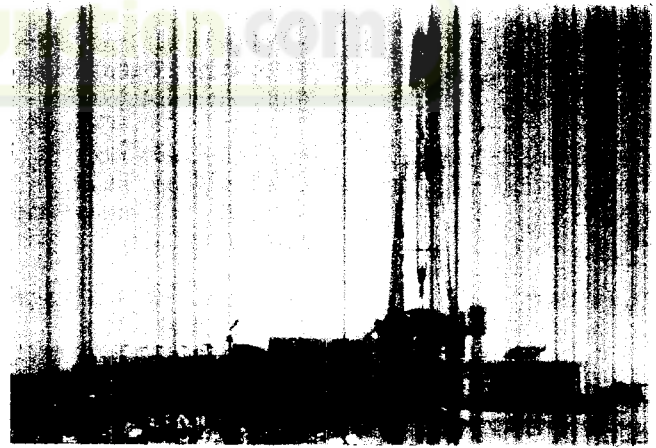




IND	✓		BKC	✓
CS	✓		DPY	✓
RC	✓		DIV	✓
TRA	✓		AC	✓
ACM	✓	✓	SHI	✓
YE	✓	✓		✓

Essar Oil Limited

Report  junction.com



Eighth Annual Report 1996-97

BOARD OF DIRECTORS	Shashi Ruia	<i>Chairman</i>
	Ravi Ruia	<i>Vice Chairman</i>
	R K Sukhdevsinhji	<i>Managing Director</i>
	S H Bhojani	<i>Nominee of ICICI</i>
	M M Kapur	<i>Nominee of UTI</i>
	Anshuman S Ruia	
	S V Venkatesan	
	P S Teckchandani	<i>Whole-time Director</i>
	E B Desai	
	J Jayaraman	
	Dilip J Thakkar	
COMPANY SECRETARY	Sheikh S Shaffi	
BANKERS	State Bank of India State Bank of Mysore State Bank of Indore State Bank of Bikaner & Jaipur State Bank of Travancore Bank of Baroda Indian Bank ABN.Amro Bank NV The Sakura Bank	
AUDITORS	M/s. Deloitte, Haskins & Sells Chartered Accountants Jehangir Wadia Bldg, 3rd floor 51, Mahatma Gandhi Road Fort, Mumbai 400 001	
INTERNAL AUDITORS	M/s. B. P. Jain & Co. Chartered Accountants A-16, Everest, Tardeo Road Mumbai 400 034	
SOLICITORS	M/s. Mulla & Mulla & Craigie Blunt & Caroe Jehangir Wadia Bldg. 51, Mahatma Gandhi Road Fort, Mumbai 400 001	
REGISTERED OFFICE	Khambhalia Post, Post Box No. 24 Dist. Jamnagar - 361 305 Gujarat	
CORPORATE OFFICE	Essar House P O Box No. 7913 11, Keshavrao Khadye Marg Mahalaxmi Mumbai 400 034	
TRANSFER AGENTS	M/s. MCS Limited Unit: Essar Oil Limited 'Sri Venkatesh Bhavan' 35, Armenian Street Chennai 600 001	

NOTICE

NOTICE is hereby given that the **Eighth Annual General Meeting** of the members of **ESSAR OIL LIMITED** will be held on **Thursday, the 25th September, 1997** at the Registered Office Khambhalia Post, (40th Km. Stone on Jamnagar - Okha Highway) Dist. Jamnagar - 361305, Gujarat at 10.30 a.m. to transact with or without modifications, as may be permissible, the following business as :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Balance Sheet as at 31st March, 1997, the Profit & Loss Account for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of Shri S V Venkatesan, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Shri D J Thakkar, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Shri E B Desai, who retires by rotation and being eligible offers himself for re-appointment.
6. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS :

7. To consider and if thought fit, to pass the following Resolution as a **Special Resolution**:

"Resolved that supplemental to the Resolution No.5 passed at the Extraordinary General Meeting of the Company held on 4th October, 1994 and subject to the compliance of the applicable provisions of the Foreign Exchange Regulations Act, 1973 and all other applicable provisions of any other law, and in conformity with the relevant guidelines issued/ to be issued by Reserve Bank of India / Securities and Exchange Board of India / Ministry of Finance, the consent of the Company be and is hereby accorded to investment by Non-Resident Indians (NRIs), Overseas Corporate Bodies predominantly owned by NRIs (OCBs) and Foreign Institutional Investors (FIIs) in Equity Shares/ Convertible Debentures and /or other permissible securities of the Company, with or without repatriation benefits in the manner and within the respective limits fixed by the aforesaid guidelines for the time being in force, provided that, the aggregate limits of such investments shall not at any time exceed the limits set out as aforesaid (presently 30% of the paid up Share / Debenture Capital of the Company)."

"Further Resolved that the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things and to execute such documents or writings as may be necessary, proper or expedient for this purpose."

8. To consider and if thought fit, to pass the following Resolution as an **Ordinary Resolution**:

"Resolved that in partial modification of the Resolution No. 11 passed at the Sixth Annual General Meeting of the Company held on 30th September, 1995, and subject to the provisions of sections 198, 269, 309, 310, schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the revision in the limits of remuneration payable to Shri R K Sukhdevsinhji, Managing Director with effect from such date as may be decided by the Board for the remaining period of his agreement with the Company and as set out in the Explanatory Statement to this Notice with liberty to the Board of Directors to fix the same from time to time within the said overall limits, as the Board may in its discretion deems fit in the interest of the Company, but subject

always to the relevant provisions in that behalf as contained in the said Act including Schedule XIII or any amendment thereof."

9. To consider and if thought fit, to pass the following Resolution as an **Ordinary Resolution**:

"Resolved that in partial modification of the Resolution No.12 passed at the Sixth Annual General Meeting of the Company held on 30th September, 1995 and subject to the provisions of sections 198, 269, 309, 310, schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the revision in the limits of remuneration payable to Shri P S Teckchandani, Wholtime Director with effect from such date as may be decided by the Board for the remaining period of his agreement with the Company and as set out in the Explanatory Statement to this Notice with liberty to the Board of Directors to fix the same from time to time within the said overall limits, as the Board may in its discretion deems fit in the interest of the Company, but subject always to the relevant provisions on that behalf as contained in the said Act including Schedule XIII or any amendment thereof."

10. To consider and if thought fit, to pass the following Resolution as a **Special Resolution**:

"Resolved that subject to all applicable provisions of the Companies Act, 1956, (including any statutory modification or re-enactment thereof for the time being in force and as may be enacted from time to time) and subject to such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, modifications, permissions and sanctions and which may be agreed to or accepted by the Board of Directors of the Company, the consent of the Company be and is hereby accorded to the Board of Directors to acquire/purchase any of its own shares on such terms and conditions and upto such limits as may be prescribed by law from time to time provided such purchase of shares be not construed as reduction in capital under section 100 to 104 and 402 of the Companies Act, 1956 and that the Board of Directors be and it is hereby authorised to do all such acts, deeds, matters and things as may be necessary or proper to implement this resolution."

11. To consider and, if thought fit, to pass the following resolution as a **Special Resolution** :

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 and the provisions of other statutes as applicable and subject to such approvals, consents, permissions and sanctions as may be necessary from the appropriate authorities or bodies, the Articles of Association of the Company be and are hereby altered as follows:

- a) That after the existing sub-clause (x) of Article 2 the following sub-clauses shall be inserted, namely:

"(xi) 'Depositories Act' shall mean Depositories Act, 1996 or any statutory modification or re-enactment thereof,

(xii) 'Beneficial Owner' shall have the meaning assigned thereto by Section 2 of the Depositories Act,

(xiii) 'Depository' shall have the meaning assigned thereto by the Depositories Act."

