Chairman's Speech

at the

24th Annual General Meeting of

Essar Oil Limited

December 24, 2014

Khambhalia Post, Devbhumi Dwarka

Dear Shareholders,

It gives me great pleasure to welcome you for the 24th Annual General Meeting of Essar Oil.

Let me first begin with the industry scenario before coming to your company's performance.

Industry scenario

Global refining industry continues to face several challenges in terms of weak demand, new capacity addition, and dominating role of government in both exporting and importing countries. Over the next seven years, we expect about 5.7 million barrels of net refinery capacity to be added. While Asia and Middle East will account for about three fourths of fresh capacity addition, the region is expected to be balanced in terms of capacity growth and demand.

Indian refining capacity, at 217 million tons per annum, is fairly balanced compared to actual demand after adjusting for fuel and loss, higher capacity utilisation and Special Economic Zone (SEZ) refinery. At 4-5% per annum expected growth rate, our surplus capacity will get absorbed in about next three to five years. Future expansion, unless they are brownfield, are going to be extremely challenging given the issues relating to land acquisition. Your Company is well-poised to meet this incremental demand and our strategy of investing in large-scale, low-cost refinery assets with long lifespans continues to be sound.

Government has taken several encouraging policy decisions which has put a renewed optimism in the sector. We have seen government deregulate diesel prices and hiked gas prices, which will benefit the country in the long run in terms of fiscal discipline and energy security.

Over the last five months, we have seen benchmark Brent crude oil prices come down from the US$110 per barrel levels to about $60 per barrel. This lowering of crude prices will help in managing our fiscal position and reduce inflationary pressures as India imports almost 80% of its crude oil requirements. I would also like to clarify that lower crude oil prices does not automatically mean lower refinery margins. Gross Refinery Margins (GRMs) are dependent upon prices of product, or what we call crack in our refinery terminology. Crack prices have however been generally holding steady.

Operational and Financial Performance

Coming to your company's performance, I am very happy to share that we closed Financial Year 2013-14 surpassing the Rs 1 lakh crore revenue mark. We continue to be amongst India's top 10 companies by revenue, which we achieved in five short years in beginning our commercial operations. Record throughput of 20.23 million metric tons aided your company to report the highest ever gross revenues of Rs 1,07,190 crore for Financial Year 2013-14, which is an improvement of 11% over Financial Year 2012-13.

Your company has continued to achieve excellent premium over benchmark margins, as envisaged at the time of implementing the Expansion and Optimisation Projects. For the full year, your company's Constant Price Gross Refinery Margins (CP GRM) premium over the IEA margins stood at US$ 8.82per barrel, compared to US$6.80 per barrel in Financial Year 2012-13. Your company's full year CP GRM for Financial Year 2013- 14 was US$ 7.98 per barrel.

Our Earnings Before Interest, Depreciation, Taxation, and Amortisation (EBIDTA), or operating profit, for the year was up by a third to Rs 4,703 crore compared to Rs 3,651 crore in Financial Year 2012- 13. Your Company returned to the black during the year, posting a net profit of Rs126 crore compared to a loss of Rs 1,180 crore in the previous year.

The Refinery processed 93% of Heavy and Ultra Heavy crude, normally available at a discount to benchmark grades, against 86% in the previous year. In spite of processing such a high proportion of tough crudes, we produced 84% of higher margin light and middle distillates.

We have recently entered into an agreement with Russian energy major Rosneft for supply of crude oil and products, thereby fortifying strategic energy security of our refinery. With this, our crude basket will get more diverse, thereby reducing regional supply risks.

As you are aware, to achieve power security and get better control over our assets which will optimise operating cost, your Company has decided to acquire the balance 73.99% stake in Vadinar Power Co. Ltd. (VPCL) for upto Rs 2,100 crore. The coal fired power plant, owned by VPCL, is already providing a GRM uplift of $1-1.5 per barrel to your company.

