Essar Oil Limited

DELIVERING PROFITABLY

ANNUAL REPORT
2013-14

CORPORATE **INFORMATION**

BOARD OF DIRECTORS

(As on November 21, 2014)

Prashant Ruia, Chairman
Naresh Nayyar, Deputy Chairman
Lalit Kumar Gupta, Managing Director & CEO
Chakrapany Manoharan, Director (Refinery)
Dilip J. Thakkar, Independent Director
K. N. Venkatasubramanian, Independent Director
Virendra Singh Jain, Independent Director
S. V. Venkatesan, Independent Director
Deepak Kumar Varma, Independent Director
T. S. Narayanasami, Independent Director
R. Sudarsan, Nominee of LIC of India
Sudhir Garg, Nominee of IFCI Ltd.

COMPANY SECRETARY

Sheikh S. Shaffi

TRANSFER AGENTS

M/s. Datamatics Financial Services Ltd.
Unit: Essar Oil Limited
Plot No. B-5, Part B Cross Lane,
MIDC, Andheri (East), Mumbai – 400 093
Tel: +91-22-66712151 to 66712156
Fax: +91-22-66712209
Email: eolinvestors@dfssl.com
Website: www.dfssl.com

AUDITORS

M/s Deloitte Haskins & Sells, Ahmedabad

BANKERS

ICICI Bank Ltd.
State Bank of India
IDBI Bank Ltd.
Punjab National Bank
HDFC Bank Ltd.
Axis Bank Ltd.
Indian Overseas Bank
Oriental Bank of Commerce
Indian Bank
Central Bank of India
Bank of India
State Bank of Patiala
Allahabad Bank
State Bank of Mysore

REGISTERED OFFICE

Khambhalia Post, Post Box No. 24
Dist. Devbhumi Dwarka – 361 305, Gujarat.
Tel: +91-2833-661444
Fax: +91-2833-662929
Email: eolinvestors@essar.com

CORPORATE OFFICE

Equinox Business Park, 4th floor, Tower-2, Off
Bandra Kurla Complex, L.B.S. Marg, Kurla (W),
Mumbai – 400070.
Tel: +91-22-67335000
Fax: +91-22-23544281
Website: www.essaroil.co.in

CONTENTS

ESSAR
OIL & GAS

Diesel Hydrotreater (DHDT)

AT ESSAR OIL, FY 2013-14 HAS BEEN A YEAR OF ACHIEVEMENTS. A YEAR OF DELIVERING VALUE – PROFITABLY.

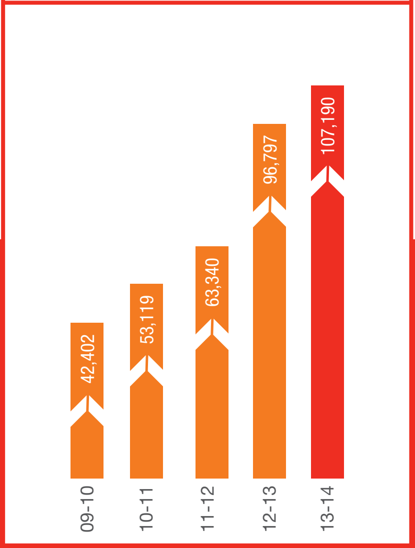
We achieved record throughput and revenue this year. It was the first full year of operations, following the completion of our expansion and optimisation project. Our Vadinar Refinery delivered beyond its nameplate capacity. We were also able to test and successfully process several new varieties of crude. It was also the first year when successfully breached the ₹ 1 lakh crore revenue mark.

We believe India will witness stable growth for petroleum products for many years to come due to factors like strong GDP growth, industrialisation, urbanisation, rising aspirations and consumption. The growing demand for energy is a major growth driver for us.

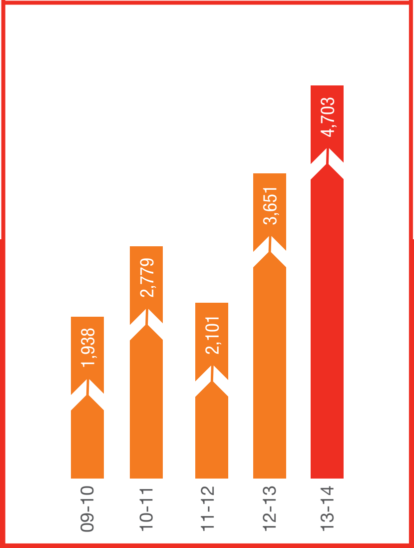
With a potent combination of world-class assets and some of the most innovative minds at work, we are now ready to consolidate our position and move on to the next stage of growth.

KEY PERFORMANCE **INDICATORS**

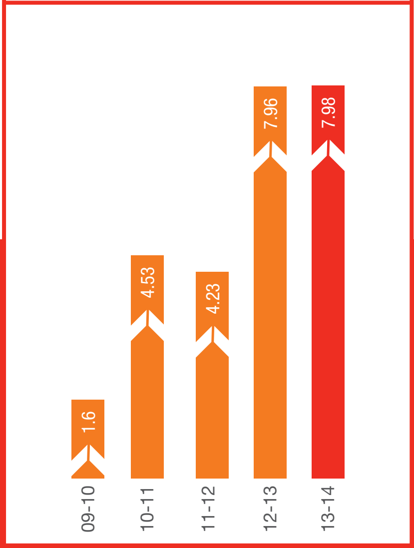
GROSS REVENUE (₹ crore)



EBIDTA (₹ crore)



CP GRM (US$/bbl)



CHAIRMAN'S **MESSAGE**

IN FY 2013-14, VADINAR LIVED UP TO ITS REPUTATION OF **OPERATING BEYOND ITS CAPACITY** AND PROCESSED 20.23 MMT OF CRUDE, **GENERATING REVENUES OF ₹ 1,07,190 CRORE.**

₹ 126 CRORE

NET PROFIT AFTER TAX FOR FY 2013-14

Prashant Ruia | Chairman

Dear fellow shareholders,

I am very happy to present to you the Annual Report for FY 2013-14. This was the first full year of operations of our fully expanded capacity. We achieved record throughput and revenues and more importantly posted net profit after tax of ₹ 126 crore, without losing sight of health, safety and environment.

Industry Overview

Global refining industry continues to face several challenges in terms of weak demand, new capacity addition, dominating role of government in both exporting and importing countries. Globally around 7.7 mmb/d of refinery capacity is expected to be added in the next seven years. On the other hand, about 2 mmb/d of capacity are expected to be shut during the next couple of years. While Asia will see a majority of fresh capacity additions (49%), followed by the Middle East (25%), the region is expected to be balanced in terms of capacity growth and demand.

We believe that India will witness stable growth for petroleum products for many years to come on the back of factors like strong GDP growth, industrialisation, growth of nuclear families, urbanisation, rising aspirations and consumption. To achieve a GDP growth rate of around 9% per year, energy supplies need to grow between 6.5 to 7% each year and oil products demand at around 4% to 5% per year. Indian refining capacity, at 215 MMTPA, is fairly balanced compared to actual demand after adjusting for fuel and loss, higher capacity utilisation and export oriented refinery. At 5% per annum expected growth rate, surplus capacity in the country will get absorbed in about next four to five years. Future expansion, unless they are brownfield, are going to be extremely challenging given the issues relating to land acquisition. Hence, India may turn to a products deficit market with the expectation of reasonable growth in demand as stated above in about the next five years.

With the new government in place, the sector can look forward to healthy growth prospects. They have already taken firm steps in the direction by deregulating diesel prices and hiking gas prices, which will benefit the country in the long run in terms of fiscal discipline and energy security.

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.

Vadinar Refinery – a Super Site

Your Company operates India's second largest single-location refinery with a capacity of 20 MMTPA and 11.8 complexity. We have built a fully-integrated state-of-the-art facility with supporting infrastructure for crude and products handling across sea, land and rails, captive power plants, crude and product tankages. A replacement cost of US$ 10-12 billion makes Vadinar Refinery one of the most valuable assets in the Indian oil and gas sector.

In FY 2013-14, Vadinar lived up to its reputation of operating beyond its capacity and processed 20.23 MMT of crude, generating revenues of ₹ 1,07,190 crore. The benefit of increased refinery complexity reflects on our CP GRM, which, for the year stood at US$ 7.98/bbl or at a US$ 8.82/bbl premium over the benchmark IEA margins.

Going Forward

You must be aware that your Company has received a proposal from its promoter company, Essar Energy Ltd. (through Essar Energy Holdings Ltd., Essar Energy's wholly-owned subsidiary) to voluntarily delist from the bourses. This is further to Essar Energy Ltd.'s strategy of taking its entire hydrocarbon business private, following its own delisting from the London Stock Exchange. The promoters believe that full ownership of Essar Oil Limited would provide them with increased operational and financial flexibility to support the Company's business and strategic needs. This measure is in line with the promoters' strategic intent to achieve greater flexibility for equity infusion into the Company.

I believe that delisting of Essar Oil Limited will benefit public shareholders as it would provide them with an exit opportunity at a price determined in accordance with the reverse book building mechanism as mandated by law.

I take this opportunity to express my heartfelt appreciation to all our stakeholders. Our employees have been our driving force and we have ridden high on their commitment and dedication. Our vendors and business partners have always stood and grown with us and we look forward to their continued association. Authorities, be it at the local, state, or central level have constantly encouraged us to achieve our true potential. And last, but not the least, you, our dear shareholders, without your support, blessings, and encouragement, we would not have reached where we have. Your support, through thick and thin, has been a great source of strength for us.

With warm regards,

Prashant Ruia
Chairman

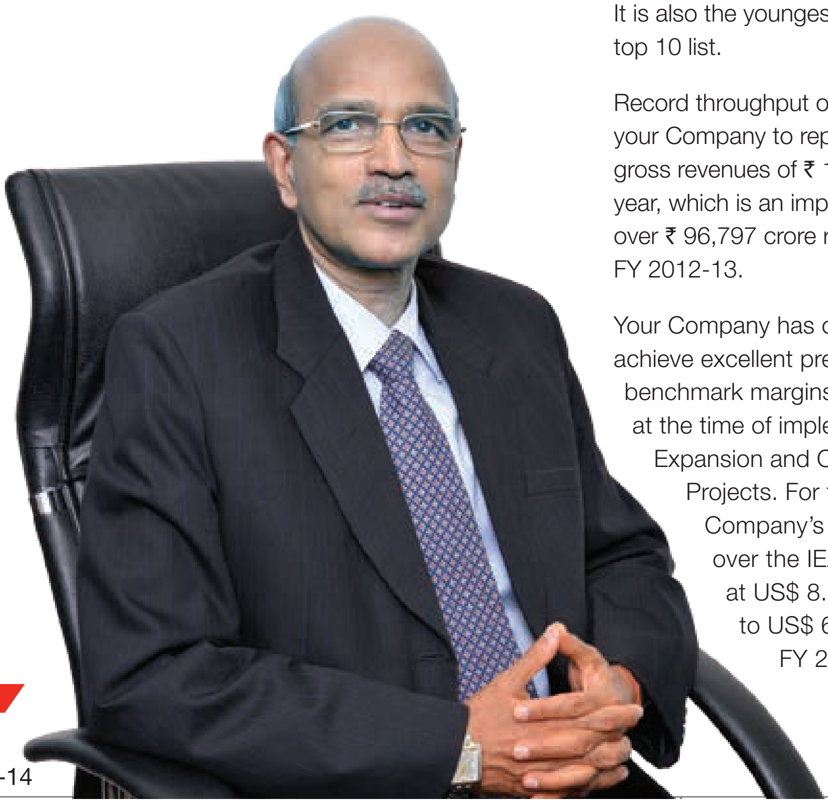
ESSAR
OIL & GAS

MD & CEO'S **MESSAGE**

YOUR COMPANY CLOSED THE FINANCIAL YEAR SURPASSING THE ₹ 1 LAKH CRORE REVENUE MARK FOR THE FIRST TIME. IT CONTINUES TO BE AMONG INDIA'S TOP 10 COMPANIES IN TERMS OF REVENUES.

20.23 MMT

RECORD THROUGHPUT IN FY 2013-14



Lalit Kumar Gupta | MD & CEO

Dear Friends,

It is my pleasure to present the Annual Report for FY 2013-14 of Essar Oil Limited, which was the first full year post the completion of our expansion and optimisation projects.

Financial performance

Your Company closed the financial year surpassing the ₹ 1 lakh crore revenue mark for the first time. It continues to be among India's top 10 companies in terms of revenues, an achievement it had recorded within five short years of beginning commercial operations. It is also the youngest company in the top 10 list.

Record throughput of 20.23 MMT aided your Company to report the highest ever gross revenues of ₹ 1,07,190 for the year, which is an improvement of 11% over ₹ 96,797 crore reported in FY 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 CP GRM premium over the IEA margins stood at US$ 8.82/bbl, compared to US$ 6.80/bbl in FY 2012-13. Your

Company's full year CP GRM for FY 2013-14 stood at US$ 7.98/ bbl. This demonstrates the strength of our hardware as well as our astute crude sourcing strategy. We are now getting the full advantage of processing low API-high TAN/high Sulphur crude, normally available at a discount to the benchmark variety, and yet are able to produce higher margin light and middle distillates.

Our EBIDTA, or operating profit, for the year was up by a third to ₹ 4,703 crore compared to ₹ 3,651 crore in FY 2012-13. Your Company returned to the black during the year, posting a net profit of ₹ 126 crore compared to a loss of ₹ 1,180 crore in the previous year.

Operational Excellence

Continuing its record of operating beyond its rated capacity, Vadinar Refinery processed 20.23 MMT of crude during the year, highest ever, against its nameplate capacity of 20 MMTPA. Vadinar has reinforced its position as India's second largest single location refinery, meeting about 10% of India's petro products' demand. All refinery units have displayed a high degree of reliability and reported record throughput during the year.

This was also the year when we furthered the advantage of refinery's higher complexity, which is amongst the best globally. Vadinar Refinery processed 93% of Heavy and Ultra Heavy crude, against 86% in the previous year. In spite of processing such a high proportion of high gravity crude, we produced 84% of higher margin light and middle distillates. During the year, we tested and successfully processed several new varieties of crude. Till date, over 75 varieties of crude oil has been processed at Vadinar. The average API of crude processed during the year was 25.70, against 32.41 in FY 2008- 09 (the year of beginning commercial production).

Exploration & Production

Your Company remains focussed on the exploration of non-conventional gas and is India's largest Coal Bed Methane (CBM) player by acreage with blocks spread over 2,500 sq. km. Gas production at our flagship Raniganj Block has reached upto 314,000 scm/d as on November 21, 2014. A total of 235 wells have been drilled. Over the coming years, the number of wells is expected to rise to about 365 wells, with production volume rising to 3 million scm/d.

In October this year, Indian government has approved an increase in domestic gas prices effective November 1, 2014 to US$ 5.61/mmbtu on net calorific value (NCV) basis. This new price, to be revised every six months, would be applicable to all gas producers except in cases where there is a contractual provision in PSCs or for cases where the gas price is under arbitration. Our CBM fields will also be eligible for this revised price.

Marketing

The initiative taken by the government in January 2013 with ₹ 0.4 - 0.5 per litre per month increase in retail diesel prices finally led to deregulation of the retail diesel market price with effect from October 19, 2014. The future prices would now be market linked for all consumers. This will provide level playing field for the private sector refineries like us, as now they will be able to compete in the open market, which hitherto was not available to them due to the subsidy regime. This increased competition will ultimately benefit the end consumer.

Deregulation of diesel prices will also be a big boost for the economy as this will reduce subsidy burden of government and upstream companies which will help reduce the deficit on one hand and leave higher resources with upstream companies for giving a boost to Oil and Gas production on the other.

Petrol was already deregulated earlier and was being sold from our outlets. Diesel deregulation now offers great opportunity to your Company in marketing its product directly to retail consumers through its retail outlets. Your Company has a nationwide network of over 1,400 operational retail outlets, with another 300 in various stages of commissioning. We plan to further grow our retail network to capitalise on this opportunity.

Strategic Initiatives

VPCL acquisition

Your Company has decided to acquire the balance 73.99% stake in Vadinar Power Co. Ltd. (VPCL) which it didn't own, for an amount not exceeding ₹ 2,100 crore, thus making VPCL a wholly owned subsidiary. The transaction, undertaken at an arm's length basis, is a strategic move for your Company. This acquisition will give your Company power security and a better control over its assets which will optimise operating cost and operations, particularly after the commissioning of a coal-fired power plant which is providing a GRM uplift of US$ 1-1.5/bbl.

Optima Plus Project

Your Company is undertaking a series of low capex and short gestation optimisation projects across its refinery and marketing value chain under the banner of Optima Plus, which upon completion would provide a GRM uplift of about US$ 1/bbl over a period of the next two to three years. These projects include setting up one more Hydrogen Manufacturing Unit and the conversion of the surplus VGO into more valuable distillates.

Debt Dollarisation Programme

We are continuing on our mission to dollarise debt. Being a fully dollar-driven company—our crude purchases and product sales are dollar-denominated— it makes immense sense for us to de-risk our business from currency fluctuations by converting our liabilities into dollars. Till date, Your Company has dollarised about US$ 1 billion of rupee debt through ECBs and swaps, which besides lowering our interest cost, also extends our debt tenure. It is important to note that dollar debt brings to us an advantage of about five to six percentage points in terms of interest rates as compared to rupee debt.

Sustainability

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 launch of Jan Jagruti Express, a government-to-citizen connect programme. Flagged off by Gujarat Chief Minister Ms. 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.

We continue to report our carbon performance at Carbon Disclosure Project (CDP) level. 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 on the list.

YOUR COMPANY IS UNDERTAKING A SERIES OF PROJECTS UNDER THE BANNER OF OPTIMA PLUS, WHICH UPON COMPLETION WOULD PROVIDE A GRM UPLIFT OF ABOUT US$ 1.0/BBL OVER A PERIOD OF THE NEXT TWO TO THREE YEARS.

Delayed Coker Unit

Health & Safety

Your Company prides itself in its safety track record. Health and safety of our employees and people who work for us is our top priority. We are committed to continuing efforts to recognise hazards, assess health and safety risks in our operations and taking steps to mitigate those risks to enhance our safety performance.

People

To operate the best hardware, we are fortunate to have best minds available in the business. People are our biggest asset and we strive to devise and implement policies to have a mutually beneficial relationship. Your Company follows some of the most innovative HR practices to attract and retain the best talent.

On a concluding note, I would like to state that 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.

With warm regards,

Lalit Kumar Gupta
Managing Director & CEO

PROFILES OF THE **BOARD OF DIRECTORS**

Prashant Ruia

Chairman

Mr. Prashant Ruia, a prominent Indian industrialist, is a part of the Ruia family, founders of Essar. He has been involved with the Essar's operations and management since 1985 and has been a key member of the Company's growth story. He has been involved in the Essar's growth and diversification both within India and internationally. He is known for his project execution skills, financial expertise and people management capabilities. He was instrumental in commissioning of the Vadinar refinery in record time.

He holds several key positions on various regulatory and professional boards. He is a member of the Audit Committee of World Steel Association and the Energy Board Room at the World Economic Forum. He has also served as Chairman of the Hydrocarbons Committee of the Confederation of Indian Industries in 2008 and as member of the Prime Minister of India's Advisory Council on Trade & Industry in 2007.

Naresh Nayyar

Dy. Chairman

Mr. Naresh Nayyar is Deputy Chairman and Non-Executive Director of Essar Oil Ltd. He joined Essar in October 2007 as Managing Director and CEO of Essar Oil Limited. Later he took over larger role as CEO of Essar Energy Ltd. in April 2010 and held this position till 2013. Prior to joining Essar Oil, Mr. Nayyar was the CEO of ONGC Mittal Energy Limited.

With close to 40 years of experience in the energy market in India, he has been actively involved in energy policy making and energy security initiatives of India. He has vast experience of energy markets in Asia and other emerging markets. He started his career with Indian Oil Corporation Limited (India's largest downstream Oil Company) in 1975 and rose to become its Director in October 2002, after having handled several key assignments in finance, treasury, international trade and business strategy.

Mr. Nayyar's previous directorships include Indian Oil Corporation Limited, Oil & Natural Gas Corporation, Petronet LNG Ltd; IBP, and Lanka IOC Limited where he served as a Chairman. He was also Chairman of the Indian Oil Marubeni Panipat Power Project between March 2003 and November 2005.

Lalit Kumar Gupta

Managing Director & CEO

Mr. Lalit Kumar Gupta is the Managing Director and Chief Executive Officer of Essar Oil Ltd. since December 2, 2011. In his current position, he is responsible for managing downstream oil business of Essar Oil Limited.

Mr. Gupta has over 33 years of leadership experience in core sectors of Energy (Oil & Gas), Utilities (Power) and Steel. Before joining Essar Oil, he was CEO and Joint Managing Director of JSW Energy Ltd. Prior to this, he was Director (Finance) with Mangalore Refinery & Petrochemicals Ltd., an ONGC subsidiary. At MRPL he was responsible for Finance, Taxation, Insurance, Legal and Commercial function as well as International Trade including Crude Procurements Strategy and Strategic Management of major Expansion projects. He was recognised by CNBC TV18 as the Best performing CFO in the Indian Oil & Gas sector in 2008-09.

Mr. Gupta is a Rank Holder Chartered Accountant, a Company Secretary and holds a Bachelors degree in Commerce (Gold Medallist), from Jiwaji University, Gwalior.

Chakrapany Manoharan
Director (Refinery)

Mr. Chakrapany Manoharan was appointed as Director (Refinery) on March 29, 2012. He joined Essar Oil Limited as Head of Refinery in May 2008. He started his career as Engineer Trainee in 1977 at Indian Oil Corporation Limited (IOCL), Gujarat Refinery, Baroda. He handled a variety of key assignments in various positions in Refining Operations, Maintenance and Technical Services at Gujarat Refinery, Panipat Refinery as well as Head Office (Refinery Division). His last assignment with IOCL was at Panipat Refinery as Executive Director. Mr. Manoharan has also worked for 2 years on deputation to Nigeria providing technical assistance to the operating personnel at Port Harcourt Refinery of NNPC. He was a Board member and also served as Chairman of Indian Oil Technologies Limited. He also has the distinction of being the first Indian to be on the panel of NPRA's Q&A 2003 session held at New Orleans in U.S.A.

He is a Chemical Engineer from Calicut University, Kerala.

Dilip J. Thakkar
Independent Director

Mr. Dilip J. Thakkar was appointed to the Board of Directors on November 3, 1994. He is a practicing Chartered Accountant, with over 53 years' experience in taxation and foreign exchange regulations. He is associated with several public and private companies as a director.

He is a Fellow member of the Institute of Chartered Accountants of India.

K. N. Venkatasubramanian
Independent Director

Mr. K. N. Venkatasubramanian was appointed to the Board of Directors on November 29, 2000. He has over 52 years of experience in the oil & gas and petrochemicals sectors having worked for IPCL, IOCL and Gulf Oil Limited. He has previously served as Director, Marketing and Director, Operations of IPCL, Chairman and Managing Director of Engineers India Ltd., Chairman and Managing Director of IOCL and as Chairman of Gulf Oil Ltd. He is currently Chairman of Times Technoplast Ltd.

He is a Chemical Engineer from A.C. College of Technology, Chennai and an M.Tech from IIT, Kharagpur.

PROFILES OF THE BOARD OF DIRECTORS

V. S. Jain
Independent Director

Mr. V. S. Jain was appointed to the Board of Directors on May 10, 2013. He has worked with Indian Oil Corporation Ltd. for 26 years. He was responsible for international negotiations for procurement of crude and petroleum products and implementation of financial strategies and financial appraisal of projects. Thereafter, he served another Maharatna – SAIL, first as Director – Finance, and thereafter as the Chairman till his retirement in 2006. After retirement, he served the Jindal Group as Managing Director and CEO of Jindal Stainless Limited. He also held the post of Member of the Public Enterprises Selection Board till July 2011.

He is a Fellow member of the Institute of Chartered Accountants of India and the Institute of Cost Accountants of India.

S. V. Venkatesan
Independent Director

Mr. S. V. Venkatesan, joined Essar Oil Board on October 10, 2014. He has extensive experience in banking industry and finance functions. He started his career with State Bank of India. Having worked with the Bank for over 24 years, he held important responsibilities in India and abroad. He was part of the team that set up the Offshore Banking Branch of SBI at Singapore in 1977 and gained wide international exposure for about 7 years. He was associated with the Committee appointed by the Bank to aid in the formulation of corporate credit policies. In 1986, Mr. Venkatesan joined Essar spearheading the finance function and rose to the position of Director Finance. He also became Director in various Essar companies. In 2001, he relinquished executive responsibilities in Essar.

Mr. Venkatesan is a B Com Gold Medallist from Madras University.

Deepak Kumar Varma
Independent Director

Mr. Deepak Kumar Varma joined Essar Oil board on October 10, 2014. He has rich and extensive experience in the fields of Construction and Project Implementation in Marine, Shipping, Shipbuilding & Offshore Construction activities, Manufacturing sector including Steel, Chemical and Fertiliser/ Petrochemical and Communication. In his career, he has held senior executive positions in Steel Authority of India Ltd., he was the CMD of Hindustan Shipyard Ltd., Cochin Shipyard Ltd., RCF Ltd., and Fertilisers & Chemicals (Cochin). He was also the Chairman of the Standing Conference of Public Enterprises, the Apex Body of all Central PSUs. He has also held the post of Managing Director of National Ship Design & Research Centre and has been a Director & Group Leader of Oman India Fertilisers (OMIFCO).

Mr. Varma is BE (Mechanical) and an MBA.

T. S. Narayanasami

Independent Director

Mr T. S. Narayanasami joined Essar Oil board on October 10, 2014. Having extensive experience as a banker with over four and a half decades, he has served as MD and CEO of United Stock Exchange of India, and Chairman of Experian Credit Information Company of India. In his long stint with the Indian banking sector, he has held the position of Chairman and Managing Director of Bank of India, Indian Overseas Bank and Andhra Bank. He was the Executive Director of Punjab National Bank and also Chairman of Indian Banks' Association's Managing Committee.

R. Sudarsan

Nominee of LIC of India

Mr. R. Sudarsan is presently the Executive Director of IT (Software Development) of LIC of India with its Corporate Office at Mumbai.

Mr. R. Sudarsan joined LIC of India in 1984 as a Direct Recruit officer. He has served in various offices of Central, Western, Eastern and Southern Zones of LIC of India, mostly in IT environment in LIC which has evolved in a big way during the last 15 years with computerisation of all branches and operations, networking, portal and CRM initiatives, where he has been actively involved at all levels. He has served in other assignments like Personnel, CRM also.

He has a Masters' Degree in Economics.

Sudhir Garg

Nominee of IFCI Ltd.

Mr. Sudhir Garg was appointed to the Board of Directors on September 10, 2014. He is a seasoned banker having an experience of around 37 years in Banking Industry and is presently Executive Director of IFCI Ltd. based out of Delhi. In 2012, he retired as the Chief General Manager of State Bank of Hyderabad. The other companies in which Mr. Sudhir Garg is a Director are: IFCI Factors Ltd., IFCI Venture Capital Funds Ltd., Stock Holding Corporation of India Ltd. and Alok Industries Ltd.

Mr. Sudhir Garg is a Postgraduate in Commerce from Delhi University and holds CAIIB and Industrial Finance Certificate (IFC) from Indian Institute of Bankers.

SENIOR **MANAGEMENT**

Mr. Lalit Kumar Gupta
Managing Director & CEO

Mr. Chakrapany Manoharan
Director - Refinery

Mr. Suresh Jain
Chief Financial Officer

Mr. Manish Maheshwari
CEO - Exploration and Production

Mr. K Govindarajan
CEO - Projects

Mr. V Ramachandran
President - CRG

Mr. Sheikh S Shaffi
Company Secretary & Head Legal

Mr. T Srinivas
Head - International Supply & Trading

Mr. Ajit Mishra
Head - Marketing

Mr. Sreedhar Rudraraju
Head - Economic Planning & Scheduling

Mr. Harsh Bhosale
Head - Human Resources

Mr. Vikas Prabhu
Chief Information Officer

MANAGEMENT DISCUSSION AND ANALYSIS

Vadinar Jetty

IN 2013, GLOBAL CRUDE OIL DEMAND GREW BY 1.18 MBD (MILLION BARRELS PER DAY) ON THE BACK OF A SUPPORTIVE ECONOMIC ENVIRONMENT, LED BY NON-OECD COUNTRIES, STABLE DEMAND ENVIRONMENT IN EUROPE AND A STRONG RECOVERY IN THE US.

Essar Oil is a world-class, low cost refining company, well positioned to capitalise on India's rapidly growing energy demand and well equipped to cater to global market demand. We operate a 20 million tonnes per annum (MMTPA) refinery, strategically located at Vadinar in the west coast of India.

The refinery commenced commercial operations in May 2008 and completed its expansion and optimisation projects in March 2012 and June 2012 to increase its capacity to 20 MMTPA and complexity to 11.8. With a Nelson complexity of 11.8, it is one of the most complex single location refineries in the world. The refinery has been consistently operating at above its nameplate capacity of 20 MMTPA and is delivering premium margins above the IEA Singapore benchmark. Built with state-of-the-art technology, it can produce high quality premium petroleum products. This includes petrol and diesel suitable for use in India as well as international markets.

The refinery is supported by an end-to-end infrastructure set-up, including a SBM (Single Buoy Mooring), a crude oil tanker facility, water intake facilities, a captive power plant, a product jetty and dispatch facilities by both rail and road. Essar Oil also operates 1,400 retail outlets at various locations across India to sell auto fuels directly to retail customers. Additionally, the Company has nine exploration blocks mainly focusing on the exploration of CBM Gas with overall 2P and 2C reserve and resources equivalent to 174.5 mmboe and prospective resources of 52.5 mmboe.

Strategy and Vision

Our strategy remains intact: to create a world-class, low-cost, integrated energy company focused on India and positioned to capitalise on India's growing energy demand.

We wish to build on this strategy, given the current position of the investment cycle in our country. We have sought to consolidate our position and ensure that our businesses are delivering the promised cash flow and earnings before we embark on the next phase of growth.

We have already completed our major capex cycle for our refinery business. For the short to medium-term, our priority remains clear: to optimise the performance of our assets – to ensure that they deliver the returns that were originally envisaged at the time of the original investment decision. Once our assets are optimised in terms of

ASIA CONTINUES TO HOLD THE LARGEST POOL OF DEMAND POTENTIAL WITH HUNDREDS OF MILLIONS OF CONSUMERS AND IS LIKELY TO SEE RISING INCOME AND INCREASED DEMAND FOR ENERGY PRODUCTS.

performance, we will focus on our balance sheet, to reduce interest costs, extend our repayment profile to better match the life of our assets and reduce our overall net debt.

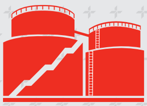
Our efforts are being targeted to achieve this through continuous optimisation of our operations inter alia Optima Plus schemes and dollarisation of our debt. While we optimise our assets, we continue to maintain our focus towards health, safety of our employees and the desire to be a good corporate citizen. We plan to do this by fulfilling our corporate social responsibilities and maintaining a safe operating environment through strict adherence to best practices in the domestic and the international markets.

This clear focus and vision for the next three years, we will help us position ourselves better. Our effort to strengthen ourselves operationally and financially,will ready us to embark on our next phase of growth through downstream integration. Further, value accretion of our product portfolio will enable us to bear any cyclical changes in the business environment.

Global Markets and Industry Overview

In 2013, global crude oil demand grew by 1.18 mbd (million barrels per day) on the back of a supportive economic environment, led by non-OECD countries, stable demand environment in Europe and a strong recovery in the US.

On the supply side, the US has demonstrated strong growth through shale oil production. For several years, Saudi Arabia has acted as the oil market's main swing suppliers, replacing volumes lost due to outage and generally adding production when oil prices surged. Going forward, a threat of oversupply is expected due to the rising North American and Iraqi output, combined with a possible recovery of Libyan and Iranian export, unless Saudi



1.18 MMBBL

GROWTH IN GLOBAL CRUDE OIL DEMAND

1.5%

PRODUCT DEMAND GROWTH IN ASIA PACIFIC

Arabia chooses to cut production to balance the market. Oil prices have recently seen a sharp decline and are expected to remain range-bound due to sufficient supply available in global markets. Sudden spike in prices due to disruption of supply from Iran, Iraq, Libya and Nigeria on account of the geo-political environment in these countries remains a risk. In addition, the Ukraine issue had led to simmering tensions between Russia and other western powers causing volatility in oil prices.

In the Asia Pacific, product demand growth slowed down in 2013 to 1.5%, driven mainly by weak gasoil demand in China and India. Gasoil accounts for the largest share of Asian product demand, contributing 30% of the total consumption in 2013. Gasoil consumption has a major impact on overall direction of a regional product demand due to its extensive use across the agriculture industry, commercial and transport sectors.

In China, demand growth for gasoil was at a mere 0.4% while demand for other products remained strong, mainly due to the sluggish state of the industrial sector, increased gas substitution and use of more efficient machinery and vehicles. Similarly, demand for gasoil in India decline to -1.0% in FY 2013-14 (6.7% in 2013) due to the combined impact of pricing deregulation, a sluggish economy and a plentiful monsoon, resulting in reduced need to operate diesel water pump sets.

Historically, gasoil demand has risen in line with economic growth but in an era of sustained high oil prices, gasoil is exposed to pressure from both slowing industrial activities led by sluggish economic growth and improved efficiency of machinery and vehicles and the increasing use of cheaper fuel such as natural gas.

Despite the recent slump, gasoil will continue to be the main fuel for future demand growth in Asia. It is expected to lead to a robust recovery in the Indian and Chinese economies. Further, gasoil use in marine bunkers is expected to rise due to further tightening in permitted sulphur limits in bunker fuel.

Fuel oil is mainly used as bunker fuel and for power generation. Low sulphur fuel oil demand spiked due to the shutdown of nuclear reactors in Japan. However, the burning of fuel oil (and light crude) which peaked in 2012, is now falling due to the start-up of new coal-fired power plants and the implementation of other power saving measures.

The restarting of operations at nuclear plants will further depress fuel oil demand. Further, the International Maritime Organisation is expected to mandate a reduction of global bunker sulphur limits to 0.5% (existing limit: 3.5% sulphur) in the future, which would effectively ban the use of high sulphur fuel oil in the bunker fuel market. Relatively lower fuel oil prices are likely to keep prices of ultra-heavy crude oils competitive which is beneficial for complex refiners like us.

Asia continues to hold the largest pool of demand potential with hundreds of millions of consumers and is likely to see rising income and increased demand for energy products. Latin America, Africa and Middle East will also see continued growth but Asia will account for the largest share of incremental demand for the foreseeable future.

Faster Growth in India's Petro Product Demand

Although India has witnessed the softening of GDP growth rates over the last two years, we believe India will experience relatively high growth rates in the long term.

Rapid industrialisation and urbanisation, led by an expanding middle class with higher income levels, infrastructure development, awareness about health and safety, and higher education gives us cause for hope. This growth is unlikely without energy – be it fuel for transportation or gas for the household or electricity for the increasing urban population. If India moves towards its targeted GDP growth rate of around 9% per year, energy supplies must grow between 6.5% to 7% each year, and oil products demand must grow at around 4% to 5% per year. There is an immense potential for India's energy sector with per capita consumption of petroleum products being very low, compared to developed countries. Essar Oil's strategy of investing in large-scale, low-cost refinery assets with long life spans continues to be logical and sound.

A good monsoon led to a decline in High Speed Diesel (HSD) demand in the agriculture sector. Added to this, the ban on mining and reduced fertiliser imports, and increased power generation lowering power deficit negatively impacted demand for Indian petro products, which grew at 0.7% in FY 2013-14.

The Indian Government has deregulated the retail gasoil market by announcing that all future prices would be market-linked for all consumers effective October 19, 2014. This is expected to have a significant positive impact on the oil market dynamics in India as the private players—Reliance and Essar—will have an increased domestic market opportunity.

215 MMTPA

INDIA'S REFINING CAPACITY AT END FY 2013-14

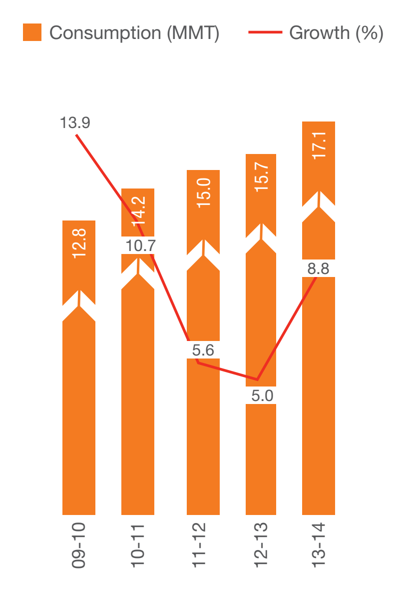
8.8%

GASOLINE GROWTH IN INDIA IN FY 2013-14

DEREGULATION OF GASOIL AT RETAIL LEVEL PROVIDES GREAT OPPORTUNITY FOR PRIVATE PLAYERS

On the other hand, gasoline has demonstrated excellent growth of 8.8% in FY 2013-14, led by the growth in two-wheelers, mainly the gearless scooter segment, comprising more than 61% of gasoline consumption in India. LPG growth momentum continues in spite of the 12-cylinder ceiling per year, on account of a consistent release of new connections.

CONSUMPTION OF GASOLINE IN INDIA



Source: Petroleum Planning & Analysis Cell

Indian refining capacity was recorded at 215 MMTPA at the end of FY 2013-14, which is fairly balanced, compared to the actual demand of petro products, after adjusting for fuel and loss, higher capacity utilisation and an export-oriented industry. The Indian private sector refineries generally export gasoline, gasoil, naphtha, VGO and fuel oil in international markets after fulfilling the requirement of the domestic market by supplying their products to state-owned refineries.

Apart from two new greenfield refineries – Indian Oil Corporation's 300k barrels per day (bpd) Paradip Refinery and 120k bpd Nagarjuna refinery and de-bottlenecking /expansions of the Panipat plant by 60k bpd, expansion of the Koyali plant by 86k bpd and the BPCL Kochi refinery by 120k bpd, no new capacities are expected to be added in the next three to five years.

The demand for Indian petro products is expected to grow at 4%-5%, which effectively means that India needs 8-9 MMTPA of refinery capacity every year, otherwise India may have to face a deficit of key products like gasoil and gasoline in the medium to long term.

Refinery Operations

The Vadinar refinery continues to operate at more than 100% capacity, post completion of its expansion and optimisation projects. During the year, the refinery achieved a throughput of 20.23 MMTPA against the previous year's throughput of 19.77 MMTPA, indicating consistent 100% capacity utilisation since commencement of commercial operations in May 2008.

We have been successful in diversifying our crude basket, spreading our global reach to optimise the crude mix and in processing new grades. The refinery procures crude through a mix of spot and term contracts.

In order to reduce the risk of disruption in supply, the Company sources crudes from diverse geographies. A judicious procurement strategy provides assured supplies coupled with flexibility to take advantage of opportunities available in the market. Major suppliers are NOCs, oil majors and some international trading companies.

The Vadinar refinery processed more than 30 types of crude during the year, including heavy and ultra-heavy crudes. We could also reduce the average API of our crude intake to 25.7 in FY 2013-14 compared to 27.2 in FY 2012-13. The refinery configuration and facilities allow for processing a wide variety of crude ranging from 15 to 60° API.

To optimise crude cost, Essar Oil processed its highest ever mix of heavy and ultra-heavy crudes in FY 2013-14, accounting for 93% of its crude diet, compared with 86% in FY 2012-13. Despite this shift, Vadinar refinery continued to maintain the production of high margin middle and light distillates of 85% in FY 2013-14, similar to its product mix in FY 2012-13.

Vadinar Refinery Benefits from "Optima Plus"

Optimising the performance of our assets is one of the core elements of our strategy. At Vadinar last year, we launched the "Optima Plus" programme, designed to enhance refining margins by an additional ~US$ 1.0/bbl over the next three years. This programme involves a range of operational improvements, including an increase in hydrogen production, the conversion of vacuum gas oil into high-value distillates and improvement in relation to energy efficiency and conservation.

The Company is currently implementing a project to install an additional HMU at the existing location to augment hydrogen supply to the refinery. The project is expected to be completed by CY 2014. The implementation of the HMU project shall result in a crude mix which can be of higher sulphur content and lower API gravity.

Sales and Marketing

Essar Oil sells its product in both domestic and international markets. In the domestic market, Essar Oil has product offtake and infrastructure-sharing agreements with all oil PSUs (the state-owned public sector units). These include Bharat Petroleum Corporation Ltd. (BPCL), Hindustan Petroleum Corporation Ltd. (HPCL) and the Indian Oil Corporation Ltd. (IOCL).

The Company has received approvals to supply ATF to the Indian Armed Forces. Essar Oil also offers a wide range of products to bulk customers in the industrial and transport sectors. In the export market, we generally sell our products through traders or global oil majors under short-term supply agreements.

During FY 2013-14, we sold 12 MMT of products in the domestic market, representing 58% of our total sales, with exports contributing 42%. Domestic sales were down compared to the previous year, mainly due to a decline in sales of gasoil. We could sell about 73% of our entire domestic sales or 8.8 MMT to public sector OMCs in FY 2013-14. We continue to be the preferred suppliers to a wide range of customers

2ND LARGEST SINGLE LOCATION REFINERY IN INDIA WITH A **COMPLEXITY OF 11.8**

RANKED IN THE **1ST QUARTILE** FOR 12 OUT OF 24 PERFORMANCE PARAMETERS IN THE **SOLOMON BENCHMARKING STUDY 2013** IN THE GLOBAL REFINING SECTOR

IN THE TOP QUARTILE IN TERMS OF COMPLEXITY IN THE WORLD

93% OF THE CRUDE MIX COMPRISES HEAVY AND **ULTRA-HEAVY CRUDES** in diverse industrial segments such as cement factories, power plants, chemical industries, fertiliser plants and construction companies.

DOMESTIC MARKET SALES BY PRODUCT (REFINERY PRODUCT ONLY)

(KTPA)

	FY 2011-12	FY 2012-13	FY 2013-14
LPG	576	819	806
Gasoline	828	933	931
ATF/Kero	630	589	383
HSD	4,777	7,818	6,833
FO	540	336	268
Bitumen	261	195	267
Pet coke	-	1,683	2,120
Sulphur	80	210	262
Total	**7,692**	**12,583**	**11,870**

STRATEGIC LOCATION WITH ACCESS TO CRUDE FROM THE MIDDLE EAST AND INDIGENOUS CRUDE AND DIVERSE MARKETS OF AFRICA, MIDDLE EAST AND ASIA PACIFIC FOR PRODUCTS

ACCESS TO ALL-WEATHER AND **DEEP DRAFT PORT**

HEAVY ENDS BEING REPLACED BY LIGHT AND MIDDLE DISTILLATES (85%), LEADING TO PREMIUM MARGINS

FULLY-INTEGRATED INFRASTRUCTURE AROUND REFINERY INCLUDING POWER PLANT, PIPLELINE & STORAGE FACILITIES

New Developments and Innovations

- Stabilisation and optimisation of secondary processing units was a challenging task in the light of continuous change in crude diet and feedstock. We have completed the project successfully and also implemented Advanced Process Controls using the best technology in the Crude Distillation Units, the Fluid Catalytic Cracking Unit and the VGO Hydrotreater.
- Implemented innovative ideas and schemes, which augmented refinery margins included such as:
  - Routing of hydrogen-rich saturated gases from VGOHT, DHDT, and DHDS to HMU feed, which reduced consumption of natural gas as feed. Earlier, this gas was routed to the fuel gas system.
  - Routing of VGO Hydrotreater naphtha to diesel blending.
  - Routing of additional plant air supply from utility to FCCU regenerator to sustain higher FCCU throughput by overcoming main air blower limitation.

Essar Oil Retail Outlet

- Deregulation of gasoil offers a great opportunity to the Company to place its products directly to consumers through its retail outlets.
- Gearing up to expand our retail network to tap the potential of the domestic retail market.
- Adding on high gasoline throughput outlets in urban areas, many of which will be company-owned.

DOMESTIC MARKET SALES BY CUSTOMER TYPE (INCLUDING TRADED PRODUCT)

(KTPA)

	FY 2011-12	FY 2012-13	FY 2013-14
OMCs	6,802	10,112	8,832
Direct Customers & Traders	843	2,439	2,992
Retail	128	154	214
Total	**7,773**	**12,705**	**12,038**

Retail Business and Strategy

Essar Oil has an extensive network of about 1,400 operational retail fuel outlets across the country and close to 300 outlets under various stages of construction. Our retail sales in FY 2013-14 were 214 tmt, a growth of 39% over FY 2012-13. To lower the cost of fuel supplied to our retail network, we have entered into agreements with various public sector OMCs enabling us to source products from their refineries and depots.

We will continue to selectively expand our retail network. Our existing network is largely highway-based, to capture HSD volumes. In order to address our absence from urban markets, we are adding high gasoline throughput outlets in urban areas, many of which will be company-owned. Our aim will be to upgrade selected outlets from our existing network to extract maximum value, based on their potential. Deregulation of gasoil offers a great opportunity to the Company to place its products directly to consumers through its retail outlets. We are gearing up to expand our retail network to tap the potential of the domestic retail market.

Multi-fuel options are available across our network. As of end March 2014, we have 29 stations offering CNG and six offering ALPG. We have commissioned four CNG outlets and one ALPG outlet in the current financial year. We source CNG from leading gas marketing companies like Indraprastha Gas and Mahanagar Gas with whom we have entered into strategic tie-ups.

Exploration and Production

The Natural Gas Scenario in India

The continuing economic growth of India over the past few years has led to an increasing demand for energy. At present, coal (~53%) and oil (~30%) dominate as India's primary energy sources. However, natural gas with a ~9% share is now increasingly playing a crucial role in meeting the nation's energy requirement, which is still low compared to global levels (~24% share).

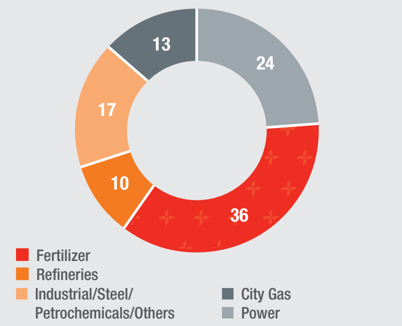
This has resulted in the growth in the gas consumption rate which has increased at more than 25% p.a. over the last year and is in line with the global trend. The energy consumption pattern in the domestic market is also likely to gradually shift towards gas.

Current natural gas consumption in the country can be primarily attributed to power, fertiliser and industrial sectors. The demand scenario for natural gas during FY 2013-14 is depicted in the pie chart below.

There are compelling growth drivers for the future like the cost of gas vis-à-vis alternate liquid fuels, environmental concerns, macroeconomic setting and new uses of gas. The domestic gas market has always been in deficit with demand consistently exceeding supply. Despite increased availability, growing demand is expected to outpace increased gas supply. The domestic gas demand-supply gap is currently being fulfilled by imported LNG supplies.

Going forward, natural gas supply in the country may increase due to increasing gas production from PSU and private E&P companies and upcoming and expanded LNG facilities. Additionally, gas production from CBM is expected to contribute to future supply. As per a CRISIL report, the demand-supply gap is expected to widen as shown in the following table:

INDIAN NATURAL GAS CONSUMPTION (FY 2013-14) %



Source: PNGRB, PPAC, MoPNG, Fertilizer Association, Metis

PROJECTED NATURAL GAS DEMAND-SUPPLY GAP

(MMSCMD)

	FY 2014-15	FY 2015-16
Demand	237	258
Supply	173	184
Gap	**64**	**75**

Source: CRISIL Research

The Government has approved an increase in domestic gas prices from November 1, 2014 to US$ 5.61/ mmbtu on a net calorific value (NCV) basis. Gas prices will be revised every 6 months (next revision in April 2015). This new price will be applicable to all gas producers except in cases where there is a contractual provision in PSCs or for cases where the gas price is under arbitration.

Exploration Business at Essar Oil Limited

Essar Oil's E&P business has secured leadership position in the unconventional hydrocarbon space during the year due to some significant moves.

The focus at the Raniganj block in FY 2013-14 was on stabilising operations. We completed drilling of 183 wells in the first half of the year and focused our efforts on maximising production of gas from these wells in the second half. The wells have since stabilised and production from these wells have reached 314,000 as on November 21, 2014. The production from these wells is likely to increase exponentially as we continue to de-water.

Having reached operational stability, the Company is now going ahead with an aggressive drilling campaign in the coming year. The Company has already completed drilling of 235 wells as on November 21, 2014 and aims to drill additional 130 wells over the next 9-12 months. This will enable us to reach our peak production of 3.0 million scm/d. Additionally, 150-200 wells will be drilled over the life of the field in order to maintain production. The Company continues to sell gas from Raniganj to a number of industrial customers in the Durgapur Industrial Area.

Expertise and knowledge gained by the in-house technical team of geologists, geophysicists, petro-physicists, petroleum engineers, reservoir engineers etc. will enable the company to accelerate its gas production in future. It will also help it optimally plan its exploration and development activities in the other CBM Blocks. The Company has five unconventional (CBM) gas blocks that have a total of approximately 13 tcf of reserves and prospective resources, making it one of the leading CBM players in India.

We have signed the Petroleum Exploration Licence (PEL) for the Rajmahal (Jharkhand) block in June 2014. For the other 3 CBM blocks, viz. Sohagpur (Madhya Pradesh-Chhattisgarh), Talchir and IB Valley (both in Odisha) we are still trying to obtain statutory clearances like the

Petroleum Exploration Licence (PEL), Environment Clearance (EC) etc., post which we will be commencing exploration activities.

Financial Performance and Review

Particulars (₹ crore)	FY 2013-14	FY 2012-13	Change (%)
Gross Revenue	107,190	96,797	10.7
CP GRM (US$/bbl)	7.98	7.96	0.4
EBIDTA	4,703	3,651	28.8
Finance Cost	3,218	3,424	-6.0
PAT	126	(1,180)	-

Essar Oil has delivered excellent financial performance with improvement across all key parameters.

- The Company's gross revenue of ₹ 1,07,190 crore, increased by 11% in FY 2013-14 compared to the previous year, led by higher sales volume and improved sales realisation due to depreciation of the rupee.
- CP GRM for the year ended March 31, 2014 improved to US$ 7.98/bbl from US$ 7.96/bbl, despite weak product cracks and the decline in benchmark IEA margin by $1.27/bbl, mainly on account of its robust operating performance which has resulted in lower crude cost, better crude mix, better product yield and full-year benefit of the coal-fired boiler.
- Our EBIDTA increased by 29% to ₹ 4,703 crore from ₹ 3,651 crore last year mainly on account of higher throughput (by 0.46 MMT), improved sales realisation due to depreciation of rupee and increase in other income.
- Interest and financial charges declined by 6% to ₹ 3,218 crore from ₹ 3,424 crore, mainly on account of part repayment of sales tax liability, dollarisation of debt, lower forward cost and repayment of debt.
- Our Net Profit for the year ended March 31, 2014 stands at ₹ 126 crore compared to a net loss of ₹ 1,180 crore on account of higher EBIDTA and lower interest and finance charges.

Essar Oil had received an approval from RBI to raise ECBs to the extent of US$ 2.27 billion to replace its rupee debt with low-cost US dollar loans. The Company has already refinanced an equivalent amount of its rupee loan with a foreign currency debt of US$ 1 billion through use of ECBs and by swapping rupee loans with USD loans. The RBI approval received by the Company to raise ECBs ceased to be valid on April 30, 2014. In order to complete the dollarisation programme, the Company is in the process of availing long-term export advance facility of US$ 1.6 billion backed by EPBG/SBLC to repay the high cost rupee term loan pursuant to the circular dated May 21, 2014 issued by the RBI.

As on March 31, 2014 Essar Oil successfully paid the principal sales tax liability of ₹ 4,232 crore, with interest, out of the total principal dues of ₹ 6,169 crore. The Company has since paid the instalment due on April 2, 2014 and July 2, 2014, of ₹ 646 crore each along with interest, leaving the last and the final instalment to be paid on October 2, 2014; which has been extended by 6 months by the Hon'ble Supreme Court.

During the year, the shareholders approved the acquisition of residual 73.99% of VPCL shares for an amount not exceeding ₹ 2,100 crore; making it a 100% subsidiary of the Company. The transaction was undertaken based on an independent fair valuation report from a reputed firm and a fairness opinion on the fair valuation report by a reputed International Audit firm.

Further, the Essar Oil Board approved the acquisition of Vadinar Properties Limited (VPL) for a cash consideration of ₹ 54 crore. Vadinar Properties owns the existing township near the refinery which houses the Company's employees. It is also constructing a new township at the request of the Company.

The Company is in the process of completing the formalities relating to transfer to make VPCL and VPL as wholly-owned subsidiaries. The fund requirement for the acquisition will be met through internal accruals.

The Company is in the process of completing the formalities relating to transfer to make VPCL and VPL as wholly-owned subsidiaries. The fund requirement for the acquisition will be met through internal accruals.

