<b>Total revenue</b>	<b>58,761.39</b>	<b>47,342.21</b>
<b>2</b>	<b>Segment result before interest, extra ordinary items and tax</b>		
	Refining including expansion and marketing	(111.69)	659.82
	Exploration and production activities	(6.07)	0.97
	Unallocated	(210.24)	(152.60)
	<b>TOTAL</b>	<b>(328.00)</b>	<b>508.19</b>
	Less : Interest expense (Including ₹ 350.05 crore (Previous year ₹ Nil) considered in exceptional items)	1,368.57	908.12
	Add : Interest income	375.32	140.68
	Add : Profit on sale of Investments	6.31	4.14
	Add : Reversal of old liabilities / excess accrual	29.46	0.07
	Profit / (Loss) before tax	(1,285.48)	(255.04)
	Less : Taxes	-	(3.35)
	<b>Profit / (Loss) after tax</b>	<b>(1,285.48)</b>	<b>(251.69)</b>
<b>3</b>	<b>Segment assets</b>		
	Refining including expansion and marketing	37,777.29	30,881.38
	Exploration and production activities	1,351.65	923.71
	Unallocated	960.69	1,984.28
	<b>Total assets</b>	<b>40,089.63</b>	<b>33,789.37</b>



NOTES to revised financial statements for the year ended March 31, 2012

#### 44. SEGMENT INFORMATION (Contd.)

Sr. No.	Particulars	(₹ In crore)	
		Year ended March 31, 2012	Year ended March 31, 2011
4	<b>Segment liabilities</b>		
	Refining including expansion and marketing	18,412.30	15,412.21
	Exploration and production activities	125.85	83.92
	Unallocated	73.53	187.28
	<b>TOTAL</b>	<b>18,611.68</b>	<b>15,683.41</b>
	Add : Loan funds (Including interest accrued due / not due)	20,217.56	16,662.51
	Less : Reduction in the amount of funded interest i.e. amount not payable as at balance sheet date (refer note 7(ii)(c))	2,260.34	2,088.06
	<b>Total liabilities</b>	<b>36,568.90</b>	<b>30,257.86</b>
5	<b>Additions to Fixed Assets</b>		
	Refining including expansion and marketing	10,348.11	157.17
	Exploration and production activities	8.97	11.02
	Unallocated	16.50	5.13
	<b>TOTAL</b>	<b>10,373.58</b>	<b>173.32</b>
6	<b>Depreciation / Amortisation (excluding depreciation accounted in expenditure during construction)</b>		
	Refining including expansion and marketing (Including ₹ 25.77 crore (Previous year ₹ Nil) considered in exceptional items)	777.82	726.81
	Exploration and production activities	2.75	1.38
	Unallocated	7.14	2.67
	<b>TOTAL</b>	<b>787.71</b>	<b>730.86</b>
7	<b>Significant non-cash expenses other than depreciation</b>		
	Refining including expansion and marketing	210.65	20.91
	Exploration and production activities	2.14	-
	Unallocated	(0.02)	(0.61)
	<b>TOTAL</b>	<b>212.77</b>	<b>20.30</b>

#### Notes:

- The Company has disclosed Business Segment as the primary segment. Segments have been identified taking into account the organizational structure, nature of services, differing risks and internal reporting system. The Company's operation predominantly relates to Refining including expansion and marketing of petroleum products, Oil & Gas exploration.
- Additions to fixed assets shown above are including exchange difference and excluding capital work in progress and expenditure during construction.
- The Company operates in two geographical segments namely "within India" and "outside India".

