ESSAR OIL LIMITED: RESULTS FOR THE QUARTER

AND YEAR ENDED 31ST MARCH 2012

Refinery expansion project completed; Co moves up the value chain

Key Highlights

Overall

- Refinery expansion project to increase capacity to 18 MMTPA and complexity to 11.8 completed, leading to significant upside in refinery value chain.
- Optimisation project to further increase capacity to 20 MMTPA on track; completion expected by September 2012
- FCCBs of $262 million issued to Essar Energy PLC made compulsorily convertible; giving boost to net worth impacted due to one time sale tax reversal
- Writ petition seeking direction on the repayment instalments and interest in relation to its sales tax deferral liability admitted by Honourable Gujarat High Court.
- CDR exit proposal expected to be approved shortly

Financial Highlights

- Gross revenues for Q4FY12 up 29% to Rs 19,160 crore as compared to Rs 14,846 crore reported in Q4 FY11. Revenues for FY12 was up 19% Rs 63,340 crore compared to Rs 53,119 crore in FY11.
- Q4FY12 EBITDA at Rs 444 crore down 51% against Rs 911 crore in Q4 FY11. EBITDA for FY12 stood at Rs 2,106 crore, down 24% from Rs 2,779 crore for FY11 mainly due to sales tax incentive not available in Q4FY12 and lower throughput due to planned shutdown.
- CP GRM for Q4FY12 stood at US$ 4.60 /bbl compared to US$ 5.29 /bb in Q4FY11. For FY12, it was US$ 4.23 /bbl compared to US$ 4.53 /bbl in FY11.

Refining

- Throughput of Q4FY12 up 10.4% at 4.03 MMT against 3.65 MMT in Q4FY11, due to increase in the refinery capacity. Throughput for the FY12 stood at 13.49 MMT against 14.76 MMT FY11; lower due to 35-day planned shutdown undertaken in September/October 2011.

- Substantial quantity of ultra heavy crude, required for expanded, high complexity refinery, tied up from both domestic and international resources.
- Refinery maintains its excellent safety track record with 1460 LTI free days as Mar 31st March, 2012.

Sales and Marketing

- Essar Oil has over 1,600 operational and under construction outlets.
- Launched VG 30 Bitumen in the market.
- Added seven new CNG stations in the quarter; EOL has total of three auto LPG and 14 CNG stations in its retail network

Exploration & Production

- Producing 25,000 scmd of CBM gas from 15 to 20 wells in Ranigunj, supply to end customers through pipeline and cascades continuing.
- Environmental Clearance for Phase – I (15 test wells) & phase-II (58 wells) received. Final environmental approval from MoEF for Phase III, expected by Sept '12
- Proven and probable reserves at Raniganj CBM block significantly increased to 113 bcf while best estimate contingent resources are at 445bcf gross and best estimate prospective resources are at 297 bcf.

Mumbai, 12th May 2012:

Fourth quarter performance: Essar Oil Ltd (EOL) today reported gross revenues of Rs 19,160 crore for the Q4FY12, compared to Rs 14,846 crore in Q4FY11.

EOL's quarterly EBITDA was at Rs 444 crore compared to Rs 911 crore in the corresponding period last fiscal mainly due to sales tax incentive not recognized in Q4FY12.

The Current Price Gross Refinery Margin *(see Appendix for explanation of CP GRM)* for the Refinery business in Q4 FY 2011-12 was US$ 4.60 per barrel, compared to US$ 5.29 per barrel in Q4 FY 2010-11.

Full year financial performance: Gross revenues for FY11 were Rs 63,340 crore, compared to Rs 53,119 crore for FY11.

EBITDA for FY12 stood at Rs 2,106 crore, as against Rs 2,779 crore in FY11.

CP GRM for FY12 was US$ 4.23 /bbl, compared to US$ 4.53 /bbl for FY11.

LK Gupta, EOL's Managing Director and CEO said: "We have completed a very challenging yet satisfying year at Essar Oil. During the year, we completed our refinery expansion programme, making us the second largest single location refinery in India and one of the most complex refineries in the world. This has opened up new markets for our products and provides flexibility for sourcing of crudes. With our optimization programme now nearing completion, we have reached the closure of our major capex programme. With this we have significantly moved up in the refining value chain and are now fully focused on delivering the value of our investments to our stakeholders."

Suresh Jain, Chief Financial Officer, EOL, said, "With our capex funding requirement coming to an end, ensuing CDR exit, and benefits of higher capacity and complexity will soon be visible in terms of incremental operational cash flows, which will be utilised to deleverage the balance sheet and boost our valuation."