VPCL Control Room

Our People Policies & Practises

Our employees are our biggest asset without whom we cannot achieve our business objectives as we believe in "… emotionally connecting people to +vely engage in value creation". Our priorities last year included employee retention, succession planning and nurturing and growing internal talent. Various employee engagement initiatives, coupled with an enhanced focus on individual training needs in alignment with business objectives, helped us meet our objectives.

We continued to focus on effective management of people performances through a clear linkage with business results and motivation through appropriate rewards. We believe our people drive the entire value chain of the business and thus people management is at the core of all business processes. We value each and every employee, because each employee brings with her/him unique individual strengths, opinions and ideas in achieving our organisational aspirations.

In order to ensure that there is a perfect alignment of the individual goals to the overall business strategy we use a Balance Scorecard (BSC) methodology. Each individual employee has her/his BSC, which is derived from her/his department goals and in turn from the overall business goals.

Workforce

Our workforce consists of permanent employees, fixed term contract employees and third party contract employees. Fixed term contract employees include personnel directly hired through the company on a fixed contract basis for a period ranging one and three years for certain projects. Third party contract employees include contractors and sub-contractors hired for specific jobs at sites.

Our manpower as on March 31, 2014 is 1,722 regular employees and 158 fixed-term contract employees.

Learning and development

At Essar Oil we recognise the importance of our people to have the appropriate levels of skills, knowledge and attitude to fulfil their roles. For this, we have imbibed a blended learning approach of encompassing behavioural, technical, HSEF and functional workshops.

FY 2013-14 saw a renewed emphasis on the delivery of quality technical and functional trainings in the organisation. We set up a Technical Training Committee (TTC) at the Refinery and in other divisions. With the help of this committee we have scheduled several technical training programmes during the year. A total of 64 technical training programmes were conducted in the refinery, in which over 1,000 individuals were trained. In addition to technical training, employees underwent professional development programmes in effective management, effective communication, conflict management and team effectiveness.

We understand that different people have different styles of learning and so we have conducted other short learning programmes using internal faculty to share knowledge and stimulate the minds of workers. Learning and Development continues to be supported by our online Library @ Your Desk and our mobile app "Learning on the Move" across all our locations. We will continue all our efforts in the area of Learning and Development to propel Essar Oil into the future.

Talent Management and Succession Planning

At Essar Oil we recognise that the present workforce in the oil and gas sector is ageing rapidly and there is a need to build a sustainable talent pipeline, especially for our Key Critical Roles. Our talent management programme has, therefore, helped us identify the right talent to enable leadership continuity and also to build a succession pool. Our businesses have ensured that there are multiple successors available for key roles and that these successors are being provided with appropriate training to assume those roles in due course.

100% of the Key Critical Positions (KCP) have internal successors identified compared to 90% in FY 2012-13. We have also looked across group companies and external competitors to create a further pipeline of suitable professionals who can fill these positions.

In addition to identification of critical talent and successors, our Talent Group pool comprises 'High Performance – High Potential' individuals. This talent group comprises employees at senior and middle management levels. Several of these individuals already occupy key critical positions or successor roles. In FY 2014-15, there will be a renewed focus on engaging with, and retaining, this talent pool of Key Critical Position incumbents and successors through customised engagement and retention plans.

Recognition for our people practices:
The HR practices and policies of Essar Oil have been long recognised by the industry. We have won three of the most coveted awards in the industry in FY 2013-14. The awards include:

- The Golden Peacock HR Excellence Award 2013
- The Woman Executive of the Year, Petrotech 2014 – Ms. Ann Raphael
- The SKOCH Renaissance Award for Environment and HRD 2013.

These awards are a tribute to all our colleagues who strive to make Essar Oil a remarkable place to work in.

Human Rights
Essar Oil abides by the human rights laws applicable to the countries in which we operate and also addresses these issues in our investments and contracts.

Our code of conduct and policies address all relevant risks and issues relating to human rights. These policies include but are not limited to sustainability policy, health, safety and environment policy, whistle-blower policy, policy against sexual harassment, business practice policy and open door policy.

The policies listed above are communicated to employees at the time of joining the Company. These policies are also available on the Essar intranet. The policies are reviewed periodically for their continued applicability to the businesses. The implementation of these policies at different levels of the Company is evaluated during internal audits conducted at regular intervals.

During the reporting period, a new act to provide protection against sexual harassment of women at the workplace called the "The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013" came into force. In compliance with the requirements of the new Act, Essar Oil has constituted Internal Complaints Committees (ICCs) for redressal of complaints to implement a formal grievance redressal mechanism. We have also organised orientation programmes for members of our ICCs as well as workshops to raise awareness of this policy among employees.

Appreciative Inquiry

At Essar Oil, we believe technology should never replace the 'human touch' as we aim to always remain connected emotionally. We discovered that the more technology we put in to 'reconnect' and communicate with our employees, the less the human experience became.

The concept of Appreciative Inquiry was introduced in 2013 to connect with employees at the positive core-creating, superior levels of human engagement. Appreciative Inquiry is designed to discover and value those factors that "give life" to an organisation, group or individual. It's about reminding employees about the things that make the organisation unique, powerful and the best it can be. Close to 700 Appreciative Inquires have been conducted so far.

Some of the actions taken in Engagement, Communication, Learning and Development, Innovation, Pay and Benefits were supported by the inputs received in the Appreciative Inquiry process.

Synchronisation of System, Technology and Process

In line with the organisational strategy theme of optimisation of assets and operational excellence and the IT goal of enabling sharing of information across the organisation, quickly, easily and appropriately, we launched the EOL Dashboards platform to;

- Allow users to consume large amounts of information in a simple, graphical view
- Enable the management to monitor key performance indicators company-wide, real-time
- Enable users to standardise on one common language

The biggest highlight of this project is the integration of this tool with SAP ERP data based reporting, which has not been achieved so far in the 65 refineries across the world where the tool is already implemented.

The tool has offered a unique, never before visibility into the complete business value-chain and related Key Performance Indicators (KPIs) which, in turn, is helping the management team take quicker decisions. This real time information availability also offers valuable insights into refinery operations and helps in improving the overall efficiency and productivity of the organisation.

With the recent increase in Refinery capacity, it is important that the efforts of the marketing teams are effectively supported by various technological initiatives. One such initiative launched this year was Customer Relationship Management (CRM) solution, which provides lead management for the sales employees, visibility to the regional managers into the activities of the sales engineers, efficient territory management and most importantly, effective capture of demand.

WITH THE RECENT INCREASE IN REFINERY CAPACITY, IT IS IMPORTANT THAT THE EFFORTS OF THE MARKETING TEAMS ARE EFFECTIVELY SUPPORTED BY VARIOUS TECHNOLOGICAL INITIATIVES. ONE SUCH INITIATIVE LAUNCHED THIS YEAR WAS CUSTOMER RELATIONSHIP MANAGEMENT SOLUTION.

In sync with the Leadership Team's vision of a world-class refinery, we have delivered multiple solutions at our Vadinar refinery. With Refinery Network Upgrade, the facility has got improved network uptime and application performance with ease of management. It will help in maximising ROI along with lower TCO and operating expenditure.

In order to make the workplace safer, around 25 km of copper cable has been laid to provide safe, stable and permanent voice connectivity for internal, external and emergency communication(s) in ISBL areas with installation of 25 flame proof phones.

E–Legal Compliance Management System

The business consequences of any statutory legal non-compliance can be huge so compliance risks form an essential part of the risk control management framework. In 2011, after a thorough study of its legal and compliance requirements, Essar Oil introduced an Enterprise Resource Planning (ERP)-based compliance management system to improve the reliability and consistency of its compliance process. The new comprehensive legal compliance management system performs the following functions:

- Maps business processes to compliances through online documentation
- Maps roles and responsibilities to compliances and establishes accountability
- Provides internal controls for statutory and regulatory compliances through planning, scheduling, escalations and reporting.

As on date, the system boasts of more than 275 users across 71 departments and covers over 200 acts/rules and over 11,100 compliances.

In addition, for better governance within refinery premises, a Work Permit Processing system named SAP WCM (Work Clearance Management) has been implemented with required customisations

With the view of automating laboratory transactions, six distillation and two gas chromatography instruments have been integrated with the Laboratory Information Management System. This has helped retain control over processes, elimination of manual data entry error and elimination of paper usage.

Also, other important projects carried out this year included the automation of the coal procurement, transportation and consumption process and a robust and comprehensive solution for managing employee business travel needs via Travel and Expense Management portal.

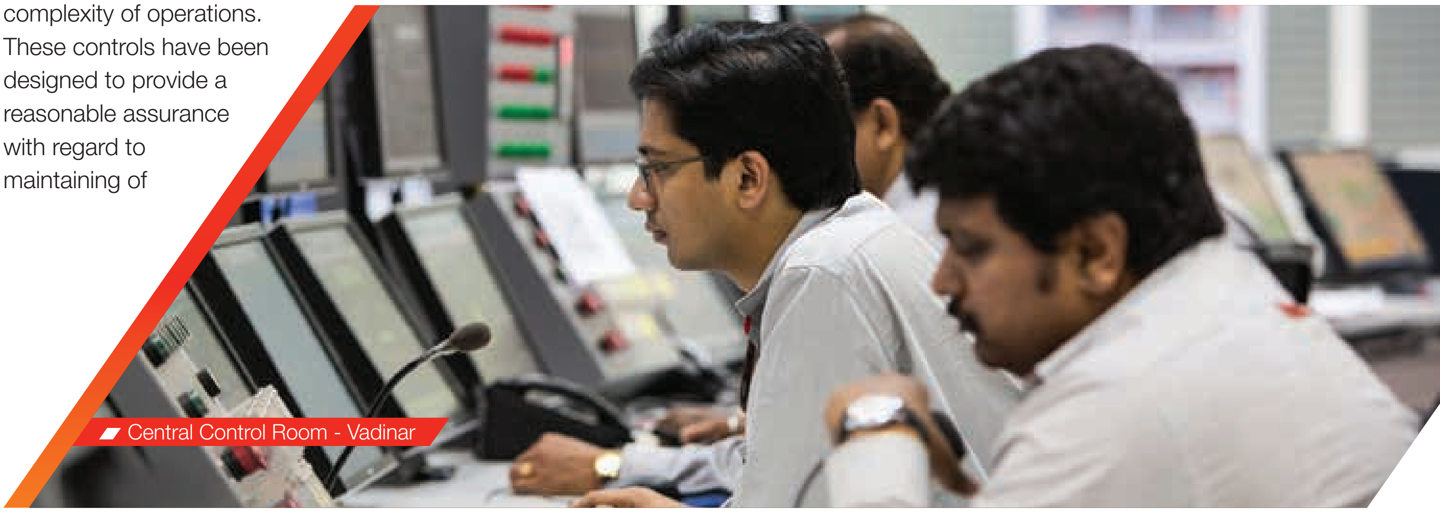
Internal Controls

The Company strives to maintain adequate internal control system commensurate with its size and complexity of operations. These controls have been designed to provide a reasonable assurance with regard to maintaining of proper accounting controls, monitoring of operations, protecting assets from unauthorized use or losses, compliance with regulations and for ensuring reliability of financial reporting.

The internal control system includes a well-defined delegation of authority and a comprehensive Management Information System coupled with monthly reviews of operational and financial performance, a well-structured budgeting process with regular monitoring of expenses, a state- of-the-art ERP systems and Internal Audit.

The Company has multi-disciplinary Internal Audit team, which reports to a Management Audit Committee about the compliance with internal controls, the efficiency and effectiveness of operations and the key process risks which are further reviewed by Audit and Risk Management Committee. The audit plan is derived in consultation with management and statutory auditors which is finally approved by the Audit and Risk Management Committee. Appropriate action is taken on all the significant audit observations and placed before the Audit & Risk Management Committee.

On the Application front, the Company has implemented SAP Governance, Risk and Compliance Solution of Access 10.0 to monitor and manage authorisation-related risks around SAP Enterprise Resource Planning (ERP) systems which has helped us in improving segregation of duties and authorisation related business approval workflows. During the year, various initiatives including Vulnerability Assessment and Penetration Testing (VAPT) audit, set up of IT Security and Governance Standard Operating Procedures (SOPs), etc. were undertaken by the Company. The Company has continued its efforts to align its processes and controls with best practices in respective areas.



Central Control Room - Vadinar

KEY FOCUS AREAS FOR THE COMPANY

Optimisation of Resources

- Optimal utilisation of existing & expanded units
- De-bottlenecking of constrained utilities (Hydrogen)
- Lean, skilled & motivated organisation, benchmarked with the best in industry
- World class HSE practices
- Continued focus on innovation

Cost Optimisation

- Optimise inventory to reduce working capital
- Lower Fuel & Loss
- Optimise feedstock & freight costs by tapping new markets & buying ultra-heavy oil and by higher use of VLCCs, etc.
- Reduce power costs with higher utilisation of coal-based power

Maximise Export Net Backs

- Target end-user markets
- Work on niche and alternative blend stocks like Gasoline components and low sulphur Fuel Oil etc.

Finance & Risk Management

- Refinancing of expensive debt
- Maximise ECB borrowing
- Export Financing – short term and long term
- Eliminate working capital gap
- Reduce transaction costs (LC, LUT, Freight, etc.)

Cautionary Statement

Certain words and statements in this Management Discussion and Analysis are forward looking based on numerous assumptions regarding your Company's present and future business strategies and the environment in which your Company will operate in the future. The important factors that could cause actual results, performance or achievements to differ materially from such forward-looking statements include, among others, changes in demand and supply, government policies or regulations, political and economic development within and outside India and, in particular, changes relating to the administration of oil and gas industry.

ESSAR
OIL & GAS

SUSTAINABILITY

ESSAR OIL BELIEVES THAT TO CREATE A SUCCESSFUL LONG-TERM BUSINESS, FOCUS ON SUSTAINABILITY IS VITAL, \WITH A PARTICULAR EMPHASIS ON THE COMMUNITIES IN WHICH WE OPERATE.

Essar Oil operates oil and gas assets, which have lifespans of several decades. Therefore, it is critical that these assets can operate sustainably, taking into account the needs of all stakeholders, particularly the people and communities in the neighbouring areas.

One of the key elements of the Company's strategy is, therefore, a strong commitment to be a good corporate citizen. As such, sustainability is a boardroom priority and issues are reviewed and discussed on a regular basis by the Safety and Sustainability Committee, which was established in FY 2013-14. This committee has been established to ensure that the welfare of our people and their communities sit at the very heart of our business.

During the year, there was a strong focus on education, health, community care, employee retention, succession planning and nurturing and growing internal talent.

Educational initiative in Vadinar

SUSTAINABILITY PERFORMANCE HIGHLIGHTS

Governance and Safety

- Established **Safety and Sustainability Committee** at the board level
- E&P Durgapur certified to **OHSAS 18001:2007**
- E&P Durgapur achieved **4.55 million LTI free hours** on March 31, 2014
- **7% increase** in **contractor toolbox talks** delivered across sites
- **Zero occupational disease** rate achieved at all sites

Environment

- **Ranked first in the CDP CPLI*** 2014, among oil & gas, chemical and energy companies, globally
- Recommended by Det Norske Veritas for certification to **Energy Management System ISO 50001:2011**
- The **fuel switch project registered for carbon credits**
- Vadinar refinery **saved 95 million kwh of energy;** a fivefold increase from last year
- **20% reduction in hazardous waste generation** at Vadinar refinery
- **Zero oil spills** reported by all sites
- E&P Durgapur certified to **ISO 14001:2004**

Corporate Social Responsibility

- Nearly **94,000 beneficiaries of healthcare** initiatives undertaken at various sites; a threefold increase from last year
- Over **12,000 beneficiaries of community care initiatives** undertaken at various sites
- Over **15,000 beneficiaries of educational initiatives** undertaken at various sites
- Over **30,000 beneficiaries of environmental initiatives** undertaken at various sites
- Over **₹ 8.9 crore spent on various initiatives** during the year

* Climate Performance Leadership Index

AWARDS AND RECOGNITION (FY 2013-14)

Department	Award category	Award instituted by
HR & Environment	Gold category in Environment and HR	SKOCH Renaissance Awards
HSE	Best 'near miss incident' reporting refinery award	OISD, MoPNG
HSE	5S gold category	Quality Forum Circle of India – Gujarat State
Energy performance	Excellence in energy conservation and management	Indian Chemical Council
Energy performance	2nd prize in refinery energy performance OGCF-2013 for category-2 (Refineries having steam generation more than 600MT/hr) for managing steam leaks by CHT	Ministry of Petroleum and Natural Gas
Operational efficiency	Silver certificate of merit in the Economic Times India Manufacturing Excellence Awards	Economic Times in partnership with Frost & Sullivan

Health and Safety

Managing the health and safety of the people who work for us, both directly and indirectly, continued to be our top priority last year. The focus at most of our sites was to enhance safety culture, contractor safety management, risk assessment and training. Although our overall safety performance was good and our sites won external recognition for their safety efforts, there were also key learnings from the incidents that occurred at our sites, which we will use to further improve our safety processes.

Environment

Essar Oil is committed to minimising pollution, reducing its environmental footprint and optimising resource consumption by planning and carrying out operations through environmentally responsible processes and practices. We continually assess environmental risks in our operations through risk and impact assessments and audits. All of our operations have environmental management plans which are specific to each site.

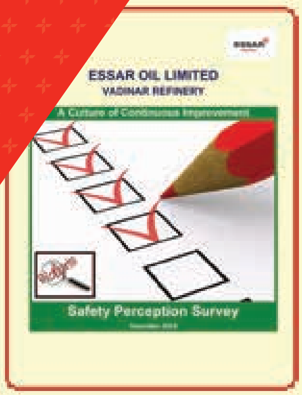
As a responsible energy company, Essar Oil recognises its obligations with regard to climate change mitigation and adaptation. Our approach continues to aim at providing clean solutions to our customers and reducing our carbon footprint by adopting the latest technology and energy conservation measures.

We continue to report our carbon performance at the Carbon Disclosure Project (CDP) level. Essar Oil was ranked first in the CDP Climate Performance Leadership Index (CPLI) 2014 among oil & gas, chemical and energy companies, globally. The Company scored 98 out of possible 100, compared to a score of 92 last year. This score was achieved despite the Vadinar refinery's enhanced complexity and increase in output, as well as the additional emissions from coal-based power generation and higher emissions from the E&P division's increased CBM production.

The Company improved its performance this year to graduate from a national to the global league consisting of top-performing companies. Apart from Essar Oil, only four companies from India featured in the Global CPLI A-List. These were L&T, Tech Mahindra, TCS and Wipro.

It is further noteworthy that among the five Indian companies, Essar Oil is the only Chemical / Energy / Oil & Gas sector company while others are from the IT and Engineering domains. In addition, Essar Oil is the only refinery from India to have found a place in Global A-List.

Employee Safety Perception Survey



Increasingly, safety perception surveys are used as a measure of health and safety culture in organisations. Often employee behaviour is influenced by what they perceive to be true. As a result, our refinery at Vadinar engaged DuPont India in FY 2011-12 to conduct an employee safety perception survey and since then many successful initiatives have been introduced such as Site Safety Observations (SSO), Disciplinary Procedure and Life Saving Rules (LSR) among others.

This year we decided to conduct another safety perception survey through a web portal to encourage the widest participation possible and reduce the environmental impact by making the exercise paperless. A questionnaire comprising 54 questions on the following eight areas was sent to all employees: management commitment/involvement; safety procedure and practices; supervisor involvement; employee participation/safety culture; communication; safety training; personal role and process safety.

Encouragingly, over 76% of employees participated in the survey, which resulted in a higher score than the 2012 survey and demonstrated that there has been a marked improvement in perceptions of all aspects of safety, from management commitment and the value attached to it through to employee empowerment and involvement.

The Company has been participating on the CDP platform voluntarily since 2009-10 and has been regularly exceeding its previous year's performance. In the Indian context, Essar Oil retained its leading position this year as well, across all sectors, and specifically in the Energy / Oil & Gas Sector, as in the previous 4 years.

Product Responsibility

As an ISO 9001 certified organisation, we deploy stringent measures to ensure the quality of our products. The quality control assessment starts from the raw material stage when crude oil is unloaded, then continues through crude and product process streams and right through to ship loading.

Our refinery at Vadinar has a fully equipped laboratory to certify the refinery's range of products such as LPG, kerosene, jet fuel, gasoline, diesel, furnace oil, bitumen, petcoke and vacuum gasoil. We also have a dedicated jet fuel testing laboratory, approved by the Directorate General of Aeronautical Quality Assurance. The laboratory has been designed to cater to the jet fuel demands complying with BIS and DEF STAN 91. In addition, the laboratory has a true boiling point unit to predict the crude's characteristics before it is processed.

As a part of the reliability and competency assessment of our laboratory, the refinery has been participating in the International Proficiency Testing Programmes conducted by the ASTM standards body for various products and the gasoline and diesel fuel engine correlation scheme conducted by the Energy Institute (EI), UK. This participation has ensured our confidence in certifying our products before delivering them to customers.

Community

The community engagement projects at Essar Oil's India locations are undertaken through the Essar Foundation, which is a registered trust under the Indian Trust Act, 1882. The engagement model is designed to deliver maximum value to the community in line with Essar Foundation's philosophy. At the beginning of each year, the Essar Foundation draws up a plan of activities in consultation with the sites, local government authorities and the communities to ensure that the projects make the maximum impact on each community.

Our mission towards socio-economic improvement of neighbourhood communities is an investment for the future and follows an equally dedicated and in-depth execution approach, based on:

- Assessment of social structure and understanding the socio-economic and political dynamics
- Identification and implementation of projects in line with business goals and government programmes
- Third party assessment to evaluate the positive impact of our community projects

During FY 2013-14 a comprehensive programme was developed and implemented in the surrounding villages to take care of basic facilities like health and livelihood of villagers, education of their children and overall development of infrastructure in the areas, by providing facilities like clean drinking water, school, hospital etc. Last year several activities were undertaken in areas of education, health and community care. The Essar Foundation also celebrated local and international events to promote social causes.

- **Community Health Programme (Preventive and Curative Healthcare):** The Essar Foundation has been implementing a Community Health Project, for the

Birds at Essar House, Vadinar

last six years, in the surrounding villages near our refinery. The Foundation provides free of cost medical service to more than 50,000 people through:

- Community health centre
- Community health sub-centre
- Mobile health van
- Mother and child clinic
- Ambulance for emergency service
- Health camp in Bharana, Vadinar and Mota Mandha
- Malnutrition campaign

Education Development

Model *Anganwadi* Project (Essar Nandghar)

The Essar Foundation has developed the concept of "Model *Anganwadis*" in the nearby villages of facilities for achieving the well-being and overall development of children in the surrounding areas. The Essar Foundation has decided to implement the same jointly in partnership with the Zilla Panchayat.

Under this Scheme, the existing structure / school building is remodelled into a child friendly and educative space, both inside and outside, which includes mural painting, moral pictorial stories, alphabetical numbers and other learning materials.

The project has the following components:

- Changing the physical appearance of the *Anganwadi* distempering, wall painting, and repair work, if required)
- Transforming open, dry and barren space into a delightful play areas and a kitchen garden, with a paved pathway dividing the two
- Providing infrastructural facilities
- Providing learning kits and toys
- Imparting skill development training programme

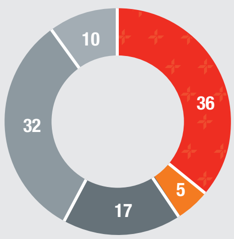
Benefits of Model *Anganwadi*:

- Visual and aesthetic appeal
- A robust and artistically beautiful *Anganwadi*
- Child-friendly infrastructure with value-added features in terms of beautification
- Increasing the aesthetics with proper layout
- A replicable model across the villages

The following pie chart give a snapshot of activities and spend by refining business and exploration and production business segments during the FY 2013-14:

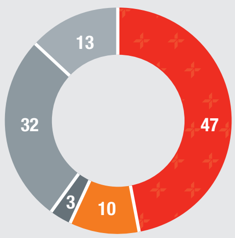
Mobile Healthcare Services at a nearby village in Vadinar

REFINERY TOTAL SPEND BY SECTOR %



Sector	Total Beneficiaries	Sector	Total Beneficiaries
Healthcare	58,271	Community Care	53,052
Education	7,537	Other	16,329
Environment	28,080		

E&P TOTAL SPEND BY SECTOR %



Sector	Total Beneficiaries	Sector	Total Beneficiaries
Healthcare	35,625	Community Care	20,553
Education	7,887	Other	10,000
Environment	2,080		

Career by Colour Vision

The Occupational Health Centre (OHC) at Vadinar refinery routinely conducts fitness checks for prospective new employees. In late 2008, during the course of one such check for a batch of campus recruits, a young engineer was found to be colour blind and declared 'unfit' to work in the refinery and control panel areas. The young man was naturally devastated and understood the decision. But this got us thinking and what emerged was Project 'Career by Colour Vision'.

The standard test for colour blindness only takes a couple of minutes for diagnosis and requires no specialised instruments or medical skills for examination. With this knowledge, the OHC team consulted some career counsellors and drew up exhaustive lists of contemporary career options. In 2009, we launched a scheme to screen local students of Class 9-12 in Jamnagar and screened 1,664 students. The children diagnosed with colour vision abnormalities, were provided with a letter for their parents advising them to consult an ophthalmologist to verify the diagnosis. The letter also provided guidelines to these students on careers and occupations that they could opt for and what they should avoid.

Since 2009, the OHC team has screened over 6,000 students, from 25 schools in four towns around the Vadinar complex. Around 200 students have been diagnosed with colour blindness but now they are able to make better decisions about their choice of occupation in the future.

Schoolchildren lining up for Colour Blindness Test at Jamnagar

Water Harvesting near Jhakhar Village in Vadinar

Harnessing the rain

Water scarcity remains a stark reality in many parts of India. Villages in and around the coastline are affected by soil salinity, which impacts the life of farmers and villagers, with non-availability of fresh water for irrigation. One of the most effective ways of conserving water is rainwater harvesting as it improves water quality, recharges ground water and ensures fresh water sufficiency.

In villages in Jamnagar, near the coast, the farmers are happy now; their crops are growing after more than a decade of failure. These farmers have benefited from Essar Foundation's water resource development project that has targeted ten villages in a unique rainwater harvesting programme. Initiated in early 2013, the project is based on a rigorous assessment study conducted by Bharatiya Agro Industries Foundation (BAIF), the technical partner for the project. To date, work has been carried out in the villages of Jhakhar, Singach and Vadinar, to harvest rainwater in watershed structures and make fresh water available for agriculture and drinking purposes.

New water harvesting structures have been created and existing structures repaired. The project has created water storage of more than 70 million litres and a recharge capacity of about 230 million litres, benefiting more than a thousand families in the vicinity.

ESSAR
OIL & GAS

Directors' Report

To,

The Members of Essar Oil Limited

Your Directors have pleasure in presenting the 24th annual report and audited accounts of the Company for the financial year ended March 31, 2014.

(₹ in Crore)

Particulars	2013-14	2012-13
Gross Revenue from Operations	**107,438.67**	97,067.92
Net Revenue including other income	**99,472.56**	89,186.90
Earnings before finance cost, depreciation and amortisation, exceptional items and tax	**4,702.63**	3,650.68
Profit / (Loss) before Taxes and Exceptional Items	**129.09**	(1,068.96)
Exceptional items	**-**	(111.48)
Net Profit / (Loss) after tax	**125.80**	(1,180.44)
Add: Balance brought forward from previous year	**(5,345.26)**	(4,164.82)
Less: Transfer to debenture redemption reserve	**0.12**	-
Balance to be carried to Balance Sheet	**(5,219.58)**	(5,345.26)

Operational Performance

During the year, the Refinery continued to operate at more than 100% capacity and achieved a throughput of 20.23 Million Metric tones per annum (MMTPA) against the previous year throughput of 19.77 MMTPA. The Refinery processed more heavy and ultra-heavy crudes (93% of crude mix) and produced more value added light and middle distillates (84%) contributing to higher margins.

Detailed information on the operational performance for the financial year is given in the Management Discussion and Analysis which is annexed to the Directors' Report.

Financial Performance

The gross revenue of ₹ 107,438.67 crore increased by 11% during the year compared to the previous year due to higher sales volumes and improved sales realisation. The Earnings before Interest, Tax, Depreciation and Amortisation increased by 29% to ₹ 4,702.63 crore from ₹ 3,650.68 crore for the previous year on account of higher throughput, improved realisation and increase in other income. The Company made a net profit of ₹ 125.80 crore for the financial year ended on March 31, 2014 as compared to a net loss of ₹ 1180.44 crore during the previous year. Last year, we had reported that the sales tax incentive dispute has been concluded and is to be paid over a period of two years. The Company has paid seven of the eight installments of the sales tax liability aggregating to ₹ 4,519.56 crore till July, 2014. On application filed by the Company the Honourable Supreme Court has allowed extended time up to March 22, 2015 for payment of last instalment of ₹ 645.65 crore due on October 2, 2014.

Considering the current year's profitability, carry forward of losses and funds requirements for meeting the operations, the Board has not recommended any dividend for the financial year.

The Ministry of Corporate Affairs has by General Circular no. 08/2014 dated April 4, 2014 clarified that financial statements including Board's report that commence earlier than April 1, 2014 shall be governed by relevant provisions, schedules and rules of the Companies Act, 1956. The financial statements and all annexures thereto including this Report have accordingly been prepared.

Share Capital and Issue of Securities

During the financial year, the Company allotted 8,38,49,814 equity shares of Rs.10/- each (face value) fully paid-up, to Essar Energy Holdings Ltd. (EEHL), a promoter company, in two tranches, on exercise of the option to convert its entire holding of Foreign Currency Convertible Bonds (FCCBs) aggregating to USD 262 million into equity shares at an average price of approximately ₹ 146.05 per equity share. This has resulted in increase of share capital by ₹ 83.85 crore and increase of securities premium account by ₹ 1,256.15 crore. With the conversion of FCCBs, referred to above, there are no outstanding FCCBs.

Directors

During the year, Mr. Sushil Maroo joined the Board as Promoter Company representative effective October 25, 2013 who subsequently stepped down from the Board on October 14, 2014. Mr. Melwyn Rego, Nominee Director of IDBI Bank and Mr. Philip Aiken AM, Non - Executive Director resigned from the Board with effect from August 30, 2013 and May 19, 2014 respectively. Further, State Bank of India has withdrawn its Nominee Mr. R P Singh from the Board with effect from July 11, 2014 and has requested the Company to invite him as 'Observer' to the Board Meetings. Mr. Sudhir Garg has been appointed by IFCI Ltd. as its Nominee on the Board in place of Mr. Suneet Shukla with effect from September 10, 2014.On October 10, 2014, Mr. S V Venkatesan, Mr. D K Varma and Mr. T S Narayansami have joined the Board as Independent Directors. The Board wishes to place on record its appreciation for the guidance and valuable services rendered by Mr. Melwyn Rego, Mr. Philip Aiken AM, Mr. Rajiv Pal Singh, Mr. Suneet Shukla and Mr. Sushil Maroo during their tenures as members of the Board.

Mr. Prashant S Ruia and Mr. Naresh Nayyar retire by rotation at the ensuing Annual General Meeting (AGM) and offer themselves for re-appointment. Mr. D J Thakkar, Independent Director,who was appointed as Director liable to retire by rotation under the provisions of the Companies Act, 1956 completes his present term at the ensuing Annual General Meeting, having expressed desire to be re-appointed, will be considered for re-appointment. Accordingly, it is proposed to seek approval of shareholders to appoint Mr. D J Thakkar, Mr. S V Venkatesan, Mr. D K Varma and Mr. T S Narayansami as Independent Directors for a term of one year. Particulars of the directors being re-appointed/appointed, as required under clause 49 of the Listing Agreement with the Stock Exchanges, are given in the Notice / Explanatory Statement convening the ensuing AGM, forming part of the Annual Report.

Directors' Responsibility Statement

Pursuant to the provisions of section 217(2AA) of the Companies Act, 1956, it is hereby confirmed:

i) that in the preparation of the accounts for the financial year ended March 31, 2014, the applicable accounting standards have been followed along with proper explanation relating to material departures;

ii) that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;

iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act,1956 for safe guarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

iv) That the Directors have prepared the accounts for the financial year ended March 31, 2014 on a 'going concern' basis.

Corporate Governance

In terms of clause 49 of Listing Agreement with Stock Exchanges, a certificate from the auditors of the Company on compliance of conditions of Corporate Governance is annexed to the Directors' Report. A report on Corporate Governance as provided in clause 49 of the Listing Agreement is included in the Annual Report.

Employees Stock Option Scheme

In connection with the Essar Oil Employees Stock Option Scheme – 2011 (Scheme), the disclosures required to be made under the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999

Directors' Report

(Guidelines) are enclosed as Annexure B. A certificate obtained from the auditors confirming compliance with the Guidelines and shareholders resolution approving the Scheme will be placed before the shareholders at the Annual General Meeting.

Particulars of Employees

Information as per section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, is given in the Annexure forming part of this Report. However, as per the provisions of section 219(1)(b)(iv) of the said Act, the Report and Accounts are being sent to all shareholders of the Company excluding the statement of particulars of employees under section 217(2A) of the said Act. Any shareholder interested in obtaining a copy of this statement may write to the Company Secretary, for the same, at the Registered Office of the Company.

Energy, Technology Absorption and Foreign Exchange

The particulars as prescribed under section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are set out in Annexure A to this Report.

Fixed Deposits

Your Company has not accepted any public deposits under section 58A of the Companies Act, 1956 during the financial year.

Holding Company

The Company, within the meaning of section 2(87)(ii)of the Companies Act, 2013, is a subsidiary of Essar Oil & Gas Limited, Mauritius, which along with its subsidiary holds 90.11% of the total share capital as on March 31, 2014. Essar Oil & Gas Limited in turn is a wholly owned subsidiary of Essar Energy Limited.

Delisting Proposal

The Company had received a proposal from Essar Energy Holdings Ltd., Promoter Company offering to purchase all the publicly held equity shares of the Company (delisting offer) and upon successful completion of delisting offer, to voluntarily delist the shares of the Company from the Stock Exchanges.

On August 6, 2014, the shareholders of the Company have passed a special resolution approving the Delisting Proposal by Postal Ballot and e-vote mechanism. In compliance with the requirements of SEBI (Delisting of equity shares) Regulations, 2009 the Company applied to stock exchanges for in-principal approval for delisting of equity shares. The approval of stock exchanges is awaited.

Subsidiary Companies

During the financial year, Essar Oil Trading Mauritius Limited (EOTML), Mauritius became a wholly owned subsidiary of the Company. There were no operations in the EOTML during the financial year.

The Company owns 26.01% of equity shares of Vadinar Power Company Limited (VPCL).The Board and Shareholders have approved the acquisition of balance 73.99% of equity shares and all compulsorily convertible preference shares of VPCL for a cash consideration not exceeding ₹ 2,100 crore. The Board has also approved acquisition of entire equity share capital of Vadinar Properties Limited (VPL) for ₹ 54 crore. VPCL owns and operates co-generation power plants at Vadinar, Gujarat having an aggregate power generation capacity of 597 Mega Watts (MW) and 1760 tph of steam and meets the entire requirements of steam and power of the Company's Refinery at Vadinar. VPL owns the existing township near the Refinery which houses the Company's employees. It is also constructing a new township at the request of the company. The Company is in the process of completing the formalities to make VPCL and VPL as wholly owned subsidiaries. The funds for the acquisition will be met through internal accruals.

In accordance with the General Circular No. 2/2011 dated 8th February, 2011 issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, Statement of Profit and Loss and other documents of EOTML are not being attached with the Balance Sheet of the Company. However, the financial information of EOTML is disclosed in the Annual Report in compliance with the said circular (refer note no. 47 of the consolidated financial statements). The Company will provide a copy of separate annual accounts in respect of the subsidiary to any shareholder of the Company who asks for it and the said annual accounts will also be kept open for inspection at the Registered Office of the Company.

Consolidated Financial Statements

The Consolidated financial statements of the Group prepared in accordance with Accounting Standard AS – 21 on Consolidated Financial Statement read with AS – 23 on Accounting for Investments in Associates in Consolidated Financial Statements forms part of the Annual Report.

Auditors and Auditors' Report

M/s. Deloitte Haskins & Sells, Chartered Accountants, Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting. They have confirmed that they are eligible for appointment and not disqualified for appointment under the Companies Act, 1956 / 2013, the Chartered Accountants Act, 1949 and the rules or regulations made thereunder and there are no proceedings against them or any partner of the audit firm pending with respect to professional matters of conduct. Accordingly, the members' approval is being sought to their appointment as the Auditors of the Company at the ensuing Annual General Meeting.

The auditors have made certain observations in their audit report and our comments on the same are set out below:

(i) Auditors have drawn attention that the accumulated losses of the Company as on March 31, 2014 are more than 50% of its net worth and Company has not incurred cash losses during the financial year covered by the audit and the immediately preceding financial year.

The Company's Net Worth has been seriously impacted by more than ₹ 4,000 crore due to reversal of sales tax defeasement income consequent to the adverse order of Honourable Supreme Court of India passed on January 17, 2012 denying Sales tax incentive benefits to the company.

During the year, a number of steps have been taken to improve the net worth of the Company including allotment of equity shares to Promoter Company, upon their exercising the option to convert the entire holding of FCCBs aggregating to USD 262 million into equity shares. Further, during FY 2014-15, Promoter Company has brought in advance towards issue of global depository shares of ₹ 840 crores.

The Company continues to operate its Refinery at more than 100% capacity on a consistent basis achieving the highest ever throughput during the year. Further, it has widened the crude basket and has processed a high proportion of heavy and ultra-heavy crude. Apart from this a number of energy efficiency projects have been undertaken. These steps have helped in improving the margins of the Company which has for the first time post commencement of commercial production received net profit of ₹ 126 crore against a net loss of ₹ 1,180.4 crore incurred in the previous financial year ended March 31, 2013. The Company continues to expand its marketing infrastructure of retail fuel outlets network to take advantage of de-regulation of selling price of transportation fuels.

In addition, the Company is pursuing dollarisation programme (as detailed below) which is expected to reduce the interest cost and improve the profitability.

With the above steps, the Company is hopeful of improving the Net Worth over a period of time.

(ii) On use of funds raised on short term basis amounting to ₹ 6,245.51 crore for long term purposes, the Company has taken the following steps to improve the position:

Post completion of the expansion and optimisation projects and stabilisation of the operations of the expanded refinery of 20 MMTPA, the Company has been generating higher revenues, recording higher Gross Refining Margins (GRMs) in line with those of other complex refineries and registering robust Earnings before Interest Depreciation Tax and Amortisation (EBIDTA). The Company has achieved EBIDTA of ₹ 4,703 crores for FY 2013-14 as compared to EBIDTA of ₹ 3,651 crores for FY 2012-13. The healthy and growing EBIDTA coupled with additional benefit on account of other GRM boosting measures have helped in deleveraging the balance sheet and improvement in working capital position of the Company. In addition, the Company does not have any major capex programme in near future.

The Company has completed USD 1.00 billion dollarisation programme of replacing high cost rupee loans with lower interest bearing foreign currency loans

Directors' Report

by raising External Commercial Borrowings / Synthetic Swaps and accordingly, the interest cost has reduced.

Further, to strengthen the balance sheet and to improve the financial ratios of the Company, Essar Energy Holdings Limited, promoter company, has brought in advance towards Global Depository shares of ₹ 840 crore during FY 2014-15 in the Company.

The Reserve Bank of India has recently permitted exporters to avail long-term export advance up to a tenor of 10 years which may be backed by Export Promote Bank Guarantee (EPBG) through domestic banks which may be utilised for repayment of existing rupee debt. The Company plans to complete further dollarisation of USD 1.6 billion under the above mechanism. The completion of dollarisation programme will result in availability of higher cash flows with the Company due to lower interest cost and lower repayment obligations which will be available to the Company for reducing the short term liabilities.

Hence with the above measures, the short term funds will progressively get replaced with long term funds.

Other observations of the Auditors in the Audit report by way of reference notes to the accounts are self-explanatory.

Cost Auditors and Cost Audit Report

M/s. Chandra Wadhwa & Co was appointed as the Cost Auditor for the financial year ended March 31, 2014. The cost audit report for financial year ended March 31, 2014 has been filed with the Ministry of Corporate Affairs within the prescribed time period.

Acknowledgement

The Board wishes to express appreciation and place on record its gratitude for the faith reposed in and cooperation extended to the Company by the Government of India, State Governments, various government agencies/departments, financial institutions, banks, customers,suppliers and investors of the Company. Your Directors place on record their appreciation of the dedicated and sincere services rendered by the employees of the Company.

For and on behalf of the Board of Directors

D J Thakkar
Director
Mumbai, November 21, 2014

L K Gupta
Managing Director & CEO

Annexure A to the Directors' Report

Statement of particulars under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988

A. Conservation of Energy

a) Energy Conservation measures taken:

Energy Management systems and practices are in place and are implemented as part of routine activities at all levels. A drive was initiated in 2013-14 to align these systems to best practices tools and to identify energy-efficiency options that can be implemented. Periodic energy audits are also conducted at the refinery in order to evaluate the progress and close the gaps with respect to benchmarks. Some of the major energy conservation measures undertaken during the financial year are:

i) Replacement of Crude Distillation Unit (CDU) Heater Induced Draft fans with higher capacity and Retrofit of Vacuum Distillation Unit (VDU) Heater Induced Draft Fans

ii) Ultrasonic flow meters for heater pass flow & clamp on meter for Delayed Coker Unit (DCU) minimum recirculation for heater charge pumps.

iii) Heat recovery from heavy naphtha with Boiler feed water in CDU-1

iv) Strengthening regular monitoring and optimisation of energy critical parameters like: Heaters & Boilers efficiencies, specific fuel and steam consumptions for units, steam trap auditing, condensate recovery, insulation survey etc.

v) Third party energy audit for Fuel and loss optimisation.

vi) Benchmarking of Energy Consumption by Solomon to identify potential area of improvement.

vii) Optimising of hydrogen partial pressures in hydrotreaters based on feed quality and product specification required.

The energy consumption of all process units and utility blocks are monitored constantly and corrective steps are immediately taken to utilise the energy in the most optimal manner

In the Coal Bed Methane field at Raniganj, West Bengal, energy sources such as High Speed Diesel (HSD), Coal Bed Methane (CBM) Gas & Electricity are used for operational processes. Part of produced CBM gas is being used for running Gas Generator (GG) sets which resulted in reduced gas flaring.

b) Additional Investments and proposals, if any, being implemented for reduction of consumption of energy:

In the Refinery:

i) Heat recovery from Fluid Catalytic Cracking Unit (FCCU) Flue Gas

ii) Increase heat recovery from Vacuum Residue

iii) Preheat improvement in CDU by providing additional Exchangers

c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:

These energy initiatives helped to reduce significant energy consumption. Approximately 13.24 Gigacalories per hour energy was saved amounting to 6.4 TMT of fuel oil.

Annexure A to the Directors' Report

d) **Total energy consumption and energy consumption per unit of production as per Form 'A' is attached hereto:**

FORM A

A	Power and Fuel Consumption	2013-14	2012-13
1	**Electricity**		
(a)	i) **Purchased**		
	Unit ('000 KWH)	**3,998.79**	12,525.41
	Rate / Unit (Excluding minimum demand charge)	**6.35**	5.77
	Total Amount (₹ in lakh)	**253.80**	722.81
	ii) **Duty on Own Power Generation**		
	Unit ('000 KWH)	**1,048,120**	991,670
	Rate / Unit	**0.55**	0.41
	Total Amount (₹ in lakh)	**5,764.66**	4,070.02
	iii) **Parallel Operation Charges**		
	Total Amount (₹ in lakh)	**2,219.77**	1,374.20
	Total (i+ii+iii) (₹ in lakh)	**8,238.23**	6,167.03
(b)	**Own Generation**		
	(i) Through Diesel Generator	**NA**	NA
	Unit ('000 KWH)		
	KWH per litre of diesel oil		
	Cost / Unit (₹ /KWH)		
	(ii) Through Steam Turbine/Generator Unit ('000 KWH)	**1,630,194.70**	1,411,775.70
	KWH per unit of Fuel Oil/Gas/Coal/Naphtha/HSD	**3.86**	4.17
	Cost / Unit (₹ /KWH)	**6.10**	6.99
(c)	**Electricity Consumed** (a+b) ('000 KWH)	**1,634,193.49**	1,424,301.11
2	**Coal-** specify quality and where used- We are using coal with calorific value from 4100 to 4500Kcal/Kg (Sometimes upto 5900) in Power Plant - MTs	**1,790,163.49**	1,081,889.62
3	**Furnace Oil/other Liquid fuels-Purchased**		
	Quantity (MTs)	**NA**	NA
	Total amount (₹ in lakh)	**NA**	NA
	Average Rate (₹ /MT)	**NA**	NA
4	**Others/ Internal Generation**		
(i)	**Fuel Gas & Natural Gas**		
	Unit (MTs)	**713,831.82**	741,703.63
	Total amount (₹ in lakh)	**285,498.28**	300,734.94
	Average Rate (₹ /MT)	**39,995.17**	40,546.51
(ii)	**Liquid Fuel – Fuel Oil**		
	a) Furnace Oil		
	Unit (MTs)	**134,007.90**	247,998.39
	Total amount (₹ in lakh)	**34,898.55**	73,379.92
	Average Rate (₹ /MT)	**26,042.16**	29,588.87
	b) HSD, Sour Naphtha		
	Unit (MTs)	**4,689.28**	59,630.40
	Total amount (₹ in lakh)	**2,453.88**	28,233.94
	Average Rate (₹ /MT)	**52,329.62**	47,348.23

FORM A (Contd.)

		2013-14	2012-13
(iii)	Solid Fuel - Fluidised Catalytic Cracker Coke		
	Unit (MTs)	**176,215.16**	183,011.89
	Total amount (₹ in lakh)	**39,312.02**	46,516.43
	Average Rate (₹ /MT)	**22,309.10**	25,417.16
5	**Total Fuel Gas, Liquid, Solid – (Purchased + Own Generation) (MT)**	**2,818,907.65**	2,314,233.93
B	Consumption Per Unit of Production		
(i)	Actual Production (MTs) –	**19,630,837**	18,895,277
(ii)	Consumption per MT of Production		
	- Electricity (Purchased + Generated) KWH/MT(Used in Refinery)	**66.20**	62.17
	- Liquid Fuel (FO/LSHS/NAPHTHA) (Purchased + Internal Generation) – MTs	**0.007**	0.016
	- Fuel Gas– MTs	**0.036**	0.039
	- FCCU coke – MTs	**0.009**	0.010

B. Technology Absorption

e) Efforts made in technology absorption at the Refinery are set out in Form'B' hereto:

FORM B

Research and development (R & D)

1) Specific areas in which R & D was carried out by the Company.

a) Established co-relation between S-value and fouling for various crude blends.

b) Compatibility study for various crude blends based on S-value.

c) Study for extracting wax from Mangla Vacuum Gas Oil (VGO) was carried out at R&D. To supplement the study the project was awarded to Council of Scientific & Industrial Research - Indian Institute of Petroleum (CSIR-IIP), Dehradun to check feasibility for production of Wax.

d) Study for making briquettes from petcoke fines, fly ash and bentonite was found to be feasible. We are exploring possibility of getting the briquettes manufactured through job work.

2) Benefits derived as a result of the above R&D:

a) The co-relation between S-value and fouling established prediction of an optimum S-value and fouling potential. This resulted in restricted processing of some high sulphur crudes in the blend and minimised exchanger fouling and thus downtime due to exchanger cleaning.

b) Based on compatibility study, off-shore blending of heavy/high pour crudes viz., Peregrino/Vasconia, Peregrino/Oman, Peregrino/Castilla and Dar blend/ Basrah Light was possible and transfer from ship to storage tanks was implemented successfully, thus broadening the horizon for tough crude and refinery GRM.

c) The feasibility report from CSIR-IIP concluded that Wax yield ranging from 34 to 52 wt% on VGO can be achieved and meet Paraffin wax specifications as per IS 4654:1993.

d) Briquettes from petcoke fines, fly ash and bentonite shall mitigate the environment issue and value addition to fly ash. Also there are prospective customers in the Gujarat state who prefer to use petcoke briquettes for their application.

Annexure A to the Directors' Report

3) **Future plan of action –**

   a) Continuation of current R&D studies with regards to crudes.

   b) Explore possibility to in-house design and fabricate bench scale de-salter.

   c) Alternative low cost chemical treatment for heater and exchanger cleaning.

4) **Expenditure on R & D: ₹ 212.92 lakhs**

   a) Capital – ₹ 1.53 crore

   b) Recurring – ₹ 0.60 crore

   c) Total – ₹ 2.13 crore

   d) Total R & D expenditure as a percentage of total turnover – Less than 1%

Technology, absorption, adaptation and innovation

1) **Efforts, in brief, made towards technology absorption, adaptation and innovation**

   The Refinery is witnessing global challenges in terms of addition of new and complex capacities with advantage of cheap raw material. Going forward we are keeping our focus on innovation and implemented following major schemes which contributed to increase Refinery Margins:

   - **Offloading the FCC debutanizer:** FCCU conversion and minimising slurry yield was limited by debutanizer capacity. In order to achieve this, FCCU main column overhead naphtha slip stream is routed to CDU-2 stabiliser. The modification offloaded the Debutanizer bottom section load and helped in maintaining the LPG and Gasoline specification. This has helped FCCU to maintain higher conversion and reduce slurry yield.

   - **High Total Acid Number (TAN) Crude Processing:** Refinery started processing high TAN Crudes from May 2012. The TAN limits were first revised from 0.5 mg KOH/gm to 0.8 mg KOH/gm based on continual study of Corrosion rates in various streams & then it was upgraded to 1.0 mg KOH/gm by taking all necessary steps.

   - **Energy saving by replacing Delayed Coker Unit Heater Flow meters with Ultrasonic Flow meters:** The DCU heaters, Charge pump flow meters, Pressure gauges and transmitters in this circuit were provided with high pressure flushing oil to get accurate reading without congealing or choking issue. This flushing oil was loading the heater and limiting the pass flow rate at higher throughput apart from consuming heat from the heater fuel. Replacing all the 18 passes of heaters conventional type orifice meter with Ultrasonic Flow meters helped to save fuel to furnace and incremental increase in unit feed flow to that extent of flushing oil.

   At Raniganj field, while the CBM gas production is going on, technological efforts have been made for conservation of energy on pilot basis and will be rolled out in field in the next financial year.

   - A loop of gas pipeline was constructed to obtain continuous gas supply for new well pads prior to gas break-out from them. Almost five well-pads are connected by a gas grid.

   - Use of Variable Frequency Drive (VFD) reduces the capacity utilisation of the generators. Active harmonic filters were introduced on test basis which avoid the generation of harmonics and thereby increases the capacity utilisation.

2) **Benefits derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution, etc.**

   Commissioning Expansion units, Optimisation project and coal based power plant and use of latest technologies made the Refinery one of the most complex and modern refineries of the world by increasing complexity from 6.1 to 11.8. Innovative culture of the refinery combined with enhanced complexity enabled to process over 93 per cent heavy and ultra-heavy of lower cost crude oils and increase middle distillate yields significantly. These enhancements also helped in reduction in fuel and cost of power and steam production.

   The initiative to introduce loop gas pipeline taken at the Raniganj CBM field, helped reduce CO_2 emission and financial benefit were achieved in changeover from diesel generators to gas generators. Further use of VDF has increased power efficiency and reduced total CO_2 generation.

3) **In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year), following information may be furnished:**

a) Technology imported:

i. Imported UOP Technology for VGO Hydrotreater VGOHT, Diesel Hydrotreater Diesel Hydrotreater (DHDT) and Isomerisation Unit Name (ISOM) unit, implemented and all units were running successfully for more than two year. This technology enables us to produce Euro IV and Euro V grades of HSD and Motor Spirit (MS). Technology is proved to be performing well meeting all design specifications.

ii. Delayed Coker Unit Technology was imported from Chicago Bridge & Iron Company (CB&I) to convert Vacuum Residue into valuable distillates and petroleum coke through severe thermal cracking and to eliminate production fuel oil. This unit is also running successfully for more than two years meeting all design specifications.

iii. Imported HALDOR TOPSOE, Denmark Technology to manufacture 99.9% pure Hydrogen is required for VGOHT, DHDT and ISOM units. This unit is also running successfully for more than two years.

iv. Imported JACOBS Technology, USA for Sulphur Recovery Unit, commissioned and running successfully for more than two years.

b) Year of import of all above Technology.

All above Technologies were imported in 2011-12

c) Has technology been fully absorbed?

i) UOP - Yes

ii) CB&I – Yes

iii) HALDOR TOPSOE – Yes

iv) JACOBS - Yes

d) If not fully absorbed, areas where this has not taken place, reasons there for and future plans of action – NIL.

C. Foreign Exchange Earnings and Outgo

f) **Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services and export plans:**

India continues to be heavily dependent on imports for meeting its crude oil requirements. The Company has been able to source some crude oil from the domestic market resulting in some reduction in forex outgo. The Company's sales focus had been to supply maximum quantity of its products to PSU oil companies. However, with the country having enough refining capacity, surplus products produced from the Company's Refinery over and above the domestic requirement were exported. This year, the Company has exported quantities of surplus Naphtha, Aviation Turbine Fuel (ATF), Gasoline, Gas Oil, VGO and Fuel Oil thereby contributing to improved forex earnings.

g) **Total foreign exchange used and earned:**

Particulars relating to Foreign Exchange outgo and earnings appear in Note No. 31 and 33 to financial statements.