#### As at March 2012

Particulars	Within India	Outside India	
		UAE	Other Countries
Segment revenue	37,493.70	6,071.20	14,785.40
Carrying amount of segment assets	38,506.46	-	1,583.17
Additions to fixed assets	10,373.58	-	-

NOTES to revised financial statements for the year ended March 31, 2012

As at March 2011

Particulars	Within India	Outside India	
		Indonesia	Other Countries
Segment revenue	31,933.31	5,239.50	10,024.51
Carrying amount of segment assets	33,492.86	-	296.51
Additions to fixed assets	173.32	-	-

#### 45. DETAILS OF DUES TO MICRO AND SMALL ENTERPRISES

The information regarding principal and interest pertaining to micro and small enterprises based on available details is as under: (₹ in crore)

Sr. No.	Particulars	As at March 31, 2012	As at March 31, 2011
1	Principal amount due and remaining unpaid	-	-
2	Interest due on (1) above and the unpaid interest	-	-
3	Interest paid by the Company in terms of Section 16 of Micro, Small and Medium Enterprises Development Act, 2006	0.07	0.01
4	Payments made beyond the appointed day during the year	5.55	2.28
5	Interest due and payable for the period of delay	-	-
6	Interest accrued and remaining unpaid	-	-
7	Amount of further interest remaining due and payable in succeeding year	-	-

#### 46. DEFINED BENEFIT PLANS / LONG TERM COMPENSATED ABSENCES

a) Defined benefit plans / long term compensated absences – as per actuarial valuations as at March 31, 2012:

(₹ in crores)

Sr. No.	Particulars	Gratuity (Funded)		Compensated absences (Unfunded)		Employer established provident fund	
		As at March 31, 2012	As at March 31, 2011	As at March 31, 2012	As at March 31, 2011	As at March 31, 2012	As at March 31, 2011
<b>A</b>	<b>Net assets / liability recognised in the balance sheet</b>						
1	Present value of defined benefit obligation	11.71	9.74	30.63	28.97	78.10	61.99
2	Fair value of plan assets	11.71	9.13	-	-	78.10	61.99
3	Funded status - surplus / (deficit)	-	(0.61)	(30.63)	(28.97)	-	-
4	Net assets / (liability) recognised in the balance sheet	-	(0.61)	(30.63)	(28.97)	-	-
<b>B</b>	<b>Expenses recognised in statement of profit and loss or expenditure during construction, as applicable for the year ended March 31, 2012</b>						
1	Current services cost	1.96	1.46	11.25	7.55	6.75	5.20
2	Interest cost	0.75	0.41	2.28	1.60	5.24	5.09
3	Expected return on plan assets	(0.86)	(0.52)	-	-	(5.24)	(5.09)

NOTES to revised financial statements for the year ended March 31, 2012

Sr. No.	Particulars	Gratuity (Funded)		Compensated absences (Unfunded)		Employer established provident fund	
		As at March 31, 2012	As at March 31, 2011	As at March 31, 2012	As at March 31, 2011	As at March 31, 2012	As at March 31, 2011
4	Past services cost	0.14	1.36	-	-	-	-
5	Actuarial losses/(gains)	0.18	(0.08)	(10.91)	(2.54)	-	-
6	Total expenses	2.17	2.63	2.62	6.61	6.75	5.20
<b>C</b>	<b>Change in obligation and assets</b>						
C1	Change in defined benefit obligation						
1	Defined benefit obligation at beginning of the year	9.74	5.39	28.97	21.28	61.99	50.83
2	Service cost	1.96	1.46	11.25	7.55	6.75	5.20
3	Interest cost	0.75	0.41	2.28	1.60	5.24	5.09
4	Plan Amendments	-	1.49	-	-	-	-
5	Acquisition adjustment/Transfer In/ (Transfer Out)@	-	1.19	-	2.03	7.48	1.86
6	Actuarial losses / (gain)	(0.12)	(0.00)*	(10.91)	(2.54)	(1.23)	(0.13)
7	Benefit payments	(0.62)	(0.20)	(0.96)	(0.95)	(11.32)	(7.85)
8	Employees contribution	-	-	-	-	9.19	6.99
9	Defined benefit obligation at the end of the year	11.71	9.74	30.63	28.97	78.10	61.99
C2	Change in fair value of assets						
1	Fair value of plan assets at the beginning of the year	9.13	4.86	-	-	61.99	50.83
2	Acquisition adjustment/Transfer In/ (Transfer Out)@	-	1.25	-	-	-	-
3	Expected return on plan assets	0.86	0.52	-	-	5.24	5.09
4	Actual employees / Company contributions	2.64	2.62	0.96	0.95	23.42	14.05
5	Actuarial gain / (loss)	(0.30)	0.08	-	-	(1.23)	(0.13)
6	Benefits payments	(0.62)	(0.20)	(0.96)	(0.95)	(11.32)	(7.85)
7	Fair value of plan assets at the end of the year	11.71	9.13	-	-	78.10	61.99
<b>D</b>	<b>Actuarial assumptions</b>						
1	Discount rate (per annum)	8.50%	8.00%	8.50%	8.00%	8.60%	8.00%
2	Expected rate of return on assets (per annum)	8.50%	8.50%	NA	NA	8.75%	8.50%
3	Mortality	LIC (1994-96) ultimate	LIC (1994-96) ultimate	LIC (1994-96) ultimate	LIC (1994-96) ultimate	LIC (1994-96) ultimate	LIC (1994-96) ultimate

