For Immediate Release

July 26, 2010

- **Essar Oil Limited (EOL) reports revenues of over Rs 12,000 crore, up 52 percent from the corresponding quarter in FY2010**
- **Essar Energy plc, EOL's parent company, listed on London Stock Exchange on May 7th 2010; USD 1.95 billion raised through IPO; funds to be used for refinery Phase I expansion, E&P activities and other corporate purposes**
- **About USD 500 million infused in EOL by Essar Energy plc**
- **Refinery throughput for the quarter at 3.68 MMT, EOL's highest ever; refinery achieves 820 days of Lost Time Incident free operation**
- **Four new CBM blocks awarded giving Essar Oil one of the highest CBM acreage in India**
- **Raniganj CBM update: Financial tie-up achieved for term loan for Phase I; commercial production to start by Q3 FY 2010**
- **Phase I of refinery expansion to increase capacity to 18 MMTPA largely on track, production to commence in a year's time**
- **Refinery starts receiving Mangla crude; infrastructure to receive natural gas completed**
- **Retail outlets planned to be increased to 1,700 by March, 2011**

Essar Oil Ltd (EOL) today reported revenues of Rs 12,048 crore for Q1 FY2011, an increase of over 52 percent compared to the corresponding quarter in the last financial year. The company however reported a loss of Rs 70 crore, owing largely to contraction in GRMs (Gross Refining Margins).

The company has also announced that its parent company, Essar Energy plc, has been listed at the London Stock Exchange and has successfully raised USD 1.95 billion through an Initial Public Offer (IPO). The funds raised through the IPO will be used in the Phase I expansion of the EOL refinery at Vadinar, the company's E&P activities as well as other corporate purposes.

Essar Energy plc has already infused about USD 500 million through equity or FCCBs (Foreign Currency Convertible Bonds) in EOL.

Highlights of financial performance:

	Q1 FY2010-11	Q1 FY2009-10
Throughput (in million tonnes)	3.68	2.76
Gross Revenue (in Rs crores)	12,048	7,895
EBITDA (in Rs crores)	407	667
PAT (in Rs crores)	(70)	169
GRM (in $/bbl)	5.61	6.74

Speaking on the results, Mr. Naresh Nayyar, Managing Director, Essar Oil said, "While the operational performance of the company has been excellent on most parameters, our profitability has been affected by depressed refining margins. Demand for petroleum products continues to demonstrate strong growth supported by growth in the Indian economy, increase in per capita income, growth in vehicles and the government's focus on infrastructure spending. India will remain the anchor market for Essar Oil's expanded refinery capacity and continue to expand its retail network to realize the market opportunities that deregulation of auto-fuel pricing will throw up."

Refinery performance

At 3.68 million tonnes (MMT), the Essar Oil refinery at Vadinar in Gujarat's Jamnagar district has achieved the highest throughput recorded in any quarter since it started commercial operations. About 67% of the refinery crude throughput comprised heavy or ultra heavy crudes, producing 70% of light and middle distillates.

During the quarter, the refinery has started receiving crude from Cairn India's Mangla oilfield. The current uptake is 20,000 bpd (barrels per day), which will be ramped up to 30,000 bpd by end of September 2010. Accounting for over 10 percent of the refinery's total crude intake it is expected to have a positive impact on the GRM. The infrastructure to receive Natural Gas has also been completed.

The refinery has been conferred the British Safety Council International Safety Award for 2009, based on the Essar Refinery Integrated Management System (ERIMS) that has been implemented at the site, leading to an unblemished health and safety performance. As of June 30, 2010, the refinery has achieved 820 days of LTI (Lost Time Incident) free operation.

Refinery expansion project

The company is largely on track to commission the 18 MMTPA Phase I expansion project. Production is expected to commence one year from now.

With the Phase I expansion, the refinery capacity will go up from 300,000 bpsd (barrels per stream day) to 375,000 bpsd, with the complexity being enhanced from 6.1 to 11.8. This will enable the conversion of the entire production of negative margin fuel oil into high value products and pet coke. The expanded refinery will also give higher flexibility between light and middle distillates, and enable the production of petrochemical feedstock. About 87% in the gasoline pool of products, and 78.4% in the HSD (High Speed Diesel) pool will be Euro IV & V compliant, with over 89 percent of the crude intake geared towards heavy and ultra heavy crudes that offer higher GRMs.

Marketing performance

The government's decision to deregulate the petrol price, with guidance that the diesel price will follow suit, has given a boost to the company's retail expansion plans. With over 1,340 fully operational retail outlets currently, Essar Oil has plans of reaching 1,700 outlets by March 2011.

EOL has signed an agreement with GAIL India Ltd for setting up CNG outlets to dispense the latter's gas across all Essar Oil branded retail outlets in India.

A total of 2.3 MMT of fuel products has been sold by the company in the domestic market in the quarter.

Exploration & Production: Largest CBM acreage in India

EOL owns a portfolio of highly prospective hydrocarbon blocks both in India and internationally. The total resource has now increased to 2,132 mmboe (million barrels of oil equivalent) from 1,400 mmboe previously.

During the quarter, EOL was declared winner for four Coal Bed Methane (CBM) blocks in India, including the Rajmahal block in Jharkhand state where it had the status of a provisional winner until recently. The four new blocks will give EOL an additional acreage of 2,233 sq. km. EOL now has the largest CBM acreage in India. The four blocks have in-place prospective resources of over 7.6 tcf of CBM gas, according to the gas in-place resource estimates contained in the information documents issued by the Directorate General of Hydrocarbons (DGH) at the time of bidding.

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At Raniganj, the Competent Person's Report has certified contingent resource of 0.2 tcf and best estimate prospective resource of 0.792 tcf. Until date, 15 test wells have been drilled under Phase I (first 143 production wells) and gas flow has started. This is being ramped up with the progressive dewatering of the wells. Financial closure has been achieved for the term loan for the first phase. Financial tie-up of Rs 573 crores has been achieved for the term loan for the first phase. The pipeline for evacuation of the gas is nearing completion. Trial production will commence in Q2 FY2010 and commercial production will begin by Q3 FY2010.

Drilling activities for Phase II have commenced with 8 pilot wells and 36 surface holes drilled. A development plan envisaging drilling of 500 wells has been submitted to the DGH, and is currently under review.

Other awards and green initiatives

Besides the prestigious British Safety Council Award, Essar Oil has been selected for a "Special Commendation" for the Golden Peacock Award for Occupational Health & Safety for 2010. The refinery also received the Greentech Safety Gold Award for outstanding achievement in safety management.

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 oil retail. It has a global portfolio of onshore and offshore oil & gas blocks, with about 45,000 sq km available for exploration. Essar Oil has over 300,000 bpsd (barrels per stream-day) of crude refining capacity that is being expanded to 750,000 bpsd. There are over 1,300 Essar-branded oil retail outlets in various parts of India.

About Essar Group

The Essar Group is a multinational conglomerate and a leading player in the sectors of Steel, Oil & Gas, Power, Communications, Shipping Ports & Logistics, Construction, and Mining & Minerals. With operations in more than 20 countries across five continents, the Group employs 60,000 people, with revenues of USD 15 billion.

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