Annexure B to the Directors' Report

Information required to be disclosed under the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999:

Essar Oil Employee Stock Option Scheme 2011 (Scheme) was introduced pursuant to approval granted by shareholders at Annual General Meeting held on August 12, 2011. The shareholders approval was modified by resolution passed at Annual General Meeting held on December 20, 2012. Under the Scheme, each option is convertible into equivalent number of equity shares of ₹ 10/- each of the Company. Options granted shall vest in a graded manner in three equal installments, at the end of 3rd/ 4th / 5th years from the grant date. The options can be exercised within 7 years from the date of vesting.

Particulars of options granted so far are as follows:

Year of grant	2011–12	**2013-14**
Options granted	3,211,391	**2,313,292**
Exercise price	₹ 69.05 per share	**₹ 52.20 per share**
Pricing formula	Closing price of the equity shares of the Company on the date immediately preceding the date of grant i.e. December 1, 2011 at the National Stock Exchange of India Ltd., being the exchange having the higher quantity of trading on the Company's shares	**Closing price of the equity shares of the Company on the date of grant i.e. November 20, 2013 at the National Stock Exchange of India Ltd., being the exchange having the higher quantity of trading on the Company's shares**
Options cancelled / forfeited	1,165,508	**234,957**
Options lapsed	Nil	
Total number of options in force	2,045,883	**2,078,335**
Options vested	Nil	**Nil**
Options exercised	Nil	**Nil**
Number of shares allotted pursuant to exercise of options	Nil	**Nil**
Variation of terms of options	Nil	**Nil**
Amount realised by exercise of options (in ₹)	Nil	**Nil**

Employee wise details of options granted:

1) Options granted to Senior managerial personnel:

   a. For financial year 2011-12: 'Nil' at the time of grant of options. However, Mr. Chakrapany Manoharan, who was granted 191,509 stock options as an executive of the Company, was subsequently appointed as Director (Refinery).

   b. For financial year 2013-14, Mr. Chakrapany Manoharan was granted 319,480 options.

2) Employees who were granted options amounting to 5% or more of options granted are as follows:

Name of the employee	No. of options granted exceeding 5% of total grants*	
	2011-12	**2013-14**
Chakrapany Manoharan	191,509	**319,480**
Narendra Vachharajani	220,971	-
Suresh Jain		**266,233**
Srinivas Tuttagunta		**198,167**
Harsh Bhosale		**194,899**
Kumar Swain		**182,744**
Ramachandran Vaidyanathan		**160,574**
Ramamurthy Palepu		**151,985**
Sheikh Shaffi		**130,318**

*The above does not include options granted which have been subsequently forfeited.

3) There were no employee who was granted options during any one year equal to or exceeding 1% of the issued equity shares of the Company at the time of the grant.

The diluted earnings per share (EPS) on potential issue of shares upon exercise of options is ₹ 0.87. The Company has recognised a compensation cost of ₹ Nil in FY 2013-14 based on the intrinsic value of options. However, had the Company used the fair value of options to determine the compensation cost for the year ended March 31, 2014, the profit for the year would have been lower by ₹ 1.59 crore and profit after tax would have been ₹ 124.21 crore. Accordingly, EPS basic and diluted earnings per share would have been ₹ 0.89 and ₹ 0.86 respectively.

The exercise price of ₹ 69.05 per share and ₹ 52.20 per share is equal to the market price at the time of grant of options. The weighted-average exercise price and weighted-average fair value of options is ₹ 69.05 and ₹ 90.06 per share for 3,211,391 option grant and ₹ 52.20 and ₹ 83.11 per share for 2,313,292 option grant, respectively for total number of options in force.

The key assumptions used to estimate the fair value of options in force as on March 31, 2014 are as follows:

Details	Year of Grant 2011–12	**Year of Grant 2013-14**
Risk – free interest rate	8.36%	**8.36%**
Expected life (years)	15	**15**
Expected volatility	56.93%	**56.93%**
Expected dividend	0.00%	**0.00%**
The price of underlying share in market at the time of option grant	₹ 69.05 per share	**₹ 52.20 per share**

Auditors' Certificate

To

The Members of Essar Oil Limited

1. We have examined the compliance of conditions of Corporate Governance by Essar Oil Limited ("the Company"), for the year ended March 31, 2014 as stipulated in clause 49 of the Listing Agreement entered into by the said Company with stock exchanges in India.

2. The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

3. In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

4. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Registration No: 117365W)

Porus Pardiwalla
Partner
Membership No. 040005

Mumbai, November 21, 2014

Corporate Governance Report

1. Company's Philosophy on Corporate Governance:

Essar Oil Limited believes that adhering to global standards of Corporate Governance is essential to enhance shareholder value and achieve long term corporate goals. The Company is committed to ethical conduct of business, manages its affairs with fairness to all stakeholders and operates with openness, integrity and accountability. The Board of Directors conducts the business of the Company in due compliance with its Memorandum and Articles of Association and the laws applicable to the jurisdictions of the places where the Company operates and undertakes a periodic review of business plans, performance and compliance to regulatory requirements.

2. Board of Directors:

As on March 31, 2014 the Board consisted of 12 members, 7 of whom are Independent directors. The composition of the Board of Directors and other required details as on March 31, 2014 are given below:

Name	Category	No. of Board Meetings attended	Whether attended last AGM	No. of other Directorships held#	Committee Membership Δ$	
					Member	Chairman
Prashant S Ruia Chairman	Non-Independent Non- Executive	4	No	**2**	Nil	Nil
Naresh K Nayyar (Dy. Chairman)	Non-Independent Non- Executive	4	No	**Nil**	1	Nil
Sushil Kumar Maroo[1] Director	Non-Independent Non-Executive	3	NA	**4**	1	Nil
Lalit K Gupta (Managing Director & CEO)	Executive	5	Yes	**1**	2	Nil
Chakrapany Manoharan (Director-Refinery)	Executive	5	Yes	**1**	Nil	Nil
D J Thakkar	Independent Non- Executive	5	Yes	**12**	9	5
K N Venkatasubramanian	Independent Non- Executive	4	Yes	**7**	3	Nil
V S Jain[2]	Independent Non- Executive	5	Yes	**3**	3	1
Rajiv Pal Singh[3] (Nominee of State Bank of India)	Independent Non- Executive	4	Yes	**1**	1	Nil
Suneet Shukla[4] (Nominee of IFCI Ltd.)	Independent Non- Executive	4	Yes	**1**	Nil	Nil
R Sudarsan (Nominee of LIC of India)	Independent Non- Executive	4	Yes	**Nil**	1	Nil
Philip Aiken AM[5]	Independent Non- Executive	4	No	**Nil**	Nil	Nil
Shashikant N Ruia[6]	Non-Independent Non- Executive	Nil	NA	**1**	Nil	Nil
Melwyn Rego[7] (Nominee of IDBI Bank Ltd.)	Independent Non- Executive	1	NA	**1**	Nil	Nil

Excluding directorship in Private Limited Companies and Foreign Bodies Corporate and companies under section 25 of the Companies Act, 1956.

Δ Memberships/Chairmanships of Audit Committee and Shareholders Grievance Committee including positions held in the Company.

$ Directorships and Committee positions are as on the date of appointments for directors appointed post March 31, 2014.

1. Appointment as Director with effect from October 25, 2013 and ceased to be director with effect from October 14, 2014.
2. Appointment as Director with effect from May 10, 2013.
3. Appointment as Nominee Director of State Bank of India with effect from May 24, 2013 and ceased to be director with effect from July 11, 2014.
4. Ceased to be Director with effect from September 10, 2014.
5. Ceased to be Director with effect from May 19, 2014.
6. Ceased to be Director with effect from August 14, 2013.
7. Ceased to be Director with effect from August 30, 2013.

Mr. Sudhir Garg has been appointed as Nominee of IFCI Limited in place of Mr. Suneet Shukla on the Board effective from September 10, 2014. Further, Mr. S V Venkatesan, Mr. Deepak Kumar Varma and Mr. T S Narayansami have been appointed as Independent Directors of the Company with effect from October 10, 2014.

Five Board Meetings were held during the financial year 2013-14 on May 10, 2013; August 14, 2013; October 25, 2013; February 10, 2014 and March 26, 2014. The management of the Company is conducted by the Managing Director & CEO, who is assisted by Heads of Divisions/Departments, subject to the supervision and control of the Board of Directors.

Mr. Prashant S Ruia and Mr. Naresh K Nayyar retire by rotation and being eligible seek re-appointment at the ensuing Twenty Fourth Annual General Meeting (AGM). Section 149 of the Companies Act, 2013 (effective from April 1, 2014) provides for appointment of Independent Directors. The Non-Executive Directors were appointed as directors liable to retire by rotation under the erstwhile Companies Act, 1956. Our Independent Directors were appointed as directors liable to retire by rotation under the provisions of the erstwhile Companies Act, 1956. The Independent directors will serve the term in office as director as per the respective resolutions pursuant to which they were appointed. Mr. D J Thakkar, who completes his present term at the ensuing AGM being eligible is proposed to be appointed as Independent Director for a period of one year commencing from the date of 24th Annual General Meeting being held on December 24, 2014.

A brief resume of the directors being re-appointed / appointed along with the nature of their expertise and the details of other directorships and the committee positions held by them and their shareholdings have been disclosed to the shareholders through notes / Explanatory Statement annexed to the Notice for the ensuing AGM. None of the Directors is related to any other director except for Mr. Prashant S Ruia, Chairman who is the son of Mr. Shashikant N Ruia, who was Chairman and Non-Executive Director upto August 14, 2013. As on March 31, 2014, Mr. Naresh K Nayyar, Mr. D J Thakkar, Mr. K N Venkatasubramanian and Mr. V S Jain held 8000, 300, 6500 and 600 shares respectively. None of the other directors held any shares in the Company as on March 31, 2014. Brief profile of all the directors is separately set out in the Annual Report.

3. Code of Conduct for Directors and Senior Management:

The Company has adopted a Code of Conduct ('Code') for Directors and Senior Management personnel one level below the Executive Directors including all Functional Heads. The Code has been posted on the Company's website.

Corporate Governance Report

The Directors, Senior Management and Functional Heads have affirmed compliance with the Code. The declaration to this effect of the Managing Director & CEO is given below:

Declaration by Managing Director & CEO

I, Lalit Kumar Gupta, Managing Director & CEO, of Essar Oil Limited hereby declare that all the Board Members and Senior Executives one level below the Executive Directors including all Functional Heads have affirmed for the financial year ended March 31, 2014, compliance with the Code of Conduct of the Company laid down for them.

Lalit Kumar Gupta
November 21, 2014 Managing Director & CEO

4. Audit & Governance Committee

(renamed as Audit & Risk Management Committee with effect from September 29, 2014):

As on March 31, 2014, the Audit & Governance Committee comprises of 3 members viz. Mr. D J Thakkar, Mr. K N Venkatasubramanian and the nominee of Life Insurance Corporation of India, Mr. R Sudarsan. The Committee, was reconstituted on May 20, 2014, with the induction of Mr. Naresh K Nayyar as a member in place of Nominee of Life Insurance Corporation of India. All the members of the Committee are financially literate. Mr. D J Thakkar, a Practicing Chartered Accountant, chairs the meetings of the Committee. The constitution and terms of reference of the Committee are set out in compliance with the requirements of section 292A of the Companies Act, 1956 and clause 49 of the Listing Agreement. The scope of the Committee has been enhanced to include requirements of section 177 of the Companies Act, 2013 and Listing Agreement as amended by SEBI circular dated April 17, 2014.

During the financial year 2013-14, the Committee met four times. Mr. K N Venkatasubramanian and Mr. D J Thakkar attended all meetings. Mr. R Sudarsan attended three meetings. The Statutory Auditors, Internal Auditors, the Managing Director & CEO, the Chief Financial Officer and the Vice President (Corporate Accounts) are invited to attend the meetings of the Committee. All department heads are invited to attend the Committee meeting whenever audit issues concerning their departments are being discussed in the meeting. The representative of the Cost Auditor is invited to attend the meeting of the Committee when the Cost Audit Report is tabled for discussion. Internal audit team of the parent company, Essar Energy Ltd., is also invited to present their audit observations to the Committee when the internal audit report generated by them are tabled for discussion.

The Company Secretary of the Company acts as the Secretary to the Committee.

5. Nomination & Remuneration Committee:

As on March 31, 2014, the Nomination & Remuneration Committee comprised of 5 members viz.: Mr. Naresh K Nayyar, Mr. Sushil Maroo, Mr. K N Venkatasubramanian, Mr. D J Thakkar, Mr. V S Jain. Mr. V S Jain and Mr. Sushil Maroo were inducted as members of the Committee on May 10, 2013 and October 25, 2013 respectively. Mr. Melwyn Rego and Mr. Sushil Maroo have ceased to be director and consequently members of the Committee w.e.f. August 30, 2013 and October 14, 2014 respectively. Further, Mr. D J Thakkar ceased to be member of the Committee w.e.f. May 20, 2014.

Six meetings were held during the year 2013-14. Mr. Naresh K Nayyar and Mr. K N Venkatasubramanian attended all meetings. Mr. D J Thakkar attended five meetings. Mr. V S Jain attended three meetings. Mr. Melwyn Rego and Mr. Sushil Maroo attended one meeting each. Mr. K N Venkatasubramanian generally chairs the meetings. The terms of reference of Nomination & Remuneration Committee include review, determination, increase/decrease and approval of terms of appointment and remuneration, of the Directors and Senior Management Personnel, review and finalisation of the performance of senior management executives just below the Managing Director and decide the variable pay and also determine the criteria and fix the overall annual variable pay of all executives. During the year the scope of the Committee was enhanced to include development of selection criteria for Directors and Senior Management Personnel recommending the Board policies relating to diversity of Board and appointment, removal and remuneration payable to Directors, Key Managerial Personnel and other employees.

Remuneration to Directors

Non-Executive Directors

The Non-Executive Directors do not draw any remuneration from the Company except for sitting fees. During the financial year 2013-14, the Non-Executive Directors have been paid sitting fees at the rate of ₹20,000/- for attending each meeting of the Board of Directors and ₹20,000/- for attending each meeting of Committee thereof. The sitting fees payable for attending Committee meetings was revised from ₹10,000/- to ₹20,000/- w.e.f. August 14, 2013. The sitting fees paid to the Directors for the year ended March 31, 2014 are as follows: Mr. Prashant S Ruia: ₹80,000/-; Mr. Naresh K Nayyar: ₹2,60,000/-; Mr. Philip Aiken AM: ₹1,00,000/-; Mr. D J Thakkar: ₹3,60,000/-; Mr. K N Venkatasubramanian: ₹4,30,000/-; Mr. Melwyn Rego: ₹30,000/- (paid to IDBI Bank Ltd.); Mr. R Sudarsan: ₹1,20,000/- (paid to LIC of India); Mr. Suneet Shukla: ₹80,000/- (out of which ₹60,000 paid to IFCI Ltd.); Mr. Rajiv Pal Singh : ₹80,000/-; Mr. V S Jain :₹3,20,000/-. During the year, there were no pecuniary relationships or transactions between the Company and any of its Non-Executive Directors.

The sitting fee payable to the Independent Directors has been enhanced effective from May 20, 2014 and they will now be entitled to sitting fee of ₹50,000/- for attending each meeting of the Board of Directors and Audit & Risk Management Committee and ₹40,000/- for attending each meeting of other Committees of the Board.

The Company has not granted any stock options to its Non – Executive Directors.

Executive Directors

During the financial year 2013-14, remuneration paid to the Executive Directors was as under:

(Amount in ₹)

	Mr. Lalit Kumar Gupta Managing Director & CEO	Mr. Chakrapany Manoharan Director (Refinery)
Basic Salary	14,544,000	7,200,000
Allowances & Perquisites	95,48,405	93,10,847
Retirement benefits	1,745,280	864,000
Performance Linked Incentives	13,466,296	6,848,820
Total	**39,303,981**	**24,223,667**
Service contract	5 years from December 2, 2011	3 years from March 29, 2012
Notice period	3 months	3 months

*Paid for previous year

In terms of the Essar Oil Employee Stock Options Scheme – 2011, the Executive Directors are entitled to be granted stock options. Prior to being appointed as Director (Refinery), Mr. Chakrapany Manoharan, in his capacity as Head of Refinery, was granted 191,509 stock options in financial year 2011-12. In FY 2013-14, 319,480 Employee Stock Option have been granted to Mr. Chakrapany Manoharan. There is no separate provision for payment of severance fee to any of the Executive Directors.

6. Investors' Relations:

i) Investors' Relations Committee

As of March 31, 2014, the Investors' Relations Committee comprised of 4 members vis. Mr. D J Thakkar; Mr. Naresh K Nayyar; Mr. Sushil Maroo and Mr. Lalit Kumar Gupta. Mr. Sushil Maroo was inducted as a Member of the Committee on October 25, 2013. Mr. Sushil Maroo has ceased to be member of the Committee w.e.f. October 14,

Corporate Governance Report

2014 consequent to his resignation. Mr. D J Thakkar generally chairs the meetings.

During the financial year 2013-14, the Committee had 6 meetings. Mr. Lalit Kumar Gupta and Mr. D J Thakkar attended all 6 meetings, Mr. Naresh K Nayyar attended 2 meetings and Mr. Sushil Maroo attended 1 meeting.

ii) Company Secretary

The Company Secretary, Mr. Sheikh S Shaffi, is the Compliance Officer.

iii) Requests/complaints

There were no complaints from share/ debenture holders pending at the beginning of the financial year. During the financial year, 300 complaints were received and 300 complaints were replied to / resolved. As of March 31, 2014, there were no pending complaints.

494 requests involving transfer of 69,766 shares were received during the financial year.

iv) Equity share certificates lying unclaimed:

The details regarding the unclaimed certificates of equity shares lying with the Company in the demat account titled "Essar Oil Limited – Unclaimed Suspense Account" are as follows:

Sr. No.	Particulars	No. of shares	No. of shareholders
1.	Aggregate number of shareholders and the outstanding s hares lying in the Unclaimed Suspense Account at the beginning of the year	**40,450**	250
2.	Number of shareholders who approached the issuer for transfer of shares from the Unclaimed Suspense Account during the year	**200**	1
3.	Number of shareholders to whom shares were transferred from the Unclaimed Suspense Account during the year	**200**	1
4.	Aggregate number of shareholders and the outstanding shares lying in the Unclaimed Suspense Account at the end of the year	**40,250**	249

The voting rights on the shares outstanding in this suspense account as on March 31, 2014 shall remain frozen till rightful owner claims these shares.

7. General Body Meetings:

a) Annual General Meetings

The date, time and venue of the last three Annual General Meetings and special resolutions passed at the meetings are given below:

Financial year	Date	Time	Venue	Special resolutions passed
2012-2013	September 27, 2013	11:00 a.m.	**Khambhalia Post, Dist. Jamnagar**	1
2011-2012	December 20, 2012	2:30 p.m.	**Khambhalia Post, Dist. Jamnagar**	3
2010-2011	August 12, 2011	2:30 p.m.	**Khambhalia Post, Dist. Jamnagar**	2

b) Extraordinary General Meeting

No Extraordinary General meetings were held in the last three years. However, post March 31, 2014 one Extraordinary General Meeting was held on May 6, 2014 at the registered office of the Company at Khambhalia Post, District Devbhumi Dwarka. Two special resolutions were passed at the meeting.

c) Postal ballot

i) During the financial year 2013-14 no resolution was passed through postal ballot, However post March 31, 2014 the Company had sought approval of shareholders for passing the following resolutions by postal ballot and e-voting facility which have been approved with requisite majority:

a. By Postal Ballots dated June 24, 2014 approval obtained pursuant to SEBI (Delisting of Equity Shares) Regulations, 2009 for voluntary delisting of the equity shares of the Company from the BSE Limited and the National Stock Exchange of India Limited pursuant to a voluntary delisting offer made by Essar Energy Holdings Limited the major shareholder and promoter of the Company.

b. By Postal Ballots dated October 7, 2014 approval obtained pursuant to section 180(1) of the Companies Act, 2013 to continue with the existing authorisation to the Board to create security on assets of the Company for borrowing funds upto ₹50,000 crore and to borrow funds not exceeding ₹50,000 crore over and above the aggregate of the paid up share capital of the Company and its free reserves

ii) No special resolution is proposed to be undertaken by postal ballot at the ensuing AGM.

8. Disclosures:

i) The Company does not have any material related parties' transactions which have potential conflict with the interest of the Company at large. Transactions with related parties are disclosed in note 46 to the accompanying notes of the financial statements of the Company forming part of the Annual Report. The financial statements have been prepared in accordance with the accounting policies generally accepted in India. In compliance with clarificatory orders dated August 4, 2006 and August 11, 2006 issued by Hon'ble Gujarat High Court, interest on certain categories of debentures have been accounted on cash basis as detailed in note 7(ii)(a) to financial statements.

Regarding certain funded interest facilities as referred in note 7(ii)(c) to the financial statements, to give accounting effect to reflect substance of the transaction, the Facility Stoppage (FS) loan was, since inception, measured by the Company in accordance with the principles of IAS 39, Financial Instruments, Recognition and Measurement, in absence of specific guidance in Indian GAAP to cover the specific situation. Applying the principle of Accounting Standard 30, Financial Instruments, Recognition and Measurement, the FS loan has been re-measured in continuance of the above principle, considering present value of cash flow inclusive of future interest.

ii) There were no instances of non-compliance on any matter related to the capital markets, during the last three years.

iii) In respect of compliance with the non-mandatory requirements, the Company has constituted a Nomination & Remuneration Committee details whereof are given under the heading: Nomination & Remuneration Committee. The quarterly, half-yearly and annual financial results are put up on the Company's website http://essaroil.co.in and are being published in English and Gujarati newspapers. The auditor's observations have been adequately explained in Directors' Report and also in the notes to the accounts wherever necessary and are self-explanatory.

iv) The Company has a Risk Management Policy Framework for risk identification, assessment and control to effectively manage risks associated with the business of the Company.

v) The Company has also adopted a Code of Internal Procedures and Conduct for Prevention of Insider Trading with a view to regulate trading in securities by the Directors and designated employees of the Company.

vi) The Managing Director & CEO and the Chief Financial Officer have certified to the Board of full compliance as per clause 49(V) of the Listing Agreement for the financial year ended March 31, 2014.

9. Means of Communication:

i) Quarterly/annual financial results are regularly submitted to Stock Exchanges in accordance with the Listing Agreement and published in all editions of English daily, Business Standard and in a Gujarati daily, Jai Hind. The quarterly/annual results are also made available at the Company's website, http://essaroil.co.in. The quarterly/annual financial results are also sent by email to those shareholders whose email IDs are registered with the Company/Depository Participants. Official news releases, presentations etc. made to media and analysts are displayed on the Company's website. Official press releases are sent to Stock Exchanges.

ii) Management Discussion and Analysis Report, in compliance with the requirements of clause 49 of the Listing Agreement with Stock Exchanges, is annexed to the Directors' Report which forms part of this Annual Report being sent to all the members of the Company.

iii) Full text of Annual Reports of the Company are made available on the website of the Company; http://essaroil.co.in.

iv) The quarterly/annual financial statements along with Corporate Governance reports, Shareholding Pattern, Annual Reports and other documents in compliance with the requirements of Listing Agreement entered into with Stock Exchanges are available on the websites of BSE and NSE by the respective stock exchanges.

v) Printed copy of the Chairman's Speech is distributed to all the shareholders at the Annual General Meeting.

vi) Reminders were sent to those investors whose interest/redemption amount on debentures were unencashed as per records of the Company and was due for transfer to Investor Education and Protection Fund during the financial year 2013 – 14 advising them to seek demand drafts in lieu of their lapsed warrants.

10. General Shareholder Information:

i.	**Corporate Identification Number**	L11100GJ1989PLC032116	
ii.	**AGM date, time and venue**	December 24, 2014 at 3.00 p.m. at the Registered Office of the Company at Khambhalia Post, Dist. Devbhumi Dwarka-361305	
iii.	**Tentative financial calendar**	Approval of the results for the quarter ending June 30, 2014; September 30, 2014; and December 31, 2014.	Within 45 days of the quarter ending
		Audited annual results for the year ending March 31, 2015	Before May 30, 2015
iv.	**Date of Book closure**	December 18, 2014 to December 24, 2014	(both days inclusive)
v.	**Dividend payment date**		N.A.

vi. **Listing of equity shares on stock exchanges:**

The equity shares of the Company are listed at Bombay Stock Exchange Ltd. (BSE) and National Stock Exchange of India Ltd. (NSE). The Company has paid the annual listing fees for the financial years 2012-2013 and 2013-2014 to BSE and NSE.

The addresses of the stock exchanges are set out below:

Bombay Stock Exchange Ltd. 1st Floor, Rotunda Bldg. P.J. Towers, Dalal Street Mumbai-400 023	National Stock Exchange of India Ltd. Exchange Plaza, 5th Floor, Plot No.C/1, G - Block, Bandra Kurla Complex, Bandra (East), Mumbai-400 051

The Company had on June 20, 2014 received a proposal from Essar Energy Holdings Ltd., Promoter Company offering to purchase all the publicly held equity shares of the Company (delisting offer) and upon successful completion of delisting offer, to voluntarily delist the shares of the Company from the Stock Exchanges. On August 6, 2014, the shareholders of the Company have passed a special resolution approving the Delisting Proposal by Postal Ballot mechanism.

vii. **Stock Codes:**

Equity shares	
Trading Symbol: Bombay Stock Exchange Limited	500134
National Stock Exchange of India Limited	ESSAROIL
ISIN with NSDL and CDSL	INE011A01019
Non-Convertible Debentures	
12.50% Secured Non-Convertible Debentures of ₹105/-each redeemable on July 23, 2018	INE011A07073

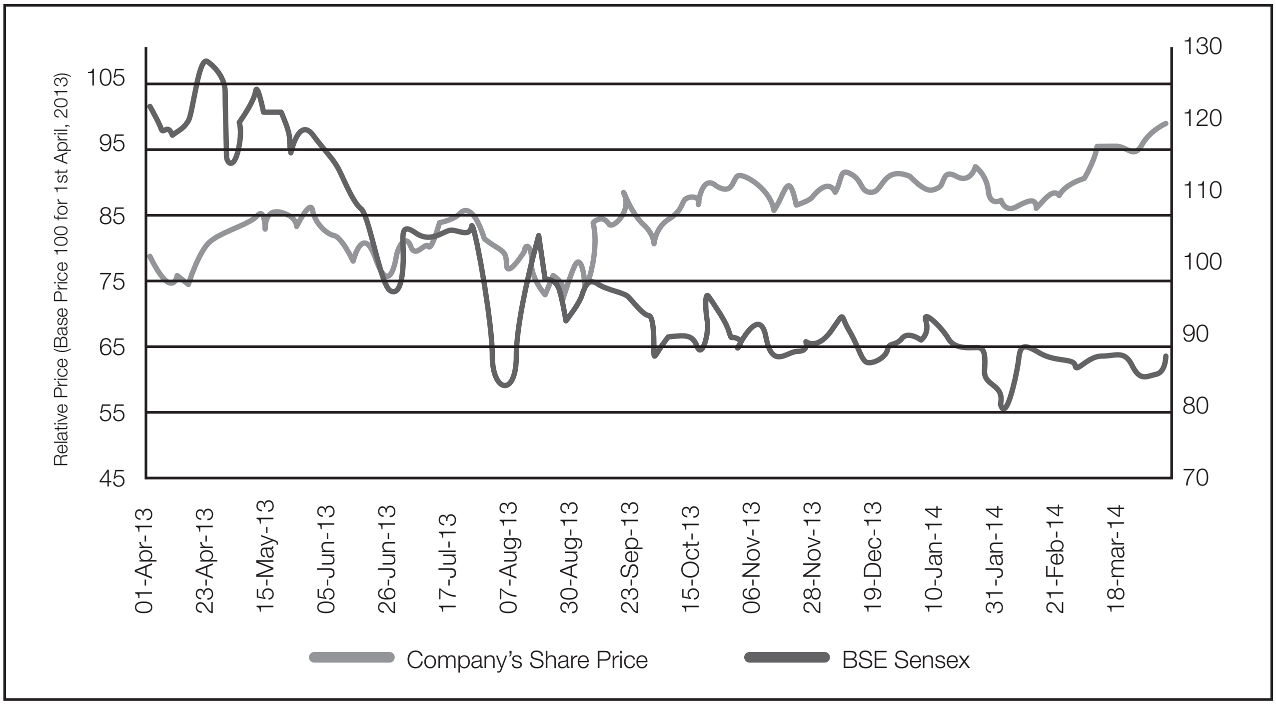
viii. **Stock market price data for the financial year 2013-2014:**

High / Low (based on daily closing prices), closing prices and average of the aggregate of daily traded volume at NSE and BSE for each month in the financial year ended March 31, 2014 are as under:

Month	Year	NSE				BSE			
		(in ₹ per share)			(in lakh)	(in ₹ per share)			(in lakh)
		High	Low	Close	Volume	High	Low	Close	Volume
April	2013	87.95	76.40	76.40	14.54	87.80	76.35	76.35	8.41
May	2013	86.25	73.75	76.75	17.13	86.10	73.95	76.45	8.34
June	2013	77.65	58.10	60.95	7.07	77.55	58.15	61.00	3.49
July	2013	68.20	51.50	51.50	7.04	68.25	51.55	51.55	3.00
August	2013	66.50	47.30	57.65	5.78	66.50	47.40	57.60	3.09
September	2013	60.95	50.35	50.35	4.89	61.05	50.40	50.40	2.31
October	2013	58.95	52.00	52.00	9.11	59.05	52.15	52.15	3.84
November	2013	55.90	50.60	52.75	7.23	55.75	50.75	52.70	2.96
December	2013	55.65	50.30	54.45	9.12	55.55	50.40	54.50	3.66
January	2014	56.45	44.85	44.85	10.21	56.30	45.00	45.00	5.05
February	2014	53.00	45.65	50.15	8.56	52.95	45.65	50.15	3.39
March	2014	52.70	48.60	51.00	9.84	52.70	48.75	50.95	3.91

Corporate Governance Report

ix. Performance of share price in comparison to BSE SENSEX:



x. Share Transfer Agent:

M/s. Datamatics Financial Services Ltd. is the Share Transfer Agent of the Company. The Share Transfer Agent acknowledges and executes transfers of securities and arranges for issue of interest / redemption warrants on debentures. The Share Transfer Agent also accepts, deals with and resolves requests, queries and complaints of share/ debenture holders.

xi. Share Transfer System:

The Company's shares are traded on the Stock Exchanges compulsorily in dematerialised mode. Physical shares which are lodged for transfer with the Transfer Agent are processed and returned to the shareholders within a period of 10-15 days.

xii. Distribution of shareholding as on March 31, 2014:

No. of shares	No. of shareholders	%	No. of shares	%
Upto 500	341,268	95.13	**42,797,827**	2.95
501-1000	10,446	2.91	**8,172,450**	0.56
1001-2000	3,980	1.11	**6,026,999**	0.42
2001-3000	1,108	0.31	**2,856,269**	0.20
3001-4000	508	0.14	**1,849,503**	0.13
4001-5000	405	0.11	**1,908,304**	0.13
5001-10000	510	0.14	**3,709,968**	0.26
10001 and above	500	0.14	**1,382,195,580**	95.36
Total	358,725	100.00	**1,449,516,900**	100.00

xii. Shareholding pattern as on March 31, 2014:

Sl.	Category	No. of shares			%
		Physical	Electronic	Total	
I	**Promoters**				
a.	Promoter and Promoter Group	0	360,929,673	360,929,673	**24.90**
b.	Depository for GDSs	0	951,463,854	951,463,854	**65.64**
	Sub-total	**0**	**1,312,393,527**	**1,312,393,527**	**90.54**
II	**Non-promoters**				
a.	FIs and Banks	50	11,270,102	11,270,152	**0.78**
b.	Mutual Funds and UTI	10,600	10,000,200	10,010,800	**0.69**
c.	Foreign Institutional Investors	300	22,647,776	22,648,076	**1.56**
d.	Private Corporate Bodies	57,851	21,341,688	21,399,539	**1.48**
e.	Indian Public	17,415,559	52,035,079	69,450,638	**4.79**
f.	NRIs and OCBs	769,800	1,574,368	2,344,168	**0.16**
	Sub-total	**18,254,160**	**118,869,213**	**137,123,373**	**9.46**
	Total	**18,254,160**	**1,431,262,740**	**1,449,516,900**	**100.00**

xiii. Dematerialisation of shares:

As on March 31, 2014, 98.74% of the Company's total shares, i.e. 1,431,262,740 shares were held in dematerialised form and 1.26% i.e. 18,254,160 shares were held in physical form.

xiv. Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity:

6,218,718 Global Depository Shares (GDSs) represented by 951,463,854 equity shares were outstanding as on March 31, 2014. Each GDS represents one hundred and fifty three (153) equity shares. There are no convertible instruments outstanding as on March 31, 2014.

xv. Transfer of unclaimed amount to Investor Education & Protection Fund:

For the financial year ended on March 31, 2014, the Company has transferred to Investor Education Protection Fund (IEPF) in compliance with section 205C of the Companies Act, 1956. ₹2.55 crore debenture interest and principal amount remaining unpaid or unclaimed for a period of 7 years from the date the amount became due for payment.

xvi. Plant Location:

The Refinery of the Company is located at Khambhalia Post, Dist. Devbhumi Dwarka – 361305, Gujarat. The Company's oil fields are located at Mehsana, Gujarat and the Coal Bed Methane (CBM) fields are located in Durgapur, West Bengal.

xvii. Address for communication:

For any assistance, request or instruction regarding transfer or transmission of shares and debentures, dematerialisation of shares / debentures, change of address, non-receipt of annual report, interest warrant and any other query relating to the shares and debentures of the Company, please write to the following address: M/s. Datamatics Financial Services Ltd., Unit: Essar Oil Limited, Plot No. B - 5, Part B Cross Lane, MIDC, Andheri (East), Mumbai – 400093. Phone: 91-22-66712151 to 66712156, Fax: 91-22-66712209, Email: eolinvestors@dfssl.com

For any assistance, share / debenture holders may also write to the Company at the following email ID exclusively designated for the purpose: eolinvestors@essar.com.

Independent Auditors' Report

To

THE MEMBERS OF ESSAR OIL LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of **ESSAR OIL LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act")(which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs) and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;

(b) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and

(c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

Emphasis of Matters

We draw attention to:

(a) Note 7(ii)(a) to the financial statements regarding accounting of interest on certain categories of debentures on a cash basis as per the Court order.

(b) Note 7(ii)(c) to the financial statements regarding measurement of certain borrowings covered by a Common Loan Agreement as per the accounting policy consistently followed by the Company.

(c) Note 37 to the financial statements regarding (i) approval by the shareholders at the Extraordinary General meeting of the Company held on May 06, 2014 for

Independent Auditors' Report

acquisition of preference shares of Essar Power Limited in part settlement of dues of ₹ 1,025.00 crores from Essar House Limited and acquisition of shares of an associate company so as to make it a wholly owned subsidiary (ii) receivable of balance dues of ₹ 917.58 crores from Essar House Limited and (iii) recovery of advances of ₹ 1,828.29 crores and security deposit of ₹ 590.00 crores from the aforesaid associate.

Our opinion is not qualified in respect of these matters.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. As required by Section 227(3) of the Act, we report that:

   (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

   (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

   (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.

   (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Act (which continue to be applicable in respect of Section 133 of the Companies Act, 2013 in terms of General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs).

   (e) On the basis of the written representations received from the directors as on March 31, 2014 other than the nominee directors appointed by public financial institutions who have been granted exemption from the provisions of section 274(1)(g) of the Act, and taken on record by the Board of Directors, none of the said directors is disqualified as on March 31, 2014 from being appointed as a director in terms of Section 274(1)(g) of the Act.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Firm Registration No. 117365W)

R.D. Kamat
Partner
Membership No. 36822

Mumbai, May 20, 2014

Annexure to the Auditors' Report

[Referred to in paragraph 1 under "Report on Other Legal and Regulatory Requirements" section of our report of even date]

1. In respect of its fixed assets:

   (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

   (b) The fixed assets of the Company have been physically verified during the year by the Management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As per the information and explanation given to us by the Management, no material discrepancies as compared to book records were noticed in respect of the fixed assets verified during the year.

   (c) In our opinion and according to the information and explanations given to us, the Company has not made any substantial disposals of fixed assets during the year affecting the going concern status of the Company.

2. In respect of its inventories:

   (a) As explained to us, inventories were physically verified during the year by the Management at reasonable intervals.

   (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.

   (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories. No material discrepancies were noticed on physical verification as compared to book records.

3. According to the information and explanation given to us, the Company has neither granted nor taken any loans, secured or unsecured, to/ from companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clause 4 (iii) (a) to (g) of the Order are not applicable to the Company.

4. In our opinion and according to the information and explanations given to us, and considering that certain capital items purchased are of specialised nature and suitable alternative sources do not exist for obtaining comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any failure to correct major weaknesses in internal controls.

5. (a) To the best of our knowledge and belief and according to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements that need to be entered into the register maintained under Section 301 of the Act have been so entered.

   (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Act and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.

6. In our opinion and according to the information and explanations given to us, the Company has not accepted public deposits within the meaning of Section 58A and 58AA of the Act, or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. Accordingly, the provisions of clause 4(vi) of the Order are not applicable to the Company.

Annexure to the Auditors' Report

7. In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.

8. We have broadly reviewed the books of account/ records maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1) (d) of Act in respect of manufacture of petroleum products and are of the opinion that prima facie the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determine whether they are accurate or complete.

9. In respect of statutory dues:

   (a) According to the information and explanations given to us, the Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Investor Education and Protection Fund, Employee State Insurance, Income Tax, Sales Tax (refer paragraph (c) below), Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and any other statutory dues, as applicable, with the appropriate authorities.

   There are no undisputed amounts payable in respect of the above statutory dues outstanding as at March 31, 2014 for a period of more than six months from the date they became payable.

   (b) According to the information and explanations given to us, details of Income tax, Sales tax, Service tax, Customs Duty and Excise Duty below, which have not been deposited as on March 31, 2014 on account of disputes are given below:

Name of Statute	Nature of dues	Forum where dispute is pending	Period to which the amount relates	Amount (₹ in crore)
Gujarat Value Added Tax Act, 2003	Sales Tax & Interest	Gujarat Sales Tax Tribunal	2007-08	0.21
		Jt. Commissioner Appeal, Rajkot	2008-09	633.11
Central Sales Tax Act, 1956	Sales Tax & Interest	Jt. Commissioner Appeal, Rajkot	2008-09	73.16
Central Excise Act, 1944	Excise Duty, Interest, Fine and Penalty	Central Excise & Service Tax Appellate Tribunal (CESTAT)	2006-07 2007-08 2008-09 2009-10 2010-11 2011-12 2012-13	74.13
Customs Act, 1962	Customs Duty, Interest, Fine and Penalty	Central Excise & Service Tax Appellate Tribunal (CESTAT)	2008-09 2009-10	127.44
		Commissioner of Customs Excise (Appeals)	2012-13 2013-14	2.34* 0.05

Annexure to the Auditors' Report

Name of Statute	Nature of dues	Forum where dispute is pending	Period to which the amount relates	Amount (₹ in crore)
Service Tax Rules, 1994	Penalty	Central Excise & Service Tax Appellate Tribunal (CESTAT)	2005-06 2006-07 2007-08 2008-09 2009-10	1.74
		Commissioner of Central Excise (Appeals)	2004-05 2005-06	0.08
Madhya Pradesh Sthaniya Kshetra Me Mal Ke Pravesh Par Kar Adhiniyam, 1976	Entry Tax, Penalty and Interest	MP Commercial Tax Appellate Board, Bhopal	2008-09	0.02
		High Court of Madhya Pradesh	2007-08	0.06
Uttar Pradesh Value Added Tax Act, 2008	Sales tax and interest	Addl. Commissioner of Commercial Tax (Appeal)	2010-11	0.19
Income tax Act, 1961	Income tax and Interest	Supreme Court	1997-98	0.18
		Bombay High Court	2003-04	6.25

* Company is in the process of filing appeal.

According to the information and explanations given to us, there were no dues pending to be deposited on account of any dispute in respect of Wealth Tax and Cess as on March 31, 2014.

(c) In response to a Special Leave Petition filed by the Company with the Honourable Supreme Court seeking installments for payment of the sales tax dues without interest, the Honourable Supreme Court had, on September 13, 2012, passed an order allowing the payment of the balance sales tax dues in eight equal quarterly installments beginning January 2, 2014 with interest of 10% p.a. with effect from January 17, 2012.

Having regard to the above, the Company had made payment of all the instalments due with interest on respective due dates except for fourth installment due on October 02, 2013 for which the Company had filed an application on October 03, 2013 with the Honourable Supreme Court of India pleading for extension of time limit. The Honourable Supreme Court of India vide it order dated November 11, 2013 did not consider Company's appeal favourably and accordingly, the Company had made the payment of fourth installment (together with interest for the period October 03, 2013 to November 22, 2013) on November 22, 2013.

10. *The accumulated losses of the Company are more than 50% of its net worth.* The Company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.

11. Out of total repayment of dues to financial institutions, banks and debenture holders of approx. ₹ 10,700.00 crores, we have observed delays in respect of dues of ₹ 514.93 crores (including interest) relating to onetime payment on account of CDR exit (excluding repayment of ₹ 664.00 crores to a bank which we are informed entailed procedural delay accepted by the lender). These have been regularised within 8 to 64 days from respective due dates. ₹ 250.00 crores repayment against refinance agreed with the lenders has not been considered for this purpose.

Annexure to the Auditors' Report

12. According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause 4(xii) of the Order are not applicable to the Company.

13. The Company is not a chit fund or a nidhi/mutual benefit fund/society. Accordingly, the provisions of clause 4(xiii) of the Order are not applicable to the Company.

14. According to the information and explanations given to us, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Order are not applicable to the Company.

15. In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given guarantees for the loans taken by others from banks and financial institutions are not, prima facie, prejudicial to the interest of the Company.

16. In our opinion and according to the information and explanations given to us, the term loans have been applied by the Company during the year for the purposes for which they were obtained, other than temporary deployment pending application.

17. *On the basis of an overall examination of the balance sheet of the Company and according to the information and explanations given to us, we report that funds raised on short-term basis amounting to ₹ 6,245.51 crores, have, prima facie, been used for long term investment / purposes.* This excludes the effects of the judgment of the Supreme Court dated January 17, 2012 making the Company ineligible for a sales tax deferral scheme.

18. According to the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Sec. 301 of the Act. Accordingly, the provisions of clause 4 (xviii) of the Order are not applicable to the Company.

19. Having regard to the information and explanations given to us and the records examined by us, securities have been created in respect of the debentures considering the waivers from corporate debenture holders /prepayment option given to retail debenture holders.

20. The Company has not raised money by way of public issues during the year and the provisions of the Order are not applicable.

21. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company was noticed or reported during the year.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Firm Registration No. 117365W)

R.D. Kamat
Partner
Membership No. 36822

Mumbai, May 20, 2014

ESSAR OIL & GAS

Balance Sheet as at March 31, 2014

(₹ in crore)

Particulars	Note	As at March 31, 2014	As at March 31, 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
a) Share capital	4	**1,466.12**	1,382.27
b) Reserves and surplus	5	**964.51**	(275.44)
Foreign Currency Compulsory Convertible Bonds	6	**-**	1,340.00
Non-current liabilities			
a) Long-term borrowings	7	**14,284.55**	14,538.73
b) Deferred tax liabilities (Net)	8	**-**	-
c) Other long term liabilities	10	**238.87**	2,216.07
d) Long-term provisions	11	**5.14**	5.14
Current liabilities			
a) Short-term borrowings	12	**6,756.98**	7,840.21
b) Trade payables	9	**19,815.04**	11,364.54
c) Other current liabilities	10	**8,489.07**	9,114.27
d) Short-term provisions	11	**43.98**	40.06
Total		**52,064.26**	47,565.85
ASSETS			
Non-current assets			
a) Fixed assets	13		
(i) Tangible assets		**20,452.21**	21,091.53
(ii) Intangible assets		**181.01**	182.62
(iii) Capital work-in-progress		**3,467.68**	2,409.88
(iv) Intangible assets under development		**270.68**	200.50
b) Non-current investments	14	**103.00**	103.00
c) Long-term loans and advances	18	**979.89**	1,138.14
d) Other non-current assets	19	**1,660.27**	1,334.53
Current assets			
a) Current investments	14	**495.00**	-
b) Inventories	15	**9,309.96**	10,588.37
c) Trade receivables	16	**7,100.10**	4,716.49
d) Cash and bank balances	17	**3,631.53**	2,430.66
e) Short-term loans and advances	18	**2,814.90**	1,276.29
f) Other current assets	19	**1,598.03**	2,093.84
Total		**52,064.26**	47,565.85

The accompanying notes are an integral part of the financial statements

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

R. D. Kamat
Partner
Mumbai, May 20, 2014

For and on behalf of the Board of Directors

Lalit Kumar Gupta
Managing Director and
Chief Executive Officer

Naresh Nayyar
Deputy Chairman

S. S. Shaffi
Company Secretary
Mumbai, May 20, 2014

Suresh Jain
Chief Financial Officer

Statement of Profit and Loss for the year ended March 31, 2014

(₹ in crore)

Particulars	Note	For the year ended March 31, 2014	For the year ended March 31, 2013
INCOME			
Revenue from operations	20	**98,601.87**	88,578.12
Other income	21	**870.69**	608.78
Total Revenue		**99,472.56**	89,186.90
EXPENSES			
Cost of raw materials consumed	22	**88,824.12**	81,333.98
Purchase of traded goods	23	**1,276.23**	866.72
Changes in inventory of finished goods, work-in-progress and stock-in-trade	24	**148.38**	(236.88)
Employee benefits expense	25	**224.61**	185.66
Other expenses	26	**4,296.59**	3,386.74
		94,769.93	85,536.22
Earnings before finance costs, depreciation and amortisation expenses, exceptional items and tax (EBIDTA)		**4,702.63**	3,650.68
Finance costs	27	**3,218.33**	3,423.58
Depreciation and amortisation expenses	13	**1,355.21**	1,296.06
Profit / (Loss) before exceptional items and tax		**129.09**	(1,068.96)
Exceptional items	36	**-**	111.48
Profit / (Loss) before tax		**129.09**	(1,180.44)
Tax expense:			
(a) Current tax represents ₹ 3.29 crore (Previous year ₹ Nil) pertaining to earlier year		**3.29**	-
(b) Deferred tax		**-**	-
Profit / (Loss) for the year from continuing operations		**125.80**	(1,180.44)
Earnings per equity share (Face value ₹ 10 per share) :	28		
(1) Basic (in ₹)		**0.90**	(8.64)
(2) Diluted (in ₹)		**0.87**	(8.64)

The accompanying notes are an integral part of the financial statements

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

R. D. Kamat
Partner
Mumbai, May 20, 2014

For and on behalf of the Board of Directors

Lalit Kumar Gupta
Managing Director and
Chief Executive Officer

Naresh Nayyar
Deputy Chairman

S. S. Shaffi
Company Secretary
Mumbai, May 20, 2014

Suresh Jain
Chief Financial Officer

Cash Flow Statement for the year ended March 31, 2014

(₹ in crore)

	Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
A	CASH FLOW FROM OPERATING ACTIVITIES		
	Net profit / (loss) before tax and extraordinary items	**129.09**	(1,180.44)
	Adjustments for :		
	Depreciation / amortisation (Previous year ₹ 0.54 crore considered in exceptional items)	**1,355.21**	1,296.60
	Fixed assets written off / provided	**0.64**	0.23
	Interest on income tax refund	**(19.32)**	(1.74)
	Interest income on bank deposits (other than margin deposits)	**(5.14)**	(8.61)
	(Profit) / Loss on sale of fixed assets (net)	**(0.00)***	0.01
	Unrealised exchange differences	**14.09**	35.73
	Mark to market - commodity hedging losses	**3.03**	24.17
	Interest (Previous year ₹ 110.94 crore considered in exceptional items)	**2,450.56**	2,815.14
	Bad debts written off / doubtful debts provided for	**0.07**	2.34
	Write back old liabilities / excess accrual	**(1.62)**	(3.54)
	Operating profit before working capital changes	**3,926.61**	2,979.89
	Working capital changes		
	Adjustments for :		
	Changes in inventories	**1,278.44**	(2,904.72)
	Changes in receivables, advances and deposits	**(4,403.35)**	(2,880.87)
	Changes in payables	**9,127.72**	2,377.96
	Cash generated / (used) from operating activities	**9,929.42**	(427.74)
	Income tax refund / (payment) (net) (including interest)	**166.49**	14.58
	Net cash generated / (used) from operating activities (A)	**10,095.91**	(413.16)
B	CASH FLOW FROM INVESTING ACTIVITIES		
	Additions to fixed assets	**(1,153.39)**	(2,173.71)
	Sale of fixed assets	**0.01**	0.04
	Sale / (Purchase) of investment in a subsidiary	**(0.00)***	0.00*
	Purchase of Investment	**(495.00)**	-
	Placement of long term deposits	**(44.46)**	(0.35)
	Encashment of long term deposits	**0.32**	65.48
	Interest received on bank deposits (other than margin deposits)	**3.67**	14.26
	Net cash used in investing activities (B)	**(1,688.85)**	(2,094.28)

Cash Flow Statement for the year ended March 31, 2014

(₹ in crore)

	Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
C	CASH FLOW FROM FINANCING ACTIVITIES		
	Proceeds from borrowings {including funding of interest (refer note 7 (ii)(c))}	**10,219.33**	10,737.41
	Repayment of borrowings and sales tax liabilities	**(13,339.28)**	(10,921.32)
	Changes in short term borrowings (net)	**(1,236.56)**	6,226.26
	Interest paid	**(2,941.11)**	(3,622.82)
	Bills of exchange accepted	**77.57**	(74.21)
	Bills of exchange honoured	**(257.52)**	62.67
	Change in short term bills of exchange (net)	**(0.94)**	-
	Net cash (used) / generated from financing activities (C)	**(7,478.51)**	2,407.99
	Net (decrease) / increase in cash and cash equivalents (A+B+C)	**928.55**	(99.45)
	Cash and cash equivalents at the beginning of the year	**340.71**	440.16
	Cash and cash equivalents at the end of the year	**1,269.26**	340.71
	Net (decrease) / increase in cash and cash equivalents	**928.55**	(99.45)

Notes:

1 Non cash transaction:

During the year, the Company converted foreign currency compulsory convertible bonds (FCCCBs) into equity shares on December 09, 2013 (refer note 6).

During the previous year, the Company exited the Corporate Debt Restructuring Scheme resulting in termination of Master Restructuring agreement dated December 17, 2004 ("the MRA") and entered into a Common Loan Agreement dated March 25, 2013 ("the CLA") with the lenders for the loan facilities which were hitherto being governed by the MRA.

2 Cash and cash equivalents included in the cash flow statement comprise of the following balance sheet amounts:

(₹ in crore)

	As at March 31, 2014	As at March 31, 2013
CASH ON HAND AND BALANCES WITH BANKS		
Cash and cash equivalents (refer note 17)	**1,269.27**	340.71
Less : Effect of exchange rate changes	**0.01**	0.00*
Cash and cash equivalents as restated	**1,269.26**	340.71

*amount less than ₹ 0.01 crore

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

R. D. Kamat
Partner
Mumbai, May 20, 2014

For and on behalf of the Board of Directors

Lalit Kumar Gupta
Managing Director and
Chief Executive Officer

Naresh Nayyar
Deputy Chairman

S. S. Shaffi
Company Secretary
Mumbai, May 20, 2014

Suresh Jain
Chief Financial Officer

1. **CORPORATE INFORMATION:**

Essar Oil Limited (the Company) is a public limited company domiciled in India and incorporated under the provisions of the Companies Act, 1956. The equity shares of the Company are currently listed on the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) in India. It is primarily engaged in the business of refining and marketing of petroleum products in domestic and overseas markets. It is also engaged in the business of Exploration and Production.

2. **BASIS OF PREPARATION:**

The financial statements of the Company have been prepared in accordance with Generally Accepted Accounting Principles in India ("Indian GAAP"). The Company has prepared these financial statements to comply in all material respects with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements of the Company have been prepared on an accrual basis and under the historical cost convention. Attention is invited to note (7)(ii)(a) and (c).

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

a) Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires the management of the Company to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and disclosures relating to contingent liabilities, at the end of the reporting period. Though the management believes that the estimates used are prudent and reasonable and are based on management's knowledge of current events and actions, actual results could differ from these estimates resulting in material adjustments to be recognised in the periods in which the results are known / materialise.

b) Revenue recognition

Revenue on sale of goods is recognised when property in the goods is transferred to the buyer for a price or when all significant risks and rewards of ownership have been transferred to the buyer and no effective control is retained by the Company in respect of the goods transferred to a degree usually associated with ownership and no significant uncertainty exists regarding the amount of consideration that will be derived from the sale of goods.

Revenue on transactions of rendering services is recognised under the completed service contract method. Contract is regarded as completed when no significant uncertainty exists regarding the amount of consideration that will be derived from rendering the services.

