



Essar Oil Limited

Analysts Presentation

5th November, 2009



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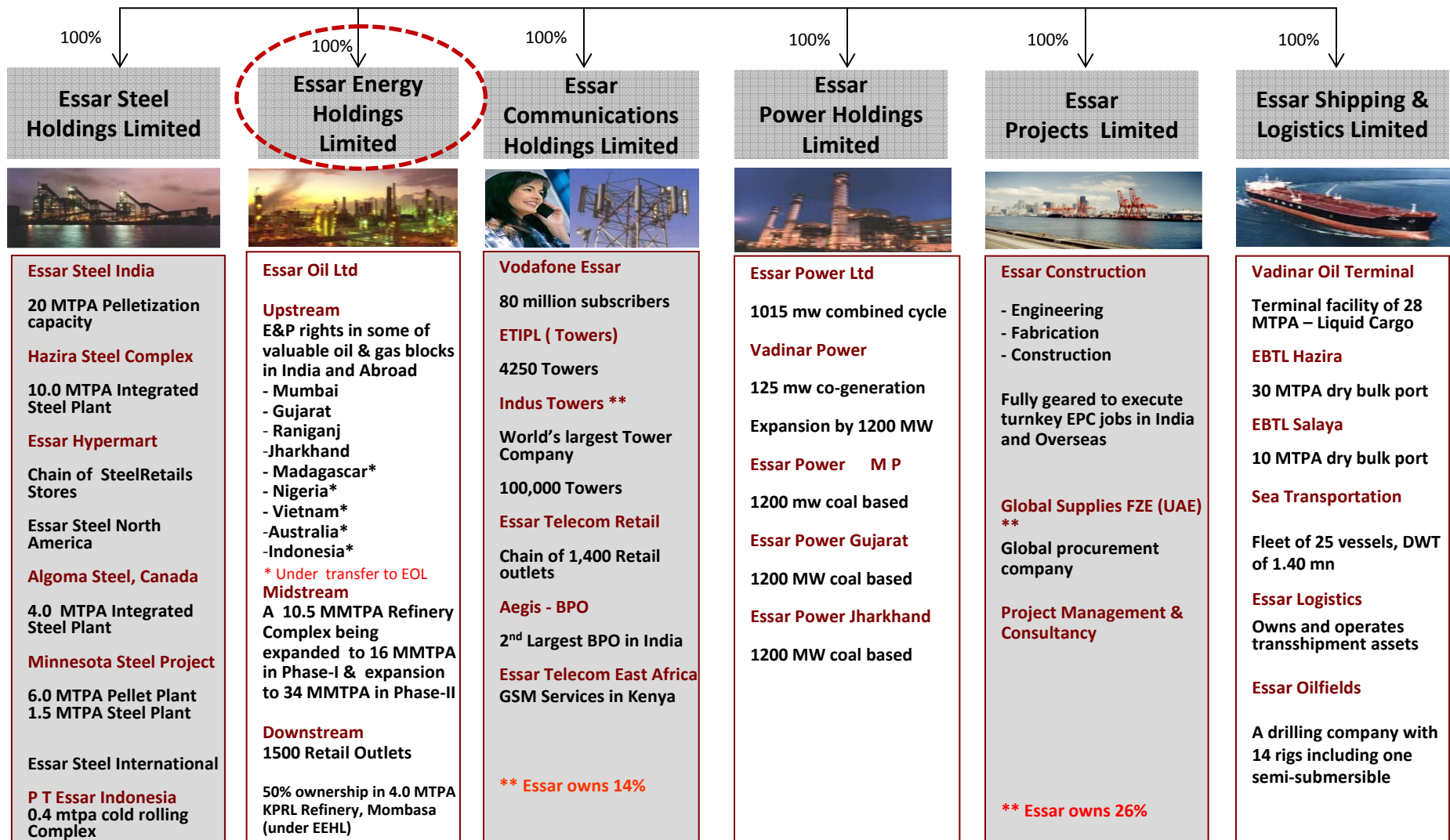
Essar Refinery



Essar Global



Essar Global Limited



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- **Exploration & Production**
- **Refinery : Operation Snapshot**
- **Refinery : Expansion Project**



Overview & Performance Highlights



Essar Oil Limited : An Overview



Exploration



- Emerging as significant player in Coal Bed Methane in India
- Total CBM Prognosticated Resource ~ more than 8 TCF
- Raniganj block to begin the CBM production by March 2010
- Total Reserves for all the blocks: 1183 MMBOE

Refining



- Presently operating around 14 MMTPA capacity
- Reliability & Stability in Operation : 570 Loss Time Injury free days
- Capability to meet New Products Specs in Indian Market (Effective from April, 2010)
- Direct tie-ups with National Oil Companies for sourcing of Crudes
- Expansion to 16 MMTPA by Dec '10 & 34 MMTPA by Dec '11

Marketing



- Well defined Distribution Strategies with Products offtake agreements with PSUs for more than 60% of production
- Pan India Presence of 1,278 retail outlets
- Well positioned to capture petroleum retail growth opportunity
- Developing strategy for international distribution

Performance Highlights



Great Value Driver : Sale of Gas from Raniganj CBM block to begin in Q4 FY10

High Capacity Utilization: Throughput 3.63 MMT for the QE0909

2nd largest single site refinery in India: Annualized throughput around 14 MMTPA

Optimization of Crude Mix: Capable of handling all varieties (Tough/Sour/Acidic/Wax) of Crudes

Improved Product Slate: Maximization of High Margin Light & Middle Distillates

International Distribution Capability: Mapping global market to create distribution facilities

Health & Safety : Installed Refinery Integrated Management System & obtained ISO 9001 (Quality), ISO 14001 (Environment), ISO 18001 (Occupational Health & Safety in 10 months

Financial Highlights

Rs.-Crore

Particulars	2008-09	2009-10	2009-10
	Q E 0 9 0 8	Q E 0 6 0 9	Q E 0 9 0 9
Throughput - Million Tonnes	3.37	2.76	3.63
INCOME			
Income from operation	14,695	7,900	11,144
Net Income from operation	13,636	6,566	9,563
Other Income	55	40	41
Total Income	13,691	6,605	9,604
EXPENDITURE			
Cost of Goods Sold	12,861	5,807	9,040
Operating Expenditure	273	298	284
Forex Loss	66	(166)	(80)
Total Expenditures	13,200	5,939	9,244
EBITDA	491	666	360
Interest & Finance Charges	268	285	289
Operational Cash Profit	224	382	71
Depreciation	183	179	183
PBT	41	202	(113)
Tax	14	34	(19)
PAT	26	169	(94)
GRM (USD/bbl)	6.59	6.74	4.00

Financial Highlights



Rs.-Crore

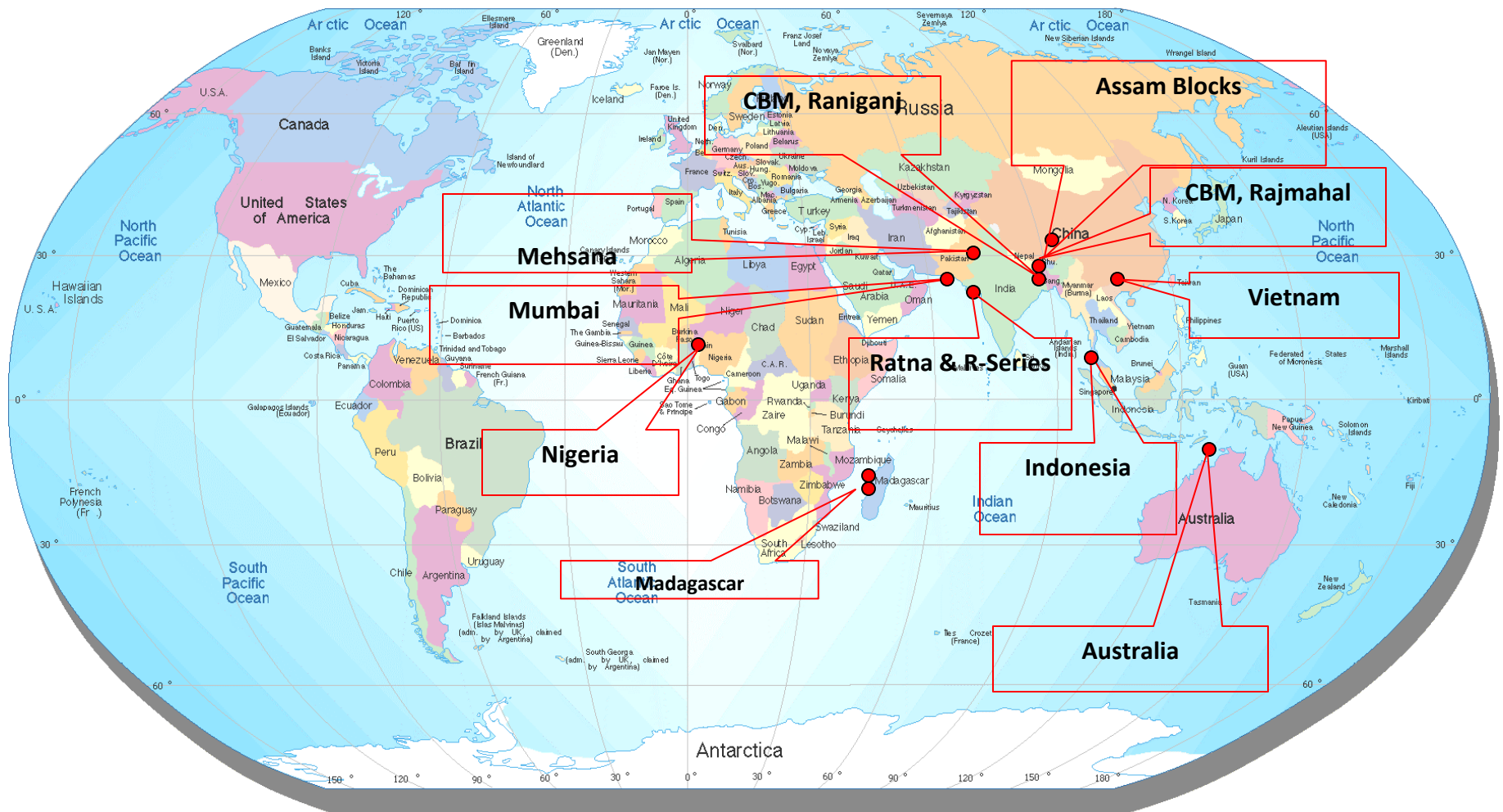
Particulars	2008-09	2008-09	2009-10
	H Y E 0 9 0 8	F Y E 0 3 0 9	H Y E 0 9 0 9
Throughput - Million Tonnes	5.43	11.95	6.39
INCOME			
Income from operation	24,229	41,856	19,039
Net Income from operation	22,346	37,556	16,124
Other Income e	106	144	80
Total Income e	22,452	37,700	16,205
EXPENDITURE			
Cost of Goods Sold	21,022	34,203	14,846
Operating Expenditure	403	1,033	577
Forex Loss	211	1,261	(245)
Total Expenditures	21,636	36,498	15,178
EBITDA	817	1,203	1,027
Interest & Finance Charges	432	1,091	574
Operational Cash Profit	385	111	453
Depreciation	298	655	363
PBT	87	(544)	90
Tax	31	(30)	14
PAT	56	(514)	76
GRM (USD/bbl)	9.25	8.89	5.18