Quarterly & Full Year Financial Performance: Key Indicators **(Rs in crore)**

Particulars	**Q4 FY11-12**	**Q3 FY11-12**	**Q4 FY10-11**	**FY 11-12**	**FY10-11**
Revenue (gross)	19,160	13,897	14,846	63,340	53,119
EBITDA	444	490	911	2,106	2,779
Profit Before Tax	(515)	(4,068)	416	(4,377)	828
Profit After Tax	(515)	(3,986)	321	(4,199)	654

Particulars	**As on Mar 12**	**As on Mar 11**
Property, Plant & Equipment (Gross)	26,039	22,151

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Debt (long-term)	13,369	12,427
FCCB	-	1,171
Net Worth	3,613	6,538

Net worth includes FCCBs of US$ 262 million as of 31st Mar, 2012, equivalent to Rs 1,340 crore issued to EOL's parent company pursuant to FCCBs made compulsory convertible during Q4FY12.

Long-term debt includes project debt and -of Rs 5,391 crore (Rs 4,206 crore in the corresponding previous year) mainly related to project debt.

Company seeks court's direction on sales tax repayments

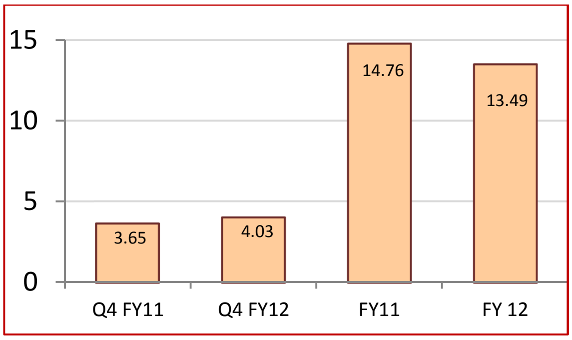
Post rejection of its review petition by the honorable Supreme Court in relation to repayment of deferred sales tax, the company had made representation to Gujarat government for allowing it to pay the sales tax deferral dues in installments and remission of interest. As the issues could not be resolved amicably with the government, Essar Oil filed a writ petition in honorable Gujarat High Court to seek direction on the repayment installments and interest of its sales tax deferral liability to the Government of Gujarat. The honorable High Court has admitted its petition and has fixed the next hearing on June 22nd, 2012. .

The Company has already provided Rs 4,015 crore as an exceptional item in its book as reversal of sales tax incentive income in Q3FY12 and considering the net accretion of Rs 53 crore in Q4FY12 on account of defeasement, the net reversal for the year is Rs 3962 crore.

Operational Highlights

Refining Business

Throughput



Throughput for Q4FY12 quarter was up 10.4% to 4.03 MMT from the corresponding quarter last year due to increase in capacity .

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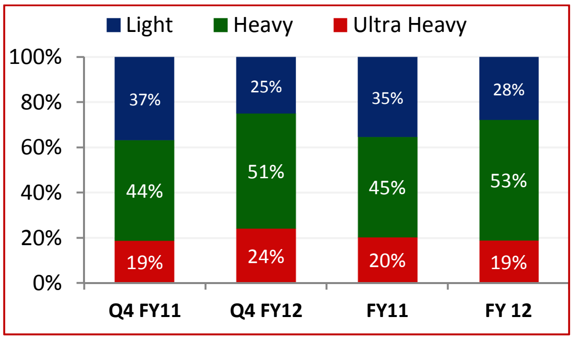
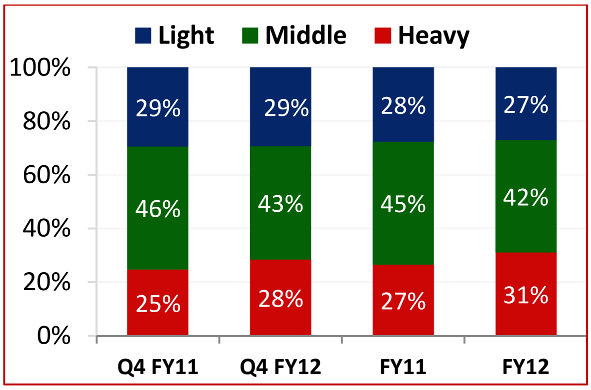
Crude Mix



The refinery processed over 30 types of crudes in the year, including ultra heavy and tough crudes like Maya (Mexico), Altimira (Mexico), and Castellan (Columbia). At 75%, the proportion of ultra heavy & heavy crude processed in the quarter was significantly higher than the 63% recorded in the corresponding quarter last fiscal.