Interest income is recognised on time proportion basis taking into account the amount outstanding and rate applicable.

c) Government grants

Government grants are recognised only when there is reasonable assurance that the conditions attached to the grants will be complied with and where such benefits have been earned and it is reasonably certain that the ultimate collection will be made.

d) Tangible assets and depreciation

i. **Tangible assets**

Tangible assets are recorded at cost less accumulated depreciation and impairment loss, if any. Cost is inclusive of non-recoverable duties and taxes, cost of construction including erection, installation, commissioning, know how and expenditure during construction including borrowing costs and results of trial run operations.

ii. **Depreciation**

Depreciation on plant and machinery is provided as per straight line method. All other assets are depreciated as per written down value method. Depreciation is computed at the rates based on the estimated useful lives of the assets or at the rates provided under Schedule XIV of the Companies Act, 1956, whichever is higher.

Notes to financial statements for the year ended March 31, 2014

Depreciation on additions / deductions to fixed assets made during the year is provided on a pro-rata basis from / upto the date of such additions / deductions, as the case may be.

Cost of assets purchased and/or constructed by the Company whose ownership vests with others by virtue of a contract or otherwise, are amortised at the higher of rates based on the estimated useful lives of the assets or the contract period, or at the rates provided under Schedule XIV of the Companies Act, 1956.

e) **Work in progress and expenditure during construction period**

Direct expenditure on projects or assets under construction or development is shown under capital work-in-progress.

Expenditure incidental to the construction of projects or assets under construction or development that take substantial period of time to get ready for their intended use is accumulated as expenditure during construction, pending allocation to fixed assets and other relevant accounts, as applicable.

f) **Intangible assets and amortisation (other than oil and gas exploration and development of assets)**

Intangible assets are recognised only when it is probable that the future economic benefits that are attributable to the assets will flow to the Company and the cost of the assets can be measured reliably. Intangible assets are stated at cost less accumulated amortisation and impairment loss, if any.

Intangible assets are amortised over the best estimate of their useful lives, subject to a rebuttable presumption that such useful lives will not exceed ten years.

g) **Oil and gas exploration and development of assets**

The company follows full cost method of accounting for its oil and gas exploration and development expenditures. It has identified two cost centers (known as "cost pool"), namely India CBM (Coal Bed Methane) pool and India Oil & Gas pool under which all such expenditures are captured.

All acquisition, exploration and development costs remain in capital-work-in-progress/intangible assets under development until determination of commercial reserves or otherwise. When any well in a cost pool is ready to commence commercial production, the accumulated costs in that cost pool are transferred from capital-work-in-progress/ intangible assets under development to gross block of assets as tangible/intangible assets, under the head "Producing Properties".

Acquisition costs, geological and geophysical (G&G) expenses and unsuccessful exploratory drilling costs are classified as intangible assets or intangible assets under development, depending on completion status. Exploratory oil and gas wells in progress are classified as intangible assets under development while coal bed methane wells are shown under capital work in progress, unless proved unsuccessful. Producing wells, development drilling expenses and surface equipment & facilities are shown under tangible fixed assets or capital work in progress, as the case may be.

In respect of oil and gas reserves proved subsequently, the capital work in progress / intangible assets under development corresponding to such reserves are transferred to gross block of assets at the time when the said reserves are proved. The expenditure which does not result in discovery of proved oil and gas reserves are transferred from capital work in progress/ intangible assets under development to the gross block of assets as and when so determined.

Expenditures (both tangible and intangible) carried under producing property (including future development cost) separately under each cost pool is depleted on a unit-of-production basis, with depletion computed on the basis of the ratio that oil and gas production bears to the balance proved reserves at commencement of the year.

Oil and Gas Joint Ventures are in the nature of Jointly Controlled Assets. Accordingly, assets and liabilities as well as income and expenditures are accounted on a line-by-line basis with similar items in the Company's financial statements, according to the participating interest of the Company.

h) Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the statement of profit and loss. If at the balance sheet date, there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount but limited to the carrying amount that would have been determined (net of depreciation / amortisation) had no impairment loss been recognised in prior accounting periods.

i) Valuation of inventories

Inventories (other than crude oil extracted by exploration and production segment) are valued at the lower of cost and net realisable value. The value of crude and coal inventory is determined using the first in first out cost formula and the value of finished goods inventory, work-in-progress, stores and spares and other consumables are determined using the weighted average cost formula. Finished goods and work-in-progress include costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Closing stock of crude oil extracted and in saleable condition is valued at net realisable value.

j) Foreign currency transactions

Foreign currency transactions are accounted at the rate normally prevailing on the transaction date. Monetary items denominated in foreign currency other than net investment in non-integral foreign operations are translated at the exchange rate prevailing at the balance sheet date. In case of non-integral foreign operations, all the assets and liabilities are translated at the closing rate whereas the income and expense items are translated at average exchange rate during the period.

Exchange differences arising in a non-integral operation are accumulated in a foreign currency translation reserve until the disposal of the net investment, at which time the same is recognised in the statement of profit and loss.

Exchange differences arising on settlement or conversion of short term monetary items are recognised in the statement of profit and loss or expenditure during construction / capital work-in-progress / fixed asset, as applicable. Exchange differences relating to long term monetary items are accounted as under:

(i) in so far as they relate to the acquisition of a depreciable capital asset is added to / deducted from the cost of the asset and depreciated over the balance useful life of the asset;

(ii) in other cases such differences are accumulated in "Foreign Currency Monetary Item Translation Difference Account" and amortised in the statement of profit and loss over the balance life of the long term monetary item.

In respect of forward contracts entered to hedge foreign currency exposure in respect of recognised monetary items, premia or discounts arising on forward exchange contracts entered into for the purpose of hedging currency risk, are recognized as finance cost in the statement of profit and loss or expenditure during construction, as applicable, over the life of the contract.

The impact of exchange rate differences between the rates prevailing on the date of forward exchange

Notes to financial statements for the year ended March 31, 2014

contracts and the rate prevailing on the balance sheet date or on the dates of settlement of forward exchange contracts whichever is earlier, is recognised in the statement of profit and loss or expenditure during construction / fixed asset, as applicable.

k) **Derivative instruments**

In order to hedge its risks associated with certain commodity price risk, foreign exchange fluctuations risk and interest rate risk etc., the Company enters into non-speculative derivative contracts such as forwards, options, swaps, interest rate swaps and other appropriate derivative instruments.

The Company designates such derivative contracts in a cash flow hedging relationship by applying the hedge accounting principles set out in “Accounting Standard 30 - Financial Instruments: Recognition and Measurement”, gains / losses on these contracts arising from changes in fair value, to the extent the hedge is effective, or settled are recognised directly in “cash flow hedge reserve” under Reserves and surplus. Amounts accumulated in the “cash flow hedge reserve” are recycled to the statement of profit and loss and credited for gains or charged for losses to raw material consumed in so far as it relates to the commodity derivative instruments taken to hedge risk of movement in price of crude oil, credited for gains or charged for losses to sales in so far as it relates to the derivative instruments (including margin cracks) taken to hedge risk of movement in price of finished products, credited for gains or charged for losses to exchange differences (net) in so far as it relates to the derivative instruments taken to hedge risk of movement in foreign exchange rate and credited for gains or charged for losses to finance cost in so far as it relates to the derivative instruments taken to hedge interest rate risk in the same periods during which the transaction affects profit and loss. To the extent that the hedge is ineffective, changes in fair value are recognised in raw material consumed / sales / exchange differences (net) / finance cost as applicable to the statement of profit and loss. Hedge accounting is discontinued, if the hedging instrument no longer meets the criteria for hedge accounting, gets expired or is sold, terminated or exercised before the occurrence of the forecasted transaction.

Derivative contracts which are not designated for hedge accounting and not accounted under Accounting Standard (AS) 11: The Effects of Changes in Foreign Exchange Rates, the gains / losses arising from settled derivative contracts and net marked to market (MTM) losses in respect of outstanding derivative contracts as at balance sheet date are recognised in raw material consumed / sales / exchange differences (net) / finance cost as applicable to the statement of profit and loss or expenditure during construction, as applicable. The net MTM gains in respect of outstanding derivatives contracts are not recognised adopting the principles of prudence.

l) **Lease**

Operating lease

Lease expenses and lease income on operating leases are recognised on a straight line basis over the lease term in the statement of profit and loss or expenditure during construction, as applicable.

Finance lease

As lessee:

Assets taken on lease are capitalised at fair value or net present value of the minimum lease payments, whichever is lower. Depreciation on the assets taken on lease is charged at the rate applicable to similar type of fixed assets as per accounting policy of the Company on depreciation. If the leased assets are returnable to the lessor on the expiry of the lease period, depreciation is charged over its useful life or lease period, whichever is shorter. Lease payments made are apportioned between the finance charges and reduction of the outstanding liability in respect of assets taken on lease. The leases are generally recognised in the books of account at the inception of the lease term. The leases of assets under construction are recognized on commencement of the lease term in accordance with International Accounting Standard (IAS) 17 - Leases, as there is no specific guidance available under Indian Accounting Standard (AS) 19 - Leases.

As lessor:

The assets given under a finance lease are recognised as a receivable in the balance sheet at an amount equal to the net investment in the lease. The recognition of finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding in respect of the finance lease.

m) **Employee benefits**

i. **Post-employment benefit plans**

Contribution to defined contribution retirement benefit schemes are recognised as expense in the statement of profit and loss / expenditure during construction, as applicable, when employees have rendered services entitling them to contributions.

For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the statement of profit and loss / expenditure during construction, as applicable, in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested, and is otherwise amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation and is adjusted both for unrecognised past service cost, and for the fair value of plan assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the scheme, if lower.

ii. **Short-term employee benefits**

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employee renders the services. These benefits include compensated absences such as paid annual leave, and performance incentives.

iii. **Long-term employee benefits**

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as a liability at the present value of the defined benefit obligation determined actuarially by using Projected Unit Credit Method at the balance sheet date.

iv. **Employee Stock Options Scheme:**

Stock options granted to employees under the Employees' Stock Option Scheme (ESOS) are accounted by adopting the intrinsic value method in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on accounting for employee share based payments issued by the Institute of Chartered Accountants of India (ICAI). Accordingly, the excess of market price of the shares over the exercise price is recognised as deferred employee compensation and is charged to statement of profit and loss account on straight-line basis over the vesting period.

The number of options expected to vest is based on the best available estimate and are revised, if necessary, if subsequent information indicates that the number of stock options expected to vest differs from previous estimates.

Notes to financial statements for the year ended March 31, 2014

n) **Valuation of investments**

Investments are classified into long term and current investments. Long term investments are carried at cost. Diminution in value of long term investments is provided for when it is considered as being other than temporary in nature. Current investments are carried at the lower of cost and fair value.

o) **Borrowing costs**

Borrowing costs that are attributable to the acquisition, construction or development of qualifying assets (i.e. assets that take substantial period of time to get ready for its intended use) are charged to expenditure during construction / Capital work in progress.

Other borrowing costs are recognised in the statement of profit and loss.

p) **Taxation**

Provision for current taxation is computed in accordance with the relevant tax laws and regulations. Deferred tax is recognised on timing differences between the accounting and the taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the reporting date. Deferred tax assets are recognised only when there is a reasonable certainty that sufficient future taxable income will be available against which they will be realised. Where there is a carry forward of losses or unabsorbed depreciation, deferred tax assets are recognised only if there is a virtual certainty supported by convincing evidence of availability of taxable income against which such deferred tax assets can be realised in future.

Minimum alternative tax (MAT) paid in accordance with tax laws, which gives rise to future economic benefit in form of adjustment of future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal tax after the tax holiday period. Accordingly it is recognised as an asset in the balance sheet when it is probable that future economic benefit associated with it will flow to the company and the asset can be measured reliably.

q) **Provisions, contingent liabilities, contingent assets and commitments**

A provision is recognised when there is a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Contingent liabilities in respect of show cause notices are considered only when converted into demand. Contingent liabilities are not recognised but disclosed unless the probability of an outflow of resources is remote. Contingent assets are neither recognised nor disclosed.

Contingent Liabilities and commitments are assessed and reported only for items exceeding ₹ 0.10 crore in each case.

r) **Measurement of EBIDTA**

The Company has elected to present earnings before interest (including finance costs), depreciation / amortisation expenses and tax (EBIDTA) as a separate line item on the face of the statement of profit and loss. The Company measures EBIDTA on the basis of profit / (loss) from continuing operations and does not include interest (including finance costs), depreciation / amortisation expenses, exceptional and extraordinary items and tax.

Notes to financial statements for the year ended March 31, 2014

4. SHARE CAPITAL

(₹ in crore)

Particulars	As at March 31, 2014		As at March 31, 2013	
	Number of shares	Amount	Number of shares	Amount
Authorised				
Equity shares of ₹ 10 each	**5,000,000,000**	**5,000.00**	5,000,000,000	5,000.00
Issued and subscribed				
Equity shares of ₹ 10 each	**1,511,442,900**	**1,511.44**	1,427,593,086	1,427.59
Paid up				
Equity shares of ₹ 10 each fully paid up	**1,449,516,900**	**1,449.52**	1,365,667,086	1,365.67
Add : Forfeited shares - Equity shares of ₹ 10 each	**61,926,000**	**16.60**	61,926,000	16.60
		1,466.12		1,382.27

a) **Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period :**

(₹ in crore)

Particulars	As at March 31, 2014		As at March 31, 2013	
	Number of shares	Amount	Number of shares	Amount
Shares outstanding at the beginning of the year	**1,365,667,086**	**1,365.67**	1,365,667,086	1,365.67
Add : Equity Shares issued during the year (refer note 6)	**83,849,814**	**83.85**	-	-
Shares outstanding at the end of the year	**1,449,516,900**	**1,449.52**	1,365,667,086	1,365.67

b) **Terms / rights attached to the Equity Shares / Global depository shares (GDS) :**

The company has only one class of equity shares having a par value of ₹ 10 per share. Each holder of equity share is entitled to one vote per share.

In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

Holders of GDS will be entitled to receive dividends, subject to the terms of the Deposit Agreement, to the same extent as the holders of shares, less the fees and expenses payable under such Deposit Agreement and any Indian tax applicable to such dividends. Holders of GDS will not have voting rights with respect to the Deposited Shares.

Notes to financial statements for the year ended March 31, 2014

c) Shares held by holding / ultimate holding company and / or their subsidiaries / associates:

(₹ in crore)

Particulars	As at March 31, 2014		As at March 31, 2013	
	Number of shares	Amount	Number of shares	Amount
4,761,000 GDS (Previous year 4,761,000 GDS) held by Essar Oil & Gas Limited, Mauritius, the holding Company pursuant to section 4(6) of the Companies Act, 1956	**728,433,000**	**728.43**	728,433,000	728.43
1,457,718 GDS (Previous year 1,843,724 GDS) held by Essar Energy Holdings Ltd., Mauritius, subsidiary of the holding company	**223,030,854**	**223.03**	282,089,772	282.09
Equity shares held by Essar Energy Holdings Ltd., Mauritius, subsidiary of the holding company	**354,714,547**	**354.71**	178,858,624	178.86
Equity Shares held by Essar Power Hazira Holdings Limited, subsidiary of ultimate holding company, Essar Global Fund Limited	**100**	**0.00 ***	100	0.00 *

* Amount less than ₹ 0.01 crore

d) Stock Options :

Under the Essar Oil Employee Stock Option Scheme 2011 approved by the members at the 21st Annual General Meeting held on August 12, 2011, the Company has granted the stock options to eligible employees. The details of the stock option schemes are as under:

A) Employee stock options scheme :

Particulars	Tranche I	Tranche II
No. of options Granted	3,211,391	2,313,292
Grant price	₹ 69.05	₹ 52.20
Grant dates	December 02, 2011	November 20, 2013
Total options forfeited / cancelled	1,165,508	234,957
Options outstanding at the end of the year	2,045,883	2,078,335
Vesting of options	Three equal installments at the end of 3rd, 4th, 5th years from the grant date (In to Equity shares of ₹ 10 each)	
Exercise period	7 years from date of vesting	

B) **Movement of Options Granted :**

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Options outstanding at the beginning of the year	**2,519,058**	2,910,749
Granted during the year	**2,313,292**	-
Options forfeited / cancelled during the year*	**708,132**	391,691
Exercised during the year	**-**	-
Options outstanding at the end of the year	**4,124,218**	2,519,058
Options unvested at the end of the year	**4,124,218**	2,519,058

* The remuneration committee of the Board of Directors has noted the forfeiture of 708,132 stock option on May 20, 2014 and 391,691 stock options on May 10, 2013

e) **Details of shareholders (including GDS holders) holding more than 5% shares in the Company**

Particulars	As at March 31, 2014		As at March 31, 2013	
	Number of shares	% of shares	Number of shares	% of shares
4,761,000 Global Depository Shares ("GDS") (Previous year 4,761,000 GDS) held by Essar Oil & Gas Limited (formerly known as Vadinar Oil) Mauritius, the holding Company pursuant to section 4(6) of the Companies Act, 1956	**728,433,000**	**50.25%**	728,433,000	53.34%
1,457,718 GDS (Previous year 1,843,724 GDS) held by Essar Energy Holdings Ltd., Mauritius, subsidiary of the holding company	**223,030,854**	**15.39%**	282,089,772	20.66%
Equity shares held by Essar Energy Holdings Ltd., Mauritius, subsidiary of the holding company	**354,714,547**	**24.47%**	178,858,624	13.10%

Notes to financial statements for the year ended March 31, 2014

5. RESERVES AND SURPLUS

(₹ in crore)

Particulars		As at March 31, 2014	As at March 31, 2013
Capital reserve			
Balance as per last balance sheet		**40.89**	40.89
	(A)	**40.89**	40.89
Securities premium account			
Balance as per last balance sheet		**4,928.45**	4,928.45
Add : Premium on conversion of FCCCBs into shares (refer note 6)		**1,256.15**	-
	(B)	**6,184.60**	4,928.45
Debenture redemption reserve			
Balance as per last balance sheet		**37.21**	37.21
Add : Transferred from Balance in statement of profit and loss under section 117 (C) of the Companies Act,1956 (refer below)		**0.12**	-
	(C)	**37.33**	37.21
General reserve			
Balance as per last balance sheet		**22.25**	22.25
	(D)	**22.25**	22.25
Cash flow hedge reserve (refer note 34)	**(E)**	**11.84**	104.90
Surplus / (Deficit) - Balance in statement of profit and loss			
Balance as per last balance sheet		**(5,345.26)**	(4,164.82)
Add : Net profit / (loss) for the year		**125.80**	(1,180.44)
Less : Appropriations :			
Transfer to Debenture redemption reserve (see above)		**0.12**	-
	(F)	**(5,219.58)**	(5,345.26)
Foreign currency monetary item translation difference account {refer note 3(j) and 38}			
Balance as per last balance sheet gain / (loss)		**(63.88)**	(65.51)
Add : Effect of foreign exchange rate variation during the year		**(173.73)**	(42.20)
Less : Amortisation during the year		**(124.79)**	(43.83)
	(G)	**(112.82)**	(63.88)
Total (A+B+C+D+E+F+G)		**964.51**	(275.44)

Notes to financial statements for the year ended March 31, 2014

6. **FOREIGN CURRENCY COMPULSORY CONVERTIBLE BONDS (FCCCBs)**

During the year, the company has issued and allotted 83,849,814 equity shares of ₹ 10/- each (face value) fully paid-up, to a promoter company on their exercising the option to convert the entire holding of FCCCBs aggregating to USD 262 million (₹ 1,224.65 crore) into equity shares on December 09, 2013. The terms of issue is detailed below:

i. Issue and allotment of 38,833,443 equity shares of ₹ 10/- each at a price of ₹ 138 per share, on conversion of 1,150 FCCCBs of USD 100,000 each aggregating to USD 115 million which were issued on June 15, 2010; and

ii. Issue and allotment of 45,016,371 equity shares of ₹ 10/- each at a price of ₹ 153 per share, on conversion of 1,470 FCCCBs of USD 100,000 each aggregating to USD 147 million which were issued on July 09, 2010. Accordingly, face value of shares issued ₹ 83.85 crore is transferred to share capital account and balance amount ₹ 1,256.15 crore (including the exchange fluctuation on restatement of such FCCCBs upto the date it became compulsory convertible) is transferred to securities premium account.

7. **LONG TERM BORROWINGS**

(₹ in crore)

Particulars	As at March 31, 2014		As at March 31, 2013	
	Non current	Current	Non Current	Current
(A) Secured loans / Borrowings				
Debentures				
Non convertible debentures (refer note (ii)(a) below)	**140.33**	**8.96**	152.18	-
Amount disclosed under the head of "Other long term / Current liabilities" (refer note 10)		**(8.96)**		-
(i)	**140.33**	**-**	152.18	-
Term loans				
From banks	**11,076.19**	**2,613.12**	11,440.98	2,090.31
From financial institutions	**927.24**	**85.35**	1,010.59	232.57
Funded interest facilities (refer note (ii)(c) below)				
From banks	**1,469.08**	**-**	1,264.65	-
From financial institutions	**626.83**	**-**	604.14	-
Amount disclosed under the head of "Other long term / Current liabilities" (refer note 10)		**(2,698.47)**		(2,322.88)
(ii)	**14,099.34**	**-**	14,320.36	-
(A) - (i+ii)	**14,239.67**	**-**	14,472.54	-

Notes to financial statements for the year ended March 31, 2014

7. LONG TERM BORROWINGS (CONTD.)

(₹ in crore)

Particulars	As at March 31, 2014		As at March 31, 2013	
	Non current	Current	Non Current	Current
(B) Unsecured loans / Borrowings				
Finance lease obligation {refer note 39(a)(i)}				
From related parties (refer note 46)	-	-	44.69	7.19
From others {refer note 46(2)}	37.23	8.66	1.19	0.32
Other loans				
Conditional grant from a bank	7.65	-	7.14	-
From related parties (refer note 46)	-	13.81	13.17	32.58
Amount disclosed under the head of "Other long term / Current liabilities" (refer note 10)		(22.47)		(40.09)
(B)	44.88	-	66.19	-
Total (A+B)	14,284.55	-	14,538.73	-

The classification of loans between current and non-current is based on repayment schedule under respective agreements as no loans have been recalled due to non-compliance of conditions under any of the loan agreements. The non compliance of conditions under the loan agreements are primarily arising out of the order of the Honourable Supreme Court dated January 17, 2012. This is in accordance with the guidance issued by the Institute of Chartered Accountants of India on Revised Schedule VI to the Companies Act, 1956.

(i) Security for term loans and funded interest facilities from banks and financial institutions and debentures

a) Term loans and funded interest facilities of ₹ 5,808.28 crore (Previous year ₹ 6,996.08 crore) and debentures of ₹ 149.29 crore (Previous year ₹ 152.18 crore) are secured / to be secured by first ranking security interests (pari passu with loans for refinery expansion, refinery optimisation, HMU II ECB, ICICI refinanced ECB loan, IDBI refinanced ECB loan and Sales tax / General purpose term loan) on all present and future immovable assets of refinery division, all present and future movable assets other than current assets of refinery division, security interest on rights, title and interests, trust and retention accounts, insurance policies in relation to the refinery including refinery expansion, refinery optimisation and HMU II and second ranking security interests on current assets, pledge of certain shares of the Company held by promoter's Company, personal guarantees of some of the promoters and other collaterals being charge on pledge of certain shares of a Group Company and charge by way of mortgage over a property of a Group Company. Term Lenders have agreed to release personal guarantees and collaterals thereto and majority of the lenders have already released the same and other are in process of releasing.

b) Corporate term loan from a bank of ₹ 1,000.00 crore (Previous year ₹ 1,000.00 crore) is secured by first charge on all present and future current assets (ranking pari passu with working capital facility), excluding that of exploration and production division, second charge by way of mortgage of land and building and plant and machinery and other assets excluding certain category of assets, personal guarantees of some of the promoters and corporate guarantee by a Group Company and other collaterals being second charge on pledge of certain shares of the Company and that of a Group Company held by promoters and second charge by way of mortgage over a property of a Group Company.

c) Sales tax / General purpose term loan from a bank of ₹ 3,250.00 crore (Previous year ₹ 3,143.00) crore is secured by first ranking security interests (pari passu with loans for refinery, refinery expansion, HMU II ECB, ICICI refinanced ECB loan, IDBI refinanced ECB loan and refinery optimisation) on all present and future fixed assets and second ranking security interests on all present and future current assets excluding debt of exploration and production division, personal guarantees of some of the promoters and certain undertakings provided from holding companies.

d) IDBI refinanced ECB loan of ₹ 1,620.94 crore (Previous year ₹ 1,466.93 crore) is secured / to be secured by first ranking security interests (pari passu with loans for refinery, refinery expansion, refinery optimisation, HMU II ECB, ICICI refinanced ECB loan and Sales tax / General purpose term loan) on all present and future immovable assets (except certian leased out assets) of refinery project, all present and future movable assets of refinery project excluding current assets, security interest on the rights, title and interest under project documents, trust and retention accounts, insurance policies all in relation to the refinery including refinery expansion, refinery optimisation and HMU II and second pari-passu charge on the current assets, pledge of certain shares of the Company held by promoter's Company and certian undertakings provided by holding companies.

e) ICICI refinanced ECB loan of ₹ 1,442.40 crore (Previous year ₹ Nil) is secured / to be secured by first ranking security interests (pari passu with loans for refinery, refinery expansion, refinery optimisation, HMU II ECB, IDBI refinanced ECB loan and Sales tax / General purpose term loan) on all present and future immovable assets of the in relation to the refinery project, including the rights to the refinery project land and the project site (but excluding (I) all immovable property leased to or provided for use by the entities implementing the terminal utility, the power utility and township project, and (II) any land for the second train of 18 MMTPA); a first ranking charge by way of hypothecation of all moveable fixed assets in relation to the refinery project, both present and future (but excluding all upstream oil & gas, coal bed methane related assets including but not limited to Ratna & R-series oil fields, CBON-3 (Mehsana), Raniganj RJ (East), CR-ON-90/1 (Cachar), Blocks L&A2 (Myanmar) and AA-ONN (Assam) blocks and Naphtha Receivables, all intangible and tangible assets with respect to the refinery project (but excluding Current Assets in relation to the refinery project and all upstream oil & gas, coal bed methane related assets including but not limited to Ratna & R-series oil fields, CBON-3 (Mehsana), Raniganj RJ (East), CR-ON-90/1 (Cachar), Blocks L&A2 (Myanmar) and AA-ONN (Assam) blocks and Naphtha Receivables, all the bank accounts in relation to the refinery project, including without limitation the Trust and Retention Accounts, the Debt Service Reserve Account, the Escrow Account, all the rights, titles, permits, approvals, interests etc., under project documents, a second ranking charge by way of hypothecation on all current assets of the in relation to the refinery project, pledge of certain shares of the Company held by promoter's Company and certain undertakings provided by holding companies.

f) Term loans of ₹ 3,001.03 crore (Previous year ₹ 3,990.43 crore) for the refinery expansion are secured by first ranking security interests (pari passu with loans for refinery, refinery optimisation, HMU II ECB, IDBI refinanced ECB loan, ICICI refinanced ECB loan and Sales tax / General purpose term loan) on all present and future immovable assets of refinery, all present and future movable assets,

Notes to financial statements for the year ended March 31, 2014

other than current assets of refinery, all tangible and intangible assets of refinery, all the bank accounts of refinery including without limitation the cash sweep account, debt service reserve account, first charge on security interest on rights, title and interests under project documents, trust and retention accounts, insurance policies in relation to the refinery, including refinery expansion, charge over immovable properties leased to entities implementing the terminal utility, power utility and township utility (subject to prior charge in favour of the lenders financing the said utilities) and second ranking security interest on current assets of refinery and further by pledge and non-disposal undertaking of certain shares / global depository shares of the Company held by promoter's Company, personal guarantees of promoters of the Company together with collateral securities i.e. pledge over certain shares of group company and mortgage over the certain assets of a group company and certain undertakings from holding and group companies and residual charge on the company's participating interest and cash flows related to upstream oil and gas, coal bed methane fields and related assets subject to certain approvals.

g) Term loans of ₹ 805.53 crore (Previous year ₹ 1,013.45 crore) for the refinery optimisation are secured by first ranking security interests (pari passu with loans for refinery, refinery expansion, HMU II ECB, IDBI refinanced ECB loan, ICICI refinanced ECB loan and Sales tax / General purpose term loan) on all present and future immovable assets (except certain leased out assets) of refinery project, all present and future movable assets other than current assets of refinery project, all tangible and intangible assets of refinery project, bank accounts of optimisation project security interest on rights, title and interests under project documents, trust and retention accounts, insurance policies in relation to the refinery, refinery expansion and refinery optimisation and second ranking security interests on current assets.

h) Term loans of ₹ 567.26 crore (Previous year ₹ 534.07 crore) is secured / to be secured by first charge on immovable assets and movable assets (present and future), first charge over book debts, operational cash flows, receivables, trust and retention account, Debt Service Reserve account, participating interest under CBM contract, security interest on rights, title and interests under the project documents, insurance policies, clearances, rights under letter of credit, guarantee, performance bond, corporate guarantee and bank guarantees, all in relation a CBM Project.

i) Term loan from a Bank of ₹ Nil (Previous year ₹ 1.20 crore) is secured by hypothecation of current assets of an oilfield, bank escrow accounts for certain receivables and corporate guarantee by a Group Company.

j) ECB Loan of HMU II ₹ 579.68 crore (Previous year ₹ Nil) is secured by first ranking security interests (pari passu with loans for refinery, refinery expansion, refinery optimisation, IDBI refinance ECB loan, ICICI refinanced ECB loan and Sales tax / General purpose term loan) on all present and future immovable assets (except certain leased out assets) of refinery, security interest on rights, title and interests under project documents, all present and future movable assets of refinery, all tangible and intangible assets of refinery, all the bank accounts of HMU II project including without limitation to trust and retention accounts, debt service reserve account, project implementation account and second ranking security interests on current assets of refinery, pledge of certain shares of the Company held by promoter's Company and certain undertakings provided by holding companies.

(ii) Repayment and other terms:

a) Outstanding debentures consists of :

13,592,050 (Previous year 13,868,050) – 12.50% Secured redeemable non – convertible debentures (NCDs) of ₹ 105/- each amounting to ₹ 142.72 crore (Previous year ₹ 145.61 crore).

700,000 (Previous year 700,000) – 12.50% Secured redeemable non – convertible debentures (NCDs) of ₹ 100 each on private placement basis partly paid up at

₹ 93.86 per debenture amounting to ₹ 6.57 crore (Previous year ₹ 6.57 crore).

As per the Common Loan Agreement (CLA) dated March 25, 2013, entered with lenders post exit from the Corporate Debt Restructuring (CDR) Scheme, the Company has agreed to pay interest on a monthly/quarterly basis, on the debentures held by the erstwhile CDR lenders at a prime lending rate / base rate of respective banks plus margin (margin ranges from 2.12 % p.a. to 3.00% p.a.). During the year, the Company sent offer letters to all the debenture holders other than lenders and Group Companies giving them, inter alia, an option for prepayment of debentures along with accumulated interest in full. The principal amount of debentures was otherwise payable from December 2014 to June 2018 and accumulated interest from December 2014 to March 2027, with an option to prepay certain portion of interest at a discounted rate. These debenture holders were also given an option to fall in line with the terms contained in the CLA. Out of the total 49 debenture holders, 43 debenture holders exercised the option for prepayment of the debenture amount along with accumulated interest and the total amount prepaid (including funded interest) during the year to such debenture holders is ₹ 9.20 crore. The balance debenture holders did not respond.

The Honourable High Court of Gujarat has, in response to the Company's petition, ruled vide its orders dated August 04, 2006 and August 11, 2006 that the interest on various facilities of debentures should be accounted on cash basis. In accordance with the said petition / order, funded / accrued interest liabilities amounting to ₹ 304.93 crore (Previous year ₹ 417.72 crore) as at March 31, 2014 have not been accounted for. This amount carries interest rate ranging from fixed rate of 4.98% p.a. to a floating rate of 13.00% p.a. and is repayable from December 2014 to March 2027.

b) The Interest rates for the loans covered under the Common Loan Agreement ("the CLA") (earlier Master Restructuring Agreement ("the MRA")) with Banks and Financial institutions amounting to ₹ 4,492.38 crore (Previous year ₹ 5,459.20 crore) is based on their prime lending rate / base rate / LIBOR plus margin (margin ranges from 2.12% to 3.00%) with different repayment installments starting from December 2009 to March 2026.

c) In 2012-13, the Company exited Corporate Debt Restructuring Scheme resulting in termination of the MRA dated December 17, 2004 and entered into a CLA dated March 25, 2013 with the lenders for the loan facilities which were hitherto being governed by the MRA. The MRA gave an option, subject to consent of lenders, to the Company to prepay certain funded interest loans (the FS loans) of ₹ 2,471.64 crore on or before April 24, 2012 without interest. The FS loan has not been prepaid before April 24, 2012 and is now governed by the CLA.

In order to give accounting effect to reflect the substance of the transaction, the FS loan was, since inception, measured by the Company in accordance with the principles of IAS 39, Financial Instruments, Recognition and Measurement, in absence of specific guidance in Indian GAAP to cover the specific situation.

Applying the principle of Accounting Standard 30, Financial Instruments, Recognition and Measurement, the FS loan has been re-measured in continuance of the above principle, considering present value of cash flow inclusive of future interest. Accordingly, the gross liability of ₹ 3,166.34 crore of the FS loans and funded interest thereon as at March 31, 2014 (comprising of ₹ 2,126.83 crore to the banks and ₹ 1,039.51 crore to the financial institutions) have been measured at ₹ 2,057.32 crore (comprising of ₹ 1,430.49 crore to the banks and ₹ 626.83 crore to the financial institutions).

The changes in the present obligation of the said loans ₹ 223.49 crore has been treated as finance cost in the statement of Profit and Loss or capitalised as part of cost of fixed assets, as applicable.

Notes to financial statements for the year ended March 31, 2014

The FS Loans of ₹ 2,471.64 crore is repayable in various installments from March 2021 to March 2026 and the Funded Interest thereon as at March 31, 2014 amounting to ₹ 694.70 crore is repayable in 40 equal quarterly installments beginning June 30, 2015.

A funded interest loan of ₹ 206.88 crore (Previous year ₹ 206.88 crore) is payable in a single bullet payment in 2031 and is continued to be measured in accordance with the aforementioned principles at ₹ 38.59 crore (Previous year ₹ 34.95 crore).

d) Term Loans amounting to ₹ 3,410.22 crore (Previous year ₹ 4,563.97 crore) carry interest rate linked with respective banks' prime lending rate / base rate / liquidity premium and are repayable in installments starting from December 2012 ending in March 2020. Buyers' Credit outstanding in the previous year amounting to ₹ 948.45 crore has been settled in line with the term loan agreements.

e) Term loans amounting to ₹ 567.26 crore (Previous year ₹ 534.07 crore) carry interest rate linked with respective banks prime lending rate/base rate/ LIBOR plus margin and are repayable in installments starting from March 2014 and ending in December 2021. Out of above ₹ 38.41 crore (Previous year ₹ 67.62 crore) pertains to Buyers' credit which will be ultimately converted into term loan.

f) Term loans amounting to ₹ Nil (Previous year ₹ 1.20 crore) carry 12.80% interest rate.

g) ECB Loan amounting to ₹ 396.34 crore (Previous year ₹ 439.90 crore) carry interest rate of LIBOR + 2.75% are repayable in installments starting from January 2012 and ending in October 2018.

h) ECB Loan amounting to ₹ 3,063.34 crore (Previous year ₹ 1,466.93 crore) carry interest rate of 3/6 months LIBOR + margin ranging from 4.704% to 5.00% are repayable in installments starting from March 2015 and ending in March 2024.

i) Corporate term loan amounting to ₹ 1,000.00 crore (Previous year ₹ 1,000.00 crore) carry interest rate at banks' prime lending rate / base rate plus 3.75% (margin / liquidity premium) and is repayable in installments from June 2014 to March 2017.

j) General purpose term loan amounting to ₹ 3,250.00 crore (Previous year ₹ 3,143.00 crore) carry interest rate at banks' prime lending rate / base rate plus 3.00% (margin / liquidity premium) and is repayable in installments from December 2012 to September 2018.

k) ECB Loan amounting to ₹ 579.68 crore (Previous year ₹ Nil) carry interest of 3 months LIBOR + 4.96% and is repayable in installments starting from June 2015 and ending in March 2021.

l) The pilot project for coal bed methane gas was partially financed by a conditional grant of USD 0.89 million (Previous year USD 0.89 million) and ₹ 2.31 crore (Previous year ₹ 2.31 crore) received from a bank.

The conditional grant, in terms of the agreement, will be repayable in the event the Company puts the project to commercial use, and repayments to the bank will be based on gross annual sales derived from the commercial exploitation of the project, subject to a maximum repayment of 200% of the conditional grant. Commercial exploitation of the project is dependent upon getting necessary approvals from the Government of India.

m) Rupee loan from a related party amounting to ₹ 13.81 crore (Previous year ₹ 45.75 crore) carrying interest rate of 10.25% repayable by April 25, 2014 in various installments.

Notes to financial statements for the year ended March 31, 2014

8. DEFERRED TAX LIABILITIES (NET)

(₹ in crore)

Particulars		As at March 31, 2014	As at March 31, 2013
Deferred tax liability			
Fixed asset (excess net book value over written down value as per the provisions of the Income Tax Act, 1961)		**(2,556.23)**	(2,191.43)
	(A)	**(2,556.23)**	(2,191.43)
Deferred tax assets (restricted to the extent of deferred tax liability considering virtual / reasonable certainty, as applicable)			
Disallowance u/s 43B of the Income Tax Act, 1961		**1,034.38**	1,826.24
Unabsorbed depreciation carried forward as per provisions of the Income Tax Act, 1961		**1,521.82**	365.11
Others		**0.03**	0.08
	(B)	**2,556.23**	2,191.43
Net deferred tax liabilities (net)	**(A+B)**	**-**	-

The Company has not recognised Deferred Tax Assets (net) of ₹ 1,919.61 crore as on March 31, 2014 on unabsorbed depreciation / loss in view of the concept of "Virtual Certainty Supported by Convincing Evidence" as required under Accounting Standard (AS) 22 - Accounting for Taxes on Income.

9. TRADE PAYABLES

(₹ in crore)

Particulars	As at March 31, 2014		As at March 31, 2013	
	Short term	Long term	Short term	Long term
Micro and small enterprises (refer note 44)	**1.49**	**-**	2.51	-
Towards raw materials, goods and services	**19,813.55**	**-**	11,362.03	-
Total	**19,815.04**	**-**	11,364.54	-

Notes to financial statements for the year ended March 31, 2014

10. OTHER LONG TERM / CURRENT LIABILITIES

(₹ in crore)

Particulars	As at March 31, 2014		As at March 31, 2013	
	Short term	Long term	Short term	Long term
Current maturities of secured loans and debentures {refer note 7(A)}	**2,707.43**	**-**	2,322.88	-
Current maturities of unsecured loans {refer note 7(B)}	**13.81**	**-**	32.58	-
Current maturities of finance lease obligations {refer note 7(B)}	**8.66**	**-**	7.51	-
Interest accrued but not due on loans/ borrowings	**16.46**	**-**	73.54	-
Capital creditors	**237.42**	**-**	350.90	-
Bills payable for capital creditors	**0.52**	**-**	15.26	156.23*
Statutory dues	**2,304.39**	**-**	3,076.00	1,936.96*
Advances received from customers	**3,005.79**	**-**	2,263.56	-
Security deposits	**28.61**	**4.75**	22.66	5.56
Unclaimed debenture interest and principal (secured)** {For security details refer notes under note 7(i)(a)}	**26.84**	**-**	29.53	-
Temporary overdrawn bank balances***	**75.44**	**-**	855.10	-
Other liabilities	**63.70**	**234.12**	64.75	117.32
Other Current Liabilities	**8,489.07**		9,114.27	
Other Long term Liabilities		**238.87**		2,216.07

* Represents Bills payable for capital creditors as at March 31, 2013, with or without roll over, ultimately convertible into long term loans in line with the term loan agreements.

** There is no amount due and outstanding to be credited to Investor Education and Protection Fund as at balance sheet date.

*** Represents temporary overdrawn bank balances as per books of Accounts, consequent to issue of cheques at year end.

11. LONG TERMS PROVISIONS / SHORT TERM PROVISIONS

(₹ in crore)

Particulars	As at March 31, 2014		As at March 31, 2013	
	Short term	Long term	Short term	Long term
Provision for employee benefits (refer note 45)				
Earned leave	**33.67**	**-**	36.90	-
Gratuity	**4.06**	**-**	3.16	-
Other Provisions				
Provision for taxation	**6.25**	**-**	-	-
Site restoration	**-**	**5.14**	-	5.14
Total	**43.98**	**5.14**	40.06	5.14

Notes to financial statements for the year ended March 31, 2014

11. LONG TERMS PROVISIONS / SHORT TERM PROVISIONS (CONTD.)

Movement in Provisions for Site Restoration

(₹ in crore)

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Opening Balance	**5.14**	1.00
Add: Provision made during the year	**-**	4.14
Closing Balance	**5.14**	5.14

Represents current cost of restoring the Exploration and Production sites on abandonment or decommissioning of oil and gas wells and facilities at the end of their economic life.

12. SHORT TERM BORROWINGS

(₹ in crore)

Particulars	As at March 31, 2014	As at March 31, 2013
Secured Borrowings		
Buyers' credits, bills discounting and advance against LCs	**6,756.33**	7,357.68
Bank overdraft / Cash credit	**0.65**	92.53
Working capital demand loan	**-**	390.00
Total	**6,756.98**	7,840.21

Security for short term borrowing:

(i) Buyers' credits, bills discounting, advance against LCs and Working capital demand loan:

a) ₹ 5,857.42 crore (Previous year ₹ 6,491.93 crore) secured by first charge on all current assets (ranking pari passu with Corporate term loan) excluding that of Exploration and Production division, second charge by way of mortgage of land and building and plant and machinery and other movable assets, present and future excluding certain category of assets, personal guarantees of promoters, corporate guarantee by Group Companies, other collaterals being second charge on pledge of certain shares of the Company and that of a Group Company held by other Group Companies and second charge by way of mortgage over a property of Group Company.

b) ₹ 769.86 crore (Previous year ₹ 1,196.46 crore) secured by charge over receivables.

c) ₹ 129.05 crore (Previous year ₹ 59.29 crore) secured by fixed deposits maintained with a bank.

(ii) Bank overdraft / cash credit from bank of ₹ 0.65 crore (Previous year ₹ 92.53 crore) is secured by fixed deposits maintained with a bank.

Notes to financial statements for the year ended March 31, 2014

13. FIXED ASSETS

(₹ in crore)

	Description of the assets	Gross block (at cost) (I)				Depreciation / amortisation (II)				Net block (III) = (I - II)	
		As at April 01, 2013	Additions	Deductions / Write Offs	As at March 31, 2014	As at April 01, 2013	During the year	Deductions / Write Offs	As at March 31, 2014	As at March 31, 2014	As at March 31, 2013
A)	**Tangible assets**										
	Land	153.00	4.82	-	**157.82**	-	-	-	**-**	**157.82**	153.00
	Buildings	679.92	31.96	0.08	**711.80**	148.81	43.59	0.02	**192.38**	**519.42**	531.11
	Plant and machinery	24,306.77	663.29	3.20	**24,966.86**	3,970.65	1,292.91	1.41	**5,262.15**	**19,704.71**	20,336.12
	Producing properties (refer note 8 below)	26.66	4.45	-	**31.11**	0.92	0.84	-	**1.76**	**29.35**	25.74
	Furniture and fixtures	22.44	3.54	0.40	**25.58**	11.48	2.23	0.30	**13.41**	**12.17**	10.96
	Office equipments	58.94	2.60	7.78	**53.76**	44.05	3.72	7.32	**40.45**	**13.31**	14.89
	Vehicles	12.93	0.24	0.05	**13.12**	8.69	1.27	0.05	**9.91**	**3.21**	4.24
	Aircraft	10.00	-	-	**10.00**	4.16	0.95	-	**5.11**	**4.89**	5.84
	Total (A)	25,270.66	710.90	11.51	**25,970.05**	4,188.76	1,345.51	9.10	**5,525.17**	**20,444.88**	21,081.90
B)	**Tangible assets taken on lease**										
	Land	0.17	-	-	**0.17**	-	-	-	**-**	**0.17**	0.17
	Building	72.73	-	-	**72.73**	67.80	1.97	-	**69.77**	**2.96**	4.93
	Plant and Machinery	5.62	-	-	**5.62**	1.49	0.27	-	**1.76**	**3.86**	4.13
	Furniture and Fixtures	0.88	-	-	**0.88**	0.58	0.05	-	**0.63**	**0.25**	0.30
	Office Equipments	0.67	-	-	**0.67**	0.57	0.01	-	**0.58**	**0.09**	0.10
	Total (B)	80.07	-	-	**80.07**	70.44	2.30	-	**72.74**	**7.33**	9.63
C)	**Tangible assets given on lease**										
	Plant and Machinery	18.20	-	-	**18.20**	18.20	-	-	**18.20**	**-**	-
	Total (C)	18.20	-	-	**18.20**	18.20	-	-	**18.20**	**-**	-
	Total Tangible assets (A+B+C)	25,368.93	710.90	11.51	**26,068.32**	4,277.40	1,347.81	9.10	**5,616.11**	**20,452.21**	21,091.53
D)	**Intangible assets**										
	Softwares and licenses	60.01	11.11	-	**71.12**	41.99	8.15	-	**50.14**	**20.98**	18.02
	Producing Properties (refer note 8 below)	171.07	-	-	**171.07**	6.47	4.57	-	**11.04**	**160.03**	164.60
	Total Intangible assets (D)	231.08	11.11	-	**242.19**	48.46	12.72	-	**61.18**	**181.01**	182.62
	Total (A+B+C+D)	25,600.01	722.01	11.51	**26,310.51**	4,325.86	1,360.53	9.10	**5,677.29**	**20,633.22**	21,274.15
	Previous Year	24,346.38	1,255.09	1.46	**25,600.01**	3,026.46	1,300.60	1.20	**4,325.86**	**21,274.15**	
	Capital work-in-progress (Including expenditure during construction)									**3,467.68**	2,409.88
	Intangible assets under development (refer note 8 below)									**270.68**	200.50

NOTES:

1 Total depreciation / amortisation / depletion for the year ₹ 1,360.53 crore (Previous year ₹ 1,300.60 crore) is charged / allocated as under :

(i) ₹ 1,355.21 crore (Previous year ₹ 1,296.06 crore) to statement of profit and loss; and ₹ Nil (Previous year ₹ 0.54 crore) to exceptional items.

(ii) ₹ 5.32 crore (Previous year ₹ 4.00 crore) to capital work-in-progress (exploration activities).

2 Plant and machinery includes capital expenditure of ₹ 23.27 crore (Previous year ₹ 23.27 crore) incurred by the Company for a 220 KVA line from Paschim Gujarat Vij Company Limited (PGVCL) feeder, the ownership of which vests with PGVCL and is amortised over a period of 20 years.

3 Land includes ₹ 35.78 crore (Previous year ₹ 35.78 crore) representing cost of land leased to Vadinar Oil Terminal Limited (VOTL), Vadinar Power Company Limited (VPCL),Vadinar Ports and Terminals Limited (VPTL) and Vadinar Properties Limited (VPL). A charge has been created against the land leased to VPCL, VOTL and VPL in favour of lenders of VPCL, VOTL and VPL respectively.

4 Buildings include Gymnastic buildings being depreciated at the rate of 31.67 % under straight line method. IT assets are depreciated at the rate of 63.00% under WDV method.

5 Additions to plant and machinery includes exchange differences of ₹ 354.56 crore (Previous year ₹ 246.81 crore) on long term monetary items (including on buyers' credit with roll over convertible into long term loans on their becoming due in line with term loan agreement), borrowing cost of ₹ 151.32 crore (Previous year ₹ 547.52 crore including effect of CDR exit), ₹ Nil (Previous year ₹ 20.85 crore) interest on fund utilised for capex purposes and reduction by ₹ 4.35 crore due to VAT input credit on exempted capital goods which was capitalised in last year.

6 The estimated useful life of softwares and licenses is estimated to be 5 years from the date of acquisition.

7 Capital work-in-progress and Intangible assets under development includes exchange loss of ₹ 31.22 crore (Previous year gain of ₹ 1.87 crore) and Sale of Coal Bed Methane ₹ 56.18 crore (Previous year ₹ 19.45 crore).

8 In accordance with the revised guidance note on "Accounting for Oil and Gas Producing Activities" issued by the "The Institute of Chartered Accountants of India", the Company has classified the oil and gas assets separately as tangible and intangible fixed assets (producing properties), capital work in progress and intangible assets under development, as the case may be {refer note 3(g)}. Previous year figures have been re-grouped to make it comparable with that of the current year.

Notes to financial statements for the year ended March 31, 2014

13. FIXED ASSETS (CONTD.)

9 Expenditure During Construction (EDC) includes:

(₹ in crore)

Particulars		As at March 31, 2014	As at March 31, 2013
Opening balance	**(A)**	**199.90**	153.39
Add: Incurred during the year			
Interest and other finance charges		**105.37**	48.35
Interest income		**(17.31)**	(0.98)
Consumption of stores and spares and chemicals		**0.01**	1.63
Power and fuel		**-**	14.98
Salaries, wages and bonus		**8.90**	12.36
Contribution to / provision for provident and other funds		**0.26**	0.30
Staff welfare expenses		**0.03**	0.03
Insurance		**1.26**	0.50
Professional fees		**5.24**	3.47
Rent		**-**	0.58
Repairs and maintenance		**1.75**	4.72
Sundry expenses		**0.47**	0.38
(Gain) / Loss on foreign exchange fluctuation (Net)		**48.86**	8.01
Total	**(B)**	**154.84**	94.33
Less: Capitalised during the year	**(C)**	**24.36**	47.82
Expenditure During Construction pending allocation	**(A+B-C)**	**330.38**	199.90

Notes to financial statements for the year ended March 31, 2014

14. NON CURRENT INVESTMENTS / CURRENT INVESTMENTS

(₹ in crore)

Particulars	As at March 31, 2014		As at March 31, 2013	
	Non Current	Current	Non Current	Current
Trade Investment				
Investment in equity instruments				
Investment in subsidiary (fully paid-up) (unquoted)				
100 (Previous year Nil) equity shares of Essar Oil Trading Mauritius Limited (EOTML) (Face value USD 1)**	**0.00***	**-**	-	-
Investment in associate (fully paid-up) (long- term, unquoted)				
102,999,994 (Previous year 102,999,994) equity shares of ₹ 10 each of Vadinar Power Company Limited (VPCL) (Face value ₹ 10)	**103.00**	**-**	103.00	-
Other Investments				
Investments in equity instruments (long term, unquoted)				
13,000,000 (Previous year 13,000,000) equity shares of ₹ 10 each of Petronet VK Limited (Face value ₹ 10)***	**13.00**	**-**	13.00	-
1,584,000 (Previous year 1,584,000) equity shares of ₹ 10 each of Petronet CI Limited (Face value ₹ 10) (company under liquidation)	**1.58**	**-**	1.58	-
10,000,000 (Previous year 10,000,000) equity shares of ₹ 10 each of Petronet India Limited (Face value ₹ 10)	**10.00**	**-**	10.00	-
Investment in a mutual fund (current, unquoted)				
49,500,000 units of ₹ 100 each of India growth opportunities fund	**-**	**495.00**	-	-
Sub Total	**127.58**	**495.00**	127.58	-
Less : Provision for diminution in value of Other Investments (Long term, unquoted)	**24.58**	**-**	24.58	-
Total	**103.00**	**495.00**	103.00	-

Refer note 3 (n) for basis of valuation.

*Amount less than ₹ 0.01 crore

**On March 11, 2014, the Company acquired Essar Oil Trading Mauritius Limited, Mauritius (EOTML) (formerly known as Steel Trading Mauritius Limited) as a wholly owned subsidiary.

***All the shares are pledged with a lender against a loan disbursed to the Company.

15. INVENTORIES

(₹ in crore)

Particulars	As at March 31, 2014	As at March 31, 2013
Raw materials {including in transit ₹ 2,586.31 crore (Previous year ₹ 3,453.97 crore)}	**5,452.61**	6,583.70
Work-in-progress	**2,628.55**	2,544.47
Finished goods	**819.66**	1,052.49
Traded goods	**0.37**	-
Stores and spare parts {including in transit ₹ 2.24 crore (Previous year ₹ 17.19 crore)}	**279.71**	277.01
Other consumables including coal {including in transit ₹ 38.66 crore (Previous year ₹ 49.72 crore)}	**129.06**	130.70
Total	**9,309.96**	10,588.37

Refer note 3 (i) for basis of valuation.

16. TRADE RECEIVABLES (UNSECURED AND CONSIDERED GOOD, UNLESS OTHERWISE STATED)

(₹ in crore)

Particulars	As at March 31, 2014	As at March 31, 2013
Outstanding for a period exceeding six months from due date of payment		
-Considered good	**331.66**	75.83
-Considered doubtful	**0.09**	0.14
Others - considered good	**6,755.00**	4,623.28
Bills Receivable	**13.44**	17.38
	7,100.19	4,716.63
Less : Provision for doubtful debts	**0.09**	0.14
Total	**7,100.10**	4,716.49

₹ 650.02 crore (Previous year ₹ 391.26 crore) secured by corporate / bank guarantees and / or letters of credit.