Exploration & Production



E&P Asset Portfolio



Global Presence and Expanding

Details of Blocks with Reserve Estimates



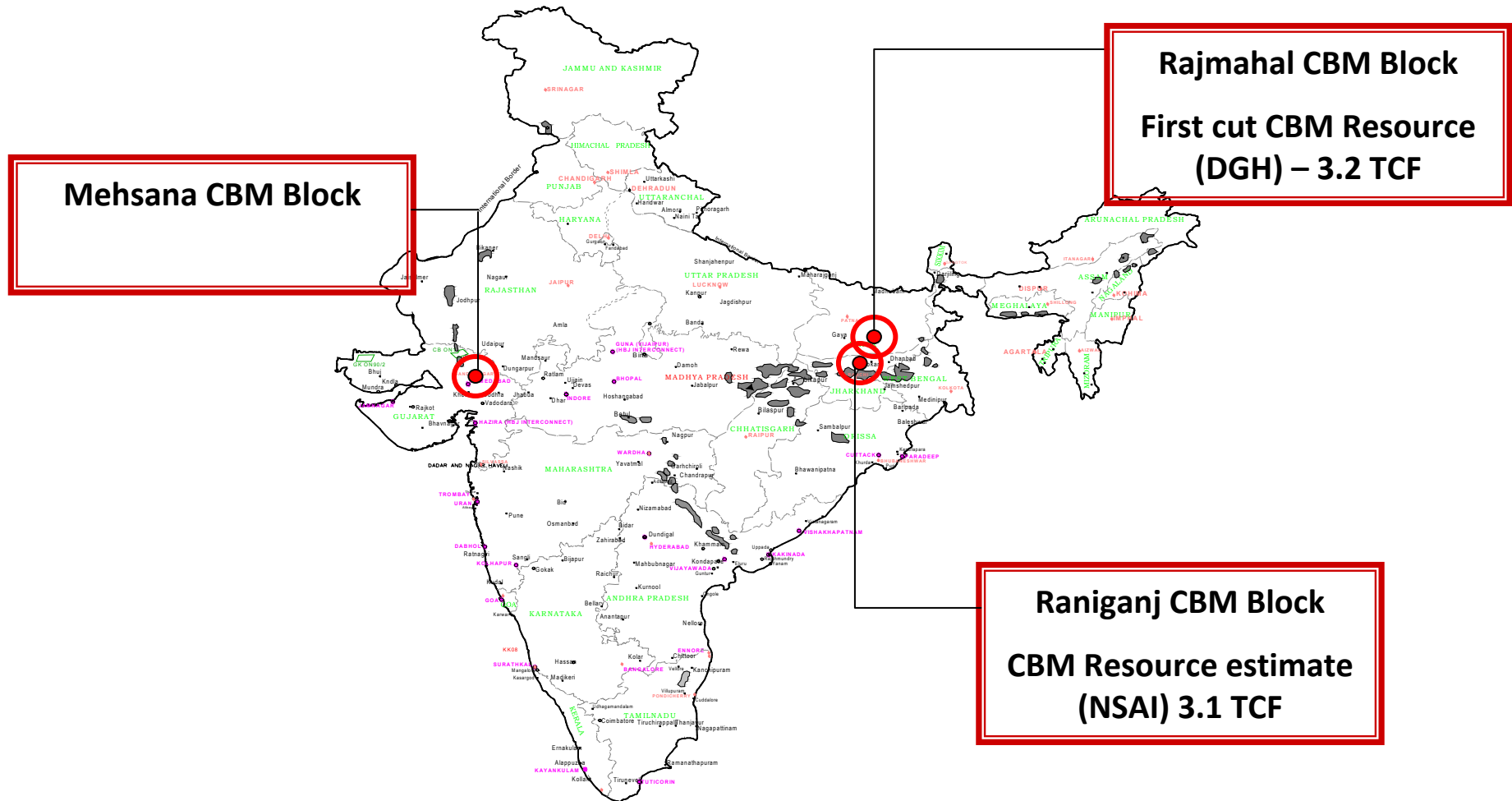
Block	Country	% holding	Operator	Recoverable reserve #		
Proven				Oil (MMBoe)	Gas (bcf)	Total(MMBoe)
Ratna/ R-Series	India	50%	Joint	73	45	81
CB-ON/3 (Mehsana)	India	70%	EOL	2	-	2
Raniganj CBM	India	100%	EOL	-	1,000	167
		Total		75	1,045	250
Exploration				Prognosticated Resource (In place) #		
OPL 226	Nigeria *	100%	EEPL	160	-	160
Assam Block	India	100%	EOL	10	-	10
MB-OSN-2005/3 (Mumbai)	India	50%	EEPL	-	185	31
BLOCK - 114	Vietnam *	100%	EEPL		1,000	167
South East Tungkal	Indonesia *	49.50%	-	30	-	30
Rajmahal CBM	India	100%	EOL	-	3,214	535
NT-P/77 & P-78	Australia *	100%	EEPL	-	-	-
3103 & 3110	Madagascar *	100%	EEPL	-	-	-
		Total		200	4,399	933
G. Total				275	5,444	1,183

- Reserves of Ratna & R-series & CB-ON/3 certified by Scott Pickford
- Raniganj CBM block 1 TCF 2C resource certified by Netherland Sewell & Associates, Inc. (NSAI), Houston, USA

Net to Essar

*Under transfer to EOL

CBM Projects – Location & Resources



Emerging as a significant player in CBM segment in the Country

Raniganj Coal Bed Methane (CBM) Block

- **Phase – I** : 15 CBM production test wells drilled; gas flow started
 - **Development Plan** for drilling of 500 wells to be submitted to DGH by mid November
 - **Deployment of innovative techniques** (combination of water-well & air drilling) for development of Production test wells at Raniganj, which saves drilling cost upto 40%.
 - Certification of **1 Trillion Cubic Feet (TCF)** of recoverable gas at Raniganj Block as per **Netherland Sewell & Associates, Inc. (NSAI)**, Houston, USA.
 - **Air drilling rigs** and other critical equipment will be owned by the Company
 - Achieved significant progress in **building infrastructure & laying pipelines** in the region for transporting CBM to the local market.
 - **CBM sales** as trial production planned by end Mar 2010 and significant production is expected by Dec 2010.
 - **Financing** : Financial closure expected to be achieved in Dec 09.
 - **Gas price approval from GOI** : Proposal submitted to MOPNG, approval expected shortly
-

Raniganj Coal Bed Methane (CBM) Block

PC pump running at EDT-4A



Surface Facilities with Gas Flaring at EDT-4A

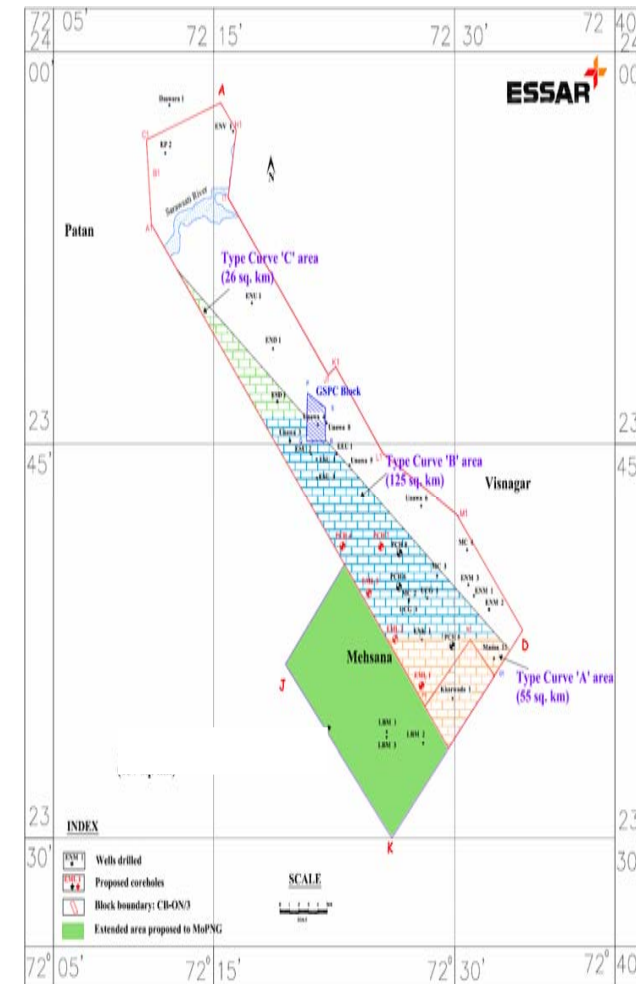


Evacuation plan For CBM

Durgapur Region	Local consumers	0.35 MMSCMD	16" inch pipeline under construction
	Fertilizer Plant	3.0 MMSCMD	In the vicinity
Kolkata Region	Household, industrial and CNG customers	6.0 MMSCMD	<ul style="list-style-type: none"> Talks with PSUs & State Govt undertakings in progress. Pipeline construction option to Kolkata being examined.