Product Mix



In terms of product yield, Essar Oil now has the flexibility to produce higher value, high-quality products. Close to 80% of its production will now be of valuable light and middle distillates; and over 50% of the production of Gasoil (diesel) and Gasoline (petrol) will meet Euro IV /Euro V specifications.

Despite the increase in heavy and ultra-heavy crudes in its crude diet, the refinery continued to optimise production of higher margin middle and light distillates. Owing to availability of healthier margins from fuel oil during the quarter, heavy distillate production was hiked to 28% of the total production during the quarter, against 25% in the previous quarter.

Sales & Marketing

PSU/Bulk Sales: In terms of sales value, the company sold 63% of its products in the domestic market while 37% of the products were exported during the quarter. In comparison, exports in the corresponding quarter in the last fiscal were around 33% of total sales. Out of the 63% of products sold in the domestic market, 58% were sold to oil & gas PSUs (Public Sector Undertaking) and the balance sold through bulk/direct sales and our retail network.

In spite of the new refining capacity added in FY12 (Bhatinda, Bina, MRPL), EOL is expected to retain the sales volumes it markets to PSUs and in the domestic market due to healthy petro product demand growth in India. In addition, its capability to supply BS IV grade products, which the expansion has helped achieve, will also give it a competitive edge. This will translate to better product margins for EOL compared to exports. However, the proportion of export sales may increase in the near term because of new refining capacity added by PSU refineries. Export volumes will come down in the medium term with India once again likely to become deficient in refined petroleum products, particularly diesel, in the next three to four years.

EOL is prepared to capitalise on this growth through long-term product and infrastructure sharing contracts with oil PSUs (IOC, BPC,HPC) and Shell. It also entitles EOL to purchase products from them and gives the companies the option of sharing each other's distribution infrastructure.

Retail: As on 31st March 2012, EOL had about 1600 retail outlets selling petrol and diesel under the Essar brand. These include 1400 operational outlets, while the rest are in various stages of construction.

Sales through EOL's countrywide network of dealer owned dealer operated outlets went down in the quarter because of the anomaly between retail product prices and prevailing international crude prices. PSU oil marketing companies are able to sell fuel at subsidised rates because the government compensates them for their under-recoveries. With no such incentive, EOL has to price the products sold through retail outlets in tandem with the fluctuations in international crude prices.

As part of its multi fuel option for the customers, Essar Oil has inked an agreement with Indraprastha Gas during the quarter to put up latter's CNG pumping facilities at EOL outlets in the National Capital Region. The company added seven new CNG stations in the quarter to its network of retail outlets, taking its total of Auto LPG and CNG stations in the network to 17.

Safety track record and recognition: As on 31st March 2012, the Vadinar refinery has recorded 1460 days of operations without a Lost Time Injury (LTI), 1045 major fire free days, and 11.30 million hours of safe operations. This goes to show that the refinery personnel have consistently delivered a high production rate without making any compromises on safety standards.

The Vadinar Refinery received several awards during the quarter. Most notable among them are

- Certificate of Appreciation for Lowest Disability Injury Index (DII) and Certificate of honor for completing more than 3 Million Man hours without any reportable injury by Government of Gujarat, Gujarat Safety Council for the year 2010
- 2nd Prize for performance in Energy Optimization and Hydrocarbon Loss Management by CHT (under MOPNG) for Jawaharlal Nehru Centenary Awards-2011
- 3rd Prize for managing Steam Leaks by CHT (under MOPNG) during Oil and Gas Conservation Fortnight (OGCF-2011) survey

Refinery Expansion Project set to deliver Significant Value:

Vadinar Refinery is second largest single site refinery in India and amongst the most complex globally for a refinery of this scale. The refinery has been built with one of the lowest capital cost of $12,746 per barrel, against world average of $23,000 per barrel.
Vadinar refinery will benefit from fully integrated infrastructure developed including power plant, port, pipeline, and tankages with multi product multi modal despatch facilities. Capacity addition, complexity impact, and coal fired power plant to collectively add significant uplift to EBITDA in the coming years.

Crude Sourcing: The Company will require around 85-90 million barrels of ultra heavy crude for the expanded refinery. The company has already entered into long-term crude sourcing contract with global and domestic suppliers, including several national oil companies from Latin America. Essar Oil would be sourcing 15-20% of its crude requirement from the domestic market, 35-40% from the Latin American sources, and 30-40% from West Asia.

Export strategy: EOL sells one third of its products in the exports market, mainly Gasoline and Fuel Oil. Post expansion, main export products would be Gasoline, Gasoil, and VGO.
EOL is planning to leverage the presence of its parent company, Essar Energy, in product deficit markets and sharing of streams, like moving VGO to Stanlow, amongst refineries.
EOL is targeting Australia, New Zealand and north-west Europe for exporting high quality fuels.

