

Chairman's Speech

at the

25th Annual General Meeting of

Essar Oil Limited

September 30, 2015

Khambhalia Post, Devbhumi Dwarka

Chairman's AGM Speech

Dear Shareholders,

I have great pleasure in extending you all a warm welcome to our 25th Annual General Meeting.

The Annual Report for the year ended 31st March, 2015 along with the AGM Notice, Directors' Report and the Audited Annual Accounts of the Company have been circulated to you. With your permission, I take them as read. Now, with your permission, I would like to dwell on the developments in the Indian economy and refinery sector.

GLOBAL MARKETS AND INDUSTRY OVERVIEW

World economy is passing through a difficult phase with volatility and uncertainty becoming order of the day. Overall the global economy remained on a weak and uncertain footing throughout the year. The improved outlook of the US economy was negated by the slowdown in China and constraints in the Euro zone economies; in effect, the much anticipated turnaround in the global economy has been subdued. Going forward, the global GDP growth is expected to gradually increase during 2015 and is expected to reach 3.8% in FY 2015-16, v/s 3.4% in FY 2014-15.

After three continuous years of USD100+ per barrel prices, crude oil price fell in 2014. Even though oil prices began a sharp decline starting from USD110/bbl in June 2014, and halving to USD 52-53 level by the year end. Many countries, including India, chose to increase taxes instead of passing on full benefit of lower prices to the consumer. Global oil supply growth outpaced demand by two to one at 2.1 million b/d or at 2.3%. Currently the world is awash with supplies. As a refiner, we are agnostic to crude oil prices and instead track the product crack prices more closely, which impact our bottomlines.

In the refining sector, major capacity additions are taking place in Middle East and India. Three large (~400,000 bpd) refineries in the Middle-East have either come on stream recently or are on the verge of being commissioned. These will cater to the local domestic market and exports. In India, the 300,000 bpd Paradeep Refinery on the East Coast would add to the domestic supplies. Refinery capacity rationalisation / closures in Far East Asia and Australia may help absorb some excess production.

In terms of domestic demand, domestic market has shown recovery in demand of key petroleum products. During fiscal 2014-15, gasoline consumption grew by 11.4% led by excellent growth in two wheelers and gasoil has also shown recovery after two years of negative to zero growth by growing by 1.5%. LPG grew by 10.3% during the FY 2014-15. We expect 5-6% per annum sustained growth in India's petro product demand in the medium to long term. This would imply India requiring one new refinery of ~400,000 bpd capacity every two years.

Going forward, refineries will emerge as prized assets for energy companies, as setting up new greenfield capacity will become more and more challenging, given the complexities associated with land acquisition and hardening environmental norms, and substantially high cost of building a new refinery. India's current excess capacity will get absorbed in the next 3 to 4 years. The time is now ripe for India to consider building new refinery capacity so as to cater to future growth in demand and also support make in India drive initiated by the Hon'ble Prime Minister Shri Narendra Modi.

FY 2014-15 performance

FY 2014-15 was a landmark year for your Company. During the year, Essar Oil achieved several new milestones on operational and financial parameters.

The Refinery processed 20.49 MMT of crude during the year, which was highest ever.

We delivered the highest ever CP GRM at USD 8.37/bbl in FY 2014-15. Our GRM premium over benchmark IEA margins for the year was USD 8.12/bbl, amongst the best in the industry.

Your Company reported a gross revenue of ₹92,938 crore in FY 2014-15, which was lower than the previous year's on account of fall in crude oil prices.

Your Company achieved the highest ever EBITDA or operating profit, of ₹ 5,761 crore, which was up 20% from FY 2013-14. Profit after Tax (PAT) was also the highest ever at ₹1,521 crore, up 12 times over FY 2013-14.

During the year, Essar Oil became India's largest CBM gas producer. Gas production at our Raniganj asset has reached 0.67 mscmd, making us the largest CBM gas producer in the country.

Essar Oil is also India's largest private sector fuel retailer with over 1550 operational outlets. Diesel deregulation has opened the market for private players and currently 1600+ outlets are in various stages of implementation. Our retail business has begun to contribute positively to the bottom-line and promises to be a major value creator in the future.

Going forward

In our Exploration and Production business, we will continue to build on the lead and are aiming production of 1.2 million scmd of gas from our Raniganj asset over the next few months and to 2.5-3 million scmd ultimately. High quality infrastructure, including gas conditioning and compression stations, in-field pipelines and a last mile pipeline connectivity network is already in place and we anticipate completing our programme for development ahead of the May 2016 deadline.

In our refinery business, we are currently undertaking our turnaround shutdown, which all refineries need to undertake every 3-4 years. This exercise is expected to get over by middle of October. During this time, we will complete the conversion of our existing Vacuum Gas Oil Hydrotreater unit to Mild Hydrocracker unit. This will enable us to convert lower margin Vacuum Gas Oil to high value distillates like diesel and kerosene.

We are continuing to derisk our Balance Sheet by dollarizing our rupee debt. Till date, your Company has dollarised about USD 1.9 billion of rupee-debt through ECBs, currency swaps, EPBG, and POS, which besides lowering our interest cost, also extends our debt tenure. This process will continue as we aim to further lower our interest cost.

In line with our domestic refining market share of 10%, we aim to gain a similar retail market share over the medium to long term. We are looking at expanding our retail network to 5,000 operational outlets over the next two years.

As you might be aware, your Company has signed a Long Term Crude Oil Supply Agreement with OJSC Rosneft Oil Company of Russia for the import of 10 MTPA of crude oil for a period of 10 years. Further, Rosneft and Essar Oil & Gas Ltd / Essar Energy Holdings Limited, companies incorporated and managed under the laws of Mauritius, have signed a non-binding Term Sheet with regard to Rosneft's participation in the equity capital of Essar Oil Limited with a share of up to 49%. The proposed transaction is conditional upon various factors such as due diligence, determination of the transaction price, execution of definitive transaction documents and receipt of requisite approvals.

I take this opportunity to once again thank all our stakeholders, shareholders, employees, vendors, government, regulators and communities for their continued support and encouragement.

Best wishes,

Chairman