Gujarat CBM: Mehsana Oil & Gas Block

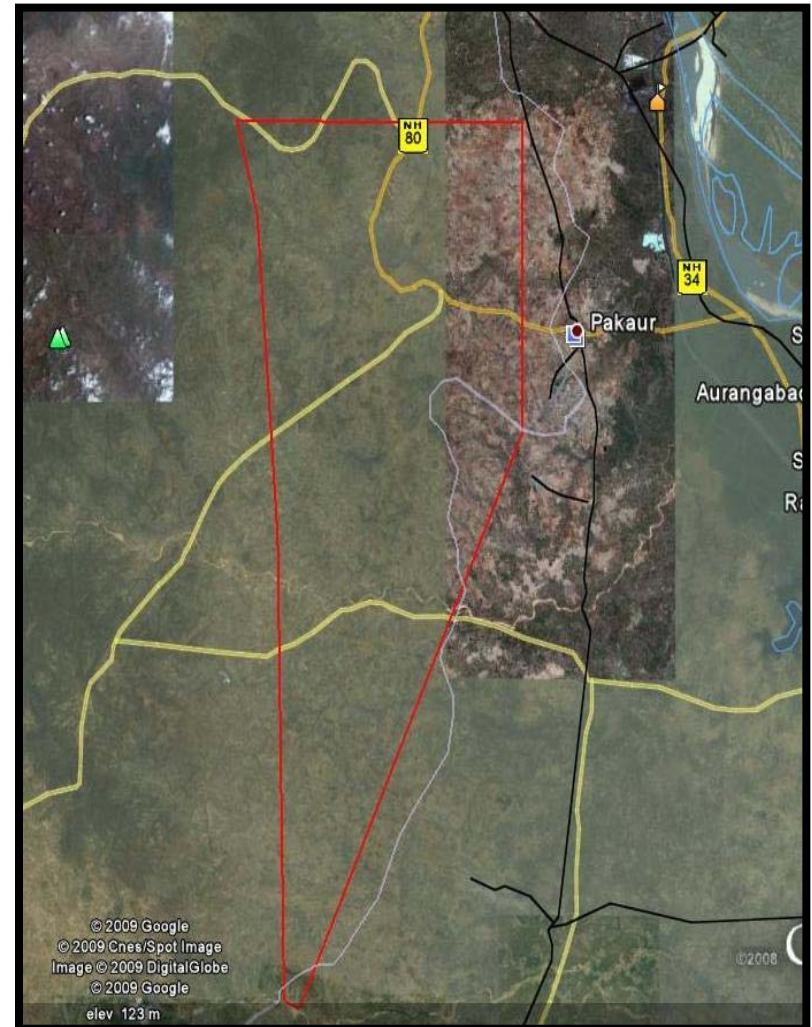
Block	: CB-ON/3 Oil & Gas PSC block.
CBM R&D Permission	: Permission exists to conduct R&D activities for CBM in CB-ON/3
CBM Rights	: Pursuing for rights to do simultaneous Oil & Gas and CBM exploration in the Block area adding some CBM Prospective contiguous area to the southwest. Policy awarding simultaneous rights is under active consideration by GOI.
CBM Feasibility Studies	: Three Prospects A, B & C having good CBM resource potential identified.



New Award from CBM IV Bid Round: Rajmahal CBM Block RM(E) - CBM-2008/IV

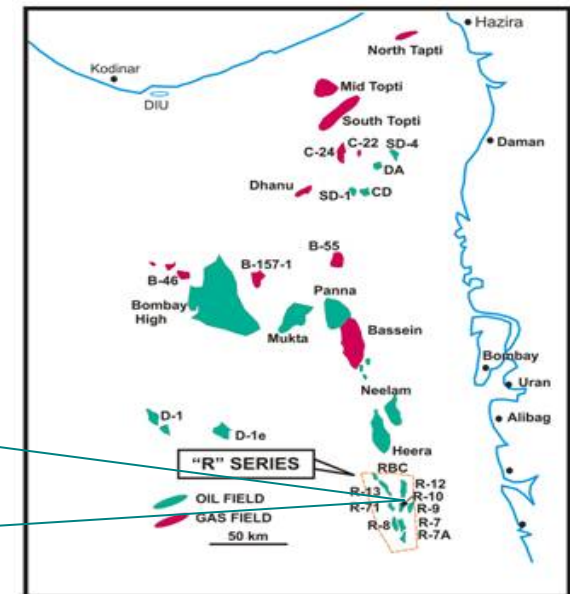


- Essar is announced winner of the **Rajmahal Block** at the closing of **CBM IV bid** round on 12th October 2009 by DGH.
- The block is in the vicinity (100 km. approx) of Essar's Raniganj CBM, thereby bringing **operational synergies and sharing of compression infrastructure**.
- DGH estimate indicates Rajmahal to be a very good CBM resource with **3.2 TCF of in-place resource**.
- Upon award and signing of CBM contract, Essar plans to pursue effective work programs to get fix on the CBM reservoir parameters during the exploration phase.



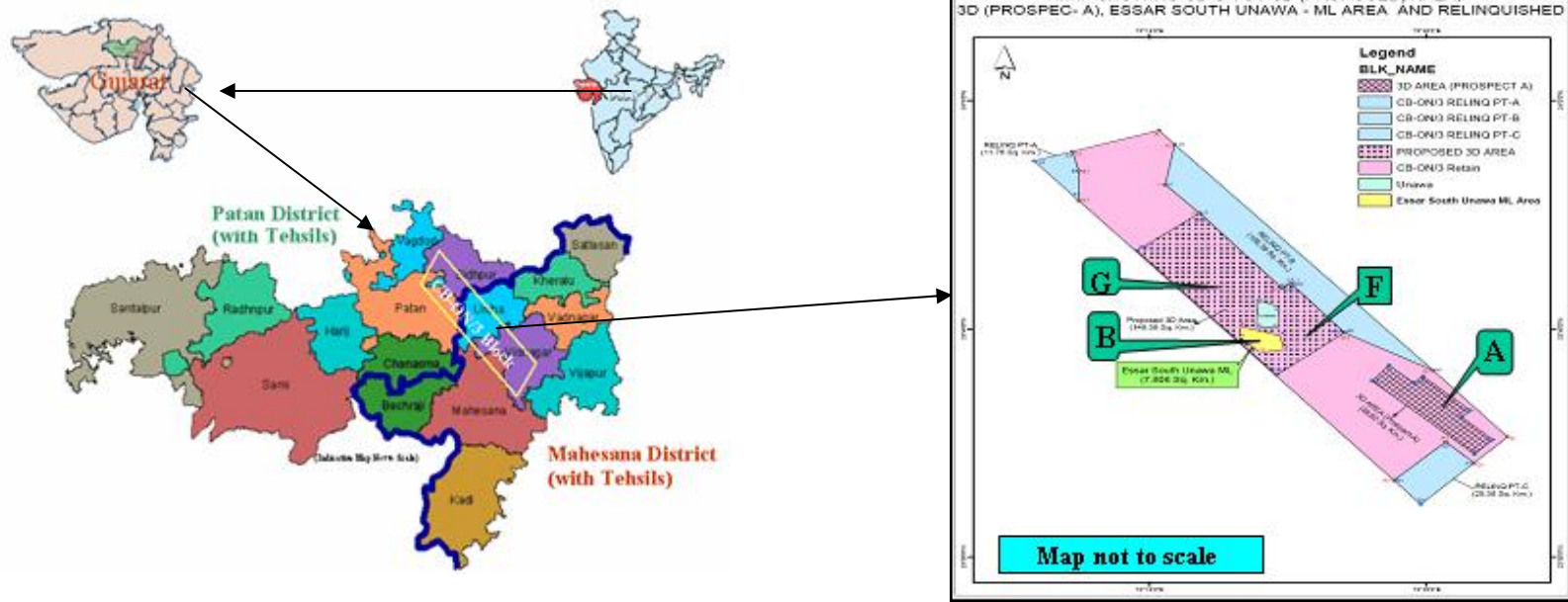
Ratna & R-Series Development Fields

- **Location:** 90 km South West of Mumbai in the petroliferous region of Bombay High, Bassein, Heera and Neelam fields.
- **Area:** Aerial extent of ~ 1,000 Sq Km with 45-50 meters average water depth
- **Work Done so far:** 38 exploration and 10 development wells drilled previously by ONGC
- **Reserve:** 2P reserves of 161 MMBOE certified by independent Reservoir Consultant firm Scott Pickford, UK
- PSC/JOA and off-take agreements for this block are concluded but yet to be signed. We expect execution by June 2010.