- b) That the following new Article 5A be inserted after the existing Article 5 namely :-

"5A Notwithstanding anything contained in the Article 5, but subject to the provisions of the Act and all other applicable provisions of law, as may be in force at any time and from time to time, the

Company may acquire, purchase, hold, resell any of its own fully/party paid shares/debentures and may make payment out of funds at its disposal of and in respect of such acquisition/purchase on such terms and conditions and at such times as the Board may in its discretion decide and deem fit."

- c) That at the end of the existing Article 7 the following may be inserted, namely:

"Provided that in respect of the shares and securities held by the Depository on behalf of a beneficial owner as defined in the Depositories Act, 1996, sections 153B, 187B, 187C and 372 of the Act shall not apply."

- d) That the following new Article 13-A be inserted after the existing Article 13 namely:

"13-A Notwithstanding anything contained in these Articles, the Company may in accordance with the provisions of the Depositories Act, dematerialise its Shares, Debentures and other marketable securities and to offer its Shares, Debentures and other marketable securities for subscription in a dematerialised form. Thereupon the Company shall maintain a Register of Members with the details of Members holding shares both in material and dematerialised form in electronic or any other media as permitted by law either in respect of the existing shares and or any future Issue. Provided that, the provisions set forth in Articles 10 to 13 shall not apply to shares, which have been dematerialised"

- e) That after the existing Article 42 the following new Articles numbered as 42-A and 42-B be inserted:

"42-A Nothing contained in the Articles 33 and 42 shall apply to transfer of shares, debentures or other marketable securities effected by the transferor and the transferee, both of whom are entered as beneficial owners in the records of a Depository."

"42-B In the case of transfer of shares, debentures or other marketable securities where the Company has not issued any Certificates and where shares and securities are being held in an electronic and fungible form, the provisions of the Depositories Act, shall apply."

By Order of the Board of Directors
for ESSAR OIL LIMITED

SHEIKH S SHAFFI
COMPANY SECRETARY

Mumbai
8th August, 1997

Registered Office :
ESSAR OIL LIMITED
Khambhalia Post,
Post Box No. 24,
Dist. Jamnagar-361 305
Gujarat.

NOTES :

- (a) The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the business under item nos.7 to 11 set out above is annexed hereto.
- (b) **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.**

- (c) The dividend when sanctioned will be made payable on or after 26th September, 1997 to those shareholders, whose names are on the Company's Register of Members on 25th September, 1997.
- (d) All documents referred to in the accompanying Notice and the Explanatory Statement are open for inspection at the Registered Office of the Company on all working days, except Saturdays, Sundays and holidays, between 11 a.m. and 1 p.m. upto the date of the Annual General Meeting.
- (e) Members/proxies should bring the attendance slip duly filled in for attending the meeting.
- (f) The Register of Members and Transfer Books of the Company will be closed from 16th, September, 1997 to 25th September, 1997, both days inclusive.
- (g) Members desiring any information with regard to Accounts are requested to write to the Company at least 10 days before the date of the meeting, so as to enable the management to keep the information ready.

ANNEXURE TO NOTICE :

Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of item nos. 7 to 11 of the accompanying notice is as under :

Item No.7

Under the current liberalisation policy of the Government of India considerable relaxation has been made in respect of Non Resident Indians (NRIs) and Overseas Corporate Bodies predominantly owned by NRIs (OCBs) and Foreign Institutional Investors (FIIs) making investments in shares and convertible debentures of Indian Companies. Upto now the limit of investments by NRIs/OCBs in a company is subject to an overall ceiling of 5% of the paid up value of each security (other than in respect of preference shares and non convertible debentures) of the Company, with repatriation and non repatriation benefits under the Portfolio Investments Scheme. The shareholders of the Company had earlier, also passed a resolution at the Extra Ordinary General Meeting held on 4th October, 1994 permitting NRIs and OCBs to acquire shares/ convertible debentures in the Company under portfolio investment scheme, upto the enhanced limit of 24% of the paid up capital of the Company.