**NOTES** to revised financial statements for the year ended March 31, 2012

Sr. No.	Particulars	Gratuity (Funded)		Compensated absences (Unfunded)		Employer established provident fund	
		As at March 31, 2012	As at March 31, 2011	As at March 31, 2012	As at March 31, 2011	As at March 31, 2012	As at March 31, 2011
<b>E</b>	<b>Percentage of each category of plan assets to total fair value of plan assets</b>						
	Administered by Life Insurance Corporation of India and SBI Life Insurance	100%	100%	NA	NA	NA	NA
	Government of India security	-	-	-	-	40.00%	40.00%
	Corporate bonds	-	-	-	-	60.00%	60.00%
<b>F</b>	<b>Experience adjustment:</b>						
	Plan liabilities loss/(gain)	0.27	0.19	(9.76)	(1.96)	NA	NA
	Plan asset loss/(gain)	(0.08)	(0.08)	-	-	NA	NA
	Actuarial loss / (gain) due to change in assumption	(0.37)	(0.19)	(1.14)	(0.59)	NA	NA
<b>G</b>	<b>Employer's best estimate of contributions expected to be paid to the plan during the annual period beginning after the balance sheet date</b>	2.91	2.89	-	-	7.43	5.72

\*Amount less than ₹ 1 lakh

@ Employees were transferred from/to group companies with credit for past services.

**Notes:**

- (i) The expected rate of return on plan assets is based on market expectation, at the beginning of the year, for returns over entire life of the related obligation.
- (ii) The assumption of future salary increases, considered in actuarial valuation, takes account of inflation, seniority, promotion, supply and demand and other relevant factors.
- (iii) The employees gratuity fund scheme managed by Life Insurance Corporation of India / SBI Life Insurance is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit method.
- (iv) The employer managed provident fund is considered as defined benefit plan.
- (v) Liability on account of long term absences has been actuarially valued as per Projected Unit Credit Method.
- (vi) Short term compensated absences have been provided on actual basis.
- (vii) The Company is unable to obtain the details of plan assets from the Insurance Company (LIC of India / SBI Life Insurance) and hence the disclosure thereof is not made.