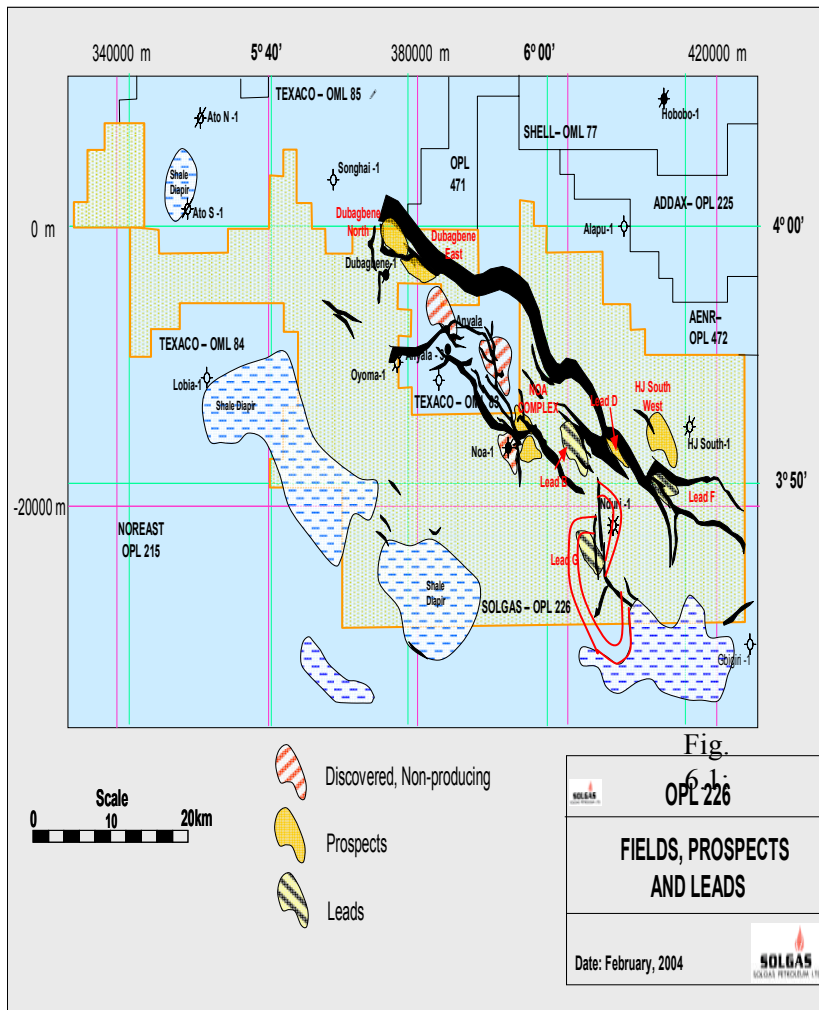


CB-ON/3 – Mehsana (Onshore)

- **Participating Interest:** Essar – 100% (70% with ONGC, 30% is on back-in rights on discovery)
- **Location:** in the petroliferous Cambay basin of Gujarat, India having a string of discoveries
- **Area:** 145 Sq Km
- **Work Done:** 6 oil wells (discoveries) in the block by Essar
- **In-place resources:** 9.96 MMBOE, 2P reserves of 2.7 MMBBL



OPL 226 – Nigeria



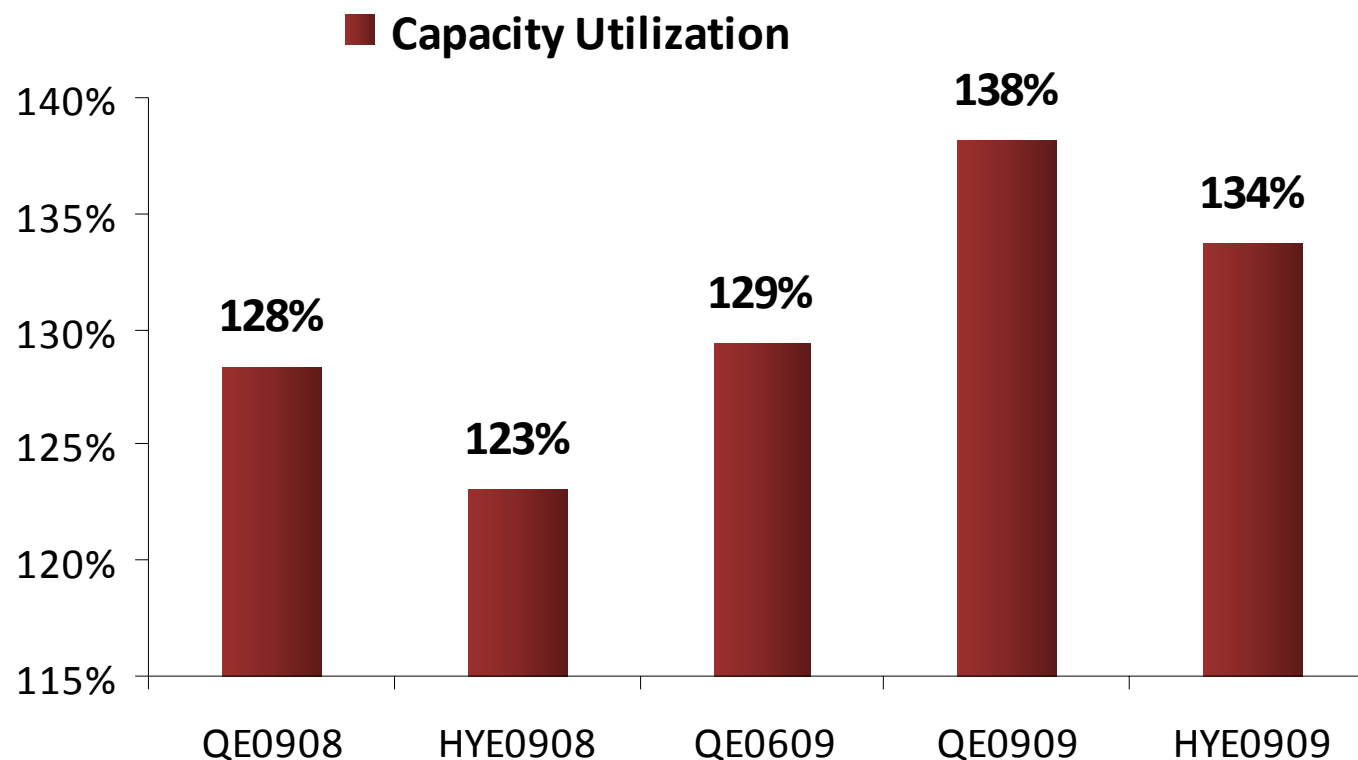
- OPL 226 was awarded to EEPL for exploration
- Considerable work done by former operators. Block is covered by 698 sq km of 3D seismic & six wells were drilled earlier
- All six wells have presence of gas zones.
- Last well Noa-1, drilled in 2001, has both oil and gas zones.
- Previous operator Solgas submitted a development plan. 2P reserve in Noa is estimated at 67.9 MMBOE. Block also has gas upside.
- PSC is expected to be signed by Dec 09 .
- Essar has mandated NSAI, Houston to estimate and certify reserves before undertaking exploration and/or development in the block.