Optimisation project

Significant progress has been made in the implementation of the optimisation project for the Vadinar Refinery, with 90% of the project completed (as on Mar 31st, 2012). As part of this project, the VBU (Visbreaker Unit) which has become redundant post the completion of the Phase I expansion is being converted into an additional CDU of 2 MMTPA capacity.

By September 2012, when the optimisation project is expected to be completed, the refinery capacity will further increase to 20 MMTPA, or 405,000 bpsd.

Exploration & Production

Essar's exploration & production business has 2.1 billion barrels of oil equivalent of reserves and resources. The independently verified proven and probable reserves and best estimate 2C contingent gas resources at its Raniganj Coal Bed Methane (CBM) block in West Bengal have been significantly increased recently, following the latest report from NSAI (Netherland Sewell & Associate).

The total proven and probable reserves (2P) at Raniganj, evaluated as on 1 September 2011, are 113 billion cubic feet (bcf) gross, or 18.8 million barrels of oil equivalent (mmboe). Best estimate contingent resources (2C) are 445bcf gross, or 74.1 mmboe, and best estimate prospective reserves are 297 bcf or 49.5 mmboe. NSAI has upgraded the quality of reserves from 201 in 2P/2C earlier to 558 bcf under the new certification. It is important to note that calorific value of CBM gas has also been improved to 9,660 in the latest certification compared to 8,500 in the earlier report.

EOL has drilled 73 wells at Ranigunj, producing about 25,000 scmd from 15 to 20 wells, which is supplied to end customer through pipeline. Environmental Clearance for Phase – I (15 test wells) & phase-II (58 wells) has been received and pilot well drilling completed & applied for moving to Phase-III (Development Phase). Final approval from MOEF expected by Sept '12.

The Company is a leading CBM player in the country with 2,733 sq km of acreage and more than 10 tcf of reserves and resources in place across five blocks (see table below). It has a presence in key markets that are deficient in natural gas supplies.

CBM Blocks	Place	Certified	Acreage (km^2)	2P/2C resources (bcf)	Prospective Resources (bcf)	In place Unrisked Resource (bcf)
Raniganj	West Bengal	NSAI, Jan12	500	558	297	
Rajmahal	Jharkhand	CPR, ARI	1128		4,723	
Sohagpur	M.P. & Chhattisgarh	DGH	339			600
Talcher	Orissa	DGH	557			2,600
IB Valley	Orissa	DGH	209			1,200
Total			2733	558	5,020	4,400

ESSAR OIL & GAS

Financial Review

Gross revenues: Gross Revenue for the Q4FY12 increased to Rs 19,160 crore as compared to Rs 14,846 crore in Q4FY11 mainly due to higher throughput and increase in product prices

Gross revenue increased to Rs 63,340 crore in FY12 from Rs 53,119 crore in FY11. The rise was primarily driven by increased product prices, which was partly offset by decrease in sales quantity on account of the planned refinery shutdown.

EBITDA: For Q4FY12, EBIDTA has declined to Rs 444 crore as compared to Rs. 911 crore for Q4FY11, due to decline in gross refinery margin, and sales tax incentive not available in the fourth quarter post Supreme Court order.

For FY12, EBIDTA was Rs 2106 crore compared to Rs. 2779 crore in FY11. This is lower mainly on account of decrease in refinery throughput due to planned shutdown, decline in gross refinery margin, MTM provision for forex loss, shutdown expenditures, and sales tax incentive not available post Supreme Court order for Q412.

Profit / (Loss) before & after Tax : For the quarter and financial year ended March, 2012, the profit before and after tax declined due to lower EBITDA as explained above, reversal of sales tax benefits and provision of Rs 322 crore for CDR exit proposal.

For reasons above, the company reported negative PAT (after exceptional items) for Q4FY12 and FY12 at Rs (515 crore) and Rs (4,199 crore) respectively against profit of Rs.321 crore and Rs.654 crore for corresponding periods of FY11.

Gross Property, Plant & Equipment: The gross value of Plant & Machinery has increased by 18% to Rs 26,039 crore. This increase is mainly on account of Expansion and Optimization Projects.

Gross Long Term Debt: Gross Debt has increased by Rs 942 crore to Rs 13,369 crore as on 31st March 2012, compared to Rs 12,427 crore as on 31st March 2011. This is also on account of the ongoing Expansion / Optimization Projects.