NOTES to revised financial statements for the year ended March 31, 2012

Amounts for the current and previous four years are as follows:

(₹ in crores)

Sr. No.	Particulars	Gratuity (Funded)					Employer Established Provident Fund				
		As at March 31, 2012	As at March 31, 2011	As at March 31, 2010	As at March 31, 2009	As at March 31, 2008	As at March 31, 2012	As at March 31, 2011	As at March 31, 2010	As at March 31, 2009	As at March 31, 2008
a)	<b>Net assets/ liability recognized in the balance sheet</b>										
	1 Present value of defined benefit obligation	11.71	9.74	5.39	3.96	3.40	78.10	61.99	50.83	43.18	30.85
	2 Fair value of plan assets	11.71	9.13	4.86	3.89	2.66	78.10	61.99	50.83	43.18	30.85
	3 Funded status - surplus/ (deficit)	-	(0.61)	(0.53)	(0.07)	(0.74)	-	-	-	-	-
	4 Net assets/ (liability) recognised in the balance sheet	-	(0.61)	(0.53)	(0.07)	(0.74)	-	-	-	-	-
b)	<b>Experience adjustment</b>										
	Plan liabilities loss/(gain)	0.27	0.19	(0.28)	(0.16)	0.20	NA	NA	NA	NA	NA
	Plan assets loss/(gain)	(0.08)	(0.08)	-	0.31	(0.40)	NA	NA	NA	NA	NA

b) **Defined contribution plans:**

Company's contribution to superannuation fund aggregating to ₹ 0.61 crore (Previous year ₹ 0.68 crore) are recognised in the statement of profit and loss / expenditure during construction, as applicable. There is no obligation other than the contribution payable to the respective trusts.

NOTES to revised financial statements for the year ended March 31, 2012

#### 47. RELATED PARTY DISCLOSURES

##### I. Transactions with related parties

(₹ in crore)

Nature of transactions	Holding Company/ Intermediate Holding Company	Subsidiaries	Fellow Subsidiaries	Associates	Companies in which promoters have significant influence
<b>Global Depository Shares (GDSs) issued</b>	-	-	-	-	-
(Previous year - EEHL - ₹ 2,363.58 crore)	-	-	(2,363.58)	-	-
<b>Foreign Currency Convertible Bonds (FCCBs) issued</b>	-	-	-	-	-
(Previous year - EEHL - ₹ 1,224.89 crore)	-	-	(1,224.89)	-	-
<b>Advance received from Customers</b>	-	-	414.48	-	-
(EEOL - ₹ 414.48 crore) (Previous year - EEOL - ₹ 2,223.11 crore)	-	-	(2,223.11)	-	-
<b>Expenses incurred on Behalf of Joint Venture</b>	-	-	12.89	-	-
(EEHL - Rs 12.89 crore) ( Previous year - Nil)	-	-	-	-	-
<b>Loans / advances taken</b>	-	-	0.64	-	885.50
(EIL - ₹ 885.50 crore) (Previous year - EIL - ₹ 700.81 crore)	-	-	(0.53)	-	(700.81)
<b>Purchase of fixed assets/intangible assets (including CWIP)</b>	-	-	1,397.78	-	12.28
(EPIL - ₹ 1,293.72 crore) (Previous year - EPIL - ₹ 1,238.91 crore)	-	-	(1,491.67)	-	(4.67)
<b>Loans / advances given</b>	-	-	-	-	-
(Previous year - EPIL - ₹ 5.28 crore)	-	-	(5.28)	-	(0.01)
<b>Advances given on capital account</b>	-	-	55.32	-	-
(EPIL - ₹ 55.31 crore) (Previous year - EPIL - ₹ 863.38 crore)	-	-	(899.65)	-	-
<b>Deposits given by the Company</b>	-	-	-	-	47.74
(VPL - ₹ 35.00 crore, EISL - ₹ 12.74 crore) (Previous year - VPL - ₹ 20.00 crore, ESL - ₹ 9.00 crore)	-	-	(9.00)	-	(20.00)
<b>Present value of sales tax / VAT liability assigned</b>	-	-	-	-	528.42
(EHL - ₹ 528.42 crore) (Previous year - EHL - ₹ 591.48 crore)	-	-	-	-	(591.48)
<b>Sale of goods and scrap (including sales tax/ VAT)</b>	-	-	6,830.37	-	0.87
(EEOL - ₹ 6,662.70 crore)(Previous year - EEOL - ₹ 1,596.34 crore)	-	-	(1,692.74)	-	(3.14)
<b>Interest income</b>	-	-	-	-	155.13
(EHL - ₹ 155.13 crore)(Previous year -EHL - ₹ 82.15 crore)	-	-	-	-	(82.15)
<b>Lease income (including lease tax)</b>	-	-	1.63	0.02	0.02
(VPTL - ₹ 1.31 crore, VOTL - ₹ 0.25 crore)(Previous year - VPTL - ₹ 0.75 crore, VOTL - ₹ 0.27 crore)	-	-	(1.09)	(0.02)	-