Refinery : Operation Snapshot



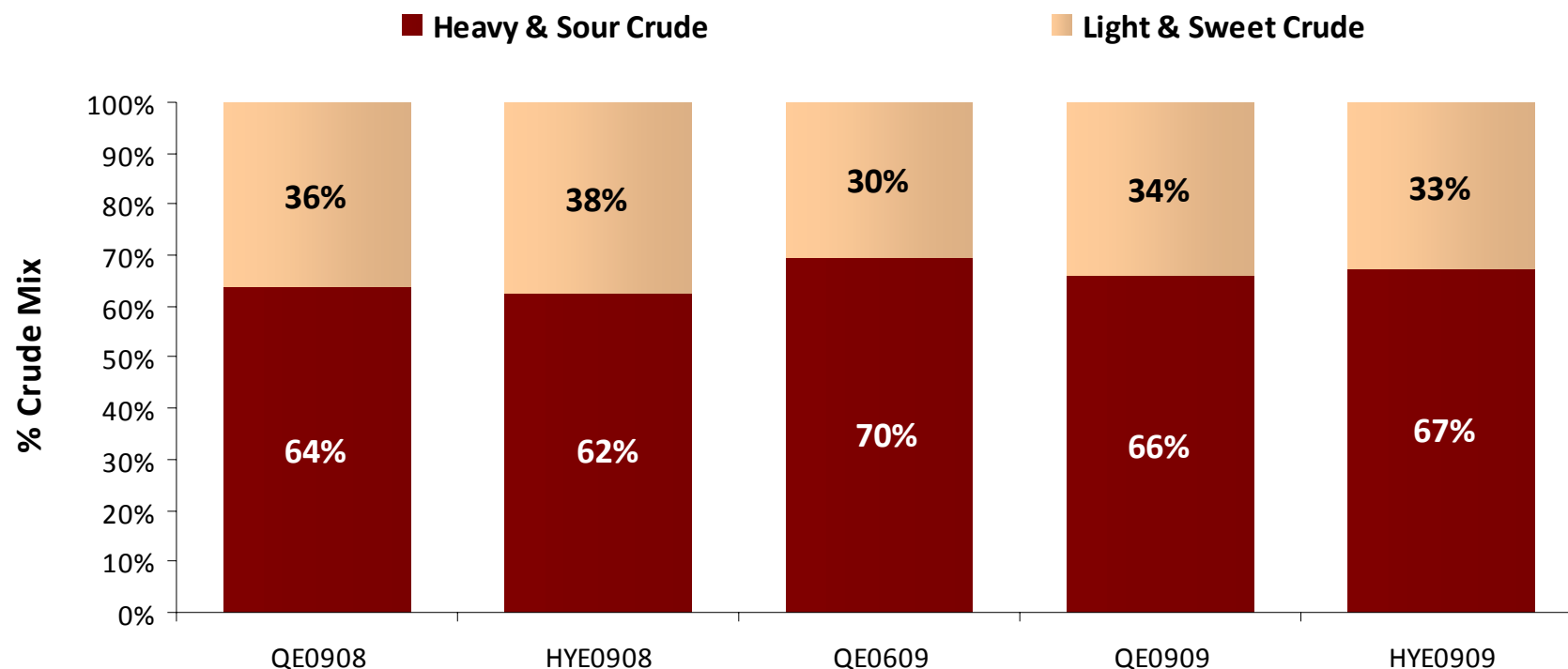
High Capacity Utilization



- **Processed 3.63 Million Ton as against 3.37 Million Ton in corresponding previous quarter (Annualized capacity utilization around 14 MMTPA)**

Annualised on the basis of 365 days in a year

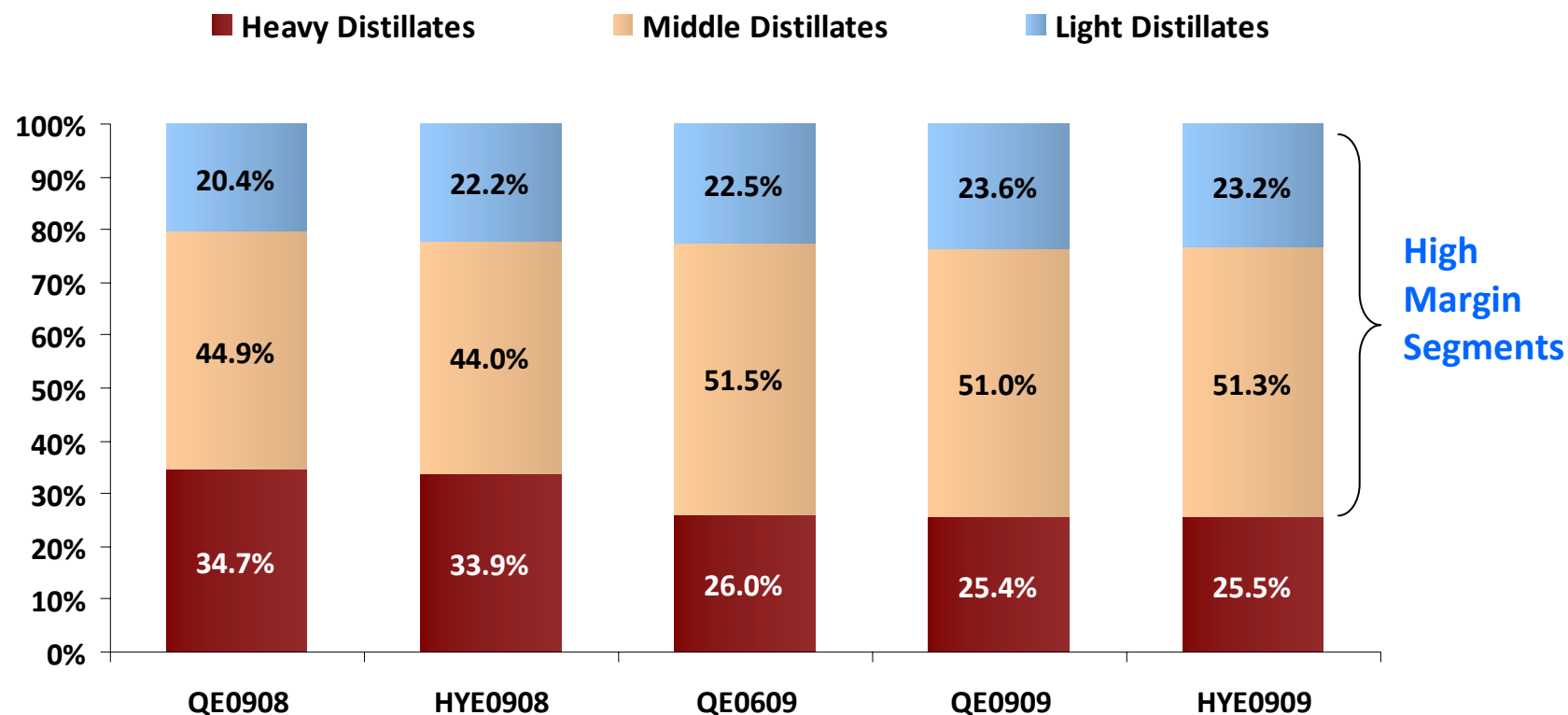
Crude Optimization



- Processed more than 24 types of crudes during the Quarter including ultra heavy & tough crudes i.e. Meray, Eocene, Leona, Forozan Blend etc.
- Avg. API (Density) – 32.6 , Avg. Sulphur % – 1.50 and Avg. TAN – 0.30

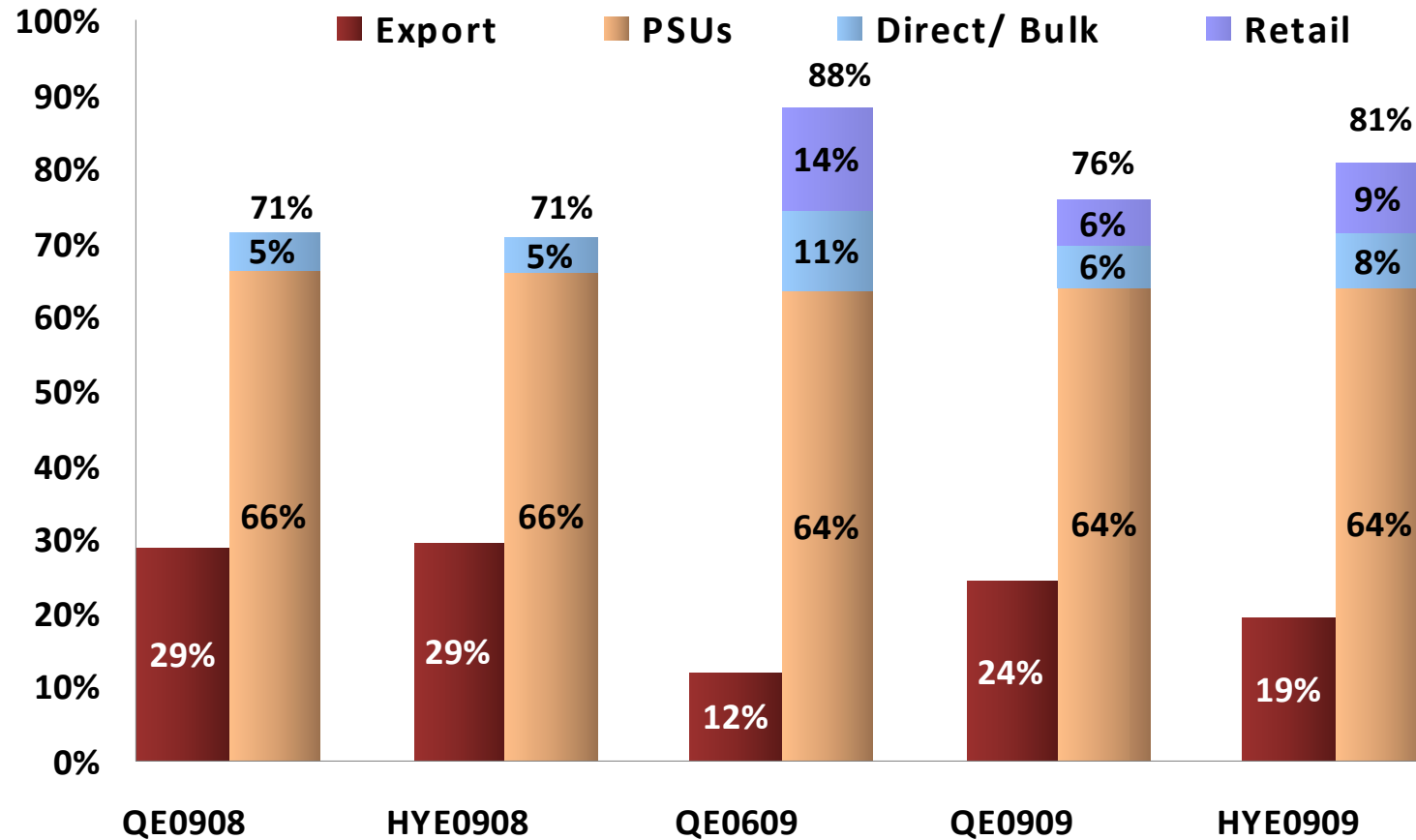
Product Slate Flexibility

Consistent Optimization of Product Basket



- Optimised production of Middle & Light Distillates – High margin segment
- Heavy Distillates includes positive margin Bitumen converted from low margin FO.