Notes to financial statements for the year ended March 31, 2014

17. CASH AND BANK BALANCES

(₹ in crore)

Particulars	As at March 31, 2014		As at March 31, 2013	
	Current	Non Current	Current	Non Current
Cash and cash equivalents				
Balances with banks in:				
Current accounts	**667.00**	**-**	326.24	-
Deposits with maturities less than 3 months	**75.02**	**-**	14.24	-
Cheques on hand	**527.00**	**-**	-	-
Cash on hand	**0.25**	**-**	0.23	-
(A)	**1,269.27**	**-**	340.71	-
Other bank balances				
Balances with banks in Current accounts - Earmarked accounts (unclaimed debenture interest)	**25.86**	**-**	28.85	-
Margin deposits and escrow accounts*	**2,301.87**	**13.27**	2,060.78	9.21
Other deposits	**34.53**	**9.93**	0.32	-
Amount disclosed under the head "Other current / Non current assets" (refer note 19)		**(23.20)**		(9.21)
(B)	**2,362.26**	**-**	2,089.95	-
Total (A+B)	**3,631.53**	**-**	2,430.66	-

* Deposit accounts comprises ₹ 2,315.14 crore (Previous year ₹ 2,069.56 crore) margin deposits mainly placed for letters of credit facilities, guarantees and short term borrowing.

18. LONG TERM LOANS AND ADVANCES / SHORT TERM LOANS AND ADVANCES

(Unsecured and considered good, unless otherwise stated)

(₹ in crore)

Particulars	As at March 31, 2014		As at March 31, 2013	
	Current	Non Current	Current	Non Current
Advances recoverable in cash or in kind or for value to be received				
- From related parties (refer note 37 and 46)	**1,864.61**	**-**	776.82	81.41
- From a director	**-**	**-**	0.68	-
Prepaid expenses	**59.23**	**-**	68.76	-
Balances with government authorities				
- Considered good	**38.31**	**-**	48.40	-
- Considered doubtful	**0.45**	**-**	0.45	-
Less: Provision for doubtful advances	**(0.45)**	**-**	(0.45)	-
- Others {refer note 46(2)}	**107.07**	**-**	78.00	-
(A)	**2,069.22**	**-**	972.66	81.41

18. LONG TERM LOANS AND ADVANCES / SHORT TERM LOANS AND ADVANCES (CONTD.)

(Unsecured and considered good, unless otherwise stated)

(₹ in crore)

Particulars	As at March 31, 2014		As at March 31, 2013	
	Current	Non Current	Current	Non Current
Capital Advances				
- To related parties (refer note 46)	-	540.56	-	894.71
- To other parties {refer note 46(2)}	-	89.27	-	49.23
(B)	-	629.83	-	943.94
Security deposits				
Deposits to related parties (refer note 37 and 46)	590.00	311.40	8.58	103.39
Deposits to others {refer note 46(2)}				
- Considered good	74.91	30.43	63.75	4.53
- Considered doubtful	0.35	-	0.35	-
Less: Provision for doubtful deposits	(0.35)	-	(0.35)	-
(C)	664.91	341.83	72.33	107.92
Advance income tax / Tax deducted at source				
- Considered good	80.77	8.23	231.30	4.87
(D)	80.77	8.23	231.30	4.87
Total (A+B+C+D)	2,814.90	979.89	1,276.29	1,138.14

19. OTHER CURRENT / NON CURRENT ASSETS

(₹ in crore)

Particulars	As at March 31, 2014		As at March 31, 2013	
	Current	Non Current	Current	Non Current
Other receivables* (refer note 37)	1,411.94	1,307.16	1,869.26	993.86
Export incentive receivables	-	127.70	-	89.95
Unamortised expenses				
- Ancillary borrowing costs	47.17	201.26	63.65	241.44
- Forward contracts premium	31.75	-	70.29	-
Interest accrued on deposits	107.17	0.95	90.64	0.07
Cash and bank balances (refer note 17)	-	23.20	-	9.21
Total	1,598.03	1,660.27	2,093.84	1,334.53

* Other receivables include ₹ 76.21 crore (Previous year ₹ 167.67 crore) due from government companies / agencies in respect of the Company's erstwhile oil drilling and offshore construction activities for which the Company received favourable awards in arbitration proceedings. The awards have since been challenged by the parties. Pending outcome of the litigations, the receivables are considered as recoverable based on the arbitration awards and assessment of the management.

Notes to financial statements for the year ended March 31, 2014

20. REVENUE FROM OPERATIONS

(₹ in crore)

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
Sale of petroleum products*	**105,665.77**	95,770.11
Sale of traded goods - petroleum products	**1,516.61**	1,023.17
Sales - others	**7.31**	3.60
Other operating revenue	**248.98**	271.04
Revenue from operations (gross)	**107,438.67**	97,067.92
Less : Sales tax / VAT	**3,836.77**	3,523.72
Revenue from operations before excise duty	**103,601.90**	93,544.20
Less : Excise duty	**5,000.03**	4,966.08
Revenue from operations (net)	**98,601.87**	88,578.12

Revenue from operations (gross) includes sale of goods net of trade discount, duty draw back income, recoverable sales tax / Value added tax (VAT) from customers, hedging loss/gain on product / cracks and excise duty.

* includes net gain of ₹ 183.81 crore (Previous year net loss ₹ 175.76 crore) on the instruments for hedging of risk of movement in prices of finished goods and margins.

21. OTHER INCOME

(₹ in crore)

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
Interest		
a) On deposits	**212.61**	164.92
b) Others	**603.49**	418.99
	816.10	583.91
Profit on sale of fixed assets	**0.00 ***	-
Profit on sale of current investments	**8.66**	4.05
Others	**45.93**	20.82
Total	**870.69**	608.78

*Amount less than ₹ 0.01 crore

Notes to financial statements for the year ended March 31, 2014

22. COST OF RAW MATERIALS CONSUMED

(₹ in crore)

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
Cost of raw materials consumed {refer note 32(a)}	**88,824.12**	81,333.98

The above amounts include net loss of ₹ 579.20 crore (Previous year net loss ₹ 238.23 crore) on the instruments for hedge of risk of movement in prices of crude oil.

23. PURCHASE OF TRADED GOODS

(₹ in crore)

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
Traded crude and petroleum products	**1,275.87**	865.57
Others	**0.36**	1.15
Total	**1,276.23**	866.72

24. CHANGES IN INVENTORY OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE

(₹ in crore)

Particulars		For the year ended March 31, 2014	For the year ended March 31, 2013
Opening inventory:			
- Finished goods		**1,052.49**	1,079.93
- Work-in-progress		**2,544.47**	2,280.15
- Traded goods		**-**	-
	(A)	**3,596.96**	3,360.08
Closing inventory:			
- Finished goods		**819.66**	1,052.49
- Work-in-progress		**2,628.55**	2,544.47
- Traded goods		**0.37**	-
	(B)	**3,448.58**	3,596.96
Changes (Increase) / Decrease in Inventory	**Total (A) - (B)**	**148.38**	(236.88)

Notes to financial statements for the year ended March 31, 2014

25. EMPLOYEE BENEFITS EXPENSE

(₹ in crore)

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
Salaries, wages and bonus	**201.91**	163.68
Contribution to / provision for provident and other funds	**11.18**	10.06
Staff welfare expenses	**11.52**	11.92
Total	**224.61**	185.66

[Regarding accounting of stock options refer note 3(m)(iv) & 4(d)]

26. OTHER EXPENSES

(₹ in crore)

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
Operating Expenses:		
Consumption of stores and spare parts	**65.22**	59.43
Intermediate material handling charges	**130.08**	129.23
Consumption of fuel	**755.55**	800.00
Power and Fuel {Net of consumed out of own production ₹ 2,084.62 crore (Previous year ₹ 1,016.14 crore)}	**722.64**	313.50
Excise duty (difference between duty on opening and closing stock)	**4.54**	(15.95)
Other operating expenses {refer note 39(b)}	**232.10**	462.23
(A)	**1,910.13**	1,748.44
Selling and Marketing Expenses		
Terminalisation charges	**4.57**	6.66
Rent / ROI for retail outlets	**16.84**	17.07
Adhoc compensation to retail outlets	**38.18**	38.90
Product handling charges	**376.63**	367.40
Others selling and distribution expenses	**250.14**	152.46
(B)	**686.36**	582.49
General and Administrative Expenses		
Rates and taxes	**4.27**	2.41
Insurance	**61.18**	53.85
Professional fees	**119.40**	92.31
Rent	**22.75**	19.86
Repairs and maintenance		
a) Buildings	**26.50**	23.61

26. OTHER EXPENSES (CONTD.)

(₹ in crore)

Particulars		For the year ended March 31, 2014	For the year ended March 31, 2013
b) Plant and machinery		**65.58**	62.34
c) Others		**35.29**	34.91
Provision / Write off of fixed assets		**0.64**	0.23
Loss on sale of fixed assets		**-**	0.01
Sundry expenses		**138.99**	115.25
Exchange differences (net)		**1,225.50**	651.03
	(C)	**1,700.10**	1,055.81
Total (A)+(B)+(C)		**4,296.59**	3,386.74

27. FINANCE COSTS

(₹ in crore)

Particulars	For the year ended March 31, 2014	For the year ended March 31, 2013
Interest		
a) On debentures {refer note 7(ii)(a)}	**94.89**	56.04
b) On fixed loans	**1,700.63**	1,739.66
c) On others	**518.42**	787.85
Change in present obligation of certain loans {refer note 7(ii)(c)}	**136.62**	120.65
Other finance charges	**767.77**	719.38
Total	**3,218.33**	3,423.58

Notes to financial statements for the year ended March 31, 2014

28. EARNINGS PER SHARE

Particulars		Year ended March 31, 2014	Year ended March 31, 2013
Profit / (Loss) after tax (₹ In crore)		**125.80**	(1,180.44)
Profit / (Loss) attributable to ordinary shareholders for Basic EPS (₹ In crore)	(A)	**125.80**	(1,180.44)
Impact on Profit (Net of Tax) for Diluted EPS (₹ In crore)		**-**	-
Profit / (Loss) attributable to ordinary shareholders for Diluted EPS (₹ In crore)	(B)	**125.80**	(1,180.44)
		Nos.	Nos.
Ordinary shares at the beginning of the year for basic EPS		**1,365,667,086**	1,365,667,086
Add: Weighted average number of ordinary shares converted on December 09, 2013		**25,958,984**	-
Weighted average number of ordinary shares for basic EPS	(C)	**1,391,626,070**	1,365,667,086
Add: Shares deemed to be issued		**57,890,830**	84,008,937
Weighted average number of ordinary shares for diluted EPS	(D)	**1,449,516,900**	1,449,676,023
Nominal value of ordinary shares (₹)		**10/-**	10/-
Basic earnings per share (₹)	(A/C)	**0.90**	(8.64)
Diluted earnings per share (₹)	(B/D) or (A/C)	**0.87**	(8.64)

29. CAPITAL COMMITMENTS AND OTHER COMMITMENTS

(₹ in crore)

Particulars	As at March 31, 2014	As at March 31, 2013
Capital commitments :		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) {including ₹ 0.11 crore (Previous year ₹ 0.28 crore) pertaining to joint ventures (refer note 40)}	**710.36**	1,054.17
The above figures does not include ₹ 20,130.12 crore (Previous year ₹ 19,153.39 crore) for contracts in relation to the implementation of the Phase II of Refinery Expansion Project, as the work under these contracts will commence only after definitive financial commitments being entered into, and following which, if the Company has not notified the counter-party that the work is to commence by September 2015, the contracts will terminate.		
Other commitments:		
At the Extraordinary General Meeting held on May 06, 2014, the shareholders have approved the acquisition of the balance 73.99% equity shares and entire participating preference shares in Vadinar Power Company Limited, an associate. {refer note 37(b)}.		

30. CONTINGENT LIABILITIES

(₹ in crore)

Particulars			As at March 31, 2014	As at March 31, 2013
a)	Claims against the Company not acknowledged as debts			
	(i)	In respect of income tax	**64.97**	67.49
	(ii)	In respect of sales tax / VAT*	**10.40**	670.04
	(iii)	In respect of custom duty / excise duty / service tax	**282.94**	258.87
	(iv)	Others** {including ₹ 6.29 crore (Previous year ₹ Nil) pertaining to joint ventures (refer note 40)}	**320.12**	508.01
		The above others include certain Arbitration matters under litigation at various High Courts ₹ 192.72 crore (Previous year ₹ 183.61 crore), Alop matter claim ₹ 89.28 crore (Previous year ₹ 52.00 crore), Stamp duty on import of crude ₹ Nil (Previous year ₹ 246.24 crore), Demand of road tax on certain heavy equipment ₹ Nil (Previous year ₹ 0.94 crore), Gujarat entry tax ₹ 3.51 crore (Previous year ₹ 3.28 crore), Litigation for additional compensation in land acquisition matter ₹ 0.66 crore (Previous year ₹ 0.64 crore), E & P legal disputes / claims ₹ 27.44 crore (Previous year ₹ 20.15 crore), Green cess matter ₹ 6.08 crore (Previous year ₹ Nil) and Other miscellaneous claims of ₹ 0.43 crore (Previous year ₹ 1.15 crore).		
b)	Guarantees given by the Company on behalf of others		**63.98**	125.67

* For the Assessment year 2008-09 the Sales tax department served a demand notice of ₹ 659.90 crore disallowing the contention of the Company that the sale of Kerosene to PSU through public distribution system and LPG in bulk to PSU for domestic use by the Company falls within the ambit of Exemption Notifications issued by Government of Gujarat. Pending litigation, the Company had disclosed this as a contingent liability for the year ended March 31, 2013. During the year, considering the clarification issued by the MOP&NG, decision of Honourable Tribunal of Gujarat in a similar matter for other industry players and the sales tax department allowing the exemption in the assessment of subsequent year, the Company does not consider this amount as a contingent liability as at the balance sheet date.

**In 2006, the State of Gujarat imposed stamp duty on all imports made through the ports in Gujarat. This was disputed by the Company. The Company had shown a contingent liability of ₹ 246.24 crore as on March 31, 2013 for the stamp duty amount based on an appeal filed by the State Government in the Supreme Court against an order of a Division Bench of Gujarat High Court which was in favour of the Company. During the year, Company obtained an external legal opinion wherein it has been opined that such stamp duty cannot be levied on imported goods. Considering the fact that the High Court order was in favour of the Company and based on legal opinion, the Company had reassessed its position during the year and does not consider it as a contingent liability as at the balance sheet date.

The claims by parties in respect of which the management has been legally advised that the same are frivolous and not tenable, have not been considered as contingent liabilities as the possibility of an outflow of resources embodying economic benefits is highly remote.

Notes to financial statements for the year ended March 31, 2014

31. CIF VALUE OF IMPORTS INCLUDING GOODS IN TRANSIT AND PROJECT IMPORTS (ON ACCRUAL BASIS)

(₹ in crore)

Particulars		Year ended March 31, 2014	Year ended March 31, 2013
a)	Raw materials	**71,287.12**	68,139.36
b)	Components and spare parts (including other consumable spares and coal)	**715.94**	459.19
c)	Capital goods	**58.90**	112.32

32. DETAILS OF COST OF RAW MATERIALS CONSUMED AND STORES AND SPARE PARTS CONSUMPTION

Particulars		Year ended March 31, 2014		Year ended March 31, 2013	
		₹ in crore	%	₹ in crore	%
a)	Cost of raw materials consumed				
	(1) Imported	**73,337.49**	**82.56**	66,088.68	81.26
	(2) Indigenous	**15,486.63**	**17.44**	15,245.30	18.74
	Total	**88,824.12**	**100.00**	81,333.98	100.00
b)	Consumption of stores and spare parts (including expenditure during construction)				
	(1) Imported	**11.78**	**18.06**	8.75	14.33
	(2) Indigenous	**53.45**	**81.94**	52.30	85.67
	Total	**65.23**	**100.00**	61.05	100.00

33. EXPENDITURE AND EARNINGS IN FOREIGN CURRENCY INCLUDING EXPENDITURE DURING CONSTRUCTION (ON ACCRUAL BASIS)

(₹ in crore)

Particulars		Year ended March 31, 2014	Year ended March 31, 2013
a)	**Expenditure**		
(i)	Interest	**213.61**	134.00
(ii)	Travelling expenses	**0.73**	0.37
(iii)	Professional / consultancy fees	**12.96**	10.10
(iv)	Services	**229.28**	250.22
(v)	On commodity hedging	**1,111.20**	1,666.00
(vi)	Demurrage	**39.54**	47.15
(vii)	Others	**51.64**	87.61

Notes to financial statements for the year ended March 31, 2014

33. EXPENDITURE AND EARNINGS IN FOREIGN CURRENCY INCLUDING EXPENDITURE DURING CONSTRUCTION (ON ACCRUAL BASIS) (CONTD.)

(₹ in crore)

Particulars		Year ended March 31, 2014	Year ended March 31, 2013
b)	**Earnings**		
(i)	Interest	**19.96**	0.68
(ii)	FOB value of exports	**40,698.68**	30,640.29
(iii)	On commodity hedging	**715.81**	1,252.01
(iv)	Income from technical services	**8.11**	22.29
(v)	Others	**0.64**	6.53

34. HEDGE ACCOUNTING

a) During the year, the company extended hedge accounting principles of Accounting Standard (AS) - 30 "Financial Instruments: Recognition and Measurement" for accounting to certain forward foreign exchange contracts to hedge the exchange risk pertaining to highly forecasted transactions and to Interest rate swaps entered for hedging interest rate risks of foreign currency loans. Accordingly, ₹ 12.74 crore loss has been carried over to cash flow hedge reserve as of March 31, 2014 for interest rate swaps hedging.

b) The following table presents the amount of gain / (loss) recognised in cashflow hedge reserve and recycled during the year

(₹ in crore)

Particulars	Year ended March 31, 2014			Year ended March 31, 2013		
	Commodity derivative	Financial derivative	Total	Commodity derivative	Financial derivative	Total
Opening balance	**104.90**	**-**	**104.90**	-	-	-
Net amount recognised	**158.46**	**(107.00)**	**51.46**	14.36	-	14.36
Net amount recycled to statement of profit and loss	**(238.78)**	**94.26**	**(144.52)**	90.53	-	90.53
Closing balance	**24.58**	**(12.74)**	**11.84**	104.90	-	104.90

35. GDSs PROCEEDS UTILISATION

As at balance sheet date, the unutilized balance of proceeds from issue of global depository shares amounting to ₹ 12.25 crore (Previous year ₹ 14.75 crore) is lying in deposit accounts with banks.

Notes to financial statements for the year ended March 31, 2014

36. EXCEPTIONAL ITEMS

(₹ in crore)

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
CDR Exit impact {(refer note 7(ii)(c)}	-	111.48
Total	-	111.48

37. ADVANCES / RECEIVABLES

At the Extraordinary General Meeting of the company held on May 06, 2014, the shareholders have approved the acquisition of: (a) 10.25% cumulative redeemable preference shares of Essar Power Limited having an aggregate face value of ₹ 1,025.00 crore held by Essar House Limited (EHL) at par value in part settlement of the dues from EHL; and (b) the balance 73.99% equity shares and entire participating preference shares in an associate company, Vadinar Power Company Limited (VPCL), from a fellow subsidiary - Essar Power Limited, for an amount not exceeding ₹ 2,100.00 crore, so as to make it a wholly owned subsidiary of the Company. VPCL supplies utilities (power/steam) for the Company's refinery.

Other receivables include an amount of ₹ 1,942.58 crore (Previous year ₹ 2,177.82 crore) receivable from EHL against the amount paid in earlier years under the Sales tax defeasance agreement. During 2012-13, the Company agreed to recover these dues in eight equal quarterly installments along with interest, coinciding with the installment facility made available by the Honourable Supreme Court to the company for repayment of the Gujarat Sales tax dues. Amount of instalments and interest so due and recoverable upto March 31, 2014 is ₹ 1,016.10 crore against which shares as aforesaid are being acquired. Accordingly, the amount is classified under 'non-current assets'. The Company expects that EHL will settle the balance amount of ₹ 917.58 crore as of March 31, 2014 together with interest, during the financial year 2014-2015. This amount has been guaranteed by the parent Company of EHL.

Advances recoverable in cash or kind or value to be received from related parties include an amount of ₹ 1,828.29 crores outstanding (maximum outstanding during the year ₹ 2,022.82 crores) from VPCL. Similarly, security deposit includes an amount of ₹ 590.00 crores placed with VPCL. Both these amounts attract interest @ 13% p.a. till settlement. Subject to completion of relevant formalities involved in acquisition of the balance shares of VPCL as explained above, the company expects to recover before next financial year end such advance and security deposit and hence has classified the amounts as 'current assets' in its financial statements.

38. FOREIGN CURRENCY MONETARY ITEM TRANSLATION DIFFERENCE ACCOUNT (FCMITDA)

The Company had entered into INR/USD Currency Swaps i.e. Principal Only Swaps/Cross Currency Swaps (POS / CCS) to reduce the volatility in the Company's cash flows/profitability since its revenues and costs are incurred predominantly in USD or USD linked rupees.

The Company treats the USD Swap notional payable as a monetary item in its books of accounts which is revalued at every closing date and the forex fluctuation on same is taken to Foreign Currency Monetary Item Translation Difference Account (FCMITDA) and amortised in accordance with para 46A of Accounting Standard (AS) 11 – 'The Effects of Changes in Foreign Exchange Rates'. This accounting treatment has been followed by the company consistently.

The Expert Advisory Committee (EAC) of the Institute of Chartered Accountants of India (ICAI) whose opinion was published in February 2014 Chartered Accountants Journal, has excluded the currency swaps from the scope of Accounting Standard (AS) 11. The company has made a representation to the EAC explaining the economic environment in which it operates and considering the aspect of substance over form, to confirm that the accounting treatment currently followed by the Company is appropriate. Pending receipt of a decision from EAC, the Company has continued to follow the existing accounting treatment as per the relevant accounting policy.

39. LEASES

a) Finance lease:-

(i) Future lease rental payable and reconciliation of minimum lease payments and its present value in respect of the assets:-

(₹ in crore)

Particulars	Minimum Lease payments/ Future lease rent payable		Interest		Present value of minimum lease payments	
	As at March 31, 2014	As at March 31, 2013	As at March 31, 2014	As at March 31, 2013	As at March 31, 2014	As at March 31, 2013
Future lease rental obligation payable:						
Not later than one year	14.61	14.61	5.95	7.10	8.66	7.51
Later than one year but not later than five years	31.88	42.77	13.48	16.72	18.40	26.05
Later than five years	32.89	36.63	14.06	16.80	18.83	19.83
Total	79.38	94.01	33.49	40.62	45.89	53.39

(ii) General description of the leasing arrangements:

- Leased Assets – Residential township, Transit accommodation and supply depot.
- Future lease rental payments are determined on the basis of quarterly / monthly lease payments as provided in the agreements.
- At the expiry of the lease term, the Company has an option to extend the lease on mutual terms and conditions. In case of the supply depot, the ownership gets transferred to the Company at the end of the lease term.
- Assets are taken on lease over a period of 10 to 20 years.

(iii) The above disclosures pertain to lease arrangements where leases have commenced upon assets becoming ready to use.

b) Operating lease:- Current year - Nil, Previous year details shown below

- Leased Assets (cancellable) – Power plants
- Leased period - from January 01, 2013 to March 31, 2013
- The lease payments are recognised as “Other operating expenses” in the statement of profit and loss under note 26 - Other expenses.

Notes to financial statements for the year ended March 31, 2014

40. EXPLORATION AND PRODUCTION ACTIVITIES

a) As per the Company's policy of Full Cost method of accounting prescribed under the revised Guidance Note on "Accounting for Oil and Gas Producing Activities" issued by the "Institute of Chartered Accountants of India", the Company has identified the following 2 Cost Pools:

(i) India CBM (Coal Bed Methane) Pool :
- a) Mehsana Pilot Project
- b) RG (East) 2001/1 Block
- c) RM-(E)-CBM-2008/IV (Rajmahal, Jharkhand, India)
- d) TL-CBM-2008/IV (Talcher, Orissa, India)
- e) IB-CBM-2008/IV (IB Valley, Orissa, India)
- f) SP(NE)-CBM-2008/4 (Sohagpur, Madhya Pradesh, India)

(ii) India Oil & Gas Pool :
- a) Block CB-ON/3
- b) Ratna & R-Series
- c) AA-ONN-2004/3
- d) AA-ONN-2004/5

b) Summary of Cost Pools:

(₹ in crore)

Cost Pool	Producing Property (Tangible/ Intangible)		CWIP/Intangible assets under development		Total	
	As at March 31, 2014	As at March 31, 2013	As at March 31, 2014	As at March 31, 2013	As at March 31, 2014	As at March 31, 2013
India CBM	**Nil**	Nil	**1,703.85**	1,220.06	**1,703.85**	1,220.06
India Oil & Gas	**202.18**	197.73	**110.68**	111.83	**312.86**	309.56
Total	**202.18**	197.73	**1,814.53**	1,331.89	**2,016.71**	1,529.62

c) Company's interest in oil & gas and CBM Joint Ventures as at March 31, 2014:

Sr. No.	Name of the Block	As at March 31, 2014	As at March 31, 2013
1	CB-ON/3 (Gujarat, India)	**#100%**	#100%
2	Ratna & R-Series (Maharashtra, India)	**##50%**	##50%
3	AA-ONN-2004/3 (Assam, India)	**###10%**	###10%
4	AA-ONN-2004/5 (Assam, India)	**###10%**	###10%
5	RG (East) 2001/1 (West Bengal, India)	**100%**	100%
6	RM-(E)-CBM-2008/IV (Rajmahal, Jharkhand, India)	**100%**	100%
7	TL-CBM-2008/IV (Talcher, Orissa, India)	**100%**	100%
8	IB-CBM-2008/IV (IB Valley, Orissa, India)	**100%**	100%
9	SP(NE)-CBM-2008/4 (Sohagpur, Madhya Pradesh, India)	**100%**	100%

ONGC has exercised its back-in rights of 30% in ESU field, excluding well ESU#4, leaving the Company with a 70% participating interest. However, the Company holds 100% interest in rest of CB-ON/3 Block.

Balance 40% interest held by ONGC and 10% by Premier Oil.

Balance 90% interest in block AA-ONN-2004/3 and AA-ONN-2004/5 are held by Essar Energy Holdings Limited (EEHL).

Notes to financial statements for the year ended March 31, 2014

40. EXPLORATION AND PRODUCTION ACTIVITIES (CONTD.)

d) i) Company's interest in Proved (1P) and Proved Developed reserves of crude oil as on March 31, 2014 is as under:

Area of operation		Proved		Proved developed	
		MT	MT	MT	MT
		As at March 31, 2014	As at March 31, 2013	As at March 31, 2014	As at March 31, 2013
Essar South Unawa (ESU) field Block CB-ON/3 - onshore Cambay Basin, India	Opening	**82,335**	83,334	**28,984**	29,983
	Addition	**-**	-	**-**	-
	Production	**2,009**	999	**2,009**	999
	Closing	**80,326**	82,335	**26,975**	28,984

ii) Company's interest in Proved (1P) and Proved Developed reserves of coal bed methane gas as on March 31, 2014 is as under:

Area of operation		Proved		Proved developed	
		MMSCM	MMSCM	MMSCM	MMSCM
		As at March 31, 2014	As at March 31, 2013	As at March 31, 2014	As at March 31, 2013
RG(East)-CBM-2001/1 block, West Bengal, India	Opening	**616**	630	**387**	401
	Addition	**-**	-	**-**	-
	Production	**35**	14	**35**	14
	Closing	**581**	616	**352**	387

e) i) The Company uses proved and probable reserves as the basis for impairment assessment for both crude oil and coal bed methane gas blocks.

ii) India CBM pool and Indian Oil & Gas pool are considered as separate cash generating units for impairment assessment purpose.

iii) Crude oil reserves are evaluated on yearly basis by inhouse technical team, based on available geological, geophysical and production data.

CBM reserve certification exercise was carried out by an independent external agency in September 2009 and September 2011. All estimates have been prepared in accordance with the definition and guidelines set forth in the 2007 Petroleum Resource Management System (PRMS) approved by Society of Petroleum Engineers (SPE).

iv) No exploration cost has been written off during the year.

Notes to financial statements for the year ended March 31, 2014

41. DERIVATIVE INSTRUMENTS AND UNHEDGED FOREIGN CURRENCY EXPOSURES

Derivative contracts entered into by the Company and outstanding as at balance sheet date:

a) For hedging currency related risks:

(i) The Company uses forward exchange contracts and interest rate swaps to hedge its exposure in foreign currency and interest rate. The information on outstanding contracts is given below:

Currency	Amount		Buy/Sell	
	As at March 31, 2014	As at March 31, 2013	As at March 31, 2014	As at March 31, 2013
Forward contracts :				
US Dollar in million	**767.34**	1,514.51	**Buy**	Buy
US Dollar in million	**-**	224.25		Sell
Interest rate swaps :				
US Dollar in million	**298.22**	80.79	**Buy**	Buy
Rupee in crore	**2,205.27**	1,146.95	**Sell**	Sell

(ii) The foreign currency exposure of the Company as at balance sheet date that have not been hedged by a derivative instrument or otherwise are given below:

Currency	Payable		Receivable		Loan Liabilities (Including Interest accrued)		LC Outstanding #	
	₹ in crore	FC in Million	₹ in crore	FC in Million	₹ in crore	FC in Million	₹ in crore	FC in Million
JPY	**0.01**	**0.15**	**0.03**	**0.59**	**-**	**-**	**-**	**-**
	(0.00)**	(0.07)	-	-	-	-	-	-
USD	**11,864.20*** **	**1,974.08*** **	**4,168.04**	**693.52**	**6,022.55**	**1,002.09**	**43.82**	**7.29**
	(10,485.55)***	(1,927.87)***	(1,017.30)	(187.04)	(3,291.12)	(605.11)	(1,433.19)	(263.51)
EURO	**2.41**	**0.29**	**1.47**	**0.18**	**2.50**	**0.30**	**5.35**	**0.65**
	(12.26)	(1.76)	(8.25)	(1.19)	(124.69)	(17.93)	(12.15)	(1.75)
GBP	**0.56**	**0.06**	**1.00**	**0.10**	**-**	**-**	**-**	**-**
	(0.80)	(0.10)	(0.55)	(0.07)	(1.52)	(0.18)	-	-
AUD	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	(0.05)	(0.01)	-	-	-	-	-	-
SGD	**0.01**	**0.00***	**0.01**	**0.00***	**-**	**-**	**-**	**-**
	-	-	-	-	-	-	-	-
AED	**0.00****	**0.00***	**-**	**-**	**-**	**-**	**-**	**-**
	-	-	-	-	-	-	-	-
Total	**11,867.19**		**4,170.55**		**6,025.05**		**49.17**	
	(10,498.66)	-	(1,026.10)	-	(3,417.33)	-	(1,445.34)	-

(iii) Bank balance in foreign currency as at March 31, 2014 ₹ 366.64 crore (USD 61.00 million) {Previous year ₹ 0.03 crore (USD 0.00* million) & ₹ 0.00** crore (EUR 0.00* million)}

Other than in respect of recognised liability

* Amount less than 0.01 million in FC

** Amount less than ₹ 0.01 crore

***excludes ₹ 2,670.27 crore (Previous year ₹ 1,952.05 crore) has been fixed to USD liabilities of 478.99 million (Previous year USD 378.19 million) using currency swaps

Previous year figures have been shown in brackets.

41. DERIVATIVE INSTRUMENTS AND UNHEDGED FOREIGN CURRENCY EXPOSURES (CONTD.)

b) **For hedging commodity related risks:**

Category wise break-up of commodity derivative contracts entered into by the Company and outstanding as at balance sheet date:

Sr. No.	Nature of instrument	Crude oil purchases / (sales) Qty. in Barrels ('000)		Petroleum products purchases / (sales) Qty. in Barrels ('000)	
		As at March 31, 2014	As at March 31, 2013	**As at March 31, 2014**	As at March 31, 2013
1	Net forward swaps	**-**	(7,713)	**-**	(340)
2	Spreads	**(1,545)**	2,543	**(2,415)**	(3,600)
3	Margin hedging	**-**	-	**(2,100)**	(5,025)

42. AUDITORS' REMUNERATION

(₹ in crore)

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
- Audit fees (Previous year includes ₹ 0.65 crore for reopening of accounts and ₹ 0.10 crore for prior year)	**1.65**	2.40
- Taxation matters	**0.04**	0.06
- Other services {including ₹ 0.43 crore for prior years (Previous year ₹ Nil)}	**1.99**	1.12
- Reimbursement of expenses	**0.02**	0.02
Total	**3.70**	3.60

43. SEGMENT INFORMATION

(₹ In crore)

Sr. No.	Particulars	Year ended March 31, 2014	Year ended March 31, 2013
1	**Information about primary segment - business:-**		
	Segment revenue		
	Refining and marketing	**98,822.50**	88,714.43
	Exploration and production activities	**12.46**	15.91
	Unallocated	**23.83**	29.98
	Total segment revenue	**98,858.79**	88,760.32
	Add : Interest income	**603.49**	418.99
	Add : Profit on sale of investment	**8.66**	4.05
	Add : Reversal of old liabilities / excess accrual	**1.62**	3.54
	Total revenue	**99,472.56**	89,186.90

Notes to financial statements for the year ended March 31, 2014

43. SEGMENT INFORMATION (CONTD.)

(₹ In crore)

Sr. No.	Particulars	Year ended March 31, 2014	Year ended March 31, 2013
2	**Segment result before interest, extraordinary items and tax**		
	Refining and marketing	**2,210.82**	1,363.49
	Exploration and production activities	**(0.53)**	(1.49)
	Unallocated	**(244.41)**	(154.40)
	Total	**1,965.88**	1,207.60
	Less : Interest expense (Previous year ₹ 110.94 crore considered in exceptional items)	**2,450.56**	2,814.62
	Add : Interest income	**603.49**	418.99
	Add : Profit on sale of Investments	**8.66**	4.05
	Add : Reversal of old liabilities	**1.62**	3.54
	Profit / (Loss) before tax	**129.09**	(1,180.44)
	Less : Taxes	**3.29**	-
	Profit / (Loss) after tax	**125.80**	(1,180.44)
3	**Segment assets**		
	Refining and marketing	**46,488.46**	42,309.85
	Exploration and production activities	**3,092.93**	2,426.76
	Unallocated	**540.29**	651.42
	Total	**50,121.68**	45,388.03
	Add : Amount recoverable against defeasement agreement	**1,942.58**	2,177.82
	Total assets	**52,064.26**	47,565.85
4	**Segment liabilities**		
	Refining and marketing	**23,589.09**	15,327.66
	Exploration and production activities	**147.91**	261.11
	Unallocated	**124.52**	85.00
	Total	**23,861.52**	15,673.77
	Add : Loan funds (Including interest accrued due / not due)	**23,787.89**	24,815.45
	Add : Liabilities towards sales tax including interest thereon (refer note 2 below)	**1,984.22**	4,629.80
	Total liabilities	**49,633.63**	45,119.02
5	**Additions to Fixed Assets**		
	Refining and marketing	**674.25**	1,228.75

Notes to financial statements for the year ended March 31, 2014

43. SEGMENT INFORMATION (CONTD.)

(₹ In crore)

Sr. No.	Particulars	Year ended March 31, 2014	Year ended March 31, 2013
	Exploration and production activities	**37.64**	18.73
	Unallocated	**10.12**	7.61
	Total	**722.01**	1,255.09
6	**Depreciation and amortisation (excluding depreciation accounted in expenditure during construction)**		
	Refining and marketing (Previous year ₹ 0.54 crore considered in exceptional items)	**1,341.16**	1,285.07
	Exploration and production activities	**5.89**	2.98
	Unallocated	**8.16**	8.55
	Total	**1,355.21**	1,296.60
7	**Significant non-cash expenses other than depreciation**		
	Refining and marketing	**16.15**	62.98
	Exploration and production activities	**0.01**	(4.76)
	Unallocated	**0.05**	0.71
	Total	**16.21**	58.93

Notes:

1) The Company has disclosed Business Segment as the primary segment. Segments have been identified taking into account the organizational structure, nature of services, differing risks and internal reporting system. The Company's operation predominantly relates to Refining and marketing of petroleum products and Oil & Gas exploration.
2) The sales tax liability payable in eight quarterly installments w.e.f. January 02, 2013 with interest is not considered as segment liability considering the substance of the terms.
3) Additions to fixed assets shown above are including exchange difference and excluding capital work in progress and expenditure during construction.
4) The Company operates in two geographical segments namely "within India" and "outside India".

(₹ in crore)

Particulars	As at March 2014		As at March 2013	
	Within India	Outside India	Within India	Outside India
Segment revenue	**58,784.27**	**40,074.52**	61,219.69	27,540.63
Carrying amount of segment assets	**46,010.60**	**4,111.08**	43,492.08	1,895.95
Additions to fixed assets	**722.01**	**-**	1,255.09	-

Notes to financial statements for the year ended March 31, 2014

44. DETAILS OF DUES TO MICRO AND SMALL ENTERPRISES

The information regarding principal and interest pertaining to micro and small enterprises based on available details is as under:

(₹ in crore)

Sr. No.	Particulars	As at March 31, 2014	As at March 31, 2013
1	Principal amount due and remaining unpaid	-	-
2	Interest due on (1) above and the unpaid interest	-	-
3	Interest paid by the Company in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006	**0.01**	0.01
4	Payments made beyond the appointed day during the year	**2.09**	1.53
5	Interest due and payable for the period of delay	-	-
6	Interest accrued and remaining unpaid	-	-
7	Amount of further interest remaining due and payable in succeeding year	-	-

45. DEFINED BENEFIT PLANS / LONG TERM COMPENSATED ABSENCES

(a) Defined benefit plans / long term compensated absences - as per actuarial valuations as at March 31, 2014:

(₹ in crore)

Sr. No.		Particulars	Gratuity (Funded)		Compensated Absences (Unfunded)		Employer Established Provident Fund	
			As at March 31, 2014	As at March 31, 2013	As at March 31, 2014	As at March 31, 2013	As at March 31, 2014	As at March 31, 2013
A		**Net assets / liability recognised in the balance sheet (refer note viii below)**						
	1	Present value of defined benefit obligation	**18.15**	15.16	**33.67**	36.90	**115.67**	95.95
	2	Fair value of plan assets	**14.09**	12.00	**-**	-	**115.67**	95.95
	3	Funded status - surplus / (deficit)	**(4.06)**	(3.16)	**(33.67)**	(36.90)	**-**	-
	4	Net assets / (liability) recognised in the balance sheet	**(4.06)**	(3.16)	**(33.67)**	(36.90)	**-**	-

Notes to financial statements for the year ended March 31, 2014

45. DEFINED BENEFIT PLANS / LONG TERM COMPENSATED ABSENCES (CONTD.)

(a) Defined benefit plans / long term compensated absences - as per actuarial valuations as at March 31, 2014:

(₹ in crore)

Sr. No.		Particulars	Gratuity (Funded)		Compensated Absences (Unfunded)		Employer Established Provident Fund	
			As at March 31, 2014	As at March 31, 2013	As at March 31, 2014	As at March 31, 2013	As at March 31, 2014	As at March 31, 2013
B		**Expenses recognised in statement of profit and loss or expenditure during construction, as applicable for the year ended March 31, 2014**						
	1	Current services cost	**2.25**	2.08	**4.14**	3.89	**8.28**	7.33
	2	Interest cost	**1.15**	0.94	**2.86**	2.58	**9.33**	6.82
	3	Expected return on plan assets	**(1.06)**	(0.98)	**-**	-	**(9.33)**	(6.82)
	4	Past services cost	**-**	-	**-**	-	**-**	-
	5	Actuarial losses/(gains)	**0.53**	0.97	**(9.05)**	(0.48)	**-**	-
	6	Total expenses	**2.87**	3.01	**(2.05)**	5.99	**8.28**	7.33
C		**Change in obligation and assets**						
C1		Change in defined benefit obligation						
	1	Defined benefit obligation at beginning of the year	**15.16**	11.71	**36.90**	30.63	**95.95**	78.10
	2	Service cost	**2.25**	2.08	**4.14**	3.89	**8.28**	7.33
	3	Interest cost	**1.15**	0.94	**2.86**	2.58	**9.33**	6.82
	4	Plan Amendments	**-**	-	**-**	-	**-**	-
	5	Acquisition adjustment/Transfer In/(Transfer Out)@	**0.22**	0.65	**0.27**	0.84	**5.16**	3.62
	6	Actuarial losses/(gains)	**0.61**	1.01	**(9.05)**	(0.48)	**1.33**	(1.45)
	7	Benefit payments	**(1.24)**	(1.23)	**(1.45)**	(0.56)	**(15.99)**	(8.68)
	8	Employees contribution	**-**	-	**-**	-	**11.61**	10.21
	9	Defined Benefit obligation at the end of the year	**18.15**	15.16	**33.67**	36.90	**115.67**	95.95
C2		Change in fair value of assets						
	1	Fair value of plan assets at the beginning of the year	**12.00**	11.71	**-**	-	**95.95**	78.10
	2	Acquisition adjustment/Transfer In/(Transfer Out)@	**-**	0.37	**-**	-	**-**	-
	3	Expected return on plan assets	**1.06**	0.98	**-**	-	**9.33**	6.82
	4	Actual Company & employees contributions	**2.19**	0.13	**-**	-	**25.05**	21.16
	5	Actuarial (losses)/gains	**0.08**	0.04	**-**	-	**1.33**	(1.45)
	6	Benefits payments	**(1.24)**	(1.23)	**-**	-	**(15.99)**	(8.68)
	7	Fair value of plan assets at the end of the year	**14.09**	12.00	**-**	-	**115.67**	95.95

Notes to financial statements for the year ended March 31, 2014

45. DEFINED BENEFIT PLANS / LONG TERM COMPENSATED ABSENCES (CONTD.)

(a) Defined benefit plans / long term compensated absences - as per actuarial valuations as at March 31, 2014:

(₹ in crore)

Sr. No.	Particulars	Gratuity (Funded)		Compensated Absences (Unfunded)		Employer Established Provident Fund	
		As at March 31, 2014	As at March 31, 2013	As at March 31, 2014	As at March 31, 2013	As at March 31, 2014	As at March 31, 2013
D	**Actuarial assumptions**						
	1 Discount rate (per annum)	**9.20%**	7.90%	**9.20%**	7.90%	**9.20%**	7.90%
	2 Expected rate of return on assets (per annum)	**8.50%**	8.50%	**NA**	NA	**8.75%**	8.75%
	3 Mortality	**Indian Assured Lives Mortality (2006-08) Ult. Modified**	LIC (1994-96) ultimate	**Indian Assured Lives Mortality (2006-08) Ult. Modified**	LIC (1994-96) ultimate	**Indian Assured Lives Mortality (2006-08) Ult. Modified**	LIC (1994-96) ultimate
E	**Percentage of each category of plan assets to total fair value of plan assets**						
	Administered by Life Insurance Corporation of India	**100%**	100%	**NA**	NA	**NA**	NA
	Government of India Security	**-**	-	**-**	-	**40.00%**	40.00%
	Corporate bonds	**-**	-	**-**	-	**60.00%**	60.00%
F	**Experience adjustment: (Refer note (viii) below)**						
	Plan liabilities loss/(gain)	**0.47**	0.38	**(0.50)**	(0.86)	**NA**	NA
	Plan assets loss/(gain)	**(0.08)**	(0.04)	**-**	-	**NA**	NA
	Actuarial loss/(gain) due to change in assumption	**0.15**	0.63	**(8.55)**	0.37	**NA**	NA
G	**Employer's best estimate of contributions expected to be paid to the plan during the annual period beginning after the balance sheet date**	**2.41**	3.16	**-**	-	**9.11**	8.07

@ Employees were transferred from/to group company with credit for past services.

45. DEFINED BENEFIT PLANS / LONG TERM COMPENSATED ABSENCES (CONTD.)

(a) **Defined benefit plans / long term compensated absences - as per actuarial valuations as at March 31, 2014:**

Notes:

(i) The expected rate of return on plan assets is based on market expectation, at the beginning of the year, for returns over entire life of the related obligation.

(ii) The assumption of future salary increases, considered in actuarial valuation, takes account of inflation, seniority, promotion, supply and demand and other relevant factors.

(iii) The employees' gratuity fund scheme managed by Life Insurance Corporation of India / SBI Life Insurance is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method.

(iv) The employer managed provident fund is considered as defined benefit plan.

(v) Liability on account of long term absences has been actuarially valued as per Projected Unit Credit Method.

(vi) Short term compensated absences have been provided on actual basis.

(vii) The Company is unable to obtain the details of plan assets from the Insurance Company (LIC of India / SBI Life Insurance) and hence the disclosure thereof is not made.

(viii) Amounts for the current and previous four years are as follows:

(₹ in crore)

Sr. No.		Particulars	Gratuity (Funded)				
			As at March 31, 2014	As at March 31, 2013	As at March 31, 2012	As at March 31, 2011	As at March 31, 2010
a)		**Net assets / liability recognized in the Balance sheet**					
	1	Present value of defined benefit obligation	**18.15**	15.16	11.71	9.74	5.39
	2	Fair value of plan assets	**14.09**	12.00	11.71	9.13	4.86
	3	Funded status - surplus / (deficit)	**(4.06)**	(3.16)	-	(0.61)	(0.53)
	4	Net assets / (liability) recognised in the balance sheet	**(4.06)**	(3.16)	-	(0.61)	(0.53)
b)		**Experience adjustment:**					
	1	Plan liabilities loss/(gain)	**0.47**	0.38	0.27	0.19	(0.28)
	2	Plan assets loss/(gain)	**(0.08)**	(0.04)	(0.08)	(0.08)	-

Notes to financial statements for the year ended March 31, 2014

45. DEFINED BENEFIT PLANS / LONG TERM COMPENSATED ABSENCES (CONTD.)

(a) Defined benefit plans / long term compensated absences - as per actuarial valuations as at March 31, 2014:

(₹ in crore)

Sr. No.	Particulars	Employer Established Provident Fund				
		As at March 31, 2014	As at March 31, 2013	As at March 31, 2012	As at March 31, 2011	As at March 31, 2010
a)	**Net assets / liability recognized in the Balance sheet**					
1	Present value of defined benefit obligation	**115.67**	95.95	78.10	61.99	50.83
2	Fair value of plan assets	**115.67**	95.95	78.10	61.99	50.83
3	Funded status - surplus / (deficit)	**-**	-	-	-	-
4	Net assets / (liability) recognised in the balance sheet	**-**	-	-	-	-
b)	**Experience adjustment:**					
1	Plan liabilities loss/(gain)	**NA**	NA	NA	NA	NA
2	Plan assets loss/(gain)	**NA**	NA	NA	NA	NA

(b) Defined contribution plans :

Company's contribution to superannuation fund aggregating to ₹ 0.47 crore (Previous year ₹ 0.66 crore) are recognised in the statement of profit and loss / expenditure during construction / capital work in progress, as applicable. There is no obligation other than the contribution payable to the respective trusts.

46. RELATED PARTY DISCLOSURES

I. Transactions with related parties

(₹ in crore)

Nature of transactions	Holding Company/ Intermediate Holding Company	Subsidiaries	Fellow Subsidiaries	Associates	Companies in which promoters have significant influence (refer note 2 below)
Advance received from Customers	**-**	**-**	**5.69**	**-**	**-**
(EEOL - ₹ 5.69 crore) (Previous year - EEOL - ₹ 816.02 crore)	-	-	(816.02)	-	-
Expenses incurred on behalf of Joint Venture	**-**	**-**	**5.78**	**-**	**-**
(EEHL - ₹ 5.78 crore) (Previous year - EEHL - ₹ 5.27 crore)	-	-	(5.27)	-	-
Purchase of fixed assets / intangible assets (including CWIP)	**-**	**-**	**621.44**	**-**	**-**
(EPIL - ₹ 564.94 crore) (Previous year - EPIL - ₹ 497.44 crore)	-	-	(560.16)	-	(4.03)

46. RELATED PARTY DISCLOSURES (CONTD.)

I. Transactions with related parties

(₹ in crore)

Nature of transactions	Holding Company/ Intermediate Holding Company	Subsidiaries	Fellow Subsidiaries	Associates	Companies in which promoters have significant influence (refer note 2 below)
Advances given on capital account (net of repayment)	**-**	**-**	**-**	**-**	**-**
(Previous year - EPIL - ₹ 738.16 crore)	-	-	(761.37)	-	(64.63)
Advances given to vendors for supplying services (net of repayment)	**-**	**-**	**-**	**1,290.82**	**-**
(VPCL - ₹ 1,290.82 crore) (Previous year - VPCL - ₹ 537.47 crore, VPTL - ₹ 211.23 crore)	-	-	(211.23)	(537.47)	(43.00)
Deposits given by the Company	**-**	**-**	**298.00**	**590.00**	**-**
(VPCL - ₹ 590.00 crore, VPTL - ₹ 298.00 crore) (Previous year - EBPPL - ₹ 4.40 crore, EITL - ₹ 1.24 crore)	-	-	(4.40)	-	(1.24)
Sale of goods net of cash discount (including taxes)	**-**	**-**	**12,603.00**	**-**	**-**
(EEOL - ₹ 11,697.41 crore)(Previous year - EEOL - ₹ 15,457.06 crore)	-	-	(15,796.71)	(27.98)	(1.02)
Interest income including reversal of breakup charges	**-**	**-**	**121.32**	**178.88**	**-**
(EPIL - ₹ 45.49 crore, VPCL - ₹ 178.88 crore, VPTL - ₹ 31.79 crore) (Previous year - EHL ₹ 307.73 crore, EPIL - ₹ 47.16 crore)	-	-	(71.91)	(32.54)	(310.60)
Lease income (including lease tax)	**-**	**-**	**1.76**	**0.02**	**-**
(VPTL - ₹ 1.50 crore, VOTL - ₹ 0.25 crore) (Previous year - VPTL - ₹ 1.36 crore, VOTL - ₹ 0.25 crore)	-	-	(1.62)	(0.02)	(0.01)
Rendering of services	**0.51**	**-**	**63.88**	**19.17**	**-**
(VOTL - ₹ 40.22 crore, VPCL - ₹ 19.17 crore) (Previous year - VOTL - ₹ 36.56 crore, VPCL - ₹ 17.08 crore, EEHL - ₹ 12.02 crore)	-	-	(69.86)	(17.08)	(0.12)
Receiving of services	**-**	**-**	**1,002.06**	**615.07**	**-**
(VOTL - ₹ 549.60 crore, VPCL - ₹ 615.07 crore, VPTL - ₹ 313.75 crore) (Previous year - VOTL - ₹ 588.37 crore, VPCL - ₹ 351.67 crore, VPTL - ₹ 253.52 crore)	-	-	(958.07)	(351.67)	(150.86)

Notes to financial statements for the year ended March 31, 2014

46. RELATED PARTY DISCLOSURES (CONTD.)

I. Transactions with related parties

(₹ in crore)

Nature of transactions	Holding Company/ Intermediate Holding Company	Subsidiaries	Fellow Subsidiaries	Associates	Companies in which promoters have significant influence (refer note 2 below)
Purchase of goods / supply of material (including material taken on loan)	**-**	**-**	**923.84**	**-**	**-**
(EEOL ₹ 619.00 crore, ESTL ₹ 300.54 crore) (Previous year - VPCL ₹ 5.69 crore, ESTL ₹ 2.99 crore)	-	-	(2.99)	(5.69)	-
Investment in subsidiary	**-**	**0.00***	**-**	**-**	**-**
(EOTML - USD 100) (Previous year - Nil)	-	-	-	-	-
Sale of investment in subsidiary	**-**	**-**	**-**	**-**	**-**
(Previous year - EOML - USD 1)	-	(0.00)*	-	-	-
Interest / financial charges paid / funded	**-**	**-**	**7.07**	**0.09**	**-**
(ESTL - ₹ 3.96 crore, VOTL - ₹ 3.11 crore) (Previous year - ICSPL ₹ 35.73 crore, VOTL ₹ 6.29 crore, VPCL ₹ 5.89 crore)	-	-	(6.29)	(5.89)	(35.73)
Lease rent charged to the Company	**-**	**-**	**-**	**-**	**-**
(Previous year - VPCL - ₹ 97.58 crore, VPL ₹ 15.27 crore)	-	-	-	(97.58)	(15.27)
Assignment of provision / liability towards employee benefit upon transfer of employees to the Company	**-**	**-**	**0.52**	**-**	**-**
(EOSIL - ₹ 0.52 crore) (Previous year - EPIL - ₹ 0.79 crore, ESIL - ₹ 1.42 crore)	-	-	(0.79)	-	(1.42)
Assignment of provision / liability for employee benefit upon transfer of employees from the Company	**-**	**-**	**-**	**-**	**-**
(Previous year - EOSIL - ₹ 0.72 crore)	-	-	(0.72)	-	-
FCCCBs converted into equity shares (refer note 6)	**-**	**-**	**1,340.00**	**-**	**-**
(EEHL - ₹ 1,340.00 crore) (Previous year - Nil)	-	-	-	-	-
Guarantees given on behalf of the Company	**47.23**	**-**	**-**	**-**	**-**
(EEPLC - ₹ 47.23 crore) (Previous year - ICSPL - ₹ 11,661.41 crore)	-	-	-	(99.05)	(11,672.83)

Notes to financial statements for the year ended March 31, 2014

46. RELATED PARTY DISCLOSURES (CONTD.)

I. Transactions with related parties

(₹ in crore)

Transactions with other classes of related parties	
a) Key management personnel (remuneration)@	
(Shri L K Gupta - ₹ 3.93 crore, Shri C Manoharan - ₹ 2.42 crore) (Previous year - Shri L K Gupta - ₹ 3.01 crore, Shri C Manoharan - ₹ 1.99 crore)	**6.35**
	(5.00)
@exclusive of provisions for liability in respect of leave earned and gratuity, since this is based on actuarial valuation done on an overall basis for all employees. Performance bonus/incentive amount considered on payment basis.	
b) Individuals having significant influence on the Company (Directors' sitting fees) (refer note 2 below)	
(Previous year - Shri A. S. Ruia, Director (Upto August 07, 2012) - ₹ 20,000, Shri P.S.Ruia - ₹ 60,000)	**-**
	(0.01)

II. Balances with related parties :

(₹ in crore)

Nature of balances	Holding Company/ Intermediate Holding Company	Subsidiaries	Fellow Subsidiaries	Associates	Companies in which promoters have significant influence (refer note 2 below)
Debit balances					
Security deposits	**-**	**-**	**311.40**	**590.00**	**-**
(VPCL - ₹ 590.00 crore, VPTL - ₹ 298.00 crore) (Previous year - EISL - ₹ 12.98 crore, VPL - ₹ 63.00 crore)	-	-	(13.40)	-	(98.57)
Investments	**-**	**0.00 ***	**-**	**103.00**	**-**
(VPCL - Equity shares of VPCL - ₹ 103.00 crore) (Previous year - VPCL - Equity shares of VPCL - ₹ 103.00 crore)	-	-	-	(103.00)	-

Notes to financial statements for the year ended March 31, 2014

46. RELATED PARTY DISCLOSURES (CONTD.)

II. Balances with related parties :

(₹ in crore)

Nature of balances	Holding Company/ Intermediate Holding Company	Subsidiaries	Fellow Subsidiaries	Associates	Companies in which promoters have significant influence (refer note 2 below)
Trade receivables	**-**	**-**	**2,912.52**	**0.01**	**-**
(EEOL - ₹ 2,505.11 crore) (Previous year - EEOL - ₹ 926.06 crore, EPGL ₹ 139.51 crore)	-	-	(1,205.02)	(9.70)	(0.06)
Advances recoverable in cash or in kind or for value to be received	**0.19**	**-**	**36.13**	**1,828.29**	**-**
(VPCL - ₹ 1,828.29 crore) (Previous year - VPCL - ₹ 527.79 crore, VPTL - ₹ 211.23 crore)	(0.41)	-	(255.79)	(527.79)	(74.24)
Advances on capital account	**-**	**-**	**540.56**	**-**	**-**
(EPIL - ₹ 524.98 crore) (Previous year - EPIL - ₹ 814.23 crore)	-	-	(830.85)	-	(63.86)
Other receivables	**1.35**	**-**	**166.43**	**213.46**	**-**
(EPIL - ₹ 65.00 crore, VPCL ₹ 213.46 crore, VPTL ₹ 45.76 crore) (Previous year - EHL - ₹ 2,177.82 crore)	(0.51)	-	(42.54)	(32.54)	(2,182.29)
Credit balances					
Security deposits	**-**	**-**	**13.12**	**-**	**-**
(EOSIL - ₹ 1.59 crore, EPIL - ₹ 10.93 crore) (Previous year - AEGIS - ₹ 4.29 crore, EPIL - ₹ 3.80 crore, AGCNET - ₹ 1.00 crore)	-	-	(9.11)	-	-
Foreign currency compulsory convertible bonds (FCCCBs)	**-**	**-**	**-**	**-**	**-**
(Previous year - EEHL - ₹ 1,340.00 crore)	-	-	(1,340.00)	-	-
Long term borrowing - Unsecured loans	**-**	**-**	**13.81**	**-**	**-**
(VOTL - ₹ 13.81 crore) (Previous year - VOTL - ₹ 45.75 crore, VPL - ₹ 51.88 crore)	-	-	(45.75)	-	(51.88)
Trade payables / Other liabilities	**0.07**	**-**	**125.38**	**0.00 ***	**-**
(EESML - ₹ 20.00 crore, EPIL - ₹ 84.67 crore) (Previous year - EPIL - ₹ 91.90 crore, VOTL - ₹ 23.61 crore)	-	-	(159.60)	(0.00)*	(26.44)

46. RELATED PARTY DISCLOSURES (CONTD.)

II. Balances with related parties :

(₹ in crore)

Nature of balances	Holding Company/ Intermediate Holding Company	Subsidiaries	Fellow Subsidiaries	Associates	Companies in which promoters have significant influence (refer note 2 below)
Advance received from customers	**-**	**-**	**12.36**	**-**	**-**
(EEOL - ₹ 12.02 crore)(Previous year - EEOL - ₹ 826.72 crore)	-	-	(826.73)	-	-
Other balances					
Outstanding guarantees given on behalf of the Company	**3,562.45**	**-**	**-**	**-**	**-**
(EGFL - ₹ 3,515.23 crore) (Previous year - EIL - ₹ 12,434.09 crore#, EGFL - ₹ 6,160.79 crore) # Does not include parallel guarantees provided by ICSPL for ₹ 11,661.41 crore towards working capital facilities.	(6,160.79)	-	(128.00)	(99.05)	(12,434.09)
Outstanding guarantees given by the Company	**-**	**-**	**63.98**	**-**	**-**
(VOTL - ₹ 63.98 crore)(Previous year - VOTL - ₹ 125.67 crore)	-	-	(125.67)	-	-

* Amount less than ₹ 0.01 crore.