Net worth: The net worth for the year ending March 31, 2012 is Rs 3,613 crore against Rs 6,538 in March 31, 2011. The decrease in net worth is due to sales tax reversal of Rs 3,962 crore, which was partly offset by conversion of Foreign Currency Conversion Bond (FCCB) of Rs 1340 crore held by holding company in to Foreign Currency Compulsory Conversion Bond (FCCCB) resulting in the improvement of net worth of the Company which had taken an impact on account of sales tax reversal of Rs 3,962crore in FY12.

CDR Update: Essar Oil's Corporate Debt Restructuring exit proposal has been approved by majority of its lenders at CDR – EG and the matter has now been referred to the Core Group for final approval. The process is expected to be completed during the current quarter. CDR exit would provide operational flexibility and an opportunity to reduce cost of debt.

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About Essar Oil

Essar Oil is a fully integrated oil & gas company of international scale with strong presence across the hydrocarbon value chain from exploration & production to refining and oil retail. It has a global portfolio of onshore and offshore oil & gas blocks, with about 2.1 billion barrels of oil equivalent in reserves & resources. Essar Oil now has over 360,000 bpsd (barrels per stream-day) of crude refining capacity that is being expanded to 405,000 bpsd. There are more than 1,600 Essar-branded oil retail outlets in various parts of India.

About Essar Group

The Essar Group is a multinational conglomerate and a leading player in the sectors of Steel, Energy, Infrastructure and Services. With operations in more than 25 countries across five continents, the Group employs 75,000 people, with revenues of US$ 17 billion.

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APPENDIX: DEFINITION AND COMPARABILITY OF CP GRM

Gross Refinery Margin (GRM) is calculated as actual sales net of crude costs derived from the accounts. Inventory gains and losses, hedging gains and losses and sales tax benefit for the period also form part of the GRM. Based on this method of calculation, Essar Oil's reported GRM is not directly comparable to the performance of other refiners, other refining benchmarks and industry reports due to following reasons:

- In India, domestic products are sold based on Government decided formulae known as Refinery Transfer Price (RTP). RTP of LPG and Kerosene are based on the average market price of the previous month, while for other products, including Gasoil and Gasoline, it is based on the average price of the previous fortnight. As a result the revenues may not match the prevailing product prices for the period
- The Company adopts the first in, first out (FIFO) methodology for crude inventory valuation. As a consequence the cost of crude consumed can be crude purchased in earlier periods which may not reflect current prevailing crude prices. For crudes with a long voyage time these differences can be more significant
- Sales quantity does not directly match actual production during the period as there may be inventory movement compared to a previous period
- Commodity derivative instruments are used to act as an economic hedge against the price risk of forecast crude oil purchases, future refined product sales and future product crack margins. These derivative instruments are required to be recorded at fair value with gains and losses recognized in income because hedge accounting is not applied.

The following adjustments are made to the GRM to provide a Current Price GRM (CP GRM) that reflects underlying operational performance and better communicates industry comparable performance of the refinery. These adjustments are as follows:

- The sales quantity is taken as actual production during the period. This eliminates the effect of inventory gains and losses in the GRM. This sales quantity is allocated into export and domestic sales based on the actual ratio of export and domestic sales for the period
- The cost of crude is taken at the current prices of crude grades actually consumed, net of premium or discounts as applicable
- To calculate the revenue from the sales quantity the domestic sales price is calculated based on the RTP of next fortnight, i.e. the actual product prices of the same fortnight rather than any other period. Export prices are based on actual realised export prices, as they do not have timing differences. Revenue is adjusted for premiums or discounts achieved by the Company. For domestic sales custom duty recovery is built up in RTP itself whilst Duty Benefit for exports is added separately
- The impact of economic hedging gains or losses is excluded.

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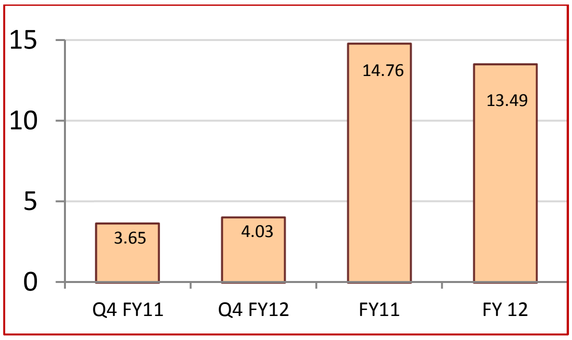

