ESSAR OIL & GAS

For Immediate Release

October 18, 2010

- **Essar Oil Limited (EOL) reports revenues of Rs 12,415 crore in Q2 FY 10-11, up over 11 percent from the corresponding quarter last year**
- **EBITDA of Rs 634 crore, growth of 76 percent over the corresponding quarter last year**
- **PAT of Rs 130 crore against loss of Rs 94 crore in the corresponding quarter last fiscal**
- **Refinery throughput continues to outstrip previous best figures; at 3.69 MMT for the quarter**
- **Mangala crude processing ramped up to 30,000 bpd constituting 9 percent of crude processed in the refinery during the quarter**
- **Over 50 percent increase in Current Price GRM (Gross Refining Margin): At $6.49/bbl against $4.24/bbl for corresponding quarter last year**
- **Phase I of refinery expansion, to increase capacity to 18 MMTPA and complexity to 11.8, on track and within budget**

Essar Oil Ltd (EOL) today reported revenues of Rs 12,415 crore for Q2 FY 10-11, an increase of over 11 percent compared to the corresponding quarter in the last financial year. At Rs 634 crore, EBITDA grew by 76 percent over the corresponding quarter last year.

The company also reported a PAT (Profit After Tax) of Rs 130 crore, against a loss of Rs 94 crore in the corresponding quarter last fiscal and a loss of Rs 70 crore in Q1 of the current fiscal.

Highlights of financial performance:

	Q2 FY 10-11	Q2 FY 09-10
Revenue (in Rs crore)	12,415	11,144
EBITDA (in Rs crore)	634	360
PAT (in Rs crore)	130	(94)

Speaking on the results, Mr. Naresh Nayyar, Managing Director, EOL said, “This was an excellent quarter for Essar Oil. A series of internal optimization initiatives and favourable external factors helped better our operating performance significantly and register a quantum jump in earnings. The refinery generated its highest throughput since commissioning, our PAT grew manifold and the GRM increased by over 50 percent. The refinery expansion project is largely on track and within budget. Once the project is completed, the refinery, which will be among the most complex refineries in the world, will be a significant value driver for the company.”

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Refinery performance

At 3.69 MMT (million tonnes), the EOL refinery at Vadinar in Gujarat's Jamnagar district continues to better its throughput in every successive quarter since it started commercial operations. The refinery is consistently operating at over 14 MMTPA annualised capacity, more than 130 percent higher than its installed capacity of 10.5 MMTPA.

In the last quarter, the refinery started receiving crude from Cairn India's Mangala oilfield. The offtake of Mangala crude this quarter stood at 30,000 bpd (barrels per day), significantly higher than the 20,000 bpd last quarter and accounting for about 9 percent of the refinery's crude slate.

Post the listing of EOL's parent company Essar Energy plc on the London Stock Exchange in May, Essar Oil has taken several initiatives to follow international best practices, including declaring the results based on Current Price GRM methodology.

Highlights of refinery performance

	Q2 FY 10-11	Q2 FY 09-10
Throughput (in million tonnes)	3.69	3.63
Current Price GRM (in $/barrel)	6.49	4.24

Refinery expansion project

The refinery expansion project to enhance capacity to 18 MMTPA (Million Tonnes Per Annum) is largely on track. Almost 70 percent of the project has been completed until date. All the new units are progressing on schedule and within budget, except for two units that are lagging by a quarter.

With the Phase I expansion, the EOL 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 majority 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. In addition, the expanded refinery will be able to process nearly 90 percent heavy and ultra heavy crude. These factors will result in significant increase in GRMs.

Marketing and sales performance

EOL continues to be focused on the Indian domestic market for marketing and sales. Sales through the company's retail outlets increased to Rs 752 crore from Rs 536 crore last quarter on account of more than 58 percent growth in MS (Motor Spirit) sales following the de-regulation of MS announced in June.

The company's mix of domestic and export sales was 69 percent and 31 percent, respectively, during the quarter. Export sales of Furnace Oil increased in the quarter mainly because of Natural Gas replacing Furnace Oil in the domestic market.

Retail network expansion

Essar Oil continues to expand its retail network. In the quarter, the number of fully operational retail outlets increased to 1,376, with an additional 195 new outlets in various stages of construction. The company is on target with its plans to have 1,700 outlets by March 2011.

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Exploration & Production
Essar's Exploration & Production business owns a portfolio of highly prospective hydrocarbon blocks both in India and internationally, with 2.1 billion barrels of oil equivalent of reserves and resources. Of this 150 million are 2P and 2C resources. The rest comprises approximately 1 billion barrels of prospective resources and 1 billion barrels of unrisked, in-place resources.

During the last quarter, EOL was declared winner for four Coal Bed Methane (CBM) blocks in India, making it the largest CBM player in the country with five blocks and prospective resources of over 10 tcf of CBM gas. The company has put the exploration phase of the four new CBM blocks–which were awarded in the CBM IV bidding round--on the fast track.

Raniganj: Commercial sales expected by the end of quarter ending December 2010
There has been significant progress at the company's Raniganj CBM block during this quarter. The company has now drilled a total of 31 test wells and 23 information wells. Test production of 18,000 scmd has started.

EOL is developing a pipeline network in Durgapur city to facilitate city gas distribution in the Asansol-Durgapur area. Construction of the pipeline is in full swing and commissioning is expected shortly. The gas gathering and compression infrastructure is also at an advanced stage of development and commissioning is scheduled soon.

The Competent Person's Report for the Raniganj block has certified contingent resource of 0.2 tcf and best estimate prospective resource of 0.792 tcf. Financial closure has been achieved for the first phase of 143 wells.

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 375,000 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, Energy, 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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