Sales Analysis



- Higher Export due to better price realization compare to Domestic Market
- Captured 11.48% Market Share in Bitumen in Domestic Market
- Permission received from AAI for putting up mobile ATF refueling facilities at three airports

Pan India Presence with Flexible Business Model



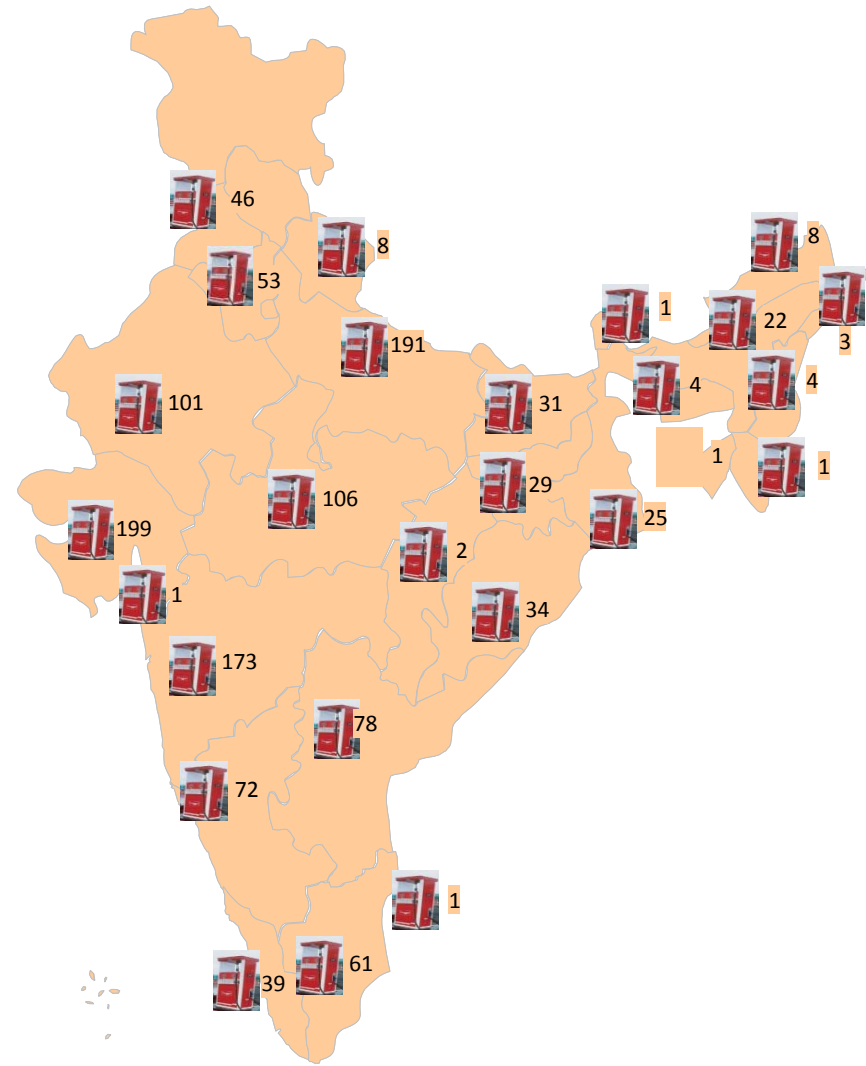
- First private company in India to enter petro retailing sector (2003) through a franchisee model (capex investment by Dealers)

- Expansion of Retail outlets to 1500 by March, 2010 from existing 1278 outlets

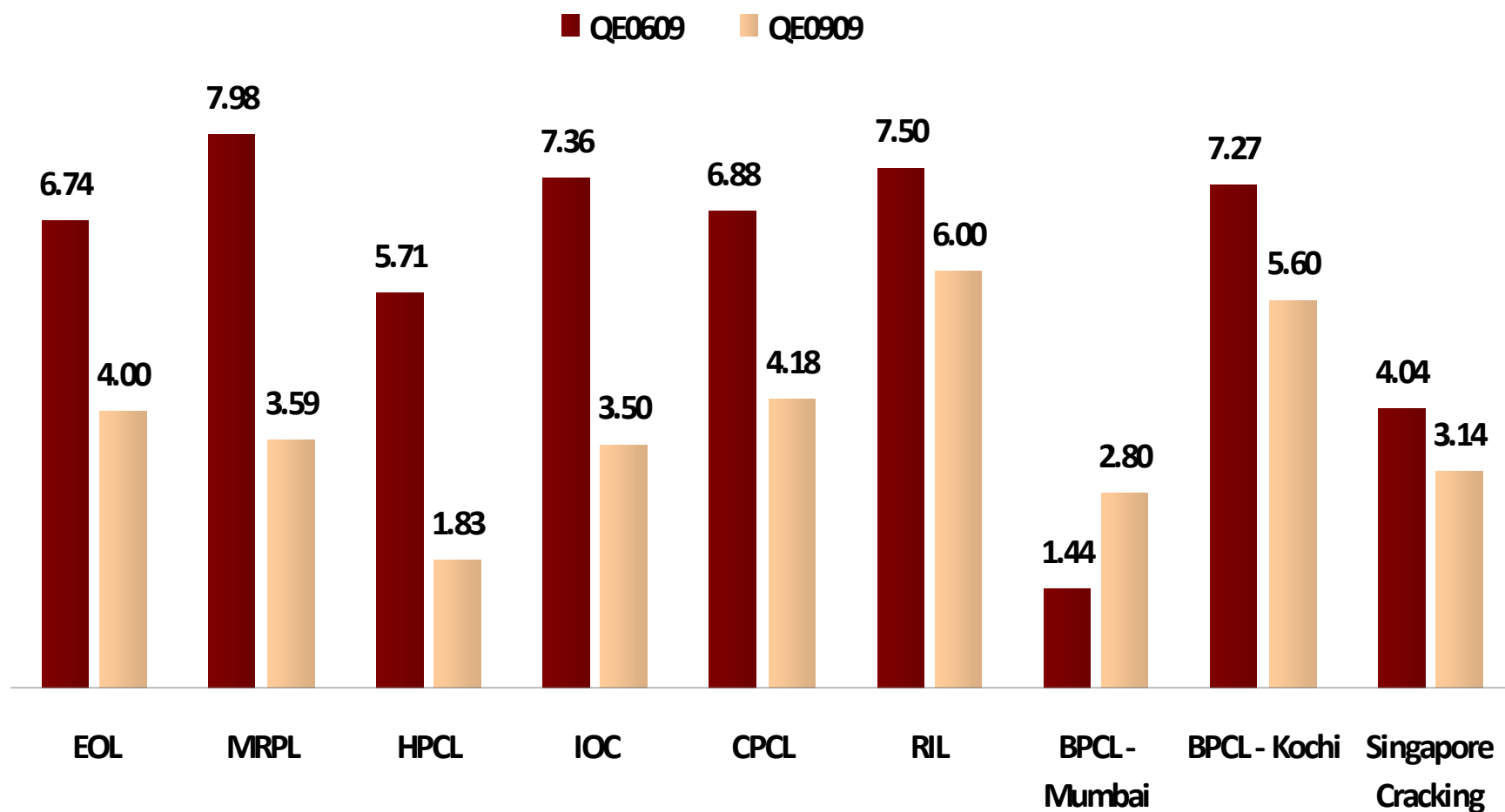
- Arrangement with PSUs for offtake of Products from upcountry locations

- Focus on Gujarat & Western India Market due to Sales Tax benefit & logistic advantage

- Retail Business vulnerable to Oil Price Movement



GRM : Peer Comparison



Source : Published Information's



Refinery : Expansion Project



Expansion Imminent with High ROI



Phase I

- *Expansion to 16 MMTPA*
- *Complexity enhancement to 11.8 from 6.1*
- ✓ 100% Basic Engineering completed & 78% Detailed Engineering completed
- ✓ Progressive Mechanical Completion of Units will be achieved in Quarter ending Dec 2010 & Mar 2011
- ✓ Project cost of \$ 1,560 Mn; Financing tied up
- ✓ Complexity enhancement from 6.1 to 11.8