However, under the revised FII guidelines issued by the Ministry of Finance, the aggregate portfolio investments by NRIs/OCBs/FIIs can now be upto 30% of the issued and paid up capital of a single Company, if the Board of Directors of the Company has approved the enhanced limit and such enhanced limit has also been approved vide a special resolution passed by the Company in general meeting. The prevailing healthy investment environment has encouraged the non resident investors to repose confidence in the Indian Capital Market. In order to take advantage of this foreign exchange inflow, it is thought expedient to pass the special resolution as set out in this item of the Notice.

The Directors, therefore, recommend the resolution for approval of the shareholders.

Item Nos. 8&9

At the Sixth Annual General Meeting of the Company held on 30th September, 1995 the members had approved, inter alia, the terms of remuneration of Shri R K Sukhdevsinhji, Managing Director and Shri P S Teckchandani, Wholetime Director of the Company. In accordance with the relaxed guidelines for managerial remuneration, in force, a Company earning a profit in a financial year may pay remuneration by way of salary, dearness allowance, perquisites, commission and other allowances which shall not exceed 5% of its net profit for one, such



managerial person and if there is more than one such managerial person, 10% of its net profit for all of them. Having regard to the experience, duties and responsibilities and also taking into account that the remuneration payable to them should be commensurate with the remuneration paid to such senior Managerial personnel in the Group Companies and the Industry as a whole, it is thought fit to pass a Resolution enabling the Board to revise the remuneration to be paid to Shri R K Sukhdevsinhji and Shri P S Teckchandani by way of salary, perquisites and allowances within the overall limits as set out hereunder, individually:

Salary in the scale of Rs. 35,000 — Rs. 1,00,000 per month as may be determined by the Board or such other authority as may be delegated by the Board from time to time.

In addition to salary, the Managing Director and Whole time Director of the Company, shall be entitled to commission, on annual profits to be computed in the manner laid down in the Companies Act, 1956 and or performance bonus, perquisites and allowances such as accommodation (furnished or otherwise) or House Rent Allowance in lieu thereof, City Allowance, Reimbursement of gas, electricity, water expenses and furnishing and repair expenses, Medical / Hospitalisation Expenses Reimbursement, Leave Travel Allowance, Provident Fund, Gratuity, Superannuation, Club Fees, Personal Accident Insurance and such other perquisites and allowances in accordance with the Rules of the Company or as may be agreed to by the Board or such other authority as may be delegated by the Board and them, such commission performance bonus perquisite and allowances being subject to a maximum limit of Rs. 3,00,000 per month and further subject to overall ceiling of remuneration stipulated by law.

In the event of loss or inadequacy of profits in any financial year during the period of appointment the remuneration payable by way of salary, perquisites and allowances will be as specified above.

Apart from the above, all other terms and conditions of the relevant agreements with Managing Director and Wholetime Director, will remain as at present.

The Board accordingly recommends the resolutions in these items of the Notice for approval of the members.

Shri R K Sukhdevsinhji being the Managing Director and Shri P S Teckchandani being the Wholetime Director of the Company are interested in the respective resolutions pertaining to them.

The above may also be treated as an abstract of the variation in the Agreement between the Company and Shri. R K Sukhdevsinhji and Shri P S Teckchandani respectively, pursuant to Section 302 of the Companies Act, 1956.

Item No 10

Section 77 of the Companies Act, 1956 restricts the Company to purchase its own shares unless the same is done with a view to reduce its capital in pursuance of Sections 100 to 104 and 402 of the Companies Act, 1956. However, it is anticipated that the proposed amendments to the Companies Act, 1956 may provide for buy back of shares. The Directors therefore feel it would be desirable to have an enabling power from the shareholders of this purpose, in terms as set out in item No. 10 of the Notice.

The Directors, therefore, recommend the resolution for approval of the shareholders.

Item No. 11

Certain provisions of the Articles of Association pertaining to the issue, holding, transfer and other dealings in shares and other securities as also issue of certificates which were framed on the basis of the relevant provisions of the Companies Act, 1956 are being amended and new articles are being inserted in view of the provisions of the Depositories Act, 1996 which have become applicable as a result of the introduction of the Depositories system by the Company. The required amendments have been made so as to give effect to the practical aspects of the Depository system and are self explanatory.