NOTES to revised financial statements for the year ended March 31, 2012

#### 47. RELATED PARTY DISCLOSURES (Contd.)

##### I. Transactions with related parties

(₹ in crore)

Nature of transactions	Holding Company/ Intermediate Holding Company	Subsidiaries	Fellow Subsidiaries	Associates	Companies in which promoters have significant influence
<b>Rendering of services</b>	-	-	63.50	0.94	0.11
(VOTL - ₹ 28.21 crore, ESL - ₹ 7.68 crore, EPIL - ₹ 7.50 crore) (Previous year - VOTL - ₹ 25.02 crore)	-	-	(26.25)	(0.60)	(0.12)
<b>Purchase of goods/supply of material</b>	-	-	-	-	-
(Previous year - ESTL - ₹ 3.31 crore)	-	-	(3.31)	-	-
<b>Receiving of services</b>	0.02	-	883.19	255.14	207.23
(VOTL - ₹ 533.19 crore, VPCL - ₹ 255.14 crore, VPTL - ₹ 215.36 crore)(Previous year - VOTL - ₹ 504.37 crore, VPCL - ₹ 186.36 crore)	-	-	(668.10)	(186.36)	(138.47)
<b>Investment in Subsidiary</b>	-	0.00*	-	-	-
(EOML - ₹ 46) (Previous Year - Nil)	-	-	-	-	-
<b>Interest / financial charges paid / funded</b>	-	-	8.04	-	102.03
(EIL - ₹ 102.03 crore)(Previous year - EIL - ₹ 62.43 crore, VOTL - ₹ 9.85 crore)	-	-	(9.85)	-	(62.43)
<b>Lease rent charged to Company</b>	-	-	-	-	15.27
(VPL - ₹ 15.27 crore) (Previous year - VPL - ₹ 15.27 crore)	-	-	-	-	(15.27)
<b>Cenvat / VAT charged</b>	-	-	-	0.69	-
(VPCL - ₹ 0.69 crore)(Previous year -VPCL - ₹ 0.18 crore)	-	-	-	(0.18)	-
<b>Assignment of Provision/Liability for Employee Benefit upon transfer of employee from EEXPIL to Company</b>	-	-	-	-	-
(Previous year - EEXPIL - ₹ 6.49 crore)	-	-	(6.49)	-	-
<b>Guarantees given on behalf of the Company</b>	-	-	20.88	-	-
(ESTL - ₹ 20.88 crore)(Previous year - EIL - ₹ 1,000.00 crore, EGL - ₹ 6,570.00 crore)	(6,570.00)	-	(463.79)	-	(1,000.00)
<b>Guarantees given by the Company</b>	-	-	-	-	-
(Previous year - VOTL - ₹ 2.69 crore)	-	-	(2.69)	-	-

NOTES to revised financial statements for the year ended March 31, 2012

#### 47. RELATED PARTY DISCLOSURES (Contd.)

##### Transactions with other classes of related parties

(₹ in crore)