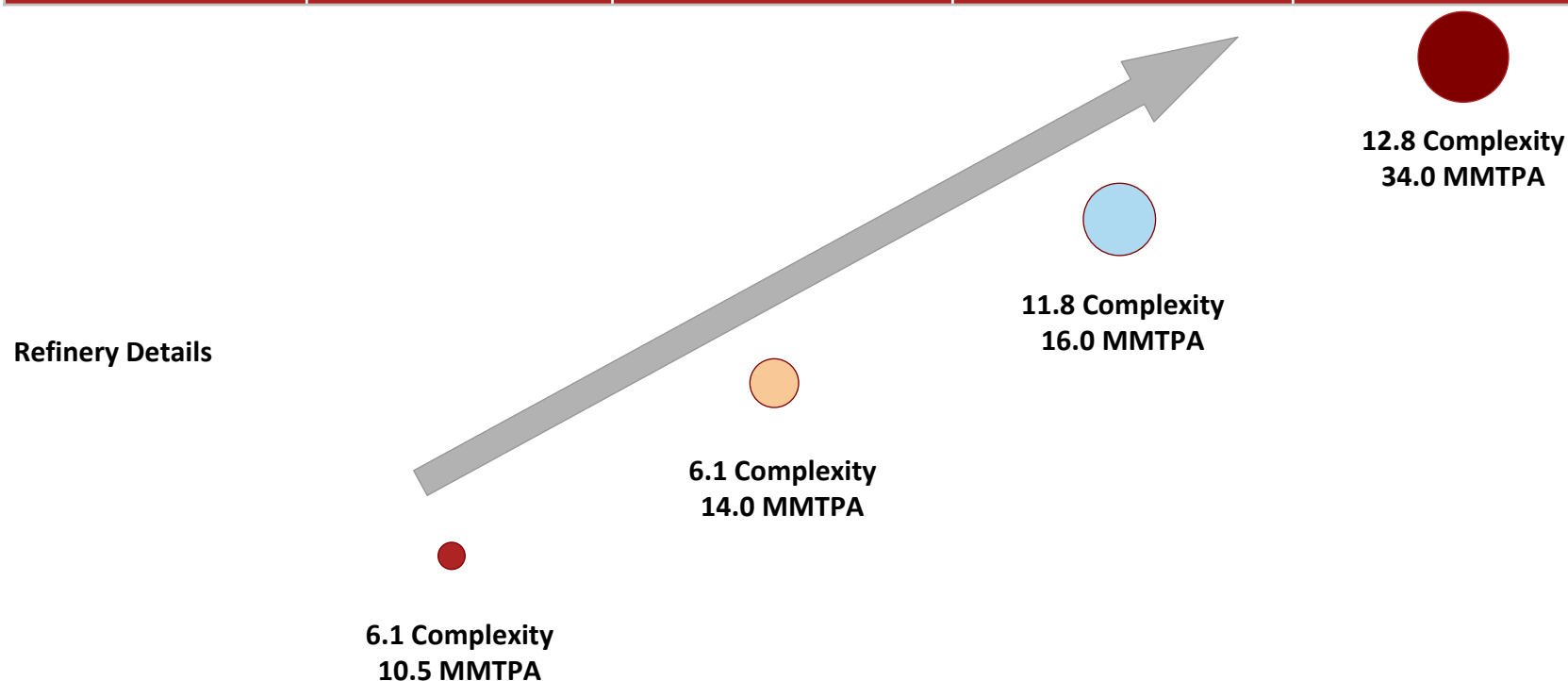
Phase II

- *Expansion to 34 MMTPA (18 MMTPA)*
- *Completion targeted by Dec '11*
- ✓ Large brownfield expansion at marginal capex of ~\$870/complexity bbl (Project cost of \$ 4,440 Mn)
- ✓ 12.8 Complexity, size and scale benefits increase competitive advantage
- ✓ Timing of commissioning to match market dynamics
- ✓ Anchor demand load from domestic market

Ramping Up Capacity to 34 MMTPA with Complexity 12.8



Period	Planned	Today	December 2010	December 2011
Particular	Base Refinery	Operational Refinery	Phase – I	Phase – II

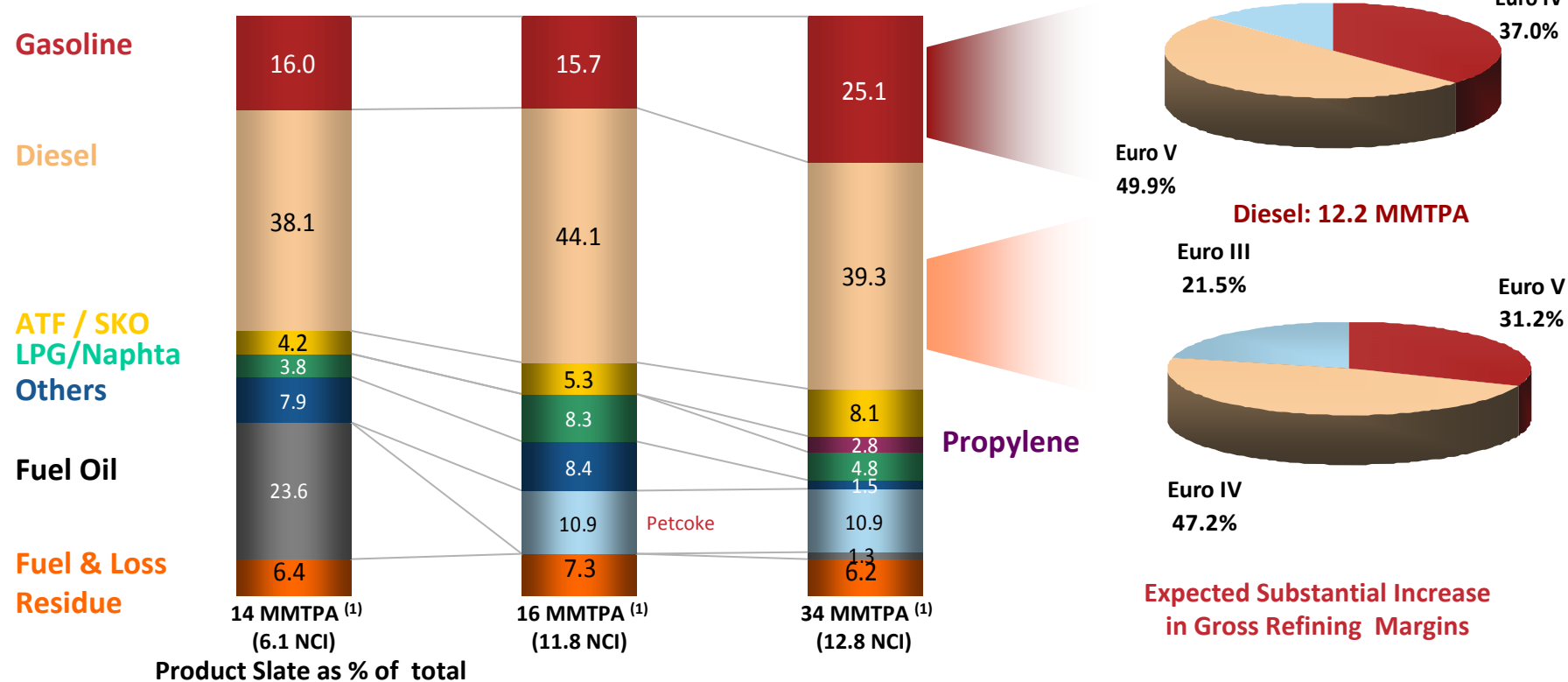


API (Density) Avg.	35.5	32.0	24.8	24.0
Sulphur % Avg.	2.0%	2.0%	3.0%	3.0%
Product Grade	Upto Euro III	Upto Euro III / IV	EURO IV / V	EURO V/US spec/ CARBS

Expansion to Provide Crude & Product Flexibility

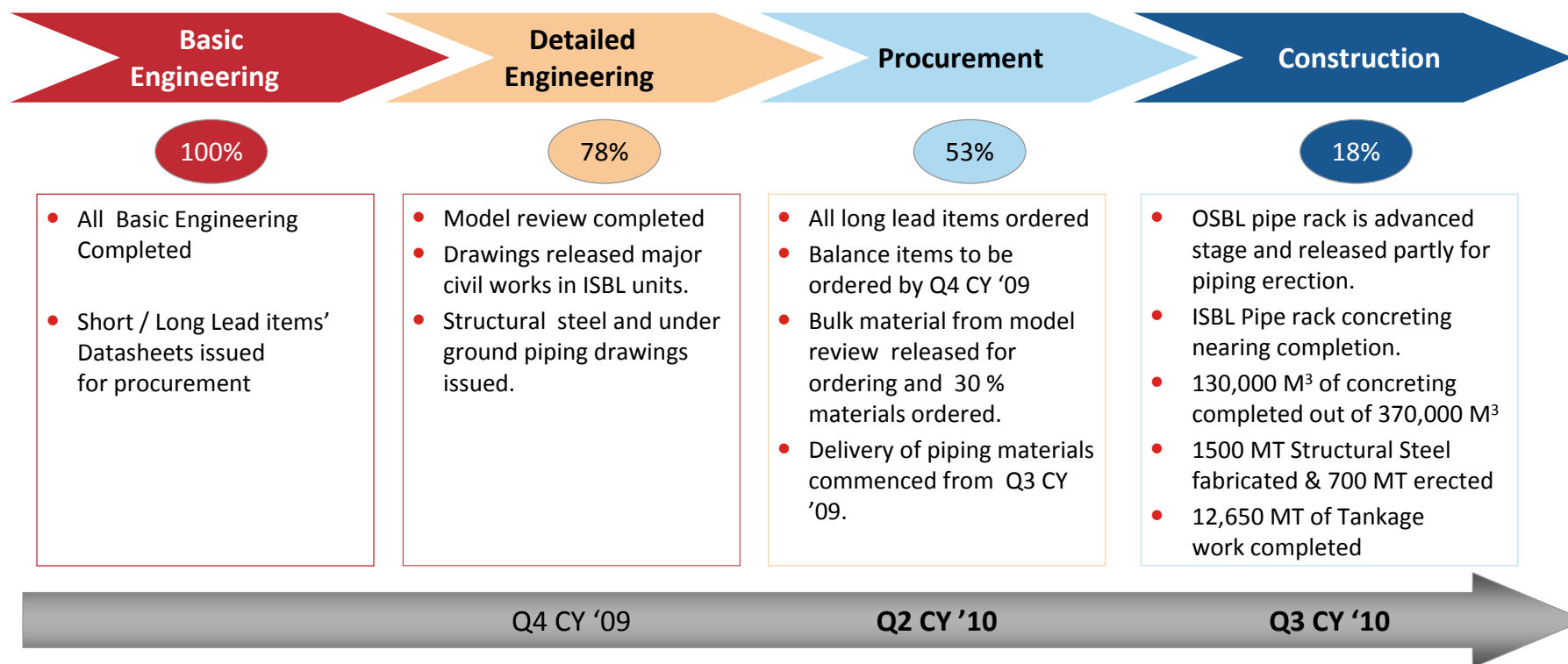


- Conversion of entire negative margin FO into high value added products and Pet Coke
- Enhancing ability to process Tough and Sour Crude
- Building higher flexibility between light and middle distillates
- Flexibility to produce petrochemical feed stock
- Euro IV & V grade at 87% in MS pool and 78.4% in HSD pool