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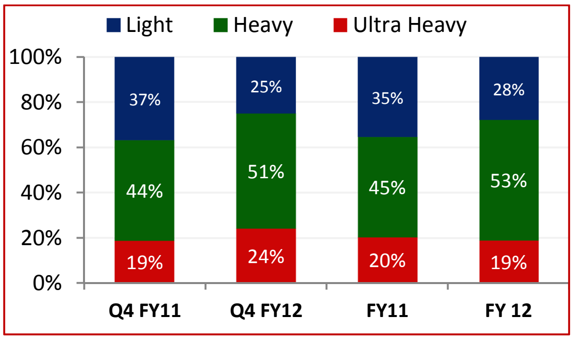

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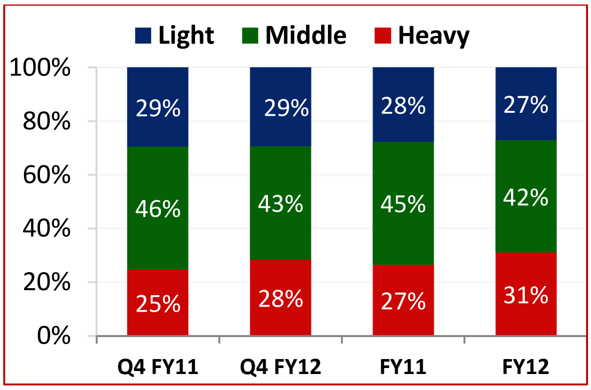

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Despite the increase in heavy and ultra-heavy crudes in its crude diet, the refinery continued to optimise production of higher margin middle and light distillates. Owing to availability of healthier margins from fuel oil during the quarter, heavy distillate production was hiked to 28% of the total production during the quarter, against 25% in the previous quarter.

Sales & Marketing

PSU/Bulk Sales: In terms of sales value, the company sold 63% of its products in the domestic market while 37% of the products were exported during the quarter. In comparison, exports in the corresponding quarter in the last fiscal were around 33% of total sales. Out of the 63% of products sold in the domestic market, 58% were sold to oil & gas PSUs (Public Sector Undertaking) and the balance sold through bulk/direct sales and our retail network.

In spite of the new refining capacity added in FY12 (Bhatinda, Bina, MRPL), EOL is expected to retain the sales volumes it markets to PSUs and in the domestic market due to healthy petro product demand growth in India. In addition, its capability to supply BS IV grade products, which the expansion has helped achieve, will also give it a competitive edge. This will translate to better product margins for EOL compared to exports. However, the proportion of export sales may increase in the near term because of new refining capacity added by PSU refineries. Export volumes will come down in the medium term with India once again likely to become deficient in refined petroleum products, particularly diesel, in the next three to four years.

EOL is prepared to capitalise on this growth through long-term product and infrastructure sharing contracts with oil PSUs (IOC, BPC,HPC) and Shell. It also entitles EOL to purchase products from them and gives the companies the option of sharing each other's distribution infrastructure.

Retail: As on 31st March 2012, EOL had about 1600 retail outlets selling petrol and diesel under the Essar brand. These include 1400 operational outlets, while the rest are in various stages of construction.

Sales through EOL's countrywide network of dealer owned dealer operated outlets went down in the quarter because of the anomaly between retail product prices and prevailing international crude prices. PSU oil marketing companies are able to sell fuel at subsidised rates because the government compensates them for their under-recoveries. With no such incentive, EOL has to price the products sold through retail outlets in tandem with the fluctuations in international crude prices.

As part of its multi fuel option for the customers, Essar Oil has inked an agreement with Indraprastha Gas during the quarter to put up latter's CNG pumping facilities at EOL outlets in the National Capital Region. The company added seven new CNG stations in the quarter to its network of retail outlets, taking its total of Auto LPG and CNG stations in the network to 17.

Safety track record and recognition: As on 31st March 2012, the Vadinar refinery has recorded 1460 days of operations without a Lost Time Injury (LTI), 1045 major fire free days, and 11.30 million hours of safe operations. This goes to show that the refinery personnel have consistently delivered a high production rate without making any compromises on safety standards.

The Vadinar Refinery received several awards during the quarter. Most notable among them are

- Certificate of Appreciation for Lowest Disability Injury Index (DII) and Certificate of honor for completing more than 3 Million Man hours without any reportable injury by Government of Gujarat, Gujarat Safety Council for the year 2010
- 2nd Prize for performance in Energy Optimization and Hydrocarbon Loss Management by CHT (under MOPNG) for Jawaharlal Nehru Centenary Awards-2011
- 3rd Prize for managing Steam Leaks by CHT (under MOPNG) during Oil and Gas Conservation Fortnight (OGCF-2011) survey

Refinery Expansion Project set to deliver Significant Value:

Vadinar Refinery is second largest single site refinery in India and amongst the most complex globally for a refinery of this scale. The refinery has been built with one of the lowest capital cost of $12,746 per barrel, against world average of $23,000 per barrel.
Vadinar refinery will benefit from fully integrated infrastructure developed including power plant, port, pipeline, and tankages with multi product multi modal despatch facilities. Capacity addition, complexity impact, and coal fired power plant to collectively add significant uplift to EBITDA in the coming years.