(₹ in crore)

Balances with other classes of related parties	
Advance to Directors	-
(Previous year - Shri L K Gupta - ₹ 0.68 crore)	(0.68)

Notes :

1) Names of related parties and description of relationship:

Holding Company	Essar Global Fund Limited, Cayman (Ultimate Holding Company)(EGFL)
Intermediate holding Companies	Essar Energy Plc, U.K (Holding Company of Essar Oil & Gas Limited, Mauritius)(EEPLC) Essar Oil & Gas Limited, Mauritius (Holding Company)(EOGL)
Subsidiaries	Essar Oil Trading Mauritius Limited (formerly known as Steel Trading Mauritius Limited) (EOTML) w.e.f. March 11, 2014 Essar Oil Mauritius Limited (formerly known as Pitney Mauritius Holdings Limited) (EOML) (Upto December 07, 2012)
Associate	Vadinar Power Company Limited (VPCL)
Key management personnel	Shri Lalit Kumar Gupta, Managing Director and CEO Shri C Manoharan, Director - Refinery

Notes to financial statements for the year ended March 31, 2014

46. RELATED PARTY DISCLOSURES (CONTD.)

	Fellow Subsidiaries	Aegis Aspire Consultancy Services Limited (AACSL), Aegis Limited (AEGIS), AGC Networks Limited (AGCNET), AGC Networks Pte. Ltd. (FKA Aegis Tech Singapore Pte Ltd, Singapore) (AGCNETPTE), Equinox Business Parks Private Limited (EBPPL), Essar Bulk Terminal Limited (EBTL), Essar Bulk Terminal Paradip Limited (EBTPL), Essar Bulk Terminal (Salaya) Limited (EBTSL), Essar Energy Services (Mauritius) Limited(EESML), Essar Energy Holdings Limited (EEHL), Essar Energy Overseas Limited (EEOL), Essar Electric Power Development Corporation Limited (EEPDCL), Essar Exploration & Production Limited (EEPL), Essar Exploration & Production Limited, Nigeria (EEPLN), Essar Exploration & Production (India) Limited (EEXPIL), Essar Gujarat Petrochemicals Limited (EGPL), Essar Logistics Limited (ELL), Essar Oil (UK) Limited (EOLUK), Essar Oilfields Services India Limited (EOSIL), Essar Offshore Subsea Limited (EOSL), Essar Power Gujarat Limited (EPGL), Essar Project (India) Limited (EPIL), Essar Ports Limited (EPL), Essar Power MP Limited (EPMPL), Essar Power Limited (EPOL), Equinox Realty & Infrastructure Private Limited (ERIPL), Essar Shipping Limited (ESL), Essar Steel Logistics Limited (ESTLL), Essar Shipping & Logistics Limited (ESLL), Essar Steel India Limited (FKA Essar Steel Limited) (ESTL), Energy Transportation International Limited (ETIL), Navbharat Power Private Limited (NPPL),Vadinar Oil Terminal Limited (VOTL),Vadinar Ports & Terminal Limited (VPTL).
2)	In the previous year ended March 31, 2013, the company had disclosed information on the following two categories of related parties. These categories have ceased to be related parties w.e.f. April 01, 2013 in terms of Accounting Standard (AS) -18 Related party disclosures in view of current set of relationship of directors / key managerial personnel and in accordance with the decision of the Board in its meeting held on May 10, 2013.	
	Individuals having significant influence on the Company (Promoters)	Shri S. N. Ruia, Chairman Shri P. S. Ruia, Director Shri A. S. Ruia, Director (Upto August 07, 2012)
	Companies in which promoters have significant influence / control	Arkay Holdings Limited (ARKAYHPL), Balaji Trust (BALAJITR), Essar Agrotech Limited (EATL), Essar Energy Services Limited (EESL(EIL)), Essar Heavy Engineering Services Limited (EHESL), Essar House Limited (EHL), Essar Investments Limited (EIL),Essar Infrastructure Services Limited (EISL), Essar Information Technology Limited (EITL), Essar Properties Limited(EPRL), Essar Services India Limited(ESIL), Futura Travels Limited (FUTURA), Imperial Consultants & Securities Private Limited (FKA Essar Holdings Limited) (ICSPL), Kanak Communications Private Limited (KANAKCL), New Ambi Trading & Investments Private Limited (NEWAMBITPL), Paprika Media Private Limited (PAPRIKA), SG Chemicals and Dyes Trading Limited (SGCHEMTL), Sinter Keramos and Composites Private Limited (SKCPL), The Mobilestore Limited (TMSL), Vadinar Properties Limited (VPL).
3)	Names of related parties, where the transactions during the year / balances as at March 31, 2014 with a single party are 10% or more, are disclosed under each nature of transaction / class of balances.	
4)	Previous year figures have been shown in brackets.	

47. Figures of previous year have been regrouped / rearranged, wherever necessary, to conform to those of the current year.

For and on behalf of the Board of Directors

Lalit Kumar Gupta
Managing Director and
Chief Executive Officer

Naresh Nayyar
Deputy Chairman

S. S. Shaffi
Company Secretary
Mumbai, May 20, 2014

Suresh Jain
Chief Financial Officer

Statement pursuant to Section 212 of the Companies Act, 1956, relating to Company's interest in subsidiary companies

Name of the Subsidiary				Essar Oil Trading Mauritius Limited
1	The Financial year of the subsidiary company ended on			March 31, 2014
2	Date from which it became a subsidiary company			March 11, 2014
3	a.	Number of shares held by Essar Oil Limited with its nominees in the subsidiary at the end of the financial year of the subsidiary company.		100 (One Hundred)
	b.	Extent of interest of holding company at the end of the financial year of the subsidiary company		100%
4	The net aggregate amount of the subsidiary company's profit/(loss) so far as it concerns the members of the holding company :			
	a.	Not dealt with in the holding company's account :		
		i)	For the financial year ended March 31, 2014	Not applicable
		ii)	For the previous financial years of the subsidiary company since it became the holding company's subsidiary.	Not applicable
	b.	Dealt with in the holding company's accounts:		
		i)	For the financial year ended 31st March, 2014 (In ₹)	(3,89,791)
		ii)	For the previous financial years of the subsidiary company since they became holding company's subsidiary	Not applicable

For and on behalf of the Board of Directors

Lalit Kumar Gupta
Managing Director and
Chief Executive Officer

Naresh Nayyar
Deputy Chairman

S. S. Shaffi
Company Secretary
Mumbai, May 20, 2014

Suresh Jain
Chief Financial Officer

Independent Auditors' Report

To

THE BOARD OF DIRECTORS OF ESSAR OIL LIMITED

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **ESSAR OIL LIMITED** ("the Company") and its subsidiary (the Company and its subsidiary constitute "the Group"), which comprise the Consolidated Balance Sheet as at March 31, 2014, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

The Company's Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of the report of the other auditor on the financial statements / financial information of the subsidiary and based on the consideration of unaudited financial statement / financial information of the associate referred to below in the Other Matters paragraph, the aforesaid consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2014;

(b) in the case of the Consolidated Statement of Profit and Loss, of the profit of the Group for the year ended on that date; and

(c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

Emphasis of Matters

We draw attention to:

(a) Note 7(ii)(a) to the consolidated financial statements regarding accounting of interest on certain categories of debentures on a cash basis as per the Court order.

(b) Note 7(ii)(c) to the consolidated financial statements regarding measurement of certain borrowings covered by a Common Loan Agreement as per the accounting policy consistently followed by the Company.

(c) Note 37 to the consolidated financial statements regarding (i) approval by the shareholders at the Extraordinary General meeting of the Company held on May 06, 2014 for acquisition of Preference Shares of Essar Power Limited in part settlement of dues of ₹ 1,025.00 crores from Essar House Limited and acquisition of shares of an associate company so as to make it a wholly owned subsidiary (ii) receivable of balance dues of ₹ 917.58 crores from Essar House Limited, and (iii) recovery of advances of ₹ 1,828.29 crores and security deposit of ₹ 590.00 crores from the aforesaid associate.

Our opinion is not qualified in respect of these matters.

Other Matters

(a) We did not audit the financial statements of a subsidiary (Previous year ended March 31, 2013: No subsidiary), whose financial statements reflect total assets including Goodwill (net) of ₹ 0.05 crores as at March 31, 2014, total revenues of ₹ 0.03 crores and net cash flows amounting to ₹ Nil for the year ended on that date, as considered in the consolidated financial statements. These financial statements / financial information have been audited by other auditor whose report has been furnished to us by the Management and our opinion, in so far as it relates to the amounts and disclosures included in respect of the subsidiary, is based solely on the report of the other auditor.

(b) The consolidated financial statements include the Group's share of net profit of ₹ 1.26 crores for the year ended March 31, 2014, as considered in the consolidated financial statements, in respect of an associate, based on its unaudited financial statements/financial information. Our opinion, in so far as it relates to the amounts included in respect of the associate, is based solely on such unaudited financial statements/financial information.

Our opinion is not qualified in respect of these matters.

For **Deloitte Haskins & Sells**
Chartered Accountants
(Firm Registration No. 117365W)

R.D. Kamat
Partner
Membership No. 36822

Mumbai, May 20, 2014

ESSAR
OIL & GAS

Consolidated Balance Sheet as at March 31, 2014

(₹ in crore)

Particulars	Note	As at March 31, 2014
EQUITY AND LIABILITIES		
Shareholders' funds		
a) Share capital	4	1,466.12
b) Reserves and surplus	5	1,002.14
Foreign Currency Compulsory Convertible Bonds	6	-
Non-current liabilities		
a) Long-term borrowings	7	14,284.55
b) Deferred tax liabilities (Net)	8	-
c) Other long term liabilities	10	238.87
d) Long-term provisions	11	5.14
Current liabilities		
a) Short-term borrowings	12	6,756.98
b) Trade payables	9	19,815.14
c) Other current liabilities	10	8,489.07
d) Short-term provisions	11	43.98
Total		**52,101.99**
ASSETS		
Non-current assets		
a) Fixed assets	13	
(i) Tangible assets		20,452.21
(ii) Intangible assets		181.06
(iii) Capital work-in-progress		3,467.68
(iv) Intangible assets under development		270.68
b) Non-current investments	14	140.68
c) Long-term loans and advances	18	979.89
d) Other non-current assets	19	1,660.27
Current assets		
a) Current investments	14	495.00
b) Inventories	15	9,309.96
c) Trade receivables	16	7,100.10
d) Cash and bank balances	17	3,631.53
e) Short-term loans and advances	18	2,814.90
f) Other current assets	19	1,598.03
Total		**52,101.99**

The accompanying notes are an integral part of the consolidated financial statements

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

R. D. Kamat
Partner
Mumbai, May 20, 2014

For and on behalf of the Board of Directors

Lalit Kumar Gupta
Managing Director and
Chief Executive Officer

Naresh Nayyar
Deputy Chairman

S. S. Shaffi
Company Secretary
Mumbai, May 20, 2014

Suresh Jain
Chief Financial Officer

Statement of Consolidated Profit and Loss for the year ended March 31, 2014

(₹ in crore)

Particulars	Note	For the year ended March 31, 2014
INCOME		
Revenue from operations	20	98,601.87
Other income	21	870.72
Total Revenue		**99,472.59**
EXPENSES		
Cost of raw materials consumed	22	88,824.12
Purchase of traded goods	23	1,276.23
Changes in inventory of finished goods, work-in-progress and stock-in-trade	24	148.38
Employee benefits expense	25	224.61
Other expenses	26	4,296.68
		94,770.02
Earnings before finance costs, depreciation and amortisation expenses, exceptional items and tax (EBIDTA)		**4,702.57**
Finance costs	27	3,218.32
Depreciation and amortisation expenses	13	1,355.21
Profit before exceptional items and tax		**129.04**
Exceptional items		-
Profit before tax		**129.04**
Tax expense:		
(a) Current tax represents ₹ 3.29 crore pertaining to earlier year		3.29
(b) Deferred tax		-
Profit for the year from continuing operations before share of profit of Associate		**125.75**
Add : Share of profit in associate (refer note 36)		1.26
Profit for the year from continuing operations after share of profit of Associate		**127.01**
Earnings per equity share (Face value ₹ 10 per share) :	28	
(1) Basic (in ₹)		0.91
(2) Diluted (in ₹)		0.88
The accompanying notes are an integral part of the consolidated financial statements		

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

R. D. Kamat
Partner
Mumbai, May 20, 2014

For and on behalf of the Board of Directors

Lalit Kumar Gupta
Managing Director and
Chief Executive Officer

Naresh Nayyar
Deputy Chairman

S. S. Shaffi
Company Secretary
Mumbai, May 20, 2014

Suresh Jain
Chief Financial Officer

ESSAR OIL & GAS

Consolidated Cash Flow Statement for the year ended March 31, 2014

(₹ in crore)

	Particulars	For the year ended March 31, 2014
A	CASH FLOW FROM OPERATING ACTIVITIES	
	Net profit / (loss) before tax and extraordinary items	**129.04**
	Adjustments for :	
	Depreciation / amortisation	1,355.21
	Fixed assets written off / provided	0.64
	Interest on income tax refund	(19.32)
	Interest income on bank deposits (other than margin deposits)	(5.14)
	(Profit) / Loss on sale of fixed assets (net)	(0.00)*
	Unrealised exchange differences	14.09
	Mark to market - commodity hedging losses	3.03
	Interest	2,450.56
	Bad debts written off / doubtful debts provided for	0.07
	Write back old liabilities / excess accrual	(1.65)
	Operating profit before working capital changes	**3,926.53**
	Working capital changes	
	Adjustments for :	
	Changes in inventories	1,278.44
	Changes in receivables, advances and deposits	(4,403.35)
	Changes in payables	9,127.79
	Cash generated from operating activities	**9,929.41**
	Income tax refund / (payment) (net) (including interest)	166.49
	Net cash generated from operating activities (A)	**10,095.90**
B	CASH FLOW FROM INVESTING ACTIVITIES	
	Additions to fixed assets	(1,153.39)
	Purchase consideration paid on acquisition for subsidiary	(0.00)*
	Sale of fixed assets	0.01
	Purchase of investment	(495.00)
	Placement of long term deposits	(44.46)
	Encashment of long term deposits	0.32
	Interest received on bank deposits (other than margin deposits)	3.67
	Net cash used in investing activities (B)	**(1,688.85)**

Consolidated Cash Flow Statement for the year ended March 31, 2014

(₹ in crore)

	Particulars	For the year ended March 31, 2014
C	CASH FLOW FROM FINANCING ACTIVITIES	
	Proceeds from borrowings {including funding of interest (refer note 7 (ii)(c))}	10,219.33
	Repayment of borrowings and sales tax liabilities	(13,339.28)
	Changes in short term borrowings (net)	(1,236.56)
	Interest paid	(2,941.10)
	Bills of exchange accepted	77.57
	Bills of exchange honoured	(257.52)
	Change in short term bills of exchange (net)	(0.94)
	Net cash used in financing activities (C)	**(7,478.50)**
	Net (decrease) / increase in cash and cash equivalents (A+B+C)	**928.55**
	Cash and cash equivalents at the beginning of the year	**340.71**
	Cash and cash equivalents at the end of the year	**1,269.26**
	Net (decrease) / increase in cash and cash equivalents	**928.55**

Notes:

1 Non cash transaction:

During the year, the Company converted foreign currency compulsory convertible bonds (FCCCBs) into equity shares on December 09, 2013 (refer note 6).

2 Cash and cash equivalents included in the consolidated cash flow statement comprise of the following balance sheet amounts:

(₹ in crore)

	As at March 31, 2014
CASH ON HAND AND BALANCES WITH BANKS	
Cash and cash equivalents (refer note 17)	1,269.27
Less : Effect of exchange rate changes	0.01
Cash and cash equivalents as restated	**1,269.26**

*amount less than ₹ 0.01 crore

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

R. D. Kamat
Partner
Mumbai, May 20, 2014

For and on behalf of the Board of Directors

Lalit Kumar Gupta
Managing Director and
Chief Executive Officer

Naresh Nayyar
Deputy Chairman

S. S. Shaffi
Company Secretary
Mumbai, May 20, 2014

Suresh Jain
Chief Financial Officer

Notes to consolidated financial statements for the year ended March 31, 2014

1. **CORPORATE INFORMATION:**

Essar Oil Limited (the Company) is a public limited company domiciled in India and incorporated under the provisions of the Companies Act, 1956. The equity shares of the Company are currently listed on the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) in India. It is primarily engaged in the business of refining and marketing of petroleum products in domestic and overseas markets. It is also engaged in the business of Exploration and Production.

Essar Oil Trading Mauritius Limited, Mauritius (EOTML) (formerly known as Steel Trading Mauritius Limited) – the principal activity of the company is to engage in investment holding activities. This company was acquired by the Company on March 11, 2014 as a wholly owned subsidiary. There have been no operations in this company post acquisition till March 31, 2014.

Vadinar Power Company Limited, an Associate, owns and operates power plant at Vadinar and supply stream and electricity to the Company.

2. **BASIS OF PREPARATION:**

The consolidated financial statements comprising of Essar Oil Limited (the Company), its subsidiary and an associate together referred as "the Group" have been prepared in accordance with Generally Accepted Accounting Principles in India ("Indian GAAP"). The Group has prepared these financial statements to comply in all material respects with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements of the Group have been prepared on an accrual basis and under the historical cost convention. Attention is invited to note (7)(ii)(a) and (c).

The consolidated financial statements have been prepared on the following basis:

a) The consolidated accounts have been prepared as per Accounting Standard (AS) 21 - Consolidated Financial Statements and Accounting Standard (AS) 23 - Accounting for Investments in Associates in Consolidated Financial Statements notified under the Companies (Accounting Standards) Rules 2006.

b) The financial statements of the subsidiary company and an associate used in this consolidation are drawn upto the same reporting date of the Company.

c) The financial statements of the Company and its subsidiary have been combined on a line by line basis adding together the book values of like items of assets, liabilities, income and expenses, after duly eliminating intra-group balances and intra group transactions, if any, resulting in unrealised profits or losses.

d) The excess of cost to the Company of its investments in subsidiary over its share of the equity of the subsidiary at the date on which the investments in the subsidiary are made, is recognised as "Goodwill" being an asset in the consolidated financial statements. Alternatively, where the share of equity in the subsidiary as at the date of investment is in excess of the cost of investment of the Company, it is recognised as "Capital Reserve" and shown under the head Reserves and Surplus in the consolidated financial statements.

e) Since there were no operations in the wholly owned subsidiary post acquisition, for the limited purpose of consolidation the entity has been treated as "Non integral foreign subsidiary". Accordingly, revenue items are consolidated at the average rate prevailing during the year. All assets and liabilities are converted at rates prevailing at the end of the year. Any exchange difference arising on consolidation is recognised in the foreign currency translation reserve.

f) Investments in an associate are accounted for using the equity method and are initially recognised at cost.

Notes to consolidated financial statements for the year ended March 31, 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a) **Use of estimates**

The preparation of financial statements in conformity with Indian GAAP requires the management of the Group to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and disclosures relating to contingent liabilities, at the end of the reporting period. Though the management believes that the estimates used are prudent and reasonable and are based on management's knowledge of current events and actions, actual results could differ from these estimates resulting in material adjustments to be recognised in the periods in which the results are known / materialise.

b) **Revenue recognition**

Revenue on sale of goods is recognised when property in the goods is transferred to the buyer for a price or when all significant risks and rewards of ownership have been transferred to the buyer and no effective control is retained by the Group in respect of the goods transferred to a degree usually associated with ownership and no significant uncertainty exists regarding the amount of consideration that will be derived from the sale of goods.

Revenue on transactions of rendering services is recognised under the completed service contract method. Contract is regarded as completed when no significant uncertainty exists regarding the amount of consideration that will be derived from rendering the services.

Interest income is recognised on time proportion basis taking into account the amount outstanding and rate applicable.

c) **Government grants**

Government grants are recognised only when there is reasonable assurance that the conditions attached to the grants will be complied with and where such benefits have been earned and it is reasonably certain that the ultimate collection will be made.

d) **Tangible assets and depreciation**

i. Tangible assets

Tangible assets are recorded at cost less accumulated depreciation and impairment loss, if any. Cost is inclusive of non-recoverable duties and taxes, cost of construction including erection, installation, commissioning, know how and expenditure during construction including borrowing costs and results of trial run operations.

ii. Depreciation

Depreciation on plant and machinery is provided as per straight line method. All other assets are depreciated as per written down value method. Depreciation is computed at the rates based on the estimated useful lives of the assets or at the rates provided under Schedule XIV of the Companies Act, 1956, whichever is higher.

Depreciation on additions / deductions to fixed assets made during the year is provided on a pro-rata basis from / upto the date of such additions / deductions, as the case may be.

Cost of assets purchased and / or constructed by the Group whose ownership vests with others by virtue of a contract or otherwise, are amortised at the higher of rates based on the estimated useful lives of the assets or the contract period, or at the rates provided under Schedule XIV of the Companies Act, 1956.

e) **Work in progress and expenditure during construction period**

Direct expenditure on projects or assets under construction or development is shown under capital work-in-progress.

Expenditure incidental to the construction of projects or assets under construction or development that take substantial period of time to get ready for their intended use is accumulated as expenditure during construction, pending allocation to fixed assets and other relevant accounts, as applicable.

f) Intangible assets and amortisation (other than oil and gas exploration and development of assets)

Intangible assets are recognised only when it is probable that the future economic benefits that are attributable to the assets will flow to the Group and the cost of the assets can be measured reliably. Intangible assets are stated at cost less accumulated amortisation and impairment loss, if any.

Intangible assets are amortised over the best estimate of their useful lives, subject to a rebuttable presumption that such useful lives will not exceed ten years.

g) Oil and gas exploration and development of assets

The Group follows full cost method of accounting for its oil and gas exploration and development expenditures. It has identified two cost centers (known as "cost pool"), namely India CBM (Coal Bed Methane) pool and India Oil & Gas pool under which all such expenditures are captured.

All acquisition, exploration and development costs remain in capital-work-in-progress/intangible assets under development until determination of commercial reserves or otherwise. When any well in a cost pool is ready to commence commercial production, the accumulated costs in that cost pool are transferred from capital-work-in-progress/ intangible assets under development to gross block of assets as tangible/intangible assets, under the head "Producing Properties".

Acquisition costs, geological and geophysical (G&G) expenses and unsuccessful exploratory drilling costs are classified as intangible assets or intangible assets under development, depending on completion status. Exploratory oil and gas wells in progress are classified as intangible assets under development while coal bed methane wells are shown under capital work in progress, unless proved unsuccessful. Producing wells, development drilling expenses and surface equipment & facilities are shown under tangible fixed assets or capital work in progress, as the case may be.

In respect of oil and gas reserves proved subsequently, the capital work in progress / intangible assets under development corresponding to such reserves are transferred to gross block of assets at the time when the said reserves are proved. The expenditure which does not result in discovery of proved oil and gas reserves are transferred from capital work in progress/ intangible assets under development to the gross block of assets as and when so determined.

Expenditures (both tangible and intangible) carried under producing property (including future development cost) separately under each cost pool is depleted on a unit-of-production basis, with depletion computed on the basis of the ratio that oil and gas production bears to the balance proved reserves at commencement of the year.

Oil and Gas Joint Ventures are in the nature of Jointly Controlled Assets. Accordingly, assets and liabilities as well as income and expenditures are accounted on a line-by-line basis with similar items in the Group's financial statements, according to the participating interest of the Group.

h) Impairment of assets

The Group assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. If such recoverable amount of the asset is less than

Notes to consolidated financial statements for the year ended March 31, 2014

its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the statement of profit and loss. If at the balance sheet date, there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount but limited to the carrying amount that would have been determined (net of depreciation / amortisation) had no impairment loss been recognised in prior accounting periods.

i) Valuation of inventories

Inventories (other than crude oil extracted by exploration and production segment) are valued at the lower of cost and net realisable value. The value of crude and coal inventory is determined using the first in first out cost formula and the value of finished goods inventory, work-in-progress, stores and spares and other consumables are determined using the weighted average cost formula. Finished goods and work-in-progress include costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Closing stock of crude oil extracted and in saleable condition is valued at net realisable value.

j) Foreign currency transactions

Foreign currency transactions are accounted at the rate normally prevailing on the transaction date. Monetary items denominated in foreign currency other than net investment in non-integral foreign operations are translated at the exchange rate prevailing at the balance sheet date. In case of non-integral foreign operations, all the assets and liabilities are translated at the closing rate whereas the income and expense items are translated at average exchange rate during the period.

Exchange differences arising in a non-integral operation are accumulated in a foreign currency translation reserve until the disposal of the net investment, at which time the same is recognised in the statement of consolidated profit and loss.

Exchange differences arising on settlement or conversion of short term monetary items are recognised in the statement of consolidated profit and loss or expenditure during construction / capital work-in-progress / fixed asset, as applicable. Exchange differences relating to long term monetary items are accounted as under:

(i) in so far as they relate to the acquisition of a depreciable capital asset is added to / deducted from the cost of the asset and depreciated over the balance useful life of the asset;

(ii) in other cases such differences are accumulated in "Foreign Currency Monetary Item Translation Difference Account" and amortised in the statement of consolidated profit and loss over the balance life of the long term monetary item.

In respect of forward contracts entered to hedge foreign currency exposure in respect of recognised monetary items, premia or discounts arising on forward exchange contracts entered into for the purpose of hedging currency risk, are recognized as finance cost in the statement of consolidated profit and loss or expenditure during construction, as applicable, over the life of the contract.

The impact of exchange rate differences between the rates prevailing on the date of forward exchange contracts and the rate prevailing on the balance sheet date or on the dates of settlement of forward exchange contracts whichever is earlier, is recognised in the statement of consolidated profit and loss or expenditure during construction / fixed asset, as applicable.

k) Derivative instruments

In order to hedge its risks associated with certain commodity price risk, foreign exchange fluctuations risk and interest rate risk etc., the Group enters into non-speculative derivative contracts such as forwards, options, swaps, interest rate swaps and other appropriate derivative instruments.

The Group designates such derivative contracts in a cash flow hedging relationship by applying the hedge accounting principles set out in “Accounting Standard 30 - Financial Instruments: Recognition and Measurement”, gains / losses on these contracts arising from changes in fair value, to the extent the hedge is effective, or settled are recognised directly in “cash flow hedge reserve” under Reserves and surplus. Amounts accumulated in the “cash flow hedge reserve” are recycled to the statement of consolidated profit and loss and credited for gains or charged for losses to raw material consumed in so far as it relates to the commodity derivative instruments taken to hedge risk of movement in price of crude oil, credited for gains or charged for losses to sales in so far as it relates to the derivative instruments (including margin cracks) taken to hedge risk of movement in price of finished products, credited for gains or charged for losses to exchange differences (net) in so far as it relates to the derivative instruments taken to hedge risk of movement in foreign exchange rate and credited for gains or charged for losses to finance cost in so far as it relates to the derivative instruments taken to hedge interest rate risk in the same periods during which the transaction affects profit and loss. To the extent that the hedge is ineffective, changes in fair value are recognised in raw material consumed / sales / exchange differences (net) / finance cost as applicable to the statement of consolidated profit and loss. Hedge accounting is discontinued, if the hedging instrument no longer meets the criteria for hedge accounting, gets expired or is sold, terminated or exercised before the occurrence of the forecasted transaction.

Derivative contracts which are not designated for hedge accounting and not accounted under Accounting Standard (AS) 11: The Effects of Changes in Foreign Exchange Rates, the gains / losses arising from settled derivative contracts and net marked to market (MTM) losses in respect of outstanding derivative contracts as at balance sheet date are recognised in raw material consumed / sales / exchange differences (net) / finance cost as applicable to the statement of consolidated profit and loss or expenditure during construction, as applicable. The net MTM gains in respect of outstanding derivatives contracts are not recognised adopting the principles of prudence.

l) Lease

Operating lease

Lease expenses and lease income on operating leases are recognised on a straight line basis over the lease term in the statement of profit and loss or expenditure during construction, as applicable.

Finance lease

As lessee:

Assets taken on lease are capitalised at fair value or net present value of the minimum lease payments, whichever is lower. Depreciation on the assets taken on lease is charged at the rate applicable to similar type of fixed assets as per accounting policy of the Group on depreciation. If the leased assets are returnable to the lessor on the expiry of the lease period, depreciation is charged over its useful life or lease period, whichever is shorter. Lease payments made are apportioned between the finance charges and reduction of the outstanding liability in respect of assets taken on lease. The leases are generally recognised in the books of account at the inception of the lease term. The leases of assets under construction are recognised on commencement of the lease term in accordance with International Accounting Standard (IAS) 17-Leases, as there is no specific guidance available under Indian Accounting Standard (AS) 19 - Leases.

Notes to consolidated financial statements for the year ended March 31, 2014

As lessor:

The assets given under a finance lease are recognised as a receivable in the balance sheet at an amount equal to the net investment in the lease. The recognition of finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding in respect of the finance lease.

m) Employee benefits

i. Post-employment benefit plans

Contribution to defined contribution retirement benefit schemes are recognised as expense in the statement of profit and loss / expenditure during construction, as applicable, when employees have rendered services entitling them to contributions.

For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the statement of profit and loss / expenditure during construction, as applicable, in the period in which they occur. Past service cost is recognised immediately to the extent that the benefits are already vested, and is otherwise amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation and is adjusted both for unrecognised past service cost, and for the fair value of plan assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the scheme, if lower.

ii. Short-term employee benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised during the period when the employee renders the services. These benefits include compensated absences such as paid annual leave and performance incentives.

iii. Long-term employee benefits

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are recognised as a liability at the present value of the defined benefit obligation determined actuarially by using Projected Unit Credit Method at the balance sheet date.

iv. Employee Stock Options Scheme:

Stock options granted to employees under the Employees' Stock Option Scheme (ESOS) are accounted by adopting the intrinsic value method in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on accounting for employee share based payments issued by the Institute of Chartered Accountants of India (ICAI). Accordingly, the excess of market price of the shares over the exercise price is recognised as deferred employee compensation and is charged to statement of profit and loss account on straight-line basis over the vesting period.

The number of options expected to vest is based on the best available estimate and are revised, if necessary, if subsequent information indicates that the number of stock options expected to vest differs from previous estimates.

n) **Valuation of investments**

Investments are classified into long term and current investments. Long term investments are carried at cost. Diminution in value of long term investments is provided for when it is considered as being other than temporary in nature. Current investments are carried at the lower of cost and fair value.

o) **Borrowing costs**

Borrowing costs that are attributable to the acquisition, construction or development of qualifying assets (i.e. assets that take substantial period of time to get ready for its intended use) are charged to expenditure during construction / capital work in progress.

Other borrowing costs are recognised in the statement of profit and loss.

p) **Taxation**

Provision for current taxation is computed in accordance with the relevant tax laws and regulations. Deferred tax is recognised on timing differences between the accounting and the taxable income for the year and quantified using the tax rates and laws enacted or substantively enacted as on the reporting date. Deferred tax assets are recognised only when there is a reasonable certainty that sufficient future taxable income will be available against which they will be realised. Where there is a carry forward of losses or unabsorbed depreciation, deferred tax assets are recognised only if there is a virtual certainty supported by convincing evidence of availability of taxable income against which such deferred tax assets can be realised in future.

Minimum alternative tax (MAT) paid in accordance with tax laws, which gives rise to future economic benefit in form of adjustment of future income tax liability, is considered as an asset if there is convincing evidence that the Group will pay normal tax after the tax holiday period. Accordingly it is recognised as an asset in the balance sheet when it is probable that future economic benefit associated with it will flow to the Group and the asset can be measured reliably.

q) **Provisions, contingent liabilities, contingent assets and commitments**

A provision is recognised when there is a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Contingent liabilities in respect of show cause notices are considered only when converted into demand. Contingent liabilities are not recognised but disclosed unless the probability of an outflow of resources is remote. Contingent assets are neither recognised nor disclosed.

Contingent Liabilities and commitments are assessed and reported only for items exceeding ₹ 0.10 crore in each case.

r) **Measurement of EBIDTA**

The Group has elected to present earnings before interest (including finance costs), depreciation / amortisation expenses and tax (EBIDTA) as a separate line item on the face of the statement of profit and loss. The Group measures EBIDTA on the basis of profit / (loss) from continuing operations and does not include interest (including finance costs), depreciation / amortisation expenses, exceptional and extraordinary items and tax.

Notes to consolidated financial statements for the year ended March 31, 2014

4. SHARE CAPITAL

(₹ in crore)

Particulars	As at March 31, 2014	
	Number of shares	Amount
Authorised		
Equity shares of ₹ 10 each	5,000,000,000	5,000.00
Issued and subscribed		
Equity shares of ₹ 10 each	1,511,442,900	1,511.44
Paid up		
Equity shares of ₹ 10 each fully paid up	1,449,516,900	1,449.52
Add : Forfeited shares - Equity shares of ₹ 10 each	61,926,000	16.60
		1,466.12

a) **Reconciliation of the number of shares outstanding at the beginning and at the end of the reporting period :**

(₹ in crore)

Particulars	As at March 31, 2014	
	Number of shares	Amount
Shares outstanding at the beginning of the year	1,365,667,086	1,365.67
Add : Equity Shares issued during the year (refer note 6)	83,849,814	83.85
Shares outstanding at the end of the year	**1,449,516,900**	**1,449.52**

b) **Terms / rights attached to the Equity Shares / Global depository shares (GDS) :**

The Company has only one class of equity shares having a par value of ₹ 10 per share. Each holder of equity share is entitled to one vote per share.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

Holders of GDS will be entitled to receive dividends, subject to the terms of the Deposit Agreement, to the same extent as the holders of shares, less the fees and expenses payable under such Deposit Agreement and any Indian tax applicable to such dividends. Holders of GDS will not have voting rights with respect to the Deposited Shares.

c) **Shares held by holding / ultimate holding company and / or their subsidiaries / associates:**

(₹ in crore)

Particulars	As at March 31, 2014	
	Number of shares	Amount
4,761,000 GDS held by Essar Oil & Gas Limited, Mauritius, the holding Company pursuant to section 4(6) of the Companies Act, 1956	728,433,000	728.43
1,457,718 GDS held by Essar Energy Holdings Ltd., Mauritius, subsidiary of the holding company	223,030,854	223.03
Equity shares held by Essar Energy Holdings Ltd., Mauritius, subsidiary of the holding company	354,714,547	354.71
Equity Shares held by Essar Power Hazira Holdings Limited, subsidiary of ultimate holding company, Essar Global Fund Limited	100	0.00*

* Amount less than ₹ 0.01 crore

d) **Stock Options :**

Under the Essar Oil Employee Stock Option Scheme 2011 approved by the members at the 21st Annual General Meeting held on August 12, 2011, the Company has granted the stock options to eligible employees. The details of the stock option schemes are as under:

A) **Employee stock options scheme :**

Particulars	Tranche I	Tranche II
No. of options	3,211,391	2,313,292
Grant price	₹ 69.05	₹ 52.20
Grant dates	December 02, 2011	November 20, 2013
Total options forfeited / cancelled	1,165,508	234,957
Options outstanding at the end of the year	2,045,883	2,078,335
Vesting of options	Three equal installments at the end of 3rd, 4th, 5th years from the grant date (In to Equity shares of ₹ 10 each)	
Exercise period	7 years from date of vesting	

B) **Movement of Options Granted :**

Particulars	Year ended March 31, 2014
Options outstanding at the beginning of the year	2,519,058
Granted during the year	2,313,292
Options forfeited / cancelled during the year*	708,132
Exercised during the year	-
Options outstanding at the end of the year	4,124,218
Options unvested at the end of the year	4,124,218

*The remuneration committee of the Board of Directors has noted the forfeiture of 708,132 stock option on May 20, 2014.

Notes to consolidated financial statements for the year ended March 31, 2014

e) **Details of shareholders (including GDS holders) holding more than 5% shares in the Company**

Particulars	As at March 31, 2014	
	Number of shares	% of shares
4,761,000 Global Depository Shares ("GDS") held by Essar Oil & Gas Limited (formerly known as Vadinar Oil) Mauritius, the holding Company pursuant to section 4(6) of the Companies Act, 1956	728,433,000	50.25%
1,457,718 GDS held by Essar Energy Holdings Ltd., Mauritius, subsidiary of the holding company	223,030,854	15.39%
Equity shares held by Essar Energy Holdings Ltd., Mauritius, subsidiary of the holding company	354,714,547	24.47%

5. RESERVES AND SURPLUS

(₹ in crore)

Particulars		As at March 31, 2014
Capital reserve		
Opening balance		40.89
	(A)	**40.89**
Securities premium account		
Opening balance		4,928.45
Add : Premium on conversion of FCCCBs into shares (refer note 6)		1,256.15
	(B)	**6,184.60**
Debenture redemption reserve		
Opening balance		37.21
Add : Transferred from Balance in statement of profit and loss under section 117 (C) of the Companies Act,1956 (refer below)		0.12
	(C)	**37.33**
General reserve		
Opening balance		22.25
	(D)	**22.25**
Cash flow hedge reserve (refer note 34)	**(E)**	**11.84**
Surplus / (Deficit) - Balance in statement of profit and loss		
Opening balance**		(5,308.84)
Add : Net profit / (loss) for the year		127.01
Less : Appropriations :		

5. RESERVES AND SURPLUS (CONTD.)

(₹ in crore)

Particulars		As at March 31, 2014
Transfer to Debenture redemption reserve (see above)		0.12
	(F)	**(5,181.95)**
Foreign currency monetary item translation difference account {refer note 3(j) and 38}		
Opening balance gain / (loss)		(63.88)
Add : Effect of foreign exchange rate variation during the year		(173.73)
Less : Amortisation during the year		(124.79)
	(G)	**(112.82)**
Foreign currency translation reserve {refer note 2(e)}	**(H)**	**0.00***
Total (A+B+C+D+E+F+G+H)		**1,002.14**

*Amount less than ₹ 0.01 crore

** ₹ 36.42 crore adjusted for Associate's share of profit upto March 31,2013.

6. FOREIGN CURRENCY COMPULSORY CONVERTIBLE BONDS (FCCCBs)

During the year, the Company has issued and allotted 83,849,814 equity shares of ₹ 10/- each (face value) fully paid-up, to a promoter company on their exercising the option to convert the entire holding of FCCCBs aggregating to USD 262 million (₹ 1,224.65 crore) into equity shares on December 09, 2013. The terms of issue is detailed below:

i. Issue and allotment of 38,833,443 equity shares of ₹ 10/- each at a price of ₹ 138 per share, on conversion of 1,150 FCCCBs of USD 100,000 each aggregating to USD 115 million which were issued on June 15, 2010; and

ii. Issue and allotment of 45,016,371 equity shares of ₹ 10/- each at a price of ₹ 153 per share, on conversion of 1,470 FCCCBs of USD 100,000 each aggregating to USD 147 million which were issued on July 09, 2010.

Accordingly, face value of shares issued ₹ 83.85 crore is transferred to share capital account and balance amount ₹ 1,256.15 crore (including the exchange fluctuation on restatement of such FCCCBs upto the date it became compulsory convertible) is transferred to securities premium account.

Notes to consolidated financial statements for the year ended March 31, 2014

7. LONG TERM BORROWINGS

(₹ in crore)

Particulars		As at March 31, 2014	
		Non current	Current
(A)	**Secured loans / Borrowings**		
	Debentures		
	Non convertible debentures (refer note (ii)(a) below)	140.33	8.96
	Amount disclosed under the head of "Other long term / Current liabilities" (refer note 10)		(8.96)
	(i)	**140.33**	**-**
	Term loans		
	From banks	11,076.19	2,613.12
	From financial institutions	927.24	85.35
	Funded interest facilities (refer note (ii)(c) below)		
	From banks	1,469.08	-
	From financial institutions	626.83	-
	Amount disclosed under the head of "Other long term / Current liabilities" (refer note 10)		(2,698.47)
	(ii)	**14,099.34**	**-**
	(A) - (i+ii)	**14,239.67**	**-**
(B)	**Unsecured loans / Borrowings**		
	Finance lease obligation {refer note 39(a)(i)}		
	From others	37.23	8.66
	Other loans		
	Conditional grant from a bank	7.65	-
	From related parties (refer note 46)	-	13.81
	Amount disclosed under the head of "Other long term / Current liabilities" (refer note 10)		(22.47)
	(B)	**44.88**	**-**
	Total (A+B)	**14,284.55**	**-**

The classification of loans between current and non-current is based on repayment schedule under respective agreements as no loans have been recalled due to non-compliance of conditions under any of the loan agreements. The non compliance of conditions under the loan agreements are primarily arising out of the order of the Hon'ble Supreme Court dated January 17, 2012. This is in accordance with the guidance issued by the Institute of Chartered Accountants of India on Revised Schedule VI to the Companies Act, 1956.

(i) **Security for term loans and funded interest facilities from banks and financial institutions and debentures**

a) Term loans and funded interest facilities of ₹ 5,808.28 crore and debentures of ₹ 149.29 crore are secured / to be secured by first ranking security interests (pari passu with loans for refinery expansion, refinery optimisation, HMU II ECB, ICICI refinanced ECB loan, IDBI refinanced ECB loan and Sales tax / General purpose term loan) on all present and future immovable assets of refinery division, all present and future movable assets other than current assets of refinery division, security interest on rights, title and interests, trust and retention accounts, insurance policies in relation to the refinery including refinery expansion, refinery optimisation and HMU II and second ranking security interests on current assets, pledge of certain shares of a Company held by promoter's Company, personal guarantees of some of the promoters and other collaterals being charge on pledge of certain shares of a Group Company and charge by way of mortgage over a property of Group Company. Term Lenders have agreed to release personal guarantees and collaterals thereto and majority of the lenders have already released the same and other are in process of releasing.

b) Corporate term loan from a bank of ₹ 1,000.00 crore is secured by first charge on all present and future current assets (ranking pari passu with working capital facility), excluding that of exploration and production division, second charge by way of mortgage of land and building and plant and machinery and other assets excluding certain category of assets, personal guarantees of some of the promoters and corporate guarantee by a Group Company and other collaterals being second charge on pledge of certain shares of the Company and that of a Group Company held by promoters and second charge by way of mortgage over a property of a Group Company.

c) Sales tax / General purpose term loan from a bank of ₹ 3,250.00 crore is secured by first ranking security interests (pari passu with loans for refinery, refinery expansion, HMU II ECB, ICICI refinanced ECB loan, IDBI refinanced ECB loan and refinery optimisation) on all present and future fixed assets and second ranking security interests on all present and future current assets excluding debt of exploration and production division, personal guarantees of some of the promoters and certain undertakings provided from holding companies.

d) IDBI refinanced ECB loan of ₹ 1,620.94 crore is secured / to be secured by first ranking security interests (pari passu with loans for refinery, refinery expansion, refinery optimisation, HMU II ECB, ICICI refinanced ECB loan and Sales tax / General purpose term loan) on all present and future immovable assets (except certian leased out assets) of refinery project, all present and future movable assets of refinery project excluding current assets, security interest on the rights, title and interest under project documents, trust and retention accounts, insurance policies all in relation to the refinery including refinery expansion, refinery optimisation and HMU II and second pari-passu charge on the current assets, pledge of certain shares of the Company held by promoter's Company and certian undertakings provided by holding companies.

e) ICICI refinanced ECB loan of ₹ 1,442.40 crore is secured / to be secured by first ranking security interests (pari passu with loans for refinery, refinery expansion, refinery optimisation, HMU II ECB, IDBI refinanced ECB loan and Sales tax / General purpose term loan) on all present and future immovable assets of the in relation to the refinery project, including the rights to the refinery project land and the project site (but excluding (I) all immovable property leased to or provided for use by the entities implementing the terminal utility, the power utility and township project, and (II) any land for the second train of 18 MMTPA); a first ranking charge by way of hypothecation of all moveable fixed assets in relation to the refinery project, both present and future (but excluding all upstream oil & gas, coal bed methane related assets including but not limited to Ratna & R-series oil fields, CBON-3 (Mehsana), Raniganj RJ (East), CR-ON-90/1 (Cachar), Blocks L&A2 (Myanmar) and

Notes to consolidated financial statements for the year ended March 31, 2014

AA-ONN (Assam) blocks and Naphtha Receivables, all intangible and tangible assets with respect to the refinery project (but excluding Current Assets in relation to the refinery project and all upstream oil & gas, coal bed methane related assets including but not limited to Ratna & R-series oil fields, CBON-3 (Mehsana), Raniganj RJ (East), CR-ON-90/1 (Cachar), Blocks L&A2 (Myanmar) and AA-ONN (Assam) blocks and Naphtha Receivables, all the bank accounts in relation to the refinery project, including without limitation the Trust and Retention Accounts, the Debt Service Reserve Account, the Escrow Account, all the rights, titles, permits, approvals, interests etc., under project documents, a second ranking charge by way of hypothecation on all current assets of the in relation to the refinery project, pledge of certain shares of the Company held by promoter's Company and certain undertakings provided by holding companies.

f) Term loans of ₹ 3,001.03 crore for the refinery expansion are secured by first ranking security interests (pari passu with loans for refinery, refinery optimisation, HMU II ECB, IDBI refinanced ECB loan, ICICI refinanced ECB loan and Sales tax / General purpose term loan) on all present and future immovable assets of refinery, all present and future movable assets, other than current assets of refinery, all tangible and intangible assets of refinery, all the bank accounts of refinery including without limitation the cash sweep account, debt service reserve account, first charge on security interest on rights, title and interests under project documents, trust and retention accounts, insurance policies in relation to the refinery, including refinery expansion, charge over immovable properties leased to entities implementing the terminal utility, power utility and township utility (subject to prior charge in favour of the lenders financing the said utilities) and second ranking security interest on current assets of refinery and further by pledge and non-disposal undertaking of certain shares / global depository shares of the Company held by promoter's Company, personal guarantees of promoters of the Company together with collateral securities i.e. pledge over certain shares of group company and mortgage over the certain assets of a group company and certain undertakings from holding and group companies and residual charge on the company's participating interest and cash flows related to upstream oil and gas, coal bed methane fields and related assets subject to certain approvals.

g) Term loans of ₹ 805.53 crore for the refinery optimisation are secured by first ranking security interests (pari passu with loans for refinery, refinery expansion, HMU II ECB, IDBI refinanced ECB loan, ICICI refinanced ECB loan and Sales tax / General purpose term loan) on all present and future immovable assets (except certain leased out assets) of refinery project, all present and future movable assets other than current assets of refinery project, all tangible and intangible assets of refinery project, bank accounts of optimisation project security interest on rights, title and interests under project documents, trust and retention accounts, insurance policies in relation to the refinery, refinery expansion and refinery optimisation and second ranking security interests on current assets.

h) Term loans of ₹ 567.26 crore is secured / to be secured by first charge on immovable assets and movable assets (present and future), first charge over book debts, operational cash flows, receivables, trust and retention account, Debt Service Reserve account, participating interest under CBM contract, security interest on rights, title and interests under the project documents, insurance policies, clearances, rights under letter of credit, guarantee, performance bond, corporate guarantee and bank guarantees, all in relation a CBM Project.

i) ECB Loan of HMU II ₹ 579.68 crore is secured by first ranking security interests (pari passu with loans for refinery, refinery expansion, refinery optimisation, IDBI refinance ECB loan, ICICI refinanced ECB loan and Sales tax / General purpose term loan) on all present and future immovable assets (except certain leased out assets) of refinery, security interest on rights, title and interests under project documents, all present and future movable assets of refinery, all tangible and intangible assets of refinery, all the bank accounts of HMU II project including without limitation to trust and retention accounts, debt service reserve account, project implementation account and second ranking security interests on current assets of refinery, pledge of certain shares of the Company held by promoter's Company and certain undertakings provided by holding companies.

