

**12th Annual Report
2000 - 2001**

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ESSAR

Essar Oil Limited

Essar Oil Limited

BOARD OF DIRECTORS (As on 23rd August, 2001)

Shashi Ruia
Ravi Ruia
Jagdeesh M. Mehta
P S Ruia
E B Desai
Dilip J Thakkar
K N Venkatasubramanian
R Jayaraman Iyer
M V Muthu
R Kannan
A T Kusre
P S Teckchandani

Chairman
Vice Chairman
Managing Director & CEO

Nominee of IDBI
Nominee of IFCI Ltd.
Nominee of Debenture Trustees - ICICI Ltd.
Nominee of ICICI Ltd.
Wholesale Director

COMPANY SECRETARY

Sheikh S Shaffi

BANKERS

State Bank of India
State Bank of Saurashtra
Central Bank of India
ABN Amro Bank

Allahabad Bank
Punjab National Bank
Indusind Bank Ltd.
ICICI Banking Corporation Ltd.

AUDITORS

M/s. Deloitte Haskins & Sells
Chartered Accountants
Marital House, Backbay Reclamation
Mumbai-400 020

INTERNAL AUDITORS

M/s. S. 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

TRANSFER AGENTS

M/s. MCS Limited
Unit: Essar Oil Limited
'Sri Venkatesh Bhavan', Plot No. 27, Road No. 11, MIDC Area
Andheri (East), Mumbai-400 093
Tel.: 022-8215235 Fax: 022-8350456

REGISTERED OFFICE

Khambhalia Post
Post Box No.24
Dist. Jamnagar-361 305
Gujarat
Tel. : 02833-41444
Fax : 02833-41818/41666

CORPORATE OFFICE

Essar House
Post Box No. 7945
11, Keshavrao Khadye Marg,
Mahalaxmi, Mumbai-400 034
Tel. : 022-4950606
Fax : 022-4954281
Website : <http://www.essar.com>

SECURITIES LISTED AT

Saurashtra Kutch Stock Exchange Ltd.
Madras Stock Exchange Ltd.
National Stock Exchange of India Ltd.

The Calcutta Stock Exchange Association Ltd.
The Delhi Stock Exchange Association Ltd.
The Stock Exchange, Ahmedabad

The Stock Exchange, Mumbai
Vadodara Stock Exchange Ltd.

Popatbhai Sorathia Bhavan, Sadar Bazar, Rajkot-360 001
P.O. Box No. 183, 11, Second Line Beach, Chennai-600 001
Exchange Plaza, 5th Floor, Plot No. C/1, G Block,
Bandra-Kurla Complex, Bandra (E), Mumbai-400 051
7, Lyons Range, Kolkata-700 001
DSE House 3/1, Asaf Ali Road, New Delhi-110 002
Kamdhenu Complex, Opp. Sahajanand College, Panjarapole,
Ahmedabad-380 015
1st Floor, Rotunda Bldg., P.J. Towers, Dalal Street, Mumbai-400 023
Fortune Tower, P.O. Box No. 2547, Savajigunj, Vadodara-390 005

NOTICE

NOTICE is hereby given that the **Twelfth Annual General Meeting** of the members of **ESSAR OIL LIMITED** will be held at the Registered Office of the Company at Khambhalia Post, (40th Km. Stone on Jamnagar-Okha Highway) Dist. Jamnagar - 361305, Gujarat on **Friday, the 28th September, 2001** at 12:30 p.m. to transact with or without modifications, as may be permissible, the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2001, the Profit & Loss Account for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Shri R N Ruia who retires from office by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Shri D J Thakkar who retires from office by rotation and being eligible, offers himself for reappointment.
4. 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

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

"RESOLVED THAT Shri Jagdeesh M Mehta, who was appointed as an Additional Director by the Board of Directors pursuant to Section 260 of the Companies Act, 1956 and Article 82 of Articles of Association of the Company and who holds office as a Director only upto the date of this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956, in writing, proposing his candidature for the office of director, be and is hereby appointed as a Director of the Company."