Your company is undertaking a series of low capex and short gestation projects under the banner of Optima Plus, which upon completion would provide a GRM uplift of about US$ 1.0-1.5 per barrel over a period of the next two years. These projects include setting up one more Hydrogen Manufacturing Unit and the conversion of the existing Vacuum Gas Oil (VGO) into more valuable distillates.

We are continuing on our mission to dollarise debt. Being a fully dollar-driven company, it makes immense sense for us to de-risk our business from currency fluctuations by converting our long term liabilities into dollars. Till date, we have dollarised about US$ 1 billion of rupee debt, which besides lowering our interest cost, also extends our debt tenure. We aim to dollarize another $1+ billion by March 2015.

Exploration and Production

In the Exploration and Production (E&P) front, your Company remains focused on the exploration of non-conventional gas and is India's largest Coal Bed Methane (CBM) player by acreage. Gas production at our flagship Raniganj CBM block has more than tripled to about 314,000 standard cubic metres per day (scm/d) now against 100,000 scm/d in Financial Year 2012-13. Over 235 wells have been drilled and over the coming years, the number of wells is expected to rise to about 360, with production volume rising to 3 million scm/d. We have signed Petroleum Exploration License for the Rajmahal CBM Block in Jharkhand. For the other three CBM blocks, which are Sohagpur in MP, Talchir and IB Balley in Odissa, we are in the process of obtaining statutory clearances like Petroleum Exploration License, Environment Clearance etc., post which we will commence exploration activities.

Marketing

With deregulation of diesel prices effective 19th Oct 2014, we are now competitive in diesel retail space. We have a network of 1400 operational outlets nationwide and most of them have begun selling diesel also. Our long term objective will be to have a retail market share commensurate with our refining capacity share.

Health, Safety and Environment

Your company is committed to sustainable form of development and adopting globally-recognised best practices towards this. We are committed towards being a responsible corporate citizen and will continue to participate in community engagement activities to create long-term benefit for the community and society at large. Amongst the initiatives for the community is the launchof Jan Jagruti Express, a government-to-citizen connect programme. Flagged off by Chief Minister of Gujarat, Hon'ble Smt. Anandiben Patel, this specially designed van with audio video facility goes from village to village, raising awareness about government welfare schemes, particularly those targeted towards women and children. This is a unique initiative which is taking government to the doorsteps of the citizens.

To contribute meaningfully towards the gigantic and ambitious Swachh Bharat Mission of the Govt. of India, Essar Oil has committed to partnering with the District Administration of Devbhoomi Dwarka, Gujarat. This shall involve the construction of as many as 2,700 rural residential toilets, mainly targeting BPL households in 15 villages around Essar facilities in a period of two years. Rural sanitation under the Mission will receive further impetus with Essar Foundation's dedicated Behavior Change Communication (BCC) campaign in these rural communities. The campaign is meant to reinforce the importance of toilet use and sanitation.

Your company, in its best ever performance so far, has graduated from National to Global Top performer category this year in the CDP Climate Performance Leadership Index 2014 or CPLI. From India, Essar Oil, along with only four other companies has entered the Top Most “A-LIST” group of 187 companies globally. Your company is the only chemical / Energy / Oil & Gas sector company from India on the list.

Your company prides itself in its safety track record. As on Dec 20th, Vadinar Refinery has reported 2,453 LTI free days. Health and safety of our employees and people who work for us is one our top priorities.

Delisting update

Further to your Company receiving a proposal from its promoter company, Essar Energy Ltd. to voluntarily delist from the bourses, shareholders have already approved the proposal through postal ballot with required majority. Having received shareholders' approval by postal ballot, we are now awaiting the in-principle approval from the stock exchanges to proceed with the process.

On a concluding note, I would like thank you, our dear shareholders, for the support you have provided to us. We had a satisfying year and are fully geared up to meet the challenges of the future. We have the world-class assets on ground and also have the finest minds in the industry. With this combination, we are confident of weathering any storm.

Thanks and regards

Chairman

Note : This does not purport to be the proceedings of the 24th Annual General Meeting held on December 24, 2014.