Nature of transactions	Holding Company/ Intermediate Holding Company	Subsidiaries	Fellow Subsidiaries	Associates	Companies in which promoters have significant influence
a) Key management personnel (remuneration)					3.18
(Shri Naresh Nayyar - ₹ 1.63 crore, Shri L K Gupta - ₹ 1.55 crore) (Previous year - Shri Naresh Nayyar - ₹ 1.68 crore, Shri P Sampath - ₹ 1.62 crore)			-	-	(3.30)
b) Individuals having significant influence/control on the Company (Directors' sitting fees)					0.01
(Shri A.S.Ruia - ₹ 80,000)(Previous year - Shri P. S. Ruia - ₹ 80,000, Shri A.S. Ruia - ₹ 27,500)			-	-	(0.01)

##### II. Balances with related parties :

(₹ in crore)

Nature of balances	Holding Company/ Intermediate Holding Company	Subsidiaries	Fellow Subsidiaries	Associates	Companies in which promoters have significant influence
<b>Debit balances</b>					
<b>Security deposits</b>	-	-	9.00	-	101.73
(VPL - ₹ 63.00 crore, EISL - ₹ 12.98 crore, EITL - ₹ 11.29 crore)(Previous year - VPL - ₹ 28.00 crore, EHL - ₹ 15.81 crore, EITL - ₹ 11.29 crore, FUTURA - ₹ 10.41 crore, ESL - ₹ 9.00 crore)	-	-	(9.00)	-	(67.03)
<b>Investments</b>	-	0.00*	-	103.00	-
(VPCL - Equity shares of VPCL - ₹ 103.00 crore) (Previous year - Equity shares of VPCL - ₹ 103.00 crore)	-	-	-	(103.00)	-
<b>Trade receivables</b>	-	-	354.96	0.02	0.09
(EEOL - ₹ 293.15 crore)(Previous year - EPIL - ₹ 4.20 crore, ESL - ₹ 2.07 crore)	-	-	(6.35)	(0.00)*	(0.29)
<b>Advances recoverable in cash or in kind or for value to be received</b>	0.41	-	45.43	-	0.71
(EEHL - ₹ 31.82 crore, EEXPIL - ₹ 11.33 crore) (Previous year - AEGIS - ₹ 31.69 crore, EEHL - ₹ 20.07 crore, EEXPIL - ₹ 18.87 crore)	(0.11)	-	(71.89)	-	(1.59)
<b>Advance on capital account</b>	-	-	75.84	-	-
(EPIL - ₹ 74.80 crore)(Previous year - ₹ 204.16 crore)	-	-	(211.57)	-	-
<b>Other receivables</b>	0.12	-	16.11	-	2,073.22
(EHL - ₹ 2,070.02 crore)(Previous year -EHL ₹ 1,415.38 crore)	(0.29)	-	(0.89)	-	(1,415.38)



NOTES to revised financial statements for the year ended March 31, 2012

**II. Balances with related parties :**

(₹ in crore)