(ii) Repayment and other terms:

a) Outstanding debentures consists of :

13,592,050 – 12.50% Secured redeemable non – convertible debentures (NCDs) of ₹ 105/- each amounting to ₹ 142.72 crore.

700,000 – 12.50% Secured redeemable non – convertible debentures (NCDs) of ₹ 100 each on private placement basis partly paid up at ₹ 93.86 per debenture amounting to ₹ 6.57 crore.

As per the Common Loan Agreement (CLA) dated March 25, 2013, entered with lenders post exit from the Corporate Debt Restructuring (CDR) Scheme, the Group has agreed to pay interest on a monthly/ quarterly basis, on the debentures held by the erstwhile CDR lenders at a prime lending rate / base rate of respective banks plus margin (margin ranges from 2.12 % p.a.to 3.00% p.a.). During the year, the Group sent offer letters to all the debenture holders other than lenders and Group Companies giving them, inter alia, an option for prepayment of debentures along with accumulated interest in full. The principal amount of debentures was otherwise payable from December 2014 to June 2018 and accumulated interest from December 2014 to March 2027, with an option to prepay certain portion of interest at a discounted rate. These debenture holders were also given an option to fall in line with the terms contained in the CLA. Out of the total 49 debenture holders, 43 debenture holders exercised the option for prepayment of the debenture amount along with accumulated interest and the total amount prepaid (including funded interest) during the year to such debenture holders is ₹ 9.20 crore. The balance debenture holders did not respond.

The Hon'ble High Court of Gujarat has, in response to the Company's petition, ruled vide its orders dated August 04, 2006 and August 11, 2006 that the interest on various facilities of debentures should be accounted on cash basis. In accordance with the said petition / order, funded / accrued interest liabilities amounting to ₹ 304.93 crore as at March 31, 2014 have not been accounted for. This amount carries interest rate ranging from fixed rate of 4.98% p.a. to a floating rate of 13.00% p.a. and is repayable from December 2014 to March 2027.

b) The Interest rates for the loans covered under the Common Loan Agreement ("the CLA") (earlier Master Restructuring Agreement ("the MRA")) with Banks and Financial institutions amounting to ₹ 4,492.38 crore is based on their prime lending rate / base rate / LIBOR plus margin (margin ranges from 2.12% to 3.00%) with different repayment installments starting from December 2009 to March 2026.

c) In 2012-13, the Company exited Corporate Debt Restructuring Scheme resulting in termination of the MRA dated December 17, 2004 and entered into a CLA dated March 25, 2013 with the lenders for the loan facilities which were hitherto being governed by the MRA. The MRA gave an option, subject to consent of lenders, to the Company to prepay certain funded interest loans (the FS loans) of ₹ 2,471.64 crore on or before April 24, 2012 without interest. The FS loan has not been prepaid before April 24, 2012 and is now governed by the CLA.

In order to give accounting effect to reflect the substance of the transaction, the FS loan was, since inception, measured by the Company in accordance with the principles of IAS 39, Financial Instruments, Recognition and Measurement, in absence of specific guidance in Indian GAAP to cover the specific situation.

Applying the principle of Accounting Standard 30, Financial Instruments, Recognition and Measurement, the FS loan has been re-measured in continuance of the above principle, considering present value of cash flow inclusive of future interest.

Notes to consolidated financial statements for the year ended March 31, 2014

Accordingly, the gross liability of ₹ 3,166.34 crore of the FS loans and funded interest thereon as at March 31, 2014 (comprising of ₹ 2,126.83 crore to the banks and ₹ 1,039.51 crore to the financial institutions) have been measured at ₹ 2,057.32 crore (comprising of ₹ 1,430.49 crore to the banks and ₹ 626.83 crore to the financial institutions).

The changes in the present obligation of the said loans ₹ 223.49 crore has been treated as finance cost in the statement of consolidated Profit and Loss or capitalised as part of cost of fixed assets, as applicable.

The FS Loans of ₹ 2,471.64 crore is repayable in various installments from March 2021 to March 2026 and the Funded Interest thereon as at March 31, 2014 amounting to ₹ 694.70 crore is repayable in 40 equal quarterly installments beginning June 30, 2015.

A funded interest loan of ₹ 206.88 crore is payable in a single bullet payment in 2031 and is continued to be measured in accordance with the aforementioned principles at ₹ 38.59 crore.

d) Term Loans amounting to ₹ 3,410.22 crore carry interest rate linked with respective banks' prime lending rate / base rate / liquidity premium and are repayable in installments starting from December 2012 ending in March 2020.

e) Term loans amounting to ₹ 567.26 crore carry interest rate linked with respective banks prime lending rate/base rate/LIBOR plus margin and are repayable in installments starting from March 2014 and ending in December 2021. Out of above ₹ 38.41 crore pertains to Buyers' credit which will be ultimately converted into term loan.

f) ECB Loan amounting to ₹ 396.34 crore carry interest rate of LIBOR + 2.75% are repayable in installments starting from January 2012 and ending in October 2018.

g) ECB Loan amounting to ₹ 3,063.34 crore carry interest rate of 3/6 months LIBOR + margin ranging from 4.704% to 5.00% are repayable in installments starting from March 2015 and ending in March 2024.

h) Corporate term loan amounting to ₹ 1,000.00 crore carry interest rate at banks' prime lending rate / base rate plus 3.75% (margin / liquidity premium) and is repayable in installments from June 2014 to March 2017.

i) General purpose term loan amounting to ₹ 3,250.00 crore carry interest rate at banks' prime lending rate / base rate plus 3.00% (margin / liquidity premium) and is repayable in installments from December 2012 to September 2018.

j) ECB Loan amounting to ₹ 579.68 crore carry interest of 3 months LIBOR + 4.96% and is repayable in installments starting from June 2015 and ending in March 2021.

k) The pilot project for coal bed methane gas was partially financed by a conditional grant of USD 0.89 million and ₹ 2.31 crore received from a bank.

The conditional grant, in terms of the agreement, will be repayable in the event the Company puts the project to commercial use, and repayments to the bank will be based on gross annual sales derived from the commercial exploitation of the project, subject to a maximum repayment of 200% of the conditional grant. Commercial exploitation of the project is dependent upon getting necessary approvals from the Government of India.

l) Rupee loan from a related party amounting to ₹ 13.81 crore carrying interest rate of 10.25% repayable by April 25, 2014 in various installments.

Notes to consolidated financial statements for the year ended March 31, 2014

8. DEFERRED TAX LIABILITIES (NET)

(₹ in crore)

Particulars		As at March 31, 2014
Deferred tax liability		
Fixed asset (excess net book value over written down value as per the provisions of the Income Tax Act, 1961)		(2,556.23)
	(A)	**(2,556.23)**
Deferred tax assets (restricted to the extent of deferred tax liability considering virtual / reasonable certainty, as applicable)		
Disallowance u/s 43B of the Income Tax Act, 1961		1,034.38
Unabsorbed depreciation carried forward as per provisions of the Income Tax Act, 1961		1,521.82
Others		0.03
	(B)	**2,556.23**
Net deferred tax liabilities (net)	**(A+B)**	**-**

The Group has not recognised Deferred Tax Assets (net) of ₹ 1,919.61 crore as on March 31, 2014 on unabsorbed depreciation / loss in view of the concept of "Virtual Certainty Supported by Convincing Evidence" as required under Accounting Standard (AS) 22- "Accounting for Taxes on Income".

9. TRADE PAYABLES

(₹ in crore)

Particulars	As at March 31, 2014	
	Short term	Long term
Micro and small enterprises (refer note 44)	1.49	-
Towards raw materials, goods and services	19,813.65	-
Total	**19,815.14**	**-**

10. OTHER LONG TERM / CURRENT LIABILITIES

(₹ in crore)

Particulars	As at March 31, 2014	
	Short term	Long term
Current maturities of secured loans and debentures {refer note 7(A)}	2,707.43	-
Current maturities of unsecured loans {refer note 7(B)}	13.81	-
Current maturities of finance lease obligations {refer note 7(B)}	8.66	-
Interest accrued but not due on loans/borrowings	16.46	-
Capital creditors	237.42	-
Bills payable for capital creditors	0.52	-

Notes to consolidated financial statements for the year ended March 31, 2014

10. OTHER LONG TERM / CURRENT LIABILITIES (CONTD.)

(₹ in crore)

Particulars	As at March 31, 2014	
	Short term	Long term
Statutory dues	2,304.39	-
Advances received from customers	3,005.79	-
Security deposits	28.61	4.75
Unclaimed debenture interest and principal (secured)* {For security details refer notes under note 7(i)(a)}	26.84	-
Temporary overdrawn bank balances**	75.44	-
Other liabilities	63.70	234.12
Other Current Liabilities	**8,489.07**	
Other Long term Liabilities		**238.87**

* There is no amount due and outstanding to be credited to Investor Education and Protection Fund as at balance sheet date.

** Represents temporary overdrawn bank balances as per books of Accounts, consequent to issue of cheques at year end.

11. LONG TERMS PROVISIONS / SHORT TERM PROVISIONS

(₹ in crore)

Particulars	As at March 31, 2014	
	Short term	Long term
Provision for employee benefits (refer note 45)		
Earned leave	33.67	-
Gratuity	4.06	-
Other Provisions		
Provision for taxation	6.25	-
Site restoration	-	5.14
Total	**43.98**	**5.14**

11. LONG TERMS PROVISIONS / SHORT TERM PROVISIONS (CONTD.)

Movement in Provisions for Site Restoration

(₹ in crore)

Particulars	Year ended March 31, 2014
Opening Balance	5.14
Add: Provision made during the year	-
Closing Balance	**5.14**

Represents current cost of restoring the Exploration and Production sites on abandonment or decommissioning of oil and gas wells and facilities at the end of their economic life.

12. SHORT TERM BORROWINGS

(₹ in crore)

Particulars	As at March 31, 2014
Secured Borrowings	
Buyers' credits, bills discounting and advance against LCs	6,756.33
Bank overdraft / Cash credit	0.65
Total	**6,756.98**

Security for short term borrowing:

(i) Buyers' credits, bills discounting, advance against LCs and Working capital demand loan:

a) ₹ 5,857.42 crore secured by first charge on all current assets (ranking pari passu with Corporate term loan) excluding that of Exploration and Production division, second charge by way of mortgage of land and building and plant and machinery and other movable assets, present and future excluding certain category of assets, personal guarantees of promoters, corporate guarantee by Group Companies, other collaterals being second charge on pledge of certain shares of the Company and that of a Group Company held by other Group Companies and second charge by way of mortgage over a property of Group Company.

b) ₹ 769.86 crore secured by charge over receivables.

c) ₹ 129.05 crore secured by fixed deposits maintained with a bank.

(ii) Bank overdraft / cash credit from bank of ₹ 0.65 crore is secured by fixed deposits maintained with a bank.

Notes to consolidated financial statements for the year ended March 31, 2014

13. FIXED ASSETS

(₹ in crore)

Description of the assets	Gross block (at cost) (I)				Depreciation / amortisation (II)				Net block (III) = (I - II)
	As at April 01, 2013	Additions	Deductions / Write Offs	As at March 31, 2014	As at April 01, 2013	During the year	Deductions / Write Offs	As at March 31, 2014	As at March 31, 2014
A) Tangible assets									
Land	153.00	4.82	-	157.82	-	-	-	-	157.82
Buildings	679.92	31.96	0.08	711.80	148.81	43.59	0.02	192.38	519.42
Plant and machinery	24,306.77	663.29	3.20	24,966.86	3,970.65	1,292.91	1.41	5,262.15	19,704.71
Producing properties (refer note 8 below)	26.66	4.45	-	31.11	0.92	0.84	-	1.76	29.35
Furniture and fixtures	22.44	3.54	0.40	25.58	11.48	2.23	0.30	13.41	12.17
Office equipments	58.94	2.60	7.78	53.76	44.05	3.72	7.32	40.45	13.31
Vehicles	12.93	0.24	0.05	13.12	8.69	1.27	0.05	9.91	3.21
Aircraft	10.00	-	-	10.00	4.16	0.95	-	5.11	4.89
Total (A)	25,270.66	710.90	11.51	**25,970.05**	4,188.76	1,345.51	9.10	**5,525.17**	**20,444.88**
B) Tangible assets taken on lease									
Land	0.17	-	-	0.17	-	-	-	-	0.17
Building	72.73	-	-	72.73	67.80	1.97	-	69.77	2.96
Plant and Machinery	5.62	-	-	5.62	1.49	0.27	-	1.76	3.86
Furniture and Fixtures	0.88	-	-	0.88	0.58	0.05	-	0.63	0.25
Office Equipments	0.67	-	-	0.67	0.57	0.01	-	0.58	0.09
Total (B)	80.07	-	-	**80.07**	70.44	2.30	-	**72.74**	**7.33**
C) Tangible assets given on lease									
Plant and Machinery	18.20	-	-	18.20	18.20	-	-	18.20	-
Total (C)	18.20	-	-	**18.20**	18.20	-	-	**18.20**	**-**
Total Tangible assets (A+B+C)	25,368.93	710.90	11.51	**26,068.32**	4,277.40	1,347.81	9.10	**5,616.11**	**20,452.21**
D) Intangible assets									
Goodwill on consolidation {refer note 2(d)}	-	0.05	-	0.05	-	-	-	-	0.05
Softwares and licenses	60.01	11.11	-	71.12	41.99	8.15	-	50.14	20.98
Producing Properties(refer note 8 below)	171.07	-	-	171.07	6.47	4.57	-	11.04	160.03
Total Intangible assets (D)	231.08	11.16	-	**242.24**	48.46	12.72	-	**61.18**	**181.06**
Total (A+B+C+D)	25,600.01	722.06	11.51	**26,310.56**	4,325.86	1,360.53	9.10	**5,677.29**	**20,633.27**
Capital work-in-progress (Including expenditure during construction)									3,467.68
Intangible assets under development (refer note 8 below)									270.68

NOTES:

1 Total depreciation / amortisation / depletion for the year ₹ 1,360.53 crore is charged / allocated as under :

(i) ₹ 1,355.21 crore to statement of consolidated profit and loss.

(ii) ₹ 5.32 crore to capital work-in-progress (exploration activities).

2 Plant and machinery includes capital expenditure of ₹ 23.27 crore incurred by the Group for a 220 KVA line from Paschim Gujarat Vij Company Limited (PGVCL) feeder, the ownership of which vests with PGVCL and is amortised over a period of 20 years.

3 Land includes ₹ 35.78 crore representing cost of land leased to Vadinar Oil Terminal Limited (VOTL), Vadinar Power Company Limited (VPCL), Vadinar Ports and Terminals Limited (VPTL) and Vadinar Properties Limited. A charge has been created against the land leased to VPCL, VOTL and VPL in favour of lenders of VPCL, VOTL and VPL respectively.

4 Buildings include Gymnastic buildings being depreciated at the rate of 31.67 % under straight line method. IT assets are depreciated at the rate of 63.00% under WDV method.

5 Additions to plant and machinery includes exchange differences of ₹ 354.56 crore on long term monetary items (including on buyers' credit with roll over convertible into long term loans on their becoming due in line with term loan agreement), borrowing cost of ₹ 151.32 crore and reduction by ₹ 4.35 crore due to VAT input credit on exempted capital goods which was capitalised in last year.

6 The estimated useful life of softwares and licenses is estimated to be 5 years from the date of acquisition.

7 Capital work-in-progress and Intangible assets under development includes exchange loss of ₹ 31.22 crore and Sale of Coal Bed Methane ₹ 56.18 crore.

8 In accordance with the revised guidance note on "Accounting for Oil and Gas Producing Activities" issued by the "The Institute of Chartered Accountants of India", the Group has classified the oil and gas assets separately as tangible and intangible fixed assets (producing properties), capital work in progress and intangible assets under development, as the case may be {refer note 3(g)}.

Notes to consolidated financial statements for the year ended March 31, 2014

13. FIXED ASSETS (CONTD.)

9 Expenditure During Construction (EDC) includes:

(₹ in crore)

Particulars		As at March 31, 2014
Opening balance	**(A)**	**199.90**
Add: Incurred during the year		
Interest and other finance charges		105.37
Interest income		(17.31)
Consumption of stores and spares		0.01
Power and fuel		-
Salaries, wages and bonus		8.90
Contribution to / provision for provident and other funds		0.26
Staff welfare expenses		0.03
Insurance		1.26
Professional fees		5.24
Rent		-
Repairs and maintenance		1.75
Sundry expenses		0.47
(Gain) / Loss on foreign exchange fluctuation (Net)		48.86
Total	**(B)**	**154.84**
Less: Capitalised during the year	**(C)**	**24.36**
Expenditure During Construction pending allocation	**(A+B-C)**	**330.38**

14. NON CURRENT INVESTMENTS / CURRENT INVESTMENTS

(₹ in crore)

Particulars	As at March 31, 2014	
	Non Current	Current
Trade Investment		
Investment in equity instruments		
Investment in associate (fully paid-up) (long- term, unquoted)		
102,999,994 equity shares of ₹ 10 each of Vadinar Power Company Limited (VPCL) (Face value ₹ 10)#	140.68	-
Other Investments		
Investments in equity instruments (Long term, unquoted)		
13,000,000 equity shares of ₹ 10 each of Petronet VK Limited (Face value ₹ 10) *	13.00	-

Notes to consolidated financial statements for the year ended March 31, 2014

14. NON CURRENT INVESTMENTS / CURRENT INVESTMENTS (CONTD.)

(₹ in crore)

Particulars	As at March 31, 2014	
	Non Current	Current
1,584,000 equity shares of ₹ 10 each of Petronet CI Limited (Face value ₹ 10) (company under liquidation)	1.58	-
10,000,000 equity shares of ₹ 10 each of Petronet India Limited (Face value ₹ 10)	10.00	-
Investment in a mutual fund (current, unquoted)		
49,500,000 units of ₹ 100 each of India growth opportunities fund		495.00
	165.26	**495.00**
Less : Provision for diminution in value of Other Investments (Long term, unquoted)	24.58	-
Total	**140.68**	**495.00**

Refer note 3 (n) for basis of valuation.

including ₹ 37.68 crore adjusted for Associate's share of profit upto March 31, 2014.

*All the shares are pledged with a lender against a loan disbursed to the Company.

15. INVENTORIES

(₹ in crore)

Particulars	As at March 31, 2014
Raw materials (including in transit ₹ 2,586.31 crore)	5,452.61
Work-in-progress	2,628.55
Finished goods	819.66
Traded goods	0.37
Stores and spare parts (including in transit ₹ 2.24 crore)	279.71
Other consumables including coal (including in transit ₹ 38.66 crore)	129.06
Total	**9,309.96**

Refer note 3 (i) for basis of valuation.

Notes to consolidated financial statements for the year ended March 31, 2014

16. TRADE RECEIVABLES (UNSECURED AND CONSIDERED GOOD, UNLESS OTHERWISE STATED)

(₹ in crore)

Particulars	As at March 31, 2014
Outstanding for a period exceeding six months from due date of payment	
-Considered good	331.66
-Considered doubtful	0.09
Others - considered good	6,755.00
Bills Receivable	13.44
	7,100.19
Less : Provision for doubtful debts	0.09
Total	**7,100.10**

₹ 650.02 crore secured by corporate / bank guarantees and / or letters of credit.

17. CASH AND BANK BALANCES

(₹ in crore)

Particulars	As at March 31, 2014	
	Current	Non Current
Cash and cash equivalents		
Balances with banks in:		
Current accounts	667.00	-
Deposits with maturities less than 3 months	75.02	-
Cheques on hand	527.00	-
Cash on hand	0.25	-
(A)	**1,269.27**	**-**
Other bank balances		
Balances with banks in Current accounts - Earmarked accounts (unclaimed debenture interest)	25.86	-
Margin deposits and escrow accounts*	2,301.87	13.27
Other deposits	34.53	9.93
Amount disclosed under the head “Other current / Non current assets” (refer note 19)	-	(23.20)
(B)	**2,362.26**	**-**
Total (A+B)	**3,631.53**	**-**

* Deposit accounts comprises ₹ 2,315.14 crore margin deposits mainly placed for letters of credit facilities, guarantees and short term borrowing.

Notes to consolidated financial statements for the year ended March 31, 2014

18. LONG TERM LOANS AND ADVANCES / SHORT TERM LOANS AND ADVANCES

(Unsecured and considered good, unless otherwise stated)

(₹ in crore)

Particulars	As at March 31, 2014	
	Current	Non Current
Advances recoverable in cash or in kind or for value to be received		
- From related parties (refer note 37 and 46)	1,864.61	-
Prepaid expenses	59.23	-
Balances with government authorities		
- Considered good	38.31	-
- Considered doubtful	0.45	-
Less: Provision for doubtful advances	(0.45)	-
- Others	107.07	-
(A)	**2,069.22**	**-**
Capital Advances		
- To related parties (refer note 46)	-	540.56
- To other parties	-	89.27
(B)	**-**	**629.83**
Security deposits		
Deposits to related parties (refer note 37 and 46)	590.00	311.40
Deposits to others		
- Considered good	74.91	30.43
- Considered doubtful	0.35	-
Less: Provision for doubtful deposits	(0.35)	-
(C)	**664.91**	**341.83**
Advance income tax / Tax deducted at source		
- Considered good	80.77	8.23
(D)	**80.77**	**8.23**
Total (A+B+C+D)	**2,814.90**	**979.89**

19. OTHER CURRENT / NON CURRENT ASSETS

(₹ in crore)

Particulars	As at March 31, 2014	
	Current	Non Current
Other receivables* (refer note 37)	1,411.94	1,307.16
Export incentive receivables	-	127.70
Unamortised expenses		
- Ancillary borrowing costs	47.17	201.26
- Forward contracts premium	31.75	-
Interest accrued on deposits	107.17	0.95
Cash and bank balances (refer note 17)	-	23.20
Total	**1,598.03**	**1,660.27**

* Other receivables include ₹ 76.21 crore due from government companies / agencies in respect of the Company's erstwhile oil drilling and offshore construction activities for which the Company received favourable awards in arbitration proceedings. The awards have since been challenged by the parties. Pending outcome of the litigations, the receivables are considered as recoverable based on the arbitration awards and assessment of the management.

20. REVENUE FROM OPERATIONS

(₹ in crore)

Particulars	For the year ended March 31, 2014
Sale of petroleum products*	105,665.77
Sale of traded goods - petroleum products	1,516.61
Sales - others	7.31
Other operating revenue	248.98
Revenue from operations (gross)	**107,438.67**
Less : Sales tax / VAT	3,836.77
Revenue from operations before excise duty	**103,601.90**
Less : Excise duty	5,000.03
Revenue from operations (net)	**98,601.87**

Revenue from operations (gross) includes sale of goods net of trade discount, duty draw back income, recoverable sales tax / Value added tax (VAT) from customers, hedging loss/gain on product / cracks and excise duty.

* includes net gain of ₹ 183.81 crore on the instruments for hedging of risk of movement in prices of finished goods and margins.

Notes to consolidated financial statements for the year ended March 31, 2014

21. OTHER INCOME

(₹ in crore)

Particulars	For the year ended March 31, 2014
Interest	
a) On deposits	212.61
b) Others	603.49
	816.10
Profit on sale of fixed assets	0.00*
Profit on sale of current investments	8.66
Others	45.96
Total	**870.72**

*Amount less than ₹ 0.01 crore

22. COST OF RAW MATERIALS CONSUMED

(₹ in crore)

Particulars	For the year ended March 31, 2014
Cost of raw materials consumed {refer note 32(a)}	88,824.12

The above amounts include net loss of ₹ 579.20 crore on the instruments for hedge of risk of movement in prices of crude oil.

23. PURCHASE OF TRADED GOODS

(₹ in crore)

Particulars	For the year ended March 31, 2014
Traded crude and petroleum products	1,275.87
Others	0.36
Total	**1,276.23**

Notes to consolidated financial statements for the year ended March 31, 2014

24. CHANGES IN INVENTORY OF FINISHED GOODS, WORK-IN-PROGRESS AND STOCK-IN-TRADE

(₹ in crore)

Particulars		For the year ended March 31, 2014
Opening inventory:		
- Finished goods		1,052.49
- Work-in-progress		2,544.47
- Traded goods		-
	(A)	**3,596.96**
Closing inventory:		
- Finished goods		819.66
- Work-in-progress		2,628.55
- Traded goods		0.37
	(B)	**3,448.58**
Changes (Increase) / Decrease in Inventory	**Total (A) - (B)**	**148.38**

25. EMPLOYEE BENEFITS EXPENSE

(₹ in crore)

Particulars	For the year ended March 31, 2014
Salaries, wages and bonus	201.91
Contribution to / provision for provident and other funds	11.18
Staff welfare expenses	11.52
Total	**224.61**

[Regarding accounting of stock options refer note 3(m)(iv) & 4(d)]

26. OTHER EXPENSES

(₹ in crore)

Particulars		For the year ended March 31, 2014
Operating Expenses:		
Consumption of stores and spare parts		65.22
Intermediate material handling charges		130.08
Consumption of fuel		755.55
Power and Fuel (Net of consumed out of own production ₹ 2,084.62 crore)		722.64
Excise duty (difference between duty on opening and closing stock)		4.54
Other operating expenses {refer note 39(b)}		232.10
	(A)	**1,910.13**
Selling and Marketing Expenses		
Terminalisation charges		4.57
Rent / ROI for retail outlets		16.84

Notes to consolidated financial statements for the year ended March 31, 2014

26. OTHER EXPENSES (CONTD.)

(₹ in crore)

Particulars		For the year ended March 31, 2014
Adhoc compensation to retail outlets		38.18
Product handling charges		376.63
Others selling and distribution expenses		250.14
	(B)	**686.36**
General and Administrative Expenses		
Rates and taxes		4.27
Insurance		61.18
Professional fees		119.40
Rent		22.75
Repairs and maintenance		
a) Buildings		26.50
b) Plant and machinery		65.58
c) Others		35.29
Provision / Write off of fixed assets		0.64
Sundry expenses		139.08
Exchange differences (net)		1,225.50
	(C)	**1,700.19**
Total(A)+(B)+(C)		**4,296.68**

27. FINANCE COSTS

(₹ in crore)

Particulars	For the year ended March 31, 2014
Interest	
a) On debentures {refer note 7(ii)(a)}	94.89
b) On fixed loans	1,700.63
c) On others	518.42
Change in present obligation of certain loans {refer note 7(ii)(c)}	136.62
Other finance charges	767.76
Total	**3,218.32**

Notes to consolidated financial statements for the year ended March 31, 2014

28. EARNINGS PER SHARE

Particulars		Year ended March 31, 2014
Profit / (Loss) after tax (₹ In crore)		127.01
Profit / (Loss) attributable to ordinary shareholders for Basic EPS (₹ In crore)	**(A)**	**127.01**
Impact on Profit (Net of Tax) for Diluted EPS (₹ In crore)		-
Profit / (Loss) attributable to ordinary shareholders for Diluted EPS (₹ In crore)	**(B)**	**127.01**
		Nos.
Ordinary shares at the beginning of the year for basic EPS		1,365,667,086
Add: Weighted average number of ordinary shares converted on December 09, 2013		25,958,984
Weighted average number of ordinary shares for basic EPS	**(C)**	**1,391,626,070**
Add: Shares deemed to be issued		57,890,830
Weighted average number of ordinary shares for diluted EPS	**(D)**	**1,449,516,900**
Nominal value of ordinary shares (₹)		10/-
Basic earnings per share (₹)	**(A/C)**	0.91
Diluted earnings per share (₹)	**(B/D) or (A/C)**	0.88

29. CAPITAL COMMITMENTS AND OTHER COMMITMENTS

(₹ in crore)

Particulars	As at March 31, 2014
Capital commitments :	
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) {including ₹ 0.11 crore pertaining to joint ventures (refer note 40)}	710.36
The above figures does not include ₹ 20,130.12 crore for contracts in relation to the implementation of the Phase II of Refinery Expansion Project, as the work under these contracts will commence only after definitive financial commitments being entered into, and following which, if the Company has not notified the counter-party that the work is to commence by September 2015, the contracts will terminate.	
Other commitments:	
At the Extraordinary General Meeting held on May 06, 2014, the shareholders have approved the acquisition of the balance 73.99% equity shares and entire participating preference shares in Vadinar Power Company Limited, an associate. {refer note 37(b)}.	

Notes to consolidated financial statements for the year ended March 31, 2014

30. CONTINGENT LIABILITIES

(₹ in crore)

Particulars			As at March 31, 2014
a)	Claims against the Group not acknowledged as debts		
	(i)	In respect of income tax	64.97
	(ii)	In respect of sales tax / VAT*	10.40
	(iii)	In respect of custom duty / excise duty / service tax	282.94
	(iv)	Others** {including ₹ 6.29 crore pertaining to joint ventures (refer note 40)}	320.12
		The above others include certain Arbitration matters under litigation at various High Courts ₹ 192.72 crore, Alop matter claim ₹ 89.28 crore, Gujarat entry tax ₹ 3.51 crore, Litigation for additional compensation in land acquisition matter ₹ 0.66 crore, E & P legal disputes / claims ₹ 27.44 crore, Green cess matter ₹ 6.08 crore and Other miscellaneous claims of ₹ 0.43 crore.	
b)	Guarantees given by the Group on behalf of others		63.98

* For the Assessment year 2008-09 the Sales tax department served a demand notice of ₹ 659.90 crore disallowing the contention of the Company that the sale of Kerosene to PSU through public distribution system and LPG in bulk to PSU for domestic use by the Company falls within the ambit of Exemption Notifications issued by Government of Gujarat. Pending litigation, the Company had disclosed this as a contingent liability for the year ended March 31, 2013. During the year, considering the clarification issued by the MOP&NG, decision of Hon'ble Tribunal of Gujarat in a similar matter for other industry players and the sales tax department allowing the exemption in the assessment of subsequent year, the Company does not consider this amount as a contingent liability as at the balance sheet date.

**In 2006, the State of Gujarat imposed stamp duty on all imports made through the ports in Gujarat. This was disputed by the Company. The Company had shown a contingent liability of ₹ 246.24 crore as on March 31, 2013 for the stamp duty amount based on an appeal filed by the State Government in the Supreme Court against an order of a Division Bench of Gujarat High Court which was in favour of the Company. During the year, Company obtained an external legal opinion wherein it has been opined that such stamp duty cannot be levied on imported goods. Considering the fact that the High Court order was in favour of the Company and based on legal opinion, the Company had reassessed its position during the year and does not consider it as a contingent liability as at the balance sheet date.

The claims by parties in respect of which the management has been legally advised that the same are frivolous and not tenable, have not been considered as contingent liabilities as the possibility of an outflow of resources embodying economic benefits is highly remote.

Notes to consolidated financial statements for the year ended March 31, 2014

31. CIF VALUE OF IMPORTS INCLUDING GOODS IN TRANSIT AND PROJECT IMPORTS (ON ACCRUAL BASIS)

(₹ in crore)

Particulars	Year ended March 31, 2014
a) Raw materials	71,287.12
b) Components and spare parts (including other consumable spares and coal)	715.94
c) Capital goods	58.90

32. DETAILS OF COST OF RAW MATERIALS CONSUMED AND STORES AND SPARE PARTS CONSUMPTION

Particulars	Year ended March 31, 2014	
	₹ in crore	%
a) Cost of raw materials consumed		
(1) Imported	73,337.49	82.56
(2) Indigenous	15,486.63	17.44
Total	**88,824.12**	**100.00**
b) Consumption of stores and spare parts (including expenditure during construction)		
(1) Imported	11.78	18.06
(2) Indigenous	53.45	81.94
Total	**65.23**	**100.00**

33. EXPENDITURE AND EARNINGS IN FOREIGN CURRENCY INCLUDING EXPENDITURE DURING CONSTRUCTION (ON ACCRUAL BASIS)

(₹ in crore)

Particulars	Year ended March 31, 2014
a) Expenditure	
(i) Interest	213.61
(ii) Travelling expenses	0.73
(iii) Professional / consultancy fees	12.96
(iv) Services	229.28
(v) On commodity hedging	1,111.20
(vi) Demurrage	39.54
(vii) Others	51.64
b) Earnings	
(i) Interest	19.96
(ii) FOB value of exports	40,698.68
(iii) On commodity hedging	715.81
(iv) Income from technical services	8.11
(v) Others	0.64

Notes to consolidated financial statements for the year ended March 31, 2014

34. HEDGE ACCOUNTING

a) During the year, the Group extended hedge accounting principles of Accounting Standard (AS) - 30 “Financial Instruments: Recognition and Measurement” for accounting to certain forward foreign exchange contracts to hedge the exchange risk pertaining to highly forecasted transactions and to Interest rate swaps entered for hedging interest rate risks of foreign currency loans. Accordingly, ₹ 12.74 crore loss has been carried over to cash flow hedge reserve as of March 31, 2014 for Interest rate swaps hedging.

b) The following table presents the amount of gain / (loss) recognised in cashflow hedge reserve and recycled during the year

(₹ in crore)

Particulars	Year ended March 31, 2014		
	Commodity derivative	Financial derivative	Total
Opening balance	104.90	-	104.90
Net amount recognised	158.46	(107.00)	51.46
Net amount recycled to statement of consolidated profit and loss	(238.78)	94.26	(144.52)
Closing balance	24.58	(12.74)	11.84

35. GDSs PROCEEDS UTILISATION

As at balance sheet date, the unutilized balance of proceeds from issue of global depository shares amounting to ₹ 12.25 crore is lying in deposit accounts with banks.

36. Following subsidiary company and associate have been considered in the preparation of consolidated financial statements.

Sr. No.	Name of the Company	Country of Incorporation	Proportion of ownership Interest (%)
			As at March 31, 2014
1	Essar Oil Trading Mauritius Limited {Formerly known as Steel Trading Mauritius Limited (w.e.f. March 11, 2014)}*	Mauritius	100%
2	Vadinar Power Company Limited (w.e.f. September 09, 2009)@	India	26.01%

* Audited financial statements has been considered for consolidation

@ Unaudited financial statements has been considered for consolidation

Notes to consolidated financial statements for the year ended March 31, 2014

37. ADVANCES / RECEIVABLES

At the Extraordinary General Meeting of the Company held on May 06, 2014, the shareholders have approved the acquisition of: (a) 10.25% cumulative redeemable preference shares of Essar Power Limited having an aggregate face value of ₹ 1,025.00 crore held by Essar House Limited (EHL) at par value in part settlement of the dues from EHL; and (b) the balance 73.99% equity shares and entire participating preference shares in an associate company, Vadinar Power Company Limited (VPCL), from a fellow subsidiary - Essar Power Limited, for an amount not exceeding ₹ 2,100.00 crore, so as to make it a wholly owned subsidiary of the Company. VPCL supplies utilities (power/steam) for the Company's refinery.

Other receivables include an amount of ₹ 1,942.58 crore receivable from EHL against the amount paid in earlier years under the Sales tax defeasance agreement. During 2012-13, the Company agreed to recover these dues in eight equal quarterly installments along with interest, coinciding with the installment facility made available by the Hon'ble Supreme Court to the Company for repayment of the Gujarat Sales tax dues. Amount of instalments and interest so due and recoverable upto March 31, 2014 is ₹ 1,016.10 crore against which shares as aforesaid are being acquired. Accordingly, the amount is classified under 'non-current assets'. The Company expects that EHL will settle the balance amount of ₹ 917.58 crore as of March 31, 2014 together with interest, during the financial year 2014-2015. This amount has been guaranteed by the parent company of EHL.

Advances recoverable in cash or kind or value to be received from related parties include an amount of ₹ 1,828.29 crores outstanding (maximum outstanding during the year ₹ 2,022.82 crores) from VPCL. Similarly, security deposit includes an amount of ₹ 590.00 crores placed with VPCL. Both these amounts attract interest @ 13% p.a. till settlement. Subject to completion of relevant formalities involved in acquisition of the balance shares of VPCL as explained above, the Company expects to recover before next financial year end such advance and security deposit and hence has classified the amounts as 'current assets' in its consolidated financial statements.

38. FOREIGN CURRENCY MONETARY ITEM TRANSLATION DIFFERENCE ACCOUNT (FCMITDA)

The Company had entered into INR/USD Currency Swaps i.e. Principal Only Swaps/Cross Currency Swaps (POS / CCS) to reduce the volatility in the Company's cash flows/profitability since its revenues and costs are incurred predominantly in USD or USD linked rupees.

The Company treats the USD Swap notional payable as a monetary item in its books of accounts which is revalued at every closing date and the forex fluctuation on same is taken to Foreign Currency Monetary Item Translation Difference Account (FCMITDA) and amortised in accordance with para 46A of AS 11 – 'The Effects of Changes in Foreign Exchange Rates'. This accounting treatment has been followed by the Company consistently.

The Expert Advisory Committee (EAC) of the Institute of Chartered Accountants of India (ICAI) whose opinion was published in February 2014 Chartered Accountants Journal, has excluded the currency swaps from the scope of Accounting Standard (AS) 11. The Company has made a representation to the EAC explaining the economic environment in which it operates and considering the aspect of substance over form, to confirm that the accounting treatment currently followed by the Company is appropriate. Pending receipt of a decision from EAC, the Company has continued to follow the existing accounting treatment as per the relevant accounting policy.

Notes to consolidated financial statements for the year ended March 31, 2014

39. LEASES

a) Finance lease:-

(i) Future lease rental payable and reconciliation of minimum lease payments and its present value in respect of the assets:-

(₹ in crore)

Particulars	Minimum Lease payments/ Future lease rent payable	Interest	Present value of minimum lease payments
	As at March 31, 2014	As at March 31, 2014	As at March 31, 2014
Future lease rental obligation payable:			
Not later than one year	14.61	5.95	8.66
Later than one year but not later than five years	31.88	13.48	18.40
Later than five years	32.89	14.06	18.83
Total	**79.38**	**33.49**	**45.89**

(ii) General description of the leasing arrangements:

- Leased Assets – Residential township, Transit accommodation and supply depot.
- Future lease rental payments are determined on the basis of quarterly / monthly lease payments as provided in the agreements.
- At the expiry of the lease term, the Group has an option to extend the lease on mutual terms and conditions. In case of the supply depot, the ownership gets transferred to the Group at the end of the lease term.
- Assets are taken on lease over a period of 10 to 20 years.

(iii) The above disclosures pertain to lease arrangements where leases have commenced upon assets becoming ready to use.

40. EXPLORATION AND PRODUCTION ACTIVITIES

a) As per the Group's policy of Full Cost method of accounting prescribed under the revised Guidance Note on "Accounting for Oil and Gas Producing Activities" issued by the "Institute of Chartered Accountants of India", the Group has identified the following 2 Cost Pools:

(i) India CBM (Coal Bed Methane) Pool :

a) Mehsana Pilot Project
b) RG (East) 2001/1 Block
c) RM-(E)-CBM-2008/IV (Rajmahal, Jharkhand, India)
d) TL-CBM-2008/IV (Talcher, Orissa, India)
e) IB-CBM-2008/IV (IB Valley, Orissa, India)
f) SP(NE)-CBM-2008/4 (Sohagpur, Madhya Pradesh, India)

(ii) India Oil & Gas Pool :

a) Block CB-ON/3
b) Ratna & R-Series
c) AA-ONN-2004/3
d) AA-ONN-2004/5

Notes to consolidated financial statements for the year ended March 31, 2014

40. EXPLORATION AND PRODUCTION ACTIVITIES (CONTD.)

b) Summary of Cost Pools:

(₹ in crore)

Cost Pool	Producing Property (Tangible/ Intangible)	CWIP/Intangible assets under development	Total
	As at March 31, 2014	As at March 31, 2014	As at March 31, 2014
India CBM	Nil	1,703.85	1,703.85
India Oil & Gas	202.18	110.68	312.86
Total	**202.18**	**1,814.53**	**2,016.71**

c) Group's interest in oil & gas and CBM Joint Ventures as at March 31, 2014:

Sr. No.	Name of the Block	As at March 31, 2014
1	CB-ON/3 (Gujarat, India)	#100%
2	Ratna & R-Series (Maharashtra, India)	##50%
3	AA-ONN-2004/3 (Assam, India)	###10%
4	AA-ONN-2004/5 (Assam, India)	###10%
5	RG (East) 2001/1 (West Bengal, India)	100%
6	RM-(E)-CBM-2008/IV (Rajmahal, Jharkhand,India)	100%
7	TL-CBM-2008/IV (Talcher, Orissa, India)	100%
8	IB-CBM-2008/IV (IB Valley, Orissa, India)	100%
9	SP(NE)-CBM-2008/4 (Sohagpur, Madhya Pradesh, India)	100%

ONGC has exercised its back-in rights of 30% in ESU field, excluding well ESU#4, leaving the Group with a 70% participating interest. However, the Group holds 100% interest in rest of CB-ON/3 Block.

Balance 40% interest held by ONGC and 10% by Premier Oil.

Balance 90% interest in block AA-ONN-2004/3 and AA-ONN-2004/5 are held by Essar Energy Holdings Limited (EEHL).

d) i) Group's interest in Proved (1P) and Proved Developed reserves of crude oil as on March 31, 2014 is as under:

Area of operation		Proved	Proved developed
		MT	MT
		As at March 31, 2014	As at March 31, 2014
Essar South Unawa (ESU) field Block CB-ON/3 - onshore Cambay Basin, India	Opening	82,335	28,984
	Addition	-	-
	Production	2,009	2,009
	Closing	80,326	26,975

Notes to consolidated financial statements for the year ended March 31, 2014

40. EXPLORATION AND PRODUCTION ACTIVITIES (CONTD.)

ii) Group's interest in Proved (1P) and Proved Developed reserves of coal bed methane gas as on March 31, 2014 is as under:

Area of operation		Proved MMSCM As at March 31, 2014	Proved developed MMSCM As at March 31, 2014
RG(East)-CBM-2001/1 block, West Bengal, India	Opening	616	387
	Addition	-	-
	Production	35	35
	Closing	581	352

e) i) The Group uses proved and probable reserves as the basis for impairment assessment for both crude oil and coal bed methane gas blocks.

ii) India CBM pool and Indian Oil & Gas pool are considered as separate cash generating units for impairment assessment purpose.

iii) Crude oil reserves are evaluated on yearly basis by inhouse technical team, based on available geological, geophysical and production data. CBM reserve certification exercise was carried out by an independent external agency in September 2009 and September 2011. All estimates have been prepared in accordance with the definition and guidelines set forth in the 2007 Petroleum Resource Management System (PRMS) approved by Society of Petroleum Engineers (SPE).

iv) No exploration cost has been written off during the year.

41. DERIVATIVE INSTRUMENTS AND UNHEDGED FOREIGN CURRENCY EXPOSURES

Derivative contracts entered into by the Group and outstanding as at balance sheet date:

a) For hedging currency related risks:

(i) The Group uses forward exchange contracts and interest rate swaps to hedge its exposure in foreign currency and interest rate. The information on outstanding contracts is given below:

Currency	Amount As at March 31, 2014	Buy/Sell As at March 31, 2014
Forward contracts :		
US Dollar in million	767.34	Buy
Interest rate swaps :		
US Dollar in million	298.22	Buy
Rupee in crore	2,205.27	Sell

41. DERIVATIVE INSTRUMENTS AND UNHEDGED FOREIGN CURRENCY EXPOSURES (CONTD.)

(ii) The foreign currency exposure of the Group as at balance sheet date that have not been hedged by a derivative instrument or otherwise are given below:

Currency	Payable		Receivable		Loan Liabilities (Including Interest accrued)		LC Outstanding #	
	₹ in crore	FC in Million	₹ in crore	FC in Million	₹ in crore	FC in Million	₹ in crore	FC in Million
JPY	0.01	0.15	0.03	0.59	-	-	-	-
USD	11,864.20***	1,974.08***	4,168.04	693.52	6,022.55	1,002.09	43.82	7.29
EURO	2.41	0.29	1.47	0.18	2.50	0.30	5.35	0.65
GBP	0.56	0.06	1.00	0.10	-	-	-	-
SGD	0.01	0.00*	0.01	0.00*	-	-	-	-
AED	0.00**	0.00*	-	-	-	-	-	-
Total	**11,867.19**		**4,170.55**		**6,025.05**		**49.17**	

(iii) Bank balance in foreign currency as at March 31, 2014 ₹ 366.64 crore (USD 61.00 million)

Other than in respect of recognised liability

* Amount less than 0.01 million in FC

** Amount less than ₹ 0.01 crore

***excludes ₹ 2,670.27 crore has been fixed to USD liabilities of 478.99 million using currency swaps

b) For hedging commodity related risks:

Category wise break-up of commodity derivative contracts entered into by the Group and outstanding as at balance sheet date:

Sr. No.	Nature of instrument	Crude oil purchases / (sales) Qty. in Barrels ('000) As at March 31, 2014	Petroleum products purchases / (sales) Qty. in Barrels ('000) As at March 31, 2014
1	Spreads	(1,545)	(2,415)
2	Margin hedging	-	(2,100)

42. AUDITORS' REMUNERATION

(₹ in crore)

Particulars	Year ended March 31, 2014
- Audit fees	1.68
- Taxation matters	0.04
- Other services (including ₹ 0.43 crore for prior years)	1.99
- Reimbursement of expenses	0.02
Total	**3.73**

Notes to consolidated financial statements for the year ended March 31, 2014

43. SEGMENT INFORMATION

(₹ In crore)

Sr. No.	Particulars	Year ended March 31, 2014
1	**Information about primary segment - business:-**	
	Segment revenue	
	Refining and marketing	98,822.50
	Exploration and production activities	12.46
	Unallocated	23.86
	Total segment revenue	**98,858.82**
	Add : Interest income	603.49
	Add : Profit on sale of investment	8.66
	Add : Reversal of old liabilities	1.62
	Total revenue	**99,472.59**
2	**Segment result before interest, extraordinary items and tax**	
	Refining and marketing	2,210.82
	Exploration and production activities	(0.53)
	Unallocated	(244.46)
	Total	**1,965.83**
	Less : Interest expense	2,450.56
	Add : Interest income	603.49
	Add : Profit on sale of Investments	8.66
	Add : Reversal of old liabilities / excess accrual	1.62
	Profit / (Loss) before tax	129.04
	Less : Taxes	3.29
	Profit / (Loss) after tax before share of profit of Associate	**125.75**
3	**Segment assets**	
	Refining and marketing	46,526.14
	Exploration and production activities	3,092.93
	Unallocated	540.34
	Total	**50,159.41**
	Add : Amount recoverable against defeasement agreement	1,942.58
	Total assets	**52,101.99**
4	**Segment liabilities**	
	Refining and marketing	23,589.10
	Exploration and production activities	147.91
	Unallocated	124.61
	Total	**23,861.62**

43. SEGMENT INFORMATION (CONTD.)

(₹ In crore)

Sr. No.	Particulars	Year ended March 31, 2014
	Add : Loan funds (Including interest accrued due / not due)	23,787.89
	Add : Liabilities towards sales tax including interest thereon (refer note 2 below)	1,984.22
	Total liabilities	**49,633.73**
5	**Additions to Fixed Assets**	
	Refining and marketing	674.25
	Exploration and production activities	37.64
	Unallocated	10.12
	Total	**722.01**
6	**Depreciation and amortisation (excluding depreciation accounted in expenditure during construction)**	
	Refining and marketing	1,341.16
	Exploration and production activities	5.89
	Unallocated	8.16
	Total	**1,355.21**
7	**Significant non-cash expenses other than depreciation**	
	Refining and marketing	16.15
	Exploration and production activities	0.01
	Unallocated	0.02
	Total	**16.18**

Notes:

1) The Group has disclosed Business Segment as the primary segment. Segments have been identified taking into account the organizational structure, nature of services, differing risks and internal reporting system. The Group's operation predominantly relates to Refining and marketing of petroleum products and Oil & Gas exploration.

2) The sales tax liability payable in eight quarterly installments w.e.f. January 02, 2013 with interest is not considered as segment liability considering the substance of the terms.

3) Additions to fixed assets shown above are including exchange difference and excluding capital work in progress and expenditure during construction.

4) The Group operates in two geographical segments namely “within India” and “outside India”.

Notes to consolidated financial statements for the year ended March 31, 2014

43. SEGMENT INFORMATION (CONTD.)

(₹ in crore)

Particulars	As at March 2014	
	Within India	Outside India
Segment revenue	58,784.30	40,074.52
Carrying amount of segment assets	46,048.33	4,111.08
Additions to fixed assets	722.01	-

44. DETAILS OF DUES TO MICRO AND SMALL ENTERPRISES

The information regarding principal and interest pertaining to micro and small enterprises based on available details is as under:

(₹ in crore)

Sr. No.	Particulars	As at March 31, 2014
1	Principal amount due and remaining unpaid	-
2	Interest due on (1) above and the unpaid interest	-
3	Interest paid by the Group in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006	0.01
4	Payments made beyond the appointed day during the year	2.09
5	Interest due and payable for the period of delay	-
6	Interest accrued and remaining unpaid	-
7	Amount of further interest remaining due and payable in succeeding year	-

45. DEFINED BENEFIT PLANS / LONG TERM COMPENSATED ABSENCES

(a) Defined benefit plans / long term compensated absences - as per actuarial valuations as at March 31, 2014:

(₹ in crore)

Sr. No.	Particulars	Gratuity (Funded)	Compensated Absences (Unfunded)	Employer Established Provident Fund
		As at March 31, 2014	As at March 31, 2014	As at March 31, 2014
A	**Net assets / liability recognised in the balance sheet (refer note viii below)**			
1	Present value of defined benefit obligation	18.15	33.67	115.67
2	Fair value of plan assets	14.09	-	115.67
3	Funded status - surplus / (deficit)	(4.06)	(33.67)	-
4	Net assets / (liability) recognised in the balance sheet	(4.06)	(33.67)	-

Notes to consolidated financial statements for the year ended March 31, 2014

45. DEFINED BENEFIT PLANS / LONG TERM COMPENSATED ABSENCES (CONTD.)

(a) Defined benefit plans / long term compensated absences - as per actuarial valuations as at March 31, 2014:

(₹ in crore)

Sr. No.	Particulars	Gratuity (Funded)	Compensated Absences (Unfunded)	Employer Established Provident Fund
		As at March 31, 2014	As at March 31, 2014	As at March 31, 2014
B	**Expenses recognised in statement of profit and loss or expenditure during construction, as applicable for the year ended March 31, 2014**			
1	Current services cost	2.25	4.14	8.28
2	Interest cost	1.15	2.86	9.33
3	Expected return on plan assets	(1.06)	-	(9.33)
4	Past services cost	-	-	-
5	Actuarial losses/(gains)	0.53	(9.05)	-
6	Total expenses	2.87	(2.05)	8.28
C	**Change in obligation and assets**			
C1	**Change in defined benefit obligation**			
1	Defined benefit obligation at beginning of the year	15.16	36.90	95.95
2	Service cost	2.25	4.14	8.28
3	Interest cost	1.15	2.86	9.33
4	Plan Amendments	-	-	-
5	Acquisition adjustment/Transfer In/(Transfer Out)@	0.22	0.27	5.16
6	Actuarial losses/(gains)	0.61	(9.05)	1.33
7	Benefit payments	(1.24)	(1.45)	(15.99)
8	Employees contribution	-	-	11.61
9	Defined Benefit obligation at the end of the year	18.15	33.67	115.67
C2	**Change in fair value of assets**			
1	Fair value of plan assets at the beginning of the year	12.00	-	95.95
2	Acquisition adjustment/Transfer In/(Transfer Out)@	-	-	-
3	Expected return on plan assets	1.06	-	9.33
4	Actual Group & employees contributions	2.19	-	25.05
5	Actuarial (losses)/gains	0.08	-	1.33
6	Benefits payments	(1.24)	-	(15.99)
7	Fair value of plan assets at the end of the year	14.09	-	115.67
D	**Actuarial assumptions**			
1	Discount rate (per annum)	9.20%	9.20%	9.20%
2	Expected rate of return on assets (per annum)	8.50%	NA	8.75%

Notes to consolidated financial statements for the year ended March 31, 2014

45. DEFINED BENEFIT PLANS / LONG TERM COMPENSATED ABSENCES (CONTD.)

(a) Defined benefit plans / long term compensated absences - as per actuarial valuations as at March 31, 2014:

(₹ in crore)

Sr. No.	Particulars	Gratuity (Funded)	Compensated Absences (Unfunded)	Employer Established Provident Fund
		As at March 31, 2014	As at March 31, 2014	As at March 31, 2014
3	Mortality	Indian Assured Lives Mortality (2006-08) Ult. Modified	Indian Assured Lives Mortality (2006-08) Ult. Modified	Indian Assured Lives Mortality (2006-08) Ult. Modified
E	**Percentage of each category of plan assets to total fair value of plan assets**			
	Administered by Life Insurance Corporation of India	100%	NA	NA
	Government of India Security	-	-	40.00%
	Corporate bonds	-	-	60.00%
F	**Experience adjustment: (Refer note (viii) below)**			
	Plan liabilities loss/(gain)	0.47	(0.50)	NA
	Plan assets loss/(gain)	(0.08)	-	NA
	Actuarial loss/(gain) due to change in assumption	0.15	(8.55)	NA
G	**Employer's best estimate of contributions expected to be paid to the plan during the annual period beginning after the balance sheet date**	2.41	-	9.11

@ Employees were transferred from/to group company with credit for past services.