Note: Others include bitumen, sulphur and HDT VGO. (1) Expected and could change from time to time depending on market dynamics

16MMTPA Expansion on Track: Overall 37% completed



Well defined financing plan with Marginal Project Capex



Project Cost	USD Mn
Phase I	1,560
Phase II	4,440
Total Cost	6,000

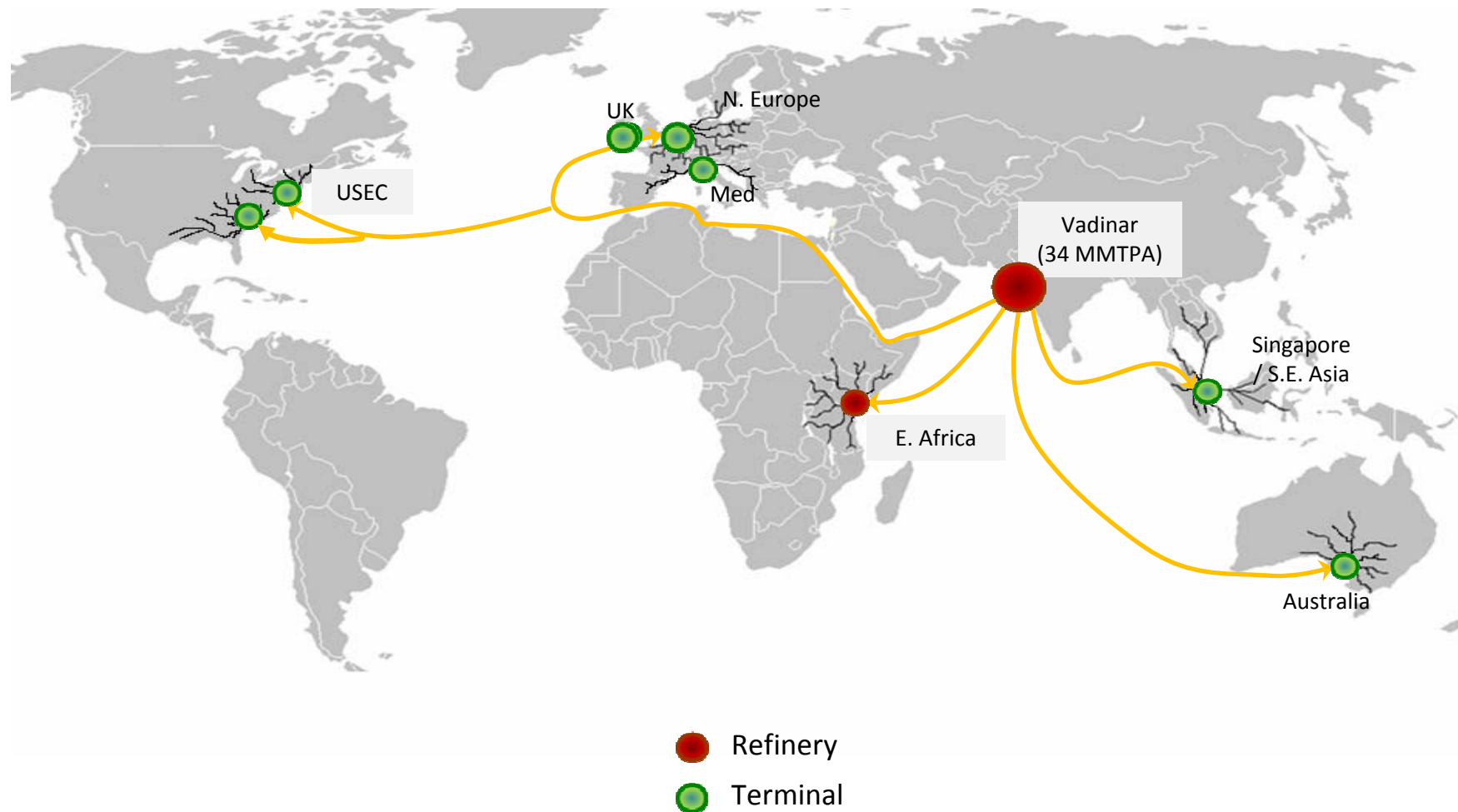
Phase I (Dec '10)	USD Mn
Equity / Internal Accruals	640
Debt	920
Total Cost	1,560

Financial Closure achieved

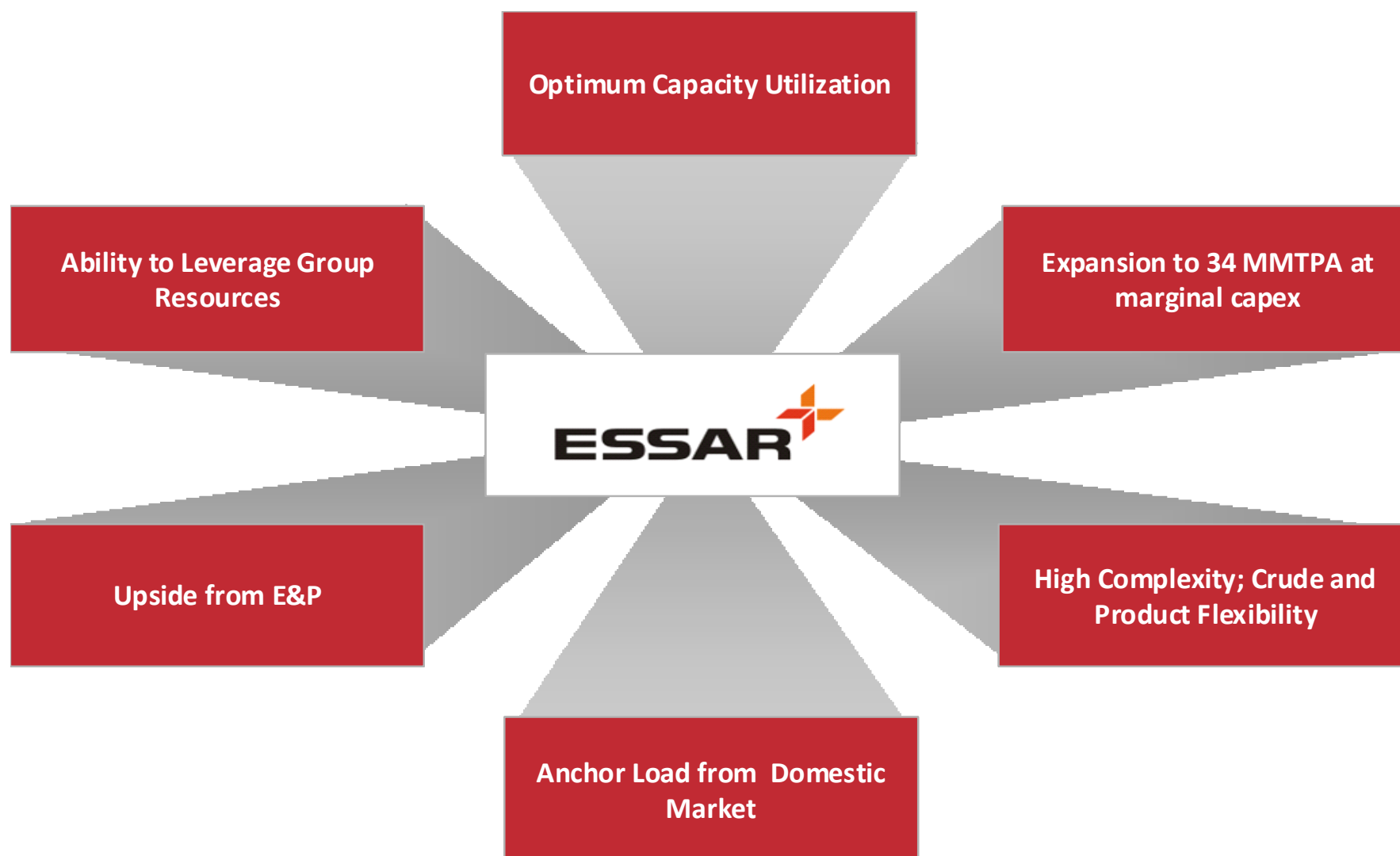
Phase II (Dec '11)	USD Mn
Equity / Internal Accruals	1770
Debt	2670
Total Cost	4,440

Financial Closure to be completed by 2H FY10

International Distribution Strategy at 34 MMTPA



Essar Oil – Value Pillars



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Fiscal Advantage: Sales tax deferral, Income tax benefits



■ Income Tax Benefit

- 100% income-tax exemption on refinery profits for seven years under section 80-IB
- 100% income tax exemption also available to Trail – II (18 MMTPA) of Expansion Project

■ Sales Tax/VAT Deferral Benefit

- Sales Tax Deferment benefit of approx. US\$1,800 million
- Huge benefits in terms of NPV and Cash Flow availability
 - Deferment upto August 2020 or exhaustion of limit, whichever is earlier
 - Repayment in six equal annual installments thereafter
 - Gujarat High Court has given a decision in favour of company for deferment of sales tax collection
 - Gujarat government preferred an appeal before the Supreme Court against the order of Gujarat High Court
- Presently, the Company is availing the deferment benefit