

For Immediate Release

ESSAR OIL Q1 REVENUE UP 12% Y-o-Y AT RS 24,721 CRORE; CP GRM UP 49% Y-o-Y TO \$7.01/BBL

Key Highlights for Q1FY14

- EBITDA Rs 1,106 crore, from negative Rs 178 crore in Q1FY13
- Current Price Gross Refining Margin rose 49% to \$7.01 /bbl vs \$4.69 /bbl in Q1FY13
- Dollarisation of debt program accelerate with \$340 million further added through ECBs & Swaps; \$821 million worth of rupee debt converted till date
- Forex fluctuation of Rs 913 crore largely cash and earnings neutral due to prudent risk management policy
- Gross revenues up 12% to Rs 24,721 crore from Rs 22,109 crore in Q1FY13
- Throughput up 15% to 5.14MMT, vs 4.48 MMT in Q1FY13
- Refinery continues its high safety track record with 1916 LTI free days & 1501 days fire free days

Mumbai, August 14, 2013: Essar Oil, India's second largest private refiner and part of UK-listed Essar Energy plc, today reported a 12% increase in revenue to Rs 24,721 crore for Q1FY14, compared to Rs 22,109 crore reported in Q1FY13, on the back of 15% improvement of throughput, which stood at 5.14 MMT during the quarter, against 4.48 MMT during the same period in FY13.

The EBITDA was at Rs 1,106 crore compared to negative Rs 178 crore in Q1 FY13. The Current Price Gross Refining Margin stood at \$7.01/bbl in Q1FY14 up 49% over \$4.69/bbl in Q1FY13, reflecting the higher complexity benefits post completion of expansion and optimization projects.

The company reported a net loss of Rs 863 crore during the quarter, mainly due to negative forex fluctuations arising out of ~10% rupee depreciation during the quarter. Essar Oil follows a very prudent risk management policy to hedge all its risks against currency fluctuations. As a result, the forex variations are mostly of mark-to-market nature, which is recoverable through

sales or GRM in next quarters and hence have cash and earning neutral impact during the full financial year.

For the quarter, the refinery processed 5.14 metric million tonnes (MMT) of crude, up 15% in Q1FY14 over Q1FY13. The refinery continues to function at over its nameplate capacity of 20 MMTPA for the last four consecutive quarters with all units stabilized. During the quarter, the refinery operated at 103% of its capacity.

Share of Ultra Heavy Crude in refinery's crude diet rose to 56% in the reporting quarter from 48% in the same period last year. Overall, the refinery processed 92% of heavy and ultra heavy crude in Q1FY14.

Production of valuable Middle and Light distillates share in the overall crude slate improved to 84% in Q1FY14, from 82% in Q1FY13 with the capability to produce Euro IV & V grade products.

Talking on the results, **Mr. L.K. Gupta, Managing Director and CEO, Essar Oil**, said: "The refinery has demonstrated excellent operating performance with a very strong focus on safety and has consistently outperformed the targeted benchmark IEA margins. Going forward, we are looking to further strengthen our retail business as the deregulation of diesel is eventually in sight based on regular increase in the retail prices."

Mr. Suresh Jain, CFO, Essar Oil said, "The quarter was marked by rupee volatility, which has impacted our profitability due to mark-to-market provisions. Due to prudent risk management policy followed by us, there are no cash losses. We continue on our path to dollarize our debt and have converted rupee term loans into equivalent foreign currency debt of \$340 million through ECBs /Swaps, taking our total dollarized debt to \$821 million, in line with RBI approval. Besides providing interest saving, this also enhances our liquidity position."

Optima Plus Project

Essar Oil is undertaking a series of low capex and short gestation optimization projects across its refinery and marketing value chain under the banner of Optima Plus, which upon completion would provide a GRM uplift of about \$1-1.5 per barrel over a period of next three years. These projects include setting up one more Hydrogen Manufacturing Unit and a conversion of existing VGO into more valuable distillates.

Quarterly Financial Performance: Key Indicators (Rs in crore)

	Q1FY14	Q1FY13	% Change
Throughput (in MMT)	5.14	4.48	15
Gross Revenue (in Rs crore)	24,721	22,109	12
EBIDTA (in Rs crore)	1,106	(178)	-
Profit After Tax (in Rs crore)	(863)	(1,518)	-
CP GRM (in \$/bbl)	7.01	4.69	49

Marketing Operations

Essar Oil continues to focus on the domestic market, with domestic sales contributing about 70% to its revenues during the quarter. Company has re-entered the bulk diesel market, which recently was deregulated.

The recent move of government towards full deregulation of auto fuels will create value for our retail business. The company sees great potential in retail for value creation as the country moves towards deregulation of diesel. Essar Oil has about 1,400 retail outlets across the nation, with another 200 more in various stages of commissioning, and is now considering further expansion plans in view of reasonable certainty of deregulation of diesel in future.

With two ALPG and CNG pumps opened during the quarter, 32 Essar Oil pumps now offer multi fuel options to customers.

Exploration & Production

At Essar Oil's flagship Raniganj CBM block, current gas production is around 100,000 standard cubic metres per day (scm/d). The company has completed drilling 165 wells. Stage III Environment Clearance for 618 wells has been received. Production is expected to reach 3 million scm/d by next year.

With the new gas price regime kicking in from April 1st, 2014, gas price is expected to be much better from current \$4.2 /mmbtu. We see this as a welcome reform by the GOI which would

boost investments in the E&P sector followed by ramp up in production, curb expensive imports, promote exploration and increase government revenues. This will also be positive for E&P companies as their profitability increases and also the new gas fields will become viable.

Essar Oil board today approved the appointment of Mr Prashant Ruia as the Non Executive Chairman of the company, taking over from Mr Shashi Ruia, who steps down. Mr Prashant Ruia, 44, is also the Chairman of Essar Energy Plc, the parent company of Essar Oil.

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About Essar Oil

Essar Oil is a fully integrated oil & gas company of international scale with strong presence across the hydrocarbon value chain from exploration & production to refining and oil retail. Essar Oil owns India's second largest single site refinery having a capacity of 20 MMTPA and complexity of 11.8, which is amongst the highest globally. It has a portfolio of onshore and offshore oil & gas blocks with about 1.7 billion barrels of oil equivalent in reserves & resources. There are more than 1,600 Essar-branded oil retail outlets in various parts of India.

About Essar

Essar is a US\$ 39-billion multinational corporation with investments in Steel, Energy, Infrastructure and Services. With operations in more than 25 countries, it employs over 73,000 people.

Media Contacts:

Rabin Ghosh, Corporate Communications, (Mumbai)

Tel: 91 99 301 36268, email: rabin.ghosh@essar.com

Adfactors PR

HiralVora, (Mumbai): +91 97 699 98892, hiral.vora@adfactorspr.com

Investor Relations:

Suresh Jain, Chief Financial Officer, Essar Oil Ltd

Email: suresh.jain@essar.com

Pramod Bhandari, Head-Investor Relations, Essar Oil Ltd

Tel: +91 98197 30915, Email: pramod.bhandari@essar.com