Notes:

(i) The expected rate of return on plan assets is based on market expectation, at the beginning of the year, for returns over entire life of the related obligation.

(ii) The assumption of future salary increases, considered in actuarial valuation, takes account of inflation, seniority, promotion, supply and demand and other relevant factors.

(iii) The employees' gratuity fund scheme managed by Life Insurance Corporation of India / SBI Life Insurance is a defined benefit plan. The present value of obligation is determined based on actuarial valuation using the Projected Unit Credit Method.

(iv) The employer managed provident fund is considered as defined benefit plan.

(v) Liability on account of long term absences has been actuarially valued as per Projected Unit Credit Method.

(vi) Short term compensated absences have been provided on actual basis.

(vii) The Group is unable to obtain the details of plan assets from the Insurance Company (LIC of India / SBI Life Insurance) and hence the disclosure thereof is not made.

Notes to consolidated financial statements for the year ended March 31, 2014

45. DEFINED BENEFIT PLANS / LONG TERM COMPENSATED ABSENCES (CONTD.)

(a) **Defined benefit plans / long term compensated absences - as per actuarial valuations as at March 31, 2014:**

(viii) Amounts for the current and previous four years are as follows:

(₹ in crore)

Sr. No.		Particulars	Gratuity (Funded)				
			As at March 31, 2014	As at March 31, 2013	As at March 31, 2012	As at March 31, 2011	As at March 31, 2010
a)		**Net assets / liability recognized in the Balance sheet**					
	1	Present value of defined benefit obligation	18.15	15.16	11.71	9.74	5.39
	2	Fair value of plan assets	14.09	12.00	11.71	9.13	4.86
	3	Funded status - surplus / (deficit)	(4.06)	(3.16)	-	(0.61)	(0.53)
	4	Net assets / (liability) recognised in the balance sheet	(4.06)	(3.16)	-	(0.61)	(0.53)
b)		**Experience adjustment:**					
	1	Plan liabilities loss/(gain)	0.47	0.38	0.27	0.19	(0.28)
	2	Plan assets loss/(gain)	(0.08)	(0.04)	(0.08)	(0.08)	-

(₹ in crore)

Sr. No.		Particulars	Employer Established Provident Fund				
			As at March 31, 2014	As at March 31, 2013	As at March 31, 2012	As at March 31, 2011	As at March 31, 2010
a)		**Net assets / liability recognized in the Balance sheet**					
	1	Present value of defined benefit obligation	115.67	95.95	78.10	61.99	50.83
	2	Fair value of plan assets	115.67	95.95	78.10	61.99	50.83
	3	Funded status - surplus / (deficit)	-	-	-	-	-
	4	Net assets / (liability) recognised in the balance sheet	-	-	-	-	-
b)		**Experience adjustment:**					
	1	Plan liabilities loss/(gain)	NA	NA	NA	NA	NA
	2	Plan assets loss/(gain)	NA	NA	NA	NA	NA

(b) **Defined contribution plans :**

Group's contribution to superannuation fund aggregating to ₹ 0.47 crore are recognised in the statement of profit and loss / expenditure during construction / capital work in progress, as applicable. There is no obligation other than the contribution payable to the respective trusts.

Notes to consolidated financial statements for the year ended March 31, 2014

46. RELATED PARTY DISCLOSURES

I. Transactions with related parties

(₹ in crore)

Nature of transactions	Holding Company/ Intermediate Holding Company	Fellow Subsidiaries	Associates
Advance received from Customers (EEOL - ₹ 5.69 crore)	-	5.69	-
Expenses incurred on behalf of Joint Venture (EEHL - ₹ 5.78 crore)	-	5.78	-
Purchase of fixed assets / intangible assets (including CWIP) (EPIL - ₹ 564.94 crore)	-	621.44	-
Advances given to vendors for supplying services (net of repayment) (VPCL - ₹ 1,290.82 crore)	-	-	1,290.82
Deposits given by the Group (VPCL - ₹ 590.00 crore, VPTL - ₹ 298.00 crore)	-	298.00	590.00
Sale of goods net of cash discount (including taxes) (EEOL - ₹ 11,697.41 crore)	-	12,603.00	-
Interest income (EPIL - ₹ 45.49 crore, VPCL - ₹ 178.88 crore, VPTL - ₹ 31.79 crore)	-	121.32	178.88
Lease income (including lease tax) (VPTL - ₹ 1.50 crore, VOTL - ₹ 0.25 crore)	-	1.76	0.02
Rendering of services (VOTL - ₹ 40.22 crore, VPCL - ₹ 19.17 crore)	0.51	63.88	19.17
Receiving of services (VOTL - ₹ 549.60 crore, VPCL - ₹ 615.07 crore, VPTL - ₹ 313.75 crore)	-	1,002.06	615.07
Purchase of goods / supply of material (including material taken on loan) (EEOL ₹ 619.00 crore, ESTL ₹ 300.54 crore)	-	923.84	-
Interest / financial charges paid / funded (ESTL - ₹ 3.96 crore, VOTL - ₹ 3.11 crore)	-	7.07	0.09
Assignment of provision / liability towards employee benefit upon transfer of employees to the Group (EOSIL - ₹ 0.52 crore)	-	0.52	-
FCCCBs converted into equity shares (refer note 6) (EEHL - ₹ 1,340.00 crore)	-	1,340.00	-
Guarantees given on behalf of the Group (EEPLC - ₹ 47.23 crore)	47.23	-	-
Transactions with other classes of related parties			
a) Key management personnel (remuneration)@ (Shri L K Gupta - ₹ 3.93 crore, Shri C Manoharan - ₹ 2.42 crore)			6.35

@ exclusive of provisions for liability in respect of leave earned and gratuity, since this is based on actuarial valuation done on an overall basis for all employees. Performance bonus/incentive amount considered on payment basis.

46. RELATED PARTY DISCLOSURES (CONTD.)

II. Balances with related parties :

(₹ in crore)

Nature of balances	Holding Company/ Intermediate Holding Company	Fellow Subsidiaries	Associates
Debit balances			
Security deposits (VPCL - ₹ 590.00 crore, VPTL - ₹ 298.00 crore)	-	311.40	590.00
Investments (VPCL - Equity shares of VPCL - ₹ 103.00 crore)	-	-	103.00
Trade receivables (EEOL - ₹ 2,505.11 crore)	-	2,912.52	0.01
Advances recoverable in cash or in kind or for value to be received (VPCL - ₹ 1,828.29 crore)	0.19	36.13	1,828.29
Advances on capital account (EPIL - ₹ 524.98 crore)	-	540.56	-
Other receivables (EPIL - ₹ 65.00 crore, VPCL ₹ 213.46 crore, VPTL ₹ 45.76 crore)	1.35	166.43	213.46
Credit balances			
Security deposits (EOSIL - ₹ 1.59 crore, EPIL - ₹ 10.93 crore)	-	13.12	-
Long term borrowing - Unsecured loans (VOTL - ₹ 13.81 crore)	-	13.81	-
Trade payables / Other liabilities (EESML - ₹ 20.00 crore, EPIL - ₹ 84.67 crore)	0.07	125.42	0.00
Advance received from customers (EEOL - ₹ 12.02 crore)	-	12.36	-
Other balances			
Outstanding guarantees given on behalf of the Group (EGFL - ₹ 3,515.23 crore)	3,562.45	-	-
Outstanding guarantees given by the Group (VOTL - ₹ 63.98 crore)	-	63.98	-

* Amount less than ₹ 0.01 crore.

Notes to consolidated financial statements for the year ended March 31, 2014

46. RELATED PARTY DISCLOSURES (CONTD.)

Notes :

1)	Names of related parties and description of relationship:	
	Holding Company	Essar Global Fund Limited, Cayman (Ultimate Holding Company)(EGFL)
	Intermediate holding Companies	Essar Energy Plc, U.K (Holding Company of Essar Oil & Gas Limited, Mauritius)(EEPLC)
		Essar Oil & Gas Limited, Mauritius (Holding Company)(EOGL)
	Associate	Vadinar Power Company Limited (VPCL)
	Key management personnel	Shri Lalit Kumar Gupta, Managing Director and CEO
		Shri C Manoharan, Director - Refinery
	Fellow Subsidiaries	Aegis Aspire Consultancy Services Limited (AACSL), Aegis Limited (AEGIS), AGC Networks Limited (AGCNET), AGC Networks Pte. Ltd. (FKA Aegis Tech Singapore Pte Ltd, Singapore) (AGCNETPTE), Equinox Business Parks Private Limited (EBPPL), Essar Bulk Terminal Limited (EBTL), Essar Bulk Terminal Paradip Limited (EBTPL), Essar Bulk Terminal (Salaya) Limited (EBTSL), Essar Energy Services (Mauritius) Limited(EESML), Essar Energy Holdings Limited (EEHL), Essar Energy Overseas Limited (EEOL), Essar Electric Power Development Corporation Limited (EEPDCL), Essar Exploration & Production Limited (EEPL), Essar Exploration & Production Limited, Nigeria (EEPLN), Essar Exploration & Production (India) Limited (EEXPIL), Essar Gujarat Petrochemicals Limited (EGPL), Essar Logistics Limited (ELL), Essar Oil (UK) Limited (EOLUK), Essar Oilfields Services India Limited (EOSIL), Essar Offshore Subsea Limited (EOSL), Essar Power Gujarat Limited (EPGL), Essar Project (India) Limited (EPIL), Essar Ports Limited (EPL), Essar Power MP Limited (EPMPL), Essar Power Limited (EPOL), Equinox Realty & Infrastructure Private Limited (ERIPL), Essar Shipping Limited (ESL), Essar Steel Logistics Limited (ESTLL), Essar Shipping & Logistics Limited (ESLL), Essar Steel India Limited (FKA Essar Steel Limited) (ESTL), Energy Transportation International Limited (ETIL), Navbharat Power Private Limited (NPPL),Vadinar Oil Terminal Limited (VOTL),Vadinar Ports & Terminal Limited (VPTL), Essar Steel Limited, Mauritius (ESLM).
2)	Names of related parties, where the transactions during the year / balances as at March 31, 2014 with a single party are 10% or more, are disclosed under each nature of transaction / class of balances.	

Notes to consolidated financial statements for the year ended March 31, 2014

47. Statement pursuant to section 212(8) of the Companies Act, 1956 relating to Subsidiaries:

Pursuant to General Circular No. 2/2011 and 3/2011, issued by Ministry of Corporate Affairs (MCA) dated February 8, 2011 and February 21, 2011 respectively, the company has availed the general exemption for not attaching the Balance sheet, etc. of its subsidiary as part of Holding company balance sheet. Given below is the information required to be disclosed as per the above circulars.

Particulars	Amount in USD	Amount in ₹
Capital	100	6,010
Reserves	(15,160)	(911,113)
Other Liabilities	15,060	905,103
Total Liabilities	-	-
Total Assets	-	-
Details of Investments	-	-
Turnover / Other Income	5,000	304,049
Profit/ (Loss) before taxation	(7,160)	(435,398)
Provision for taxation	-	-
Profit/ (Loss) after taxation	(7,160)	(435,398)
Proposed Dividend	-	-

48. The Company acquired Essar Oil Trading Mauritius Limited, Mauritius (formerly known as Steel Trading Mauritius Limited) as a wholly owned subsidiary company on March 11, 2014. The company was not required to prepare Consolidated Financial Statements for the previous year ending March 31, 2013 and hence no comparative figures have been given in the consolidated financial statements.

For and on behalf of the Board of Directors

Lalit Kumar Gupta
Managing Director and
Chief Executive Officer

Naresh Nayyar
Deputy Chairman

S. S. Shaffi
Company Secretary
Mumbai, May 20, 2014

Suresh Jain
Chief Financial Officer

Notice

NOTICE is hereby given that the Twenty Fourth Annual General Meeting of members of ESSAR OIL LIMITED will be held at the Registered Office of the Company at Refinery Complex, Khambhalia Post (39th km. stone on Jamnagar-Okha Highway), Dist. Devbhumi Dwarka-361305, Gujarat on **Wednesday, December 24, 2014** at **3:00 p.m.** to transact, with or without modifications, as may be permissible, the following business:

Ordinary Business:

1. To receive, consider, approve and adopt the Balance Sheet as at March 31, 2014, the Statement of Profit & Loss for the financial year ended on that date and the reports of the Board of Directors and Auditors thereon.

2. To appoint a Director in place of Mr. P S Ruia (DIN:01187548) who retires from office by rotation in terms of section 152(6) of the Companies Act, 2013 and being eligible, offers himself for re-appointment.

3. To appoint a Director in place of Mr. Naresh Nayyar (DIN: 00045395) who retires from office by rotation in terms of section 152(6) of the Companies Act, 2013 and being eligible, offers himself for re-appointment.

4. **To appoint auditors and fix their remuneration**

   To consider and if thought fit to pass the following resolution as an Ordinary Resolution:

   "RESOLVED THAT M/s. Deloitte Haskins & Sells Chartered Accountants, Ahmedabad (Firm Registration number 117365W) be and are hereby appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting on such remuneration as shall be fixed by the Board of Directors of the Company."

Special Business:

5. **To reappoint Mr. D J Thakkar as an Independent Director of the Company**

   To consider and if thought fit to pass the following resolution as an Ordinary Resolution:

   "RESOLVED THAT pursuant to the provisions of sections 149 and 152 read with schedule IV and other applicable provisions, if any, of the Companies Act, 2013 (Act) and the Rules framed thereunder, (including any statutory modification(s) or re-enactment thereof, for the time being in force), and clause 49 of the listing agreement with stock exchanges, Mr. D J Thakkar (DIN 00007339), a non-executive Director of the Company, who was appointed as a Director liable to retire by rotation under section 256 of the Companies Act, 1956 and who retires at this Annual General Meeting and in respect of whom the Company has received a notice in writing from a member under section 160 of the Act proposing his candidature for the office of Director,and who has submitted a declaration that he meets the criteria for independence as provided in section 149(6) of the Act, be and is hereby appointed as an Independent Director of the Company for a period of one year commencing from the date of this Annual General Meeting."

6. **To appoint Mr. S V Venkatesan as an Independent Director of the Company**

   To consider and if thought fit to pass the following resolution as an Ordinary Resolution:

   "RESOLVED THAT pursuant to the provisions of sections 149 and 152 read with schedule IV and other applicable provisions, if any, of the Companies Act, 2013 (Act) and the Rules framed thereunder, (including any statutory modification(s) or re-enactment thereof, for the time being in force), and clause 49 of the listing agreement with stock exchanges, Mr. S V Venkatesan (DIN 00004010), who was appointed as an Additional Director by the Board of Directors with effect from October 10, 2014 pursuant to section 161(1)of the Act and who holds office up to the date of the Annual General Meeting and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Act proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company for a period of one year from the date of appointment."

7. **To appoint Mr. D K Varma as an Independent Director of the Company**

   To consider and if thought fit to pass the following resolution as an Ordinary Resolution:

   "RESOLVED THAT pursuant to the provisions of sections 149 and 152 read with schedule IV and other applicable provisions, if any, of the Companies Act, 2013 (Act) and the Rules framed thereunder, (including any statutory modification(s) or re-enactment thereof, for the time being in force), and clause 49 of the listing agreement with stock exchanges, Mr. D K Varma (DIN 00213394), who was appointed as an Additional Director by the Board of Directors with effect from October 10, 2014 pursuant to section 161(1)of the Act and who holds office up to the date of the Annual General Meeting and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Act proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company for a period of one year from the date of appointment."

8. **To appoint Mr. T S Narayanasami as an Independent Director of the Company**

To consider and if thought fit to pass the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of sections 149 and 152 read with schedule IV and other applicable provisions, if any, of the Companies Act, 2013 (Act) and the Rules framed thereunder, (including any statutory modification(s) or re-enactment thereof, for the time being in force), and clause 49 of the listing agreement with stock exchanges, Mr. T S Narayanasami (DIN 01786981), who was appointed as an Additional Director by the Board of Directors with effect from October 10, 2014 pursuant to section 161(1) of the Act and who holds office up to the date of the Annual General Meeting and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Act proposing his candidature for the office of Director, be and is hereby appointed as an Independent Director of the Company for a period of one year from the date of appointment."

9. **To approve increase in remuneration payable to Mr. L K Gupta, Managing Director & CEO**

To consider and if thought fit to pass the following resolution as a Special Resolution:

"RESOLVED THAT in partial modification to special resolution passed by the members at the Annual General Meeting of the Company held on December 20, 2012 and pursuant to the provisions of sections 197,198, Schedule V and other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof from time to time), and subject to approval of Central Government, if required, approval of the Company be and is hereby given for revision in the terms of remuneration of Mr. L K Gupta, Managing Director & CEO of the Company with effect from April 1, 2014 for the remaining period of his term in office upon the terms and conditions as set out in the Explanatory Statement annexed to this Notice which is hereby specifically approved with authority to the Board of Directors (herein after referred to as "the Board" which term shall include the Nomination and Remuneration Committee constituted by the Board) to alter and vary the terms and conditions including period in office as may be agreed to between the Board of Directors and Mr. L K Gupta, in the best interest of the Company."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all acts and take all such steps as may be necessary, proper and expedient to give effect to this resolution."

10. **To approve remuneration payable to Cost Auditors**

To consider and if thought fit, to pass, the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 148 and all other applicable provisions of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof, for the time being in force), M/s. Chandra Wadhwa & Co. Cost Accountants appointed as the Cost Auditors of the Company by the Board of Directors, to conduct the audit of the cost records of the Company for the financial year ending on March 31, 2015, be paid remuneration as set out in the Explanatory Statement annexed to the Notice convening this Meeting."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this resolution."

By Order of the Board of Directors

Mumbai
November 21, 2014

Sheikh S. Shaffi
Company Secretary

Registered Office:
Khambhalia Post, P. O. Box 24,
Dist. Devbhumi Dwarka – 361305, Gujarat.
Phone: 91 02833 661444, Fax: 91 02833 662929
e-mail: eolinvestors@essar.com • website: http://essaroil.co.in

Notes:

1. The statement pursuant to section 102 of the Companies Act, 2013 setting out material facts is annexed hereto

2. **A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company. The proxy, in order to be effective, must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting, i.e. before 3:00 p.m. of December 22, 2014.**

3. As per Section 105 of the Companies Act, 2013 and relevant rules made there under, a person can act as proxy on behalf of not more than 50 (fifty) members and holding in the aggregate not more than ten percent (10%) of the total share capital of the company carrying voting rights. Further, a member holding more than ten percent (10%) of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as proxy for any other person or shareholder.

4. During the period beginning 24 hours before the time fixed for the commencement of the meeting and ending with the conclusion of the meeting, a member would be entitled to inspect the proxies lodged at any time during the business hours of the Company between 10:00 am to 1:00 p.m. provided that not less than three days of notice in writing of the intention so to inspect the proxies is given to the Company.

5. The annual report for 2013-14 along with the notice of annual general meeting, attendance slip and proxy form is being sent by electronic mode to all the shareholders who have registered their email ids with the depository participants (DP) / Registrar and Share transfer agent (STA) unless where any member has requested for the physical copy. Physical copies of said documents are being sent by permitted mode to members who have so not registered their email ids. Members may further note that the said documents will also be available on the Company's website http://essaroil.co.in and at https://www.evoting.nsdl.com for download. Physical copies of the aforesaid documents will also be available at the Company's registered office for inspection during normal business hours i.e. from 10:00 a.m. to 1:00 p.m. on any working day, excluding Saturday and Sunday. For any communication, the shareholders may also send requests to the Company's investor email id viz. eolinvestors@essar.com.

6. All documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company on all working days, except Saturdays, Sundays and Bank holidays, between 10:00 a.m. and 1:00 p.m. up to the date of the Annual General Meeting.

7. Pursuant to Section 101 of the Companies Act, 2013 and rules made there under, the companies are allowed to send communication to shareholders electronically. We thus, request you to kindly register/update your email ids with your respective depository participant and Company's registrar and share transfer agent (in case of physical shares) and make this initiative a success.

8. The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, December 18, 2014 to Wednesday, December 24, 2014 (both days inclusive).

9. Members / proxies should bring the attendance slip duly filled in for attending the meeting.

10. Corporate Members intending to send their authorised representatives to attend the Meeting are requested to send a duly certified copy of the Board Resolution authorising their representative(s) to attend and vote on their behalf at the Meeting.

11. Members desiring any information with regard to Accounts / Reports are requested to write to the Company at least ten days before the date of the meeting, so as to enable the management to keep the information ready.

12. Directors retiring by rotation:

    a. **Mr. P S Ruia, Chairman** is a prominent Indian industrialist and is part of the Ruia family, founders of Essar. He has been involved with the Essar's operations and management since 1985 and has been a key member of the company's growth story. He has been involved in the Essar's growth and diversification both within India and internationally. He is known for his project execution skills, financial expertise and people management capabilities. He was instrumental in commissioning of the Vadinar refinery.

He holds several key positions on various regulatory and professional boards. He is a member of the Audit Committee of World Steel Association and the Energy Board Room at the World Economic Forum. He has also served as Chairman of the Hydrocarbons Committee of the Confederation of Indian Industries in 2008 and as member of the Prime Minister of India's Advisory Council on Trade & Industry in 2007.

The other companies in which Mr. P S Ruia is a Director are Essar Steel India Limited, Kama-Schachter Jewelry Private Limited, Essar Steel Algoma Inc., Essar Capital Limited and Essar Steel Limited. He is not member of any Committee in the Company and does not hold any shares in the Company. Mr. P S Ruia retires by rotation at the Annual General Meeting and offers himself for re-appointment.

b. **Mr. Naresh Nayyar, Dy. Chairman,** has close to 40 years of experience in the Energy market in India. He has been actively involved in Energy Policy making and energy security initiatives of India. He has vast experience of energy markets in Asia and other emerging markets He started his career with Indian Oil (India's largest downstream Oil Company) in 1975 and rose to become its Director in October 2002, after having handled several key assignments in finance, treasury, international trade and business strategy. Mr. Naresh Nayyar joined Essar Oil Limited in October 2007 as Managing Director. Later he took over larger role as CEO of Essar Energy Plc in April 2010 and held this position till 2013. Prior to joining Essar Oil, Mr. Naresh Nayyar was the CEO of ONGC Mittal Energy Limited. Mr. Naresh Nayyar's previous directorships include Indian Oil Corporation, Oil & Natural Gas Corporation, Petronet LNG Ltd; IBP, and Lanka IOC Limited where he served as Chairman. He was also Chairman of the Indian Oil Marubeni Panipat Power Project between March 2003 and November 2005.

The other companies in which Mr. Naresh Nayyar is a Director are Essar Oil (UK) Ltd. And SNS Creations Private Limited. He is a member of Audit & Risk Management Committee, Investors' Relations Committee, Nomination& Remuneration Committee, Business Management Committee, E&P Business Committee, Banking & Finance Committee and Committee of Directors (Capital Issues) of the Company. He holds 8000 shares in the Company. Mr. Naresh Nayyar retires by rotation at the Annual General Meeting and offers himself for re-appointment.

13. The retiring auditors M/s. Deloitte Haskins & Sells (DHS), Chartered Accountants, Ahmedabad (ICAI Firm Registration No. 117365W) have been the Auditors of the Company since 2010-11 and have completed a term of four years. Prior to this, associates of DHS, Messrs. Deloitte Haskins & Sells, Chartered Accountants, Mumbai and the firm that existed prior to its reorganization in 1999-2000 were the Auditors of the Company since the financial year 1996-97 till the financial year 2009-10. As per the provisions of section 139 of the Companies Act, 2013, no listed company can appoint or re-appoint an audit firm as auditor for more than two terms of five consecutive years. Section 139 of the Act has also provided a period of three years from the date of commencement of the Act to comply with this requirement. Accordingly, it is proposed to re-appoint M/s. Deloitte Haskins & Sells as auditors for a period of one year.

14. Members can avail of the facility of nomination in respect of shares held by them in physical form pursuant to the provisions of Section 72 of the Companies Act, 2013. Members desiring to avail this facility may send their nomination in the prescribed Form SH 13 duly filled in to M/s. Datamatics Financial Services Ltd. The prescribed form in this regard may also be obtained from Datamatics Financial Services Ltd.

15. Pursuant to sections 205C of the Companies Act, 1956 all unclaimed principal amount on debentures remaining unpaid or unclaimed for a period of seven years from the

date they became due for payment during the financial year 2004-05, have been transferred to the Investor Education and Protection Fund (IEPF) established by the Central Government.

Voting through Electronic Means

1. Pursuant to Section 108 of Companies Act, 2013 read with the Companies (Management and Administration) Rules, 2014 and clause 35 of the equity listing agreement, the Company will provide e-voting facility as an option to the members. All business to be transacted at the Annual General Meeting can be transacted through the electronic voting system. The Company has engaged the services of National Securities Depository Limited ("NSDL") to provide e-voting facilities and for security and enabling the members to cast their vote in a secure manner.

   It may be noted that this e-voting facility is optional. The e-voting facility will be available at the link https://www.evoting.nsdl.com during the following voting period:

Commencement of e-voting:	From 8.00 a.m. (IST) on December 18, 2014
End of e-voting :	Up to 5.00 p.m. (IST) on December 20, 2014

   E-Voting shall not be allowed beyond 5:00 p.m. of December 20, 2014. During the e-voting period, Shareholders of the Company, holding shares either in physical form or in dematerialised form, as on the recorded date may cast their vote electronically. The record date for the purpose of e-voting is November 21, 2014.

   Those shareholders who do not have access to e-voting facility can send their assent or dissent in writing by returning the ballot farm which has been sent along with the instructions for e-voting, separately with this Notice.

2. The notice of annual general meeting will be sent to the members, whose names appear in the register of members / depositories as at closing hours of business, on Friday, November 21, 2014 and any recipient of the notice whose name does not appear as a Member in relation to the shares as on the aforesaid date should treat the same as an intimation only.

3. The shareholders shall have one vote per equity share held by them. The facility of e-voting would be provided once for every folio/ client id, irrespective of the number of joint holders.

4. The Board of Directors of the Company has appointed Mr. Prakash Pandya, Practicing Company Secretary, as the scrutinizer for conducting the e-voting process in the fair and transparent manner.

5. The scrutinizer will submit his final report to Chairman of the Company within three working days after the conclusion of e-voting period.

6. The results of annual general meeting shall be declared by the Chairman or his authorized representative or anyone of the Directors of the Company on/or after the date of the annual general meeting within the prescribed time limits.

7. The result of the e-voting will also be placed at the website of the Company viz. http://essaroil.co.in

8. The scrutinizer's decision on the validity of e-voting will be final.

Instructions for E-Voting

Members are requested to follow the instructions below to cast their vote through e-voting:

a. For members who have not registered their e-mail IDs with the Company or their Depository participants, User ID and Password for e-voting have been sent to them along with the along with this Notice. Please note that the Password is an Initial Password for new users.

b. The Login IDs and Passwords have been forwarded by National Securities Depository Ltd. by e-mail to all those members who have registered their e-mail IDs with the Company or their respective Depository Participants.

c. Launch the internet browser by typing the following https://www.evoting.nsdl.com

d. Click on "Shareholder-Login:

Notice

e. New users please put user ID and Password noted in step (a) or (b) above, as the case may be, as the initial password. Click login. If you are already registered with NSDL for e-voting then use your existing User ID and Password for Login.

f. If you are logging in for the first time, Password Change Menu appears. Change the Password of your choice with minimum 8 digits / characters or a combination thereof. Please note the new Password for all the future e-voting cycles offered on NSDL e-voting Platform. It is strongly recommended not to share your Password with any other person and take utmost care to keep your Password confidential.

g. Existing users have to put your existing User ID and password.

h. Home page of “e-voting” opens. Click on “e-voting” : Active Voting Cycles.

i. Select “EVEN (E-Voting Event Number)” of Essar Oil Limited. For an EVEN, you can login any number of times on e-voting platform of NSDL till you have voted on the resolution during the voting period.

j. Now you are ready for “e-voting” as “Cast Vote” Page opens.

k. Cast your vote by selecting appropriate option and click “Submit” and also “Confirm” when prompted.

l. Upon confirmation, the message “Vote cast successfully” will be displayed

m. Kindly note that vote once casted cannot be modified.

n. Institutional members (i.e. members other than individuals, HUF, NRIs, etc.) are also required to send scanned copy (PDF/JPG format) of the relevant board resolution / authority letter, etc. together with the attested specimen signature(s) of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer through email at : info@pkpandya.com with a copy marked to evoting@nsdl.co.in. You can also forward the documents at the Company’s email ID: eolinvestors@essar.com.

o. Shareholders holding multiple folios / demat account have to vote separately for each folio / demat account.

p. In case of any queries you may refer the Frequently Asked Questions (FAQs) for members and e-voting user manual for members available at the “downloads” section of https://www.evoting.nsdl.com or contact NSDL by email at evoting@nsdl.co.in

q. You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending future communication(s).

r. The voting rights of Shareholders shall be in proportion to their shares of the paid up equity share capital of the Company as on the record Date.

Instructions for ballot in lieu of e-voting

1. Shareholders who do not have access to e-voting facility can send their assent or dissent in writing by returning the ballot form in lieu of e-voting which has been sent along with instructions for e-voting separately with this Notice.

2. The ballot form must be completed and signed by the Member as per the specimen signature registered with the Company / Depository Participant. In case of joint-holding, the ballot form must be completed and signed (as per the specimen signature registered with the Company) by the first named Member and in his absence, by the next named Member.

3. The votes of a Member will be considered invalid on any of the following grounds:

   - if the Member’s signature does not tally;
   - if the Member has marked his/ her/ its vote both ‘FOR’ and also ‘AGAINST’ the ‘Special Resolution(s)’ in such a manner that the aggregate Shares voted ‘FOR’ and ‘AGAINST’ exceeds total number of Shares held under Serial No. 4 appearing on the reverse of the Ballot Form;
   - if the Ballot Form is unsigned, incomplete or incorrectly filled;

- if the Ballot Form is received torn or defaced or mutilated such that it is difficult for the Scrutinizer to identify either, the Member, or the number of votes, or as to whether the votes are 'FOR' or 'AGAINST', or if the signature could not be verified or one or more of the above grounds.

4. The Scrutinizer's decision on the validity of the Ballot Form shall be final.

5. The vote shall not be exercised by a proxy.

6. Duly completed Ballot Forms should reach the Scrutinizer not later than the close of working hours (5:00 p.m.).on Saturday, December 20, 2014. All Ballot Forms received after this date and time will be strictly treated as if the reply from such Member has not been received.

7. The voting rights shall be reckoned in proportion to the paid-up value of the equity shares registered in the name of the Members as on November 21, 2014.

8. Where the ballot form has been signed by an authorized representative of a body corporate, trust or society, a certified true copy of the resolution of its board of directors / governing body authorizing such representative to vote on the resolution on behalf of the body corporate, trust or society should accompany the Ballot Form. If the Ballot Form is signed by a 'Power of Attorney' holder for and on behalf of the Member, it must be accompanied by an attested true copy of such 'Power of Attorney'.

9. Members are requested not to send any extraneous/ additional papers along with the ballot form in the enclosed postage pre-paid envelope.

10. There will be one ballot form for every 'Registered Folio'/ 'Client ID', irrespective of the number of joint holders.

11. A Member need not cast all his/ her votes in the same manner.

12. A Member may request a duplicate ballot form, if so required. However, the duly filled in duplicate ballot form should reach the Scrutinizer, not later than the date specified at item 6 above.

13. Members are requested to fill the ballot form with indelible ink and not by any erasable writing mode.

14. If a Member has voted through the e-voting facility, he/ she is not required to send the Ballot Form. If a Member votes through the e-voting facility and also sends his vote through the Ballot Form, then voting done through e-voting shall prevail and voting done by ballot form will be treated as invalid by the Scrutinizer.

Notice

Annexure to Notice

As required by section 102 of the Companies Act, 2013 (Act), the following explanatory statement sets out all material facts relating to the business mentioned under Item Nos. 5 to 10 of the accompanying Notice:

Item no. 5 to 8

In accordance with the provisions of Section 149 of the Companies Act, 2013 read with Clause 49 of the equity listing agreement, the Company is required to have at least one-half of the total number of directors as Independent Directors who are not liable to retire by rotation and who shall hold office for a term of up to five years. They may be appointed for a maximum of two consecutive terms.

Mr. D J Thakkar, a Non-Executive, Independent Director, joined the Board of Directors of the Company in November 1994. Mr. D J Thakkar retires by rotation at the ensuing AGM under the provisions of the erstwhile Companies Act, 1956. In terms of section 149 of the Companies Act, 2013 (Act) being eligible,it is proposed to re-appoint Mr. D J Thakkar as an Independent Director for a period of one year commencing from the date of this Annual General Meeting.

Further Mr. S V Venkatesan, Mr. D K Varma and Mr. T S Narayanasami have been appointed as Additional Director on October 10, 2014 pursuant to section 161(1) of the Companies Act, 2013 read with Article 82 of the Articles of Association of the Company in the capacity of Independent Directors and hold office of Director up to the date of the ensuing Annual General Meeting.

It is proposed to appoint Mr. S V Venkatesan, Mr. D K Varma and Mr. T S Narayanasami as Independent Directors of the Company for a term of one year from the date of their appointment as Directors. The Company has received consent from these Independent Directors and also declaration confirming that they are not disqualified from being appointed as Director in terms of Section 164 of the Companies Act, 2013 and meet the criteria of independence as prescribed under Section 149(6) of the Companies Act, 2013 as well as Clause 49 of the Listing Agreement with the Stock Exchanges.

In this regard requisite notice in writing from a member has been received, proposing appointment of Mr. D J Thakkar, Mr. S V Venkatesan, Mr. D K Varma and Mr. T S Narayanasami as candidate for the office of Independent Director of the Company.

The terms and conditions of appointment of Mr. D J Thakkar, Mr. S V Venkatesan, Mr. D K Varma and Mr. T S Narayanasami shall be open for inspection by the Members at the Registered Office of the Company during normal business hours on any working day, excluding Saturday and Sunday.

A brief profile along with other details of the Independent Directors is set out below:

a. **Mr. D J Thakkar** is 78 years old. He is a practicing Chartered Accountant with 53 years' experience in Taxation and FEMA matters. The other companies in which Mr. D J Thakkar is a Director are: Ameya Logistics Pvt. Ltd., Blueberry Trading Company Pvt. Ltd., Essar Ports Ltd., Hamlet Constructions India (P) Ltd., Himatsingka Seide Ltd., Skidata (India) Pvt. Ltd., Indo Count Industries Ltd., Premier Ltd., Rajasvi Properties Holdings Pvt. Ltd., Starrock Investments & Trading Pvt. Ltd., Township Real Estate Developers Pvt. Ltd., Universal Trustees Pvt. Ltd., Westlife Development Ltd., Walchandnagar Industries Ltd., Provenance Land Private Limited; Windmere Hospitality (India) Pvt. Ltd. and Omega Management Services Limited. He is Chairman of the Audit & Governance Committee and member of Investors' Relations Committee, Banking & Finance Committee and Committee of Directors (Capital Issues).of the Board of the Company. He holds 300 shares in the Company.

b. **Mr. S V Venkatesan** is 75 years old. He has extensive experience in banking industry and finance functions. Mr. Venkatesan is a B Com gold medalist from Madras University. Having started his career with State Bank of India, he worked with the Bank for over 24 years where he held important responsibilities in India and abroad. He was associated with the Committee appointed by the Bank to aid in the formulation of corporate credit policies. In 1986, Mr. Venkatesan joined the Essar Group spearheading the finance function and rose to the position of Director Finance. He also became Director in various Essar Group Companies. In 2001, he relinguished executive responsibilities in Essar Group. The other companies in which Mr. S V Venkatesan is a Director are: Lancor Holdings Limited; Essar Projects (India) Limited; Best & Crompton Engg. Limited; Edelweiss Trustee Services Limited; Essar Power MP Limited; Essar Power Gujarat Limited; Essar Power (Orissa) Limited; Essar Power Transmission Company Limited and Essar Securities Limited. He is not a member of any of the committees of the Board. He holds 400 shares in the Company.

c. **Mr. D K Varma** is 72 years old. He has rich and extensive experience in the fields of Construction and Project Implementation in Marine, Shipping, Shipbuilding & Offshore Construction activities, Manufacturing sector including Steel, Chemical and Fertilizer/Petrochemical and Communication. In his career, he has held senior executive positions in Steel Authority of India Ltd. He has served as CMD of Hindustan Shipyard Ltd., Cochin Shipyard Ltd., RCF Ltd., and Fertilizers & Chemicals (Cochin). He was also the Chairman of the Standing Conference of Public Enterprises, the Apex Body of all Central PSUs. He has also held the post of Managing Director of National Ship Design & Research Centre and has been Director & Group Leader of Oman India Fertilizers (OMIFCO). Mr. Varma is BE (Mechanical) and an MBA. The other companies in which Mr. D K Varma is a Director are: Essar Ports Limited; Matix Fertilisers and Chemicals Limited; Essar Bulk Terminal Limited; Essar Bulk Terminal Paradip Limited and Broad Vision Management Consulting Private Limited. He is not a member of any of the Committees of the Board and does not hold any shares in the Company.

d. **Mr. T S Narayanasami** is 65 years old. Having extensive experience as a banker with over four and a half decades, he has served as MD and CEO of United Stock Exchange of India, and Chairman of Experian Credit Information Company of India. In his long sting with the Indian banking sector, he has held the position of CMD of Bank of India, Indian Overseas Bank and Andhra Bank. He was the Executive Director of Punjab National Bank and also Chairman of Indian Banks' Association's Managing Committee. The other companies in which Mr. T S Narayanasami is a Director are: Axis Asset Management Company Limited, Essar Ports Limited, Central Depositary Services (India) Limited, Siddhivinayaka Advisory Services Private Limited, LICHFL Asset Management Company Limited, Indraprastha Medical Corporation Limited, Empee Hotels Limited, RAOS Investment Private Limited and Viraj Profiles Limited. He is not a member of any of the Committees of the Board and does not hold any shares in the Company.

The Board is of the opinion that Mr. D J Thakkar, Mr. S V Venkatesan, Mr. D K Varma and Mr. T S Narayanasami are Independent of management of the Company and fulfill the conditions under the Act and the Rules framed thereunder and those of the listing agreement with stock exchanges for appointment as Independent Directors. The Board is of the opinion that continued association of Mr. D J Thakkar, a Practicing Chartered Accountant, as Independent Director and appointment of Mr. S V Venkatesan, Mr. D K Varma and Mr. T S Narayanasami who have extensive experience in their respective professions would be beneficial for the Company.

In terms of sections 150, 152 and other applicable provisions of the Act,the appointment Mr. D J Thakkar, Mr. S V Venkatesan, Mr. D K Varma and Mr. T S Narayanasami as Independent Directors is subject to approval of shareholders in General Meeting. Accordingly, approval of shareholders is being sought by passing resolution Nos. 5 to 8 of the Notice.

Other than Mr. D J Thakkar, Mr. S V Venkatesan, Mr. D K Varma and Mr. T S Narayanasami, who are interested in the respective resolutions relating to their appointment, none of the Directors, key managerial personnel of the Company or their relatives are concerned or interested, financially or otherwise, in the proposed Resolutions as set out in Item Nos. 5 to 8 of this Notice. This Explanatory Statement may also be regarded as a disclosure under Clause 49 of the Listing agreement with the Stock Exchanges. The Board recommends the Ordinary Resolutions as set out at item Nos. 5 to 8 of the Notice for approval by the shareholders.

Item No. 9

Mr. L K Gupta was appointed as Managing Director & CEO of the Company for a period of 5 years with effect from December 2, 2011. The shareholders at the 22nd Annual General Meeting held on December 20, 2012 approved his appointment and terms of remuneration.

Taking into consideration the increased business activities and also the contributions made by Mr. L K Gupta as Managing Director & CEO, the Board of Directors has deemed it fit to increase the remuneration of Mr. L K Gupta. Under the provisions of Section 197 of the Companies Act, 2013 increase in remuneration payable to Mr. L K Gupta will require approval of shareholders. In first six months of the current financial year ended September 30, 2014, the Company earned profits after tax of ₹ 910 Crore. Since the profits for the entire financial year 2014-15 can not be ascertained, at this stage and therefore as a matter of abundant caution; it is proposed to seek approval of shareholders by passing special resolution.

Notice

Additional information about the Company and Mr. L K Gupta, Managing Director & CEO is a under:

I General Information

(1) Nature of Industry:

The Company belongs to the oil and gas industry. It is an existing company engaged in exploration and production of oil and gas, refining of crude oil and marketing of petroleum products.

(2) Commencement of commercial production:

The Company is an operating entity. With the completion of Refinery Expansion Project in March, 2012 and Optimisation Project in June, 2012, the refining capacity of the Refinery at Vadinar, Gujarat stands enhanced to 20 MMTPA.

(3) Financial performance:

(₹ in crore)

Financial parameters	Financial year ended March 31		
	2012	2013	**2014**
Gross sale	63,339.52	96,796.88	**107,189.69**
Earnings before finance cost, depreciation and amortization, exceptional items and tax (EBIDTA)	2,100.76	3,650.68	**4,702.63**
Net profit/(loss) after tax as per Statement of Profit & Loss	(1,285.48)	(1,180.44)	**125.80**

(5) Foreign investments and collaborations, if any:

Essar Energy Holdings Ltd. Foreign Co-Promoter, has made Foreign Direct Investment of ₹ 5,443 crore in the Company and post inter-se acquisition of shares from other Promoter Group companies and conversion of Foreign Currency Convertible Bonds presently holds 354,714,547 (24.47%) equity shares and 1,843,724 Global Depository Shares represented by 223,030,854 (15.39%) underlying equity shares of the Company.

II Information about Mr. L K Gupta

Mr. L K Gupta is the Managing Director & CEO and is responsible for all the day to day operations of the Company's Refinery and Marketing Business subject to super intendence and control of the Board of Directors. Under his leadership the Company expanded the refining capacity to 20 MMTPA by implementing the Expansion and Optimization projects. The performance of your Company has substantially improved under his leadership His brief profile is set out below:

Mr. L K Gupta is 54 years old. A rank holder Chartered Accountant, Mr. L K Gupta is also a Company Secretary and holds a Bachelor's Degree in Commerce (Gold Medalist) from Jiwaji University, Gwalior. Mr. Gupta has 34 years of leadership experience in core sectors of Energy (Oil & Gas), Utilities (Power) and Steel. He was CEO and Joint Managing Director of JSW Energy Ltd. from June 2010 till November 2011. Prior to this from May 2006 he was Director (Finance) with Mangalore Refinery & Petrochemicals Ltd., an ONGC subsidiary. He was recognised by CNBCTV18 as the Best Performing CFO in the Indian Oil & Gas sector in 2008-2009.

During the previous financial year 2013-14, Mr. L K Gupta received a remuneration of approximately ₹ 3.93 crore.

The revised remuneration payable to Mr. L K Gupta with effect from April 1, 2014 for the remaining period of his term in office as Managing Director & CEO are ₹ 3.00 crore comprising of basic salary, allowances and perquisites including house rent allowance, special allowance, reimbursement of vehicle operating, entertainment, telephone, professional pursuit,leave travel allowance and medical expenses as per Company rules. He will be paid annual performance linked incentive of ₹ 2.00 crore which depending on performance of the Company and his performance assessed as per Company policy can range from 100% to 200% as may be decided by the Board / Nomination and Remuneration Committee. He will also be covered under Company's Provident Fund/Gratuity/ Hospitalisation/Health Insurance/Group Personal Accident Scheme and mobile reimbursement policy. The total of salary/ perquisites/allowances/performance linked incentives/other benefits (excluding /Gratuity/Hospitalisation/Health Insurance/ Group Personal Accident Scheme and mobile reimbursement policy) as may be decided by the Board of Directors or the Nomination & Remuneration Committee during his tenure in office, will not exceed ₹ 7.00 crore per annum. The perquisite value of the facilities/benefits/allowances and bonus shall be evaluated, wherever applicable, as per the Income Tax Act, 1961 and the Rules framed thereunder. The Employee Stock Options granted/to be granted to Mr. L K Gupta from time to time are not to be included for the purpose of computation of overall ceiling of remuneration.

In the event of loss and inadequacy of profits in any financial year during the period of appointment, the remuneration payable by way of salary, perquisites, allowances and performance linked incentive as aforesaid, will be paid to Mr. L K Gupta as specified above, subject to the approval of the Central Government, as may be required.

In the event of termination of employment, except in circumstances of fraud or gross misconduct on his part, he will be entitled to be paid remuneration for a maximum period of three months.

Subject to as aforesaid, he shall be governed by such of the existing service rules of the Company as may be in force from time to time.

The remuneration proposed to be paid to the Managing Director & CEO is comparable with his professional qualification, relevant industry experience and the remuneration being paid for similar assignments in the Oil & Gas industry.

Mr. L K Gupta does not have director in direct pecuniary relationship with the Company or relationship with the managerial personnel other than getting remuneration as the Managing Director & CEO of the Company. Mr. L K Gupta is also Managing Director of Vadinar Power Company Ltd. The shareholders have already approved acquiring balance 76.01% equity share capital in VPCL making it a 100% subsidiary of Essar Oil Ltd. He does not draw any remuneration from VPCL. He does not hold any shares in Essar Oil Limited. He is a member of the Business Management Committee, Investors' Relations Committee, Banking & Finance Committee, and the Committee of Directors (Capital Issues) of the Company.

III Other information

(1) Reasons for inadequacy of profit, if any:

With a full year of operation post completion of the Refinery expansion and optimization projects the Company in 2013-14, returned to profitability generating profits after tax of ₹ 126 crore. Further in the half year ended September 30, 2014 for financial year 2014-15, the Company earned profit after tax of ₹ 910 crore.

(2) Steps taken or proposed to be taken for improvement:

The Company completed and commissioned the Expansion Project in March, 2012 enhancing the refining capacity to 18 MMTPA and simultaneously improved the complexity from 6.1 to 11.8. In addition, an Optimization project was completed and commissioned four months ahead of schedule in June 2012 enhancing the refining capacity to 20 MMTPA. The completion of these projects has given the Refinery the capability and advantage to process low cost heavy crudes and still produce high value added products. Despite the expansions, the Company continues to operate it Refinery at more than 100% capacity on a consistent basis and has achieved the highest ever throughput during the year. Further, the refinery gets its power and steam requirements from a coal based power plant which has helped in reducing its operating costs. The Company has also implemented/is implementing a number of cost reduction, cost optimization and Gross Refinery Margin (GRM) boosting measures to improve the profitability. On the marketing side, the company continues to expand its retail outlets network to take advantage of market de-regulation. The Company has currently about 1400 retail outlets operating across the Country and in addition approximately 300 outlets are under construction. With deregulation of Diesel w.e.f. October 19, 2014 the retail operations of the Company are expected to see quantum jump in the future. The Company has started dollarization of its balance sheet through ECB /Currency Swap/foreign currency loans to reduce interest cost. The above measures are expected to have a positive effect on the profitability and cash flows of the Company.

(3) Expected increase in productivity and profits:

With commissioning of the Refinery Expansion and Optimisation projects and improvement in complexity there is an increase in volume of production, improvement of the product profile and enhanced ability to process low cost sour and tough crudes, thus significantly improving the margins, profitability and cash flows. Further, the Company has initiated dollarization of its balance sheet which will result in benefits like reduction in interest cost and enhancement in liquidity position. In addition with the deregulation of Diesel prices the retail operations are

Notice

also expected to contribute significantly to the Company's profitability from now onwards. The performance of the Company has further improved during the current financial year (2014-15). The Gross sale /income from operations and the net profit after tax for the six month period ended September 30, 2014 were ₹ 47,182 crore and ₹ 910 crore respectively.

The Board of Directors is of the opinion that payment of proposed remuneration to Mr. L K Gupta as Managing Director & CEO of the Company would be in the interest of your Company.

Accordingly, the Directors recommend the resolution at Item No.9 of the Notice for your approval.

Except for Mr. L K Gupta, none of the other Directors / Key managerial personnel of the Company / their relatives are in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 9 of the Notice.

Item No.10

The Board, on the recommendation of the Audit & Governance Committee (renamed as Audit & Risk Management Committee), has approved the appointment of M/s. Chandra Wadhwa & Co., Cost Accountants as Cost Auditors of the Company for the financial year ending on March 31, 2015 and the Cost Audit fees has been fixed at ₹ 6.00 lakh excluding service tax and cess thereon, reimbursement of out of pocket expenses and filing of cost records with Ministry of Corporate Affairs.

In accordance with the provisions of Section 148 of the Act read with the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditors has to be ratified by the shareholders of the Company. Accordingly, consent of the members is sought for passing an Ordinary Resolution as set out at Item No.10 of the Notice for ratification of the remuneration payable to the Cost Auditors for the financial year ending on March 31, 2015.

None of the Directors, Key Managerial Personnel (KMP) and their relatives are in any way, concerned or interested in the said Resolution.

By Order of the Board of Directors

Mumbai
November 21, 2014

Sheikh S. Shaffi
Company Secretary

Registered Office:
Khambhalia Post, P. O. Box 24,
Dist. Devbhumi Dwarka – 361305, Gujarat.
Phone: 91 02833 661444, Fax: 91 02833 662929
e-mail: eolinvestors@essar.com • website: http://essaroil.co.in

Notes

Notes

TEAR HERE

ESSAR
OIL & GAS

Essar Oil Limited

Registered Office: Khambhalia Post, Post Box No. 24, Dist.: Devbhumi Dwarka - 361 305, Gujarat, India
Corporate Identity Number: L11100GJ1989PLC032116
Phone : 91 02833 661444, Fax: 91 02833 662929

ATTENDANCE SLIP

24TH ANNUAL GENERAL MEETING - DECEMBER 24, 2014 AT 3:00 P.M.

Folio No.	
DP ID / Client ID	
No. of Shares held	

NAME & ADDRESS OF THE REGISTERED SHAREHOLDER

I certify that I am a registered shareholder/proxy for the registered shareholder of the Company.

I hereby record my presence at the TWENTY FOURTH ANNUAL GENERAL MEETING of the Company at the Registered Office at Khambhalia Post (39th Km. stone on Jamnagar-Okha Highway), Dist. Devbhumi Dwarka - 361305, Gujarat , India on December 24, 2014 at 3:00 p.m.

....
Member's/Proxy's Signature

Note: Please complete this and hand it over at the entrance of the hall.

TEAR HERE

Form No. MGT-11

PROXY FORM

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

CIN :	L11100GJ1989PLC032116		
Name of the Company	ESSAR OIL LIMITED		
Registered Office	Khambhalia Post, P.O. Box No. 24, Dist. Devbhumi Dwarka – 361305, Gujarat, India		
Name of the member (s)			
Registered address			
E-mail Id			
Folio No/ Client Id		DP ID	

I/We, being the member (s) of .... shares of the above named company, hereby appoint

1.	Name			
	Address			
	E-mail Id		Signature	
	or failing him			
2.	Name			
	Address			
	E-mail Id		Signature	
	or failing him			
3.	Name			
	Address			
	E-mail Id		Signature	

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the Twenty Fourth Annual General Meeting of the Company to be held on Wednesday, December 24, 2014 at 3:00 p.m. at the Registered Office at Khambhalia Post (39th Km. stone on Jamnagar-Okha Highway), Dist. Devbhumi Dwarka - 361305, Gujarat, India and at any adjournment thereof in respect of such resolutions as are indicated below:

	Resolutions	Optional	
		For	Against
1.	Receive, consider, approve and adopt the Balance Sheet as at March 31, 2014 the Statement of Profit & Loss for the financial year ended on that date and the reports of the Board of Directors and Auditors thereon		
2.	Reappointment of Mr. P S Ruia as a director of the Company.		
3.	Reappointment of Mr. Naresh Nayyar as a director of the Company.		
4.	Appoint M/s. Deloitte Haskins & Sells Chartered Accountants, Ahmedabad as auditors from the conclusion of this AGM till the conclusion of next AGM and fix their remuneration		
5.	Appoint Mr. D J Thakkar as an Independent Director of the Company		
6.	Appoint Mr. S V Venkatesan as an Independent Director of the Company		
7.	Appoint Mr. D K Varma as an Independent Director of the Company		
8.	Appoint Mr. T S Narayanasami as an Independent Director of the Company		
9.	Approve increase in remuneration payable to Mr. L K Gupta, Managing Director & CEO		
10.	Approve remuneration payable to the Cost Auditors		

Affix Revenue Stamp

Signed this .... day of .... 2014.

Signature of shareholder : ______________________

Signature of Proxy holder(s) : ______________________

Note: 1. This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.

2. It is optional to put a "✓" in the appropriate column against the Resolution indicated in the Box. If you leave the 'For" or 'Against' column blank against Resolutions, your Proxy will be entitled to vote in the manner as he/she thinks appropriate.


Blending Station

If undelivered, please return to:
M/s. Datamatics Financial Services Ltd.
Unit: Essar Oil Limited
Plot No. B-5, Part B Cross Lane
MIDC, Marol, Andheri (East)
Mumbai - 400 093 INDIA