Crude Sourcing: The Company will require around 85-90 million barrels of ultra heavy crude for the expanded refinery. The company has already entered into long-term crude sourcing contract with global and domestic suppliers, including several national oil companies from Latin America. Essar Oil would be sourcing 15-20% of its crude requirement from the domestic market, 35-40% from the Latin American sources, and 30-40% from West Asia.

Export strategy: EOL sells one third of its products in the exports market, mainly Gasoline and Fuel Oil. Post expansion, main export products would be Gasoline, Gasoil, and VGO.
EOL is planning to leverage the presence of its parent company, Essar Energy, in product deficit markets and sharing of streams, like moving VGO to Stanlow, amongst refineries.
EOL is targeting Australia, New Zealand and north-west Europe for exporting high quality fuels.

Optimisation project

Significant progress has been made in the implementation of the optimisation project for the Vadinar Refinery, with 90% of the project completed (as on Mar 31st, 2012). As part of this project, the VBU (Visbreaker Unit) which has become redundant post the completion of the Phase I expansion is being converted into an additional CDU of 2 MMTPA capacity.

By September 2012, when the optimisation project is expected to be completed, the refinery capacity will further increase to 20 MMTPA, or 405,000 bpsd.

Exploration & Production

Essar's exploration & production business has 2.1 billion barrels of oil equivalent of reserves and resources. The independently verified proven and probable reserves and best estimate 2C contingent gas resources at its Raniganj Coal Bed Methane (CBM) block in West Bengal have been significantly increased recently, following the latest report from NSAI (Netherland Sewell & Associate).

The total proven and probable reserves (2P) at Raniganj, evaluated as on 1 September 2011, are 113 billion cubic feet (bcf) gross, or 18.8 million barrels of oil equivalent (mmboe). Best estimate contingent resources (2C) are 445bcf gross, or 74.1 mmboe, and best estimate prospective reserves are 297 bcf or 49.5 mmboe. NSAI has upgraded the quality of reserves from 201 in 2P/2C earlier to 558 bcf under the new certification. It is important to note that calorific value of CBM gas has also been improved to 9,660 in the latest certification compared to 8,500 in the earlier report.

EOL has drilled 73 wells at Ranigunj, producing about 25,000 scmd from 15 to 20 wells, which is supplied to end customer through pipeline. Environmental Clearance for Phase – I (15 test wells) & phase-II (58 wells) has been received and pilot well drilling completed & applied for moving to Phase-III (Development Phase). Final approval from MOEF expected by Sept '12.

The Company is a leading CBM player in the country with 2,733 sq km of acreage and more than 10 tcf of reserves and resources in place across five blocks (see table below). It has a presence in key markets that are deficient in natural gas supplies.

CBM Blocks	Place	Certified	Acreage (km^2)	2P/2C resources (bcf)	Prospective Resources (bcf)	In place Unrisked Resource (bcf)
Raniganj	West Bengal	NSAI, Jan12	500	558	297	
Rajmahal	Jharkhand	CPR, ARI	1128		4,723	
Sohagpur	M.P. & Chhattisgarh	DGH	339			600
Talcher	Orissa	DGH	557			2,600
IB Valley	Orissa	DGH	209			1,200
Total			2733	558	5,020	4,400

Financial Review

Gross revenues: Gross Revenue for the Q4FY12 increased to Rs 19,160 crore as compared to Rs 14,846 crore in Q4FY11 mainly due to higher throughput and increase in product prices

Gross revenue increased to Rs 63,340 crore in FY12 from Rs 53,119 crore in FY11. The rise was primarily driven by increased product prices, which was partly offset by decrease in sales quantity on account of the planned refinery shutdown.

EBITDA: For Q4FY12, EBIDTA has declined to Rs 444 crore as compared to Rs. 911 crore for Q4FY11, due to decline in gross refinery margin, and sales tax incentive not available in the fourth quarter post Supreme Court order.

For FY12, EBIDTA was Rs 2106 crore compared to Rs. 2779 crore in FY11. This is lower mainly on account of decrease in refinery throughput due to planned shutdown, decline in gross refinery margin, MTM provision for forex loss, shutdown expenditures, and sales tax incentive not available post Supreme Court order for Q412.