In anticipation of an amendment to the Companies Act, 1956 or the re-enactment thereof, it is proposed to consider the introduction of a new Article 5A in the Articles of Association of the Company as mentioned in the resolution set out at Item No.11 of the notice to enable the Company to purchase any of its own shares / debentures.

The Directors, in the circumstances, recommend the resolution for approval of the shareholders.

By Order of the Board of Directors
for **ESSAR OIL LIMITED**

Mumbai
8th August, 1997

SHEIKH S SHAFFI
COMPANY SECRETARY

Registered Office :
ESSAR OIL LIMITED
Khambhalia Post,
Post Box No. 24,
Dist. Jamnagar-361 305
Gujarat.

Members are requested to:

- (i) notify any change/corrections/pin code in their addresses and bank account no. for the payment of dividend/interest.
- (ii) submit tax exemption declaration/certificates and
- (iii) send the share certificates for consolidation of multiple folios into one folio

to the Company's Transfer Agents, at the following address:

M/s. MCS Limited
Unit: Essar Oil Limited
'Sri Venkatesh Bhavan'
35, Armenian Street
Chennai - 600 001

Depository System

The Company has entered into an agreement with the National Securities Depository Limited (NSDL) to facilitate investors to hold the securities in the electronic form. The investors may avail the facility of dematerialisation of shares of the Company.

DIRECTORS' REPORT

To The Members of Essar Oil Limited

The Directors have pleasure in presenting the Eighth Annual Report together with the audited accounts of the Company for the year ended March 31, 1997.

FINANCIAL RESULTS

	(Rs. in Crores)	
	1996-97	1995-96
Gross Income	325.97	306.98
Gross Profit	68.58	53.55
Less: Depreciation	19.81	16.67
Profit before tax	48.77	36.88
Less: Provision for Income Tax	6.30	—
Net Profit	42.47	36.88
Add: Balance brought forward from the previous year	88.37	72.61
Total amount available for appropriations	130.84	109.49
Less: Appropriations		
(a) Transfer to General Reserves	—	—
(b) Dividend	30.77	21.12
(c) Tax on proposed dividend	3.08	—
Balance carried to Balance Sheet	96.99	88.37

DIVIDEND

The Directors have recommended a dividend of 10%, on the enhanced capital for the period ended 31/03/97, to be paid as follows, if approved by the shareholders at the Annual General Meeting to be held on 25th September, 1997 :

- a) On 23,86,76,755 Equity Shares of Rs.10/- each @ 10% (1995-96 : on 8,87,56,402 Equity Shares @ 10%).
- b) On 11,29,18,953 Equity Shares of Rs.10/- each pro-rata (1995-96 : on 14,99,20,353 Equity Shares of Rs.10/- each pro-rata).

The Equity Share Capital has increased due to shares allotted on second conversion of 11,29,18,953 - 12.5% Optionally Fully Convertible Debentures on 21/08/96 which are eligible for pro-rata dividend.

OPERATIONS

Your Company continued to build up its international oil drilling operations during 1996-97. With three additional long term contracts from Petroleum Development Oman, your Company has six drilling contracts in Oman and is one of the largest drilling contractors in Oman. The first contract in Qatar under which operations commenced in April 1996 was followed with a second contract during the year. The total value of the contracts under execution in India and abroad is US\$ 150 millions. The Company

continues to pursue other markets in the Middle East and currently has bids under evaluation in Syria, Egypt and Yemen.

Owing to a drastic reduction in Offshore construction activity in India, the scope for Offshore business in India has been adversely affected. As a result, the profitability of the Company's offshore business is also depressed. The Company is down sizing the Offshore operations and would concentrate on collecting receivable.