Nature of balances	Holding Company/ Intermediate Holding Company	Subsidiaries	Fellow Subsidiaries	Associates	Companies in which promoters have significant influence
<b>Credit balances</b>					
<b>Deposits (Including retention money)</b>	-	-	4.79	-	-
(AEGIS - ₹ 4.29 crore)(Previous year - AEGIS - ₹ 4.29 crore)	-	-	(4.47)	-	-
<b>Foreign currency compulsory convertible bonds</b>	-	-	1,340.00	-	-
(EEHL - ₹ 1340.00 crore)(Previous year - Nil)	-	-	-	-	-
<b>Long term borrowing - Unsecured loans</b>	-	-	70.20	-	1,167.08
(ICSPL - ₹ 1,109.00 crore, VOTL - ₹ 70.20 crore, VPL - ₹ 58.09 crore)(Previous year - EEHL - ₹ 1,170.51 crore, EIL - ₹ 968.80 crore)	-	-	(1,259.77)	-	(1,032.30)
<b>Trade Payables / Other Liabilities</b>	-	-	240.04	44.21	189.07
(EPIL - ₹ 160.10 crore, ICSPL - ₹ 173.72 crore, VPCL - ₹ 44.21 crore, VOTL - ₹ 34.60 crore)(Previous year - EPIL - ₹ 204.88 crore, EIL - ₹ 82.10 crore, VPCL - ₹ 58.17 crore)	(0.00)*	-	(283.96)	(58.17)	(84.20)
<b>Advance received from Customers</b>	-	-	414.48	-	-
(EEOL - ₹ 414.48 crore)(Previous year - EEOL - ₹ 2,176.69 crore)	-	-	(2,176.69)	-	-
<b>Other balances</b>					
<b>Advance to Directors</b>	-	-	-	-	1.34
(Shri L K Gupta - ₹ 1.34 crore)(Previous year - Nil)	-	-	-	-	-
<b>Outstanding guarantees given on behalf of the Company</b>	10,225.72		535.44		12,409.84
(EIL - ₹ 12,409.84 crore, EGL - ₹ 10,225.72 crore)(Previous year - EIL - ₹ 12,385.42 crore, EGL - ₹ 6,470.00 crore)	(6,470.00)	-	(985.69)	-	(12,385.42)
<b>Outstanding guarantees given by the Company</b>			161.06		
(VOTL - ₹ 161.06 crore)(Previous year - VOTL - ₹ 277.49 crore)	-	-	(277.49)	-	-

\* Amount less than ₹ 1 lakh.

**NOTES** to revised financial statements for the year ended March 31, 2012

**Notes :**

1) Names of related parties and description of relationship:

<b>Holding Companies</b>	Essar Global Limited - Caymen (Ultimate Holding Company) (EGL) Essar Energy Plc - U.K (Holding Company of Vadinar Oil - Mauritius)(EEPLC) Essar Oil & Gas Limited (Formerly known as Vadinar Oil), Mauritius (Holding Company)(EOGL)
<b>Subsidiaries</b>	Essar Oil Mauritius Limited (Subsidiary Company) – (formerly known as Pitney Mauritius Holdings Limited) (EOML)
<b>Associate</b>	Vadinar Power Company Limited (VPCL)
<b>Key management personnel</b>	Shri Naresh Nayyar, Deputy Chairman (Managing director upto December 1, 2011 and Deputy Chairman subsequently) Shri Lalit Kumar Gupta Managing Director and CEO (w.e.f. December 2, 2011) Shri C Manoharan (Director - Refinery) (w.e.f. March 29, 2012)
<b>Individuals having significant influence on the Company (Promoters)</b>	Shri S. N. Ruia, Chairman Shri P. S. Ruia, Director Shri A. S. Ruia, Director (Upto August 7, 2012)
<b>Fellow Subsidiaries</b>	Aegis Limited (Merger of Essar Engineering Services Limited, Aegis BPO Services (GURGAON) Limited with Aegis Limited) (AEGIS), Aegis Aspire Consultancy Services Limited (AACSL), AGC Networks Limited (AGCNET), Bhandar Power Limited (BPOL), Essar Bulk Terminal Limited (EBTL), Essar Bulk Terminal (Salaya) Limited (EBTSL), Essar Electrical Power Development Corporation Limited (EEDPCL), Essar Energy Overseas Limited (EEOL), Essar Exploration & Production India Limited (EEXPIL), Essar Exploration & Production Limited (EEXPL), Essar Exploration & Production Southeast Asia Limited (EEXPSEAL), Essar Energy Holdings Limited - Mauritius (EEHL), Energy Transportation International (ETIL), Essar Gujarat Petrochemicals Limited (EGPL), Essar Logistics Limited (ELL), Essar Offshore Subsea Limited (EOSL), Essar Oilfield Services India Limited (EOFSIL), Essar Oilfield Services Limited (EOFSL), Essar Oil UK Limited (EOLUK), Essar Power Gujarat Limited (EPGL), Essar Projects (India) Limited (EPIL), Essar Projects Management Consultants Limited (Merged with Essar Projects India Limited w.e.f. August 26, 2011) (EPMCL), Essar Power Limited (EPOL), Equinox Reality & Infrastructure Private Limited (ERIPL), Essar Steel Limited (Merger of Essar Steel Orissa Limited, Essar Steel Hazira Limited, Hazira Pipe Mills Limited and Hazira Plates Limited w.e.f 1st Apr 2009) (ESTL), Essar Shipping & Logistics Limited (ESLL), Essar Shipping Ports & Logistics Limited (ESL), Vadinar Oil Terminal Limited (VOTL), Vadinar Ports and Terminal Limited (VPTL)
<b>Companies in which promoters have significant influence/control:</b>	Arkay Holdings Limited (ARKAYHPL), Essar Agrotech Limited (EATL), Essar Education Limited (EEL), Essar Energy Services Limited (EESL), Essar Heavy Engineering Services Limited (EHESL), Essar House Limited (EHL), Essar Investments Limited (EIL), Imperial Consultants & Securities Private Limited (ICSP), Essar Information Technology Limited (EITL), Essar Infrastructure Services Limited (EISL), Essar Properties Limited (EPL), Essar Steel (Jharkhand) Limited (ESTLR), Essar SEZ Hazira Limited (ESHL SEZ), Futura Travels Limited (FUTURA), Ibrox Estates Private Limited (IBROX), India Securities Limited (ISL), Kanak Communications Limited (KANAKCL), Kartik Estates Private Limited (KEPL), Neelkamal Traders Private Limited (NEELKAMAL), New Ambi Trading & Investments Private Limited (NEWAMBITPL), Paprika Media Limited, Sinter-Keramos & Composites Private Limited (SKCPL), The Mobile Stores Limited (TMSL), Vadinar Properties Limited (VPL), S G Chemicals & Dyes Trading Limited (SGCHEMTL)