Profit / (Loss) before & after Tax : For the quarter and financial year ended March, 2012, the profit before and after tax declined due to lower EBITDA as explained above, reversal of sales tax benefits and provision of Rs 322 crore for CDR exit proposal.

For reasons above, the company reported negative PAT (after exceptional items) for Q4FY12 and FY12 at Rs (515 crore) and Rs (4,199 crore) respectively against profit of Rs.321 crore and Rs.654 crore for corresponding periods of FY11.

Gross Property, Plant & Equipment: The gross value of Plant & Machinery has increased by 18% to Rs 26,039 crore. This increase is mainly on account of Expansion and Optimization Projects.

Gross Long Term Debt: Gross Debt has increased by Rs 942 crore to Rs 13,369 crore as on 31st March 2012, compared to Rs 12,427 crore as on 31st March 2011. This is also on account of the ongoing Expansion / Optimization Projects.

Net worth: The net worth for the year ending March 31, 2012 is Rs 3,613 crore against Rs 6,538 in March 31, 2011. The decrease in net worth is due to sales tax reversal of Rs 3,962 crore, which was partly offset by conversion of Foreign Currency Conversion Bond (FCCB) of Rs 1340 crore held by holding company in to Foreign Currency Compulsory Conversion Bond (FCCCB) resulting in the improvement of net worth of the Company which had taken an impact on account of sales tax reversal of Rs 3,962crore in FY12.

CDR Update: Essar Oil's Corporate Debt Restructuring exit proposal has been approved by majority of its lenders at CDR – EG and the matter has now been referred to the Core Group for final approval. The process is expected to be completed during the current quarter. CDR exit would provide operational flexibility and an opportunity to reduce cost of debt.

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About Essar Oil

Essar Oil is a fully integrated oil & gas company of international scale with strong presence across the hydrocarbon value chain from exploration & production to refining and oil retail. It has a global portfolio of onshore and offshore oil & gas blocks, with about 2.1 billion barrels of oil equivalent in reserves & resources. Essar Oil now has over 360,000 bpsd (barrels per stream-day) of crude refining capacity that is being expanded to 405,000 bpsd. There are more than 1,600 Essar-branded oil retail outlets in various parts of India.

About Essar Group

The Essar Group is a multinational conglomerate and a leading player in the sectors of Steel, Energy, Infrastructure and Services. With operations in more than 25 countries across five continents, the Group employs 75,000 people, with revenues of US$ 17 billion.

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APPENDIX: DEFINITION AND COMPARABILITY OF CP GRM

Gross Refinery Margin (GRM) is calculated as actual sales net of crude costs derived from the accounts. Inventory gains and losses, hedging gains and losses and sales tax benefit for the period also form part of the GRM. Based on this method of calculation, Essar Oil's reported GRM is not directly comparable to the performance of other refiners, other refining benchmarks and industry reports due to following reasons:

- In India, domestic products are sold based on Government decided formulae known as Refinery Transfer Price (RTP). RTP of LPG and Kerosene are based on the average market price of the previous month, while for other products, including Gasoil and Gasoline, it is based on the average price of the previous fortnight. As a result the revenues may not match the prevailing product prices for the period

- The Company adopts the first in, first out (FIFO) methodology for crude inventory valuation. As a consequence the cost of crude consumed can be crude purchased in earlier periods which may not reflect current prevailing crude prices. For crudes with a long voyage time these differences can be more significant

- Sales quantity does not directly match actual production during the period as there may be inventory movement compared to a previous period
- Commodity derivative instruments are used to act as an economic hedge against the price risk of forecast crude oil purchases, future refined product sales and future product crack margins. These derivative instruments are required to be recorded at fair value with gains and losses recognized in income because hedge accounting is not applied.

The following adjustments are made to the GRM to provide a Current Price GRM (CP GRM) that reflects underlying operational performance and better communicates industry comparable performance of the refinery. These adjustments are as follows:

- The sales quantity is taken as actual production during the period. This eliminates the effect of inventory gains and losses in the GRM. This sales quantity is allocated into export and domestic sales based on the actual ratio of export and domestic sales for the period
- The cost of crude is taken at the current prices of crude grades actually consumed, net of premium or discounts as applicable
- To calculate the revenue from the sales quantity the domestic sales price is calculated based on the RTP of next fortnight, i.e. the actual product prices of the same fortnight rather than any other period. Export prices are based on actual realised export prices, as they do not have timing differences. Revenue is adjusted for premiums or discounts achieved by the Company. For domestic sales custom duty recovery is built up in RTP itself whilst Duty Benefit for exports is added separately
- The impact of economic hedging gains or losses is excluded.