During the year your Company signed production sharing contracts for three exploration blocks in Rajasthan and offshore Saurashtra and work has commenced on seismic studies. In addition, two more exploration blocks were awarded, contracts for which are in the final stages of negotiation. The contract for the Ratna and R Series Oil fields is under discussion and it is expected to be finalised shortly. However, your Company has already initiated activities which would help in speedy implementation of the project. The Government has also recently announced a New Exploration Licensing Policy for oil and gas which has several attractive features and your Company fully intends to participate in bidding under this policy in the future.

PROGRESS OF THE REFINERY PROJECT

In the last two years your Company has made considerable progress in setting up the petroleum Refinery Project at Jamnagar with ABB Lummus Crest having been entrusted with the overall single point responsibility for the completion of the Project. Based on the recommendation of ABB Lummus, some changes were effected in the configuration of the project including increasing the capacity from 9 million Tonnes per annum to 10.5 million Tonnes per annum to maximise the overall profitability and separately setting up of terminal operations. Consequently, the refinery project cost has gone up by Rs. 465 crores to Rs. 5815 crores. The revised project cost has been appraised by ICICI and is being financed by Debentures (OFCDs) / Equity from Public / Promoters, Euro Issue, Loans from Financial Institutions and Banks, External Commercial Borrowing and Lease Finance. The Company has made the Second & Final call on Optionally Fully Convertible Debentures (OFCDs) as per schedule. The promoters have brought in their entire contribution to Equity of Rs. 600 crores. Euro Issue is planned in 1997-98. Company has achieved substantial progress in tying up the debt portion and for balance amount, negotiations are on and will be tied up as per project requirements.

The land required for the refinery has been acquired. Site preparation and leveling / grading work is nearing completion. Almost all construction contracts have been awarded and civil work has commenced. Site infrastructure work including labour colony construction, water/ power, site office, warehouse, batching plant and fabrication yard, has progressed considerably. Basic engineering for all process units has been completed and detailed engineering work and placing of orders for purchase of equipment has made substantial progress. The import of equipment is expected to commence shortly. An amount of Rs. 2074 crores has been spent upto July 31, 1997. The refinery is expected to be operational in 1999, subject to, however any factors beyond the control of management.

On commissioning, the refinery will be producing valuable petroleum products including LPG, Naptha, Motor Gasoline, Kerosene, Aviation Turbine, Fuel, Diesel Oil etc.

SUBSIDIARY COMPANY

Chennai Investment (India) Limited, ceased to be subsidiary of your Company during the year under review.

DIRECTORS

Shri Prashant Ruia resigned from the Board of Directors with effect from 20th February, 1997. The Directors record their appreciation of the valuable services rendered by Shri Prashant Ruia. During the year, Unit Trust of India has nominated Shri M M Kapur, as their Nominee Director, in your Board as per the terms and conditions for various financial assistance extended by them.

Shri S V Venkatesan, Shri D J Thakkar and Shri E B Desai retire by rotation and being eligible offer themselves for re-appointment.

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, regarding employees is given in Annexure to the Directors' Report.

ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE

Information as per the Companies (Disclosure of the Particulars in the Report of Board of Directors) Rules, 1988 relating to conservation of energy and technology absorption is not provided as the same is not applicable to the Company. The Refinery Project is under implementation. Appropriate steps are being taken for the conservation of energy and effective absorption of technology.

Particulars relating to Foreign Exchange outgo and earnings appear in note No. 8 and 9 of schedule XVI II to the Profit and Loss Account and Balance Sheet.

FIXED DEPOSITS

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

AUDITORS AND AUDITORS REPORT

M/s. Deloitte Haskins & Sells, Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting. M/s. Deloitte Haskins & Sells, Chartered Accountants, have informed the Company that, if appointed, their appointment will be within the prescribed limits under Section 224 (1B) of the Companies Act, 1956. Accordingly, the members approval is being sought to their appointment as the Auditor of the Company at the ensuing Annual General Meeting. As suggested by the

Auditor, Company had appointed a professional firm to strengthen the system and procedure and their recommendations are under implementation.

PROMISES V/S PERFORMANCE

As per clause 43 of the listing agreement entered into with the Stock Exchanges, the projections of profitability as per the Prospectus dated 12-01-95 and actual performance as on 31st March, 1997 are given below :

Particulars	(Rs. in Crores)	
	Projections	Actuals
Turnover	443.00	211.28
Other Income	57.00	114.69
Profit after tax	127.00	42.47
Dividend (%)	10	10

There has been a steep decline in Offshore construction contracts awarded by Government agencies and this has resulted in reduction in income of the Offshore Activities..

DEPOSITORY SYSTEM

Your Directors have pleasure in informing you that the Company has entered into an agreement with the National Securities Depository Ltd. (NSDL) to facilitate investors to hold the securities in the electronic form. The investors have already started to avail the facility of the dematerialisation of the Company's shares.

ACKNOWLEDGEMENT

The Board wishes to express its appreciation and place on record their gratitude for the confidence reposed and co-operation extended to the Company by the Government of India, State Governments, Financial Institutions, Banks, Lenders, Customers, Suppliers and Investors of the Company. Your Directors place on record their appreciation of the dedicated and sincere services rendered by employees of the Company.

For and on behalf of the Board of Directors

Place : Mumbai
Dated: 8th August, 1997

S N RUIA
CHAIRMAN

AUDITORS' REPORT**TO THE MEMBERS OF ESSAR OIL LIMITED**

We have audited the Balance Sheet of Essar Oil Limited as at March 31, 1997 and the Profit & Loss Account for the year ended on that date annexed hereto, and report that :

- 1) As required by the Manufacturing and Other Companies (Auditors Report) Order, 1988 issued by the Company Law Board in terms of section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matter specified in paragraphs 4 and 5 of the said Order.
- 2) Further to our comments in the Annexure referred to in paragraph 1 above, we state 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 such books.
 - c) The Balance Sheet and the Profit and Loss Account referred to in this report are in agreement with the books of account.
 - d) In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and Profit and Loss read together with the notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :-
 - i) in so far as it relates to the Balance Sheet, of the state of affairs of the company as at March 31, 1997 and
 - ii) in so far as it relates to the Profit and Loss Account, of the profit of the Company for the year ended on that date.

For Deloitte Haskins & Sells,
Chartered Accountants

Mumbai

Dated : June 26, 1997

N P Sarda

(Partner)

ANNEXURE

Referred to in paragraph 1 of our report of even date

- 1) The Company is maintaining proper records showing full particulars including quantitative details and situation of Fixed Assets. The management has been conducting physical verification of the fixed assets of the Company according to phased programme designed to cover all the items over a period of time. We are informed that no material discrepancies have been noticed on such verification.
- 2) The fixed assets of the Company have not been revalued during the year.
- 3) Physical verification has been conducted by the management in respect of stores and spares and oil and lubricants.
- 4) In respect of stores and spares, taken over on transfer of Energy division and Offshore division to the company and on acquisition of rigs, barges and drill ships, many items have been valued at zero value or nominal value. We are advised by the Company that the techno-economic study of inventory system suggested by us in the previous year is under progress.
- 5) We have been informed that discrepancies noticed on physical verification of stocks have been adjusted in the book records.
- 6) On the basis of our examination of stock records, we are of the opinion that the valuation of stocks is fair and proper and in accordance with normally accepted accounting principles and is on the same basis as in the previous year.
- 7) The Company has not taken any loans secured or unsecured from Companies, Firms and other parties listed in Register maintained under Sections 301 of the Companies Act, 1956 or from the companies under the same management as defined under section 370 (1B) of the Companies Act, 1956.
- 8) In respect of loans granted to Companies, Firms or other Parties listed in the Register maintained under Sections 301 of the Companies Act, 1956 or to the companies under same management as defined under section 370 (1B) of the Companies Act, 1956, the rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the Company.
- 9) The parties and employees to whom loans have been given by the Company are repaying the principal amounts as stipulated and are also regular in payment of interest wherever applicable excepting in a few cases relating to employees. We are informed that necessary steps are being taken for recovering the loans, in such cases. In respect of inter corporate deposits no stipulations for