2) Names of related parties, where the transaction during the year with single party is 10% or more, are disclosed under each nature of transaction.

3) Previous year figures have been shown in brackets.

For and on behalf of the Board of Directors

**Lalit Kumar Gupta**  
 Managing Director and Chief Executive Officer

**Naresh Nayyar**  
 Deputy Chairman

**S. S. Shaffi**  
 Company Secretary

**Suresh Jain**  
 Chief Financial Officer

Mumbai, November 9, 2012

## STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956, RELATING TO COMPANY'S INTEREST IN SUBSIDIARY COMPANIES

Name of the Subsidiary	Essar Oil Mauritius Limited (EOML, formerly known as Pitney Mauritius Holdings Limited)
1 The Financial year of the subsidiary company ended on	March 31, 2012
2 Date from which it became a subsidiary company	September 1, 2011
3 a. Number of shares held by Essar Oil Limited with its nominees in the subsidiary at the end of the financial year of the subsidiary company.	1 (one)
b. Extent of interest of holding company at the end of the financial year of the subsidiary company	100%
4 The net aggregate amount of the subsidiary company's profit/(loss) so far as it concerns the members of the holding company :	The subsidiary has loss of ₹ 0.04 crore during the period ended March 31, 2012
a. Not dealt with in the holding company's account :	
i) For the financial year ended March 31, 2012	Nil
ii) For the previous financial years of the subsidiary company since it became the holding company's subsidiary."	Not applicable
b. Dealt with in the holding company's accounts:	
i) For the financial year ended March 31, 2012	Nil
ii) For the previous financial years of the subsidiary company since they became holding company's subsidiary"	Not applicable

For and on behalf of the Board of Directors

**Lalit Kumar Gupta**

Managing Director and Chief Executive Officer

**S. S. Shaffi**

Company Secretary

Mumbai, November 09, 2012

**Naresh Nayyar**

Deputy Chairman

**Suresh Jain**

Chief Financial Officer