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

"RESOLVED THAT Shri K N Venkatasubramanian, who was appointed as an Additional Director by the Board of Directors pursuant to Section 260 of the Companies Act, 1956 and Article 82 of Articles of Association of the Company and who holds office only upto the date of this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956, in writing, proposing his candidature for the office of director, be and is hereby appointed as a Director of the Company liable to retirement by rotation."

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

"RESOLVED THAT Shri P S Ruia, who was appointed as an Additional Director by the Board of Directors pursuant to Section 260 of the Companies Act, 1956 and Article 82 of Articles of Association of the Company and who holds office only upto the date of this Annual General Meeting and in respect of whom the Company has received a notice under Section 257 of the Companies Act, 1956, in writing, proposing his candidature for the office of director, be and is hereby appointed as a Director of the Company liable to retirement by rotation."

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII thereto and all guidelines for

managerial remuneration issued by the Central Government from time to time, approval of the Company be and is hereby given to the appointment of Shri Jagdeesh M Mehta as the Managing Director & CEO of the Company for a period of five years with effect from 31st October, 2000 on the terms and conditions including remuneration as set out in the Agreement entered into in that behalf between him and the Company, submitted to the meeting, which Agreement is hereby specifically approved with liberty to the Board of Directors to alter and vary the terms and conditions of the said appointment and/or Agreement, as may be agreed to between the Board of Directors and Shri Jagdeesh M Mehta, in the best interest of the Company but so as not to exceed the limits of remuneration specified in Schedule XIII to the Companies Act, 1956 or any amendments that may be made thereto or otherwise as may be permissible at law.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to take such steps as may be necessary or expedient to give effect to this resolution."

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

"RESOLVED that subject to the provisions of the applicable laws, guidelines, rules and regulations including the Companies Act, 1956, the Securities Contracts (Regulation) Act, 1956 and the Rules framed thereunder in this regard and subject to such other approvals, permissions and sanctions as may be required from the Stock Exchanges with which the securities of the Company are listed and/or any other relevant authority, and subject to any conditions or modifications as may be imposed while granting such approvals, permissions and sanctions and mutually agreed to in the best interest of the Company, consent of the Company be and is hereby accorded to the Board of Directors of the Company (which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred on the Board of Directors by this resolution) to seek voluntary delisting of its equity shares and 14% Secured Redeemable Non Convertible Debentures of Rs.105/- each ('NCDs') from all or any of the Exchanges where the Company's Shares/NCDs are presently listed and, in particular, The Delhi Stock Exchange Association Ltd., The Calcutta Stock Exchange Association Ltd., Madras Stock Exchange Ltd., The Stock Exchange, Ahmedabad and Vadodara Stock Exchange Ltd. after taking into account various factors such as but not limited to the incidence, impact or burden of the cost of listing fee payable to the Stock Exchanges and volume of trading on the relevant Stock Exchanges.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do and perform all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, desirable or appropriate and execute all such applications, deeds, agreements, documents and writings as it may consider necessary, usual, requisite or proper for giving effect to this resolution."

By Order of the Board of Directors

Mumbai
23rd August, 2001

SHEIKH S. SHAFFI
COMPANY SECRETARY

Registered Office :
Khambhalia Post,
P. O. Box 24,
Dist. Jamnagar-361 305
Gujarat

Essar Oil Limited

NOTES :

- (a) 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.
- (b) The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, the 25th September, 2001 to Friday, the 28th September, 2001, both days inclusive.
- (c) Members/proxies should bring the attendance slip duly filled in for attending the meeting.
- (d) 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.
- (e) The Explanatory Statements pursuant to Section 173(2) of the Companies Act, 1956 relating to the Special Business mentioned in Item Nos. 5 to 9 of the accompanying Notice are annexed.

ANNEXURE TO NOTICE

Explanatory Statements pursuant to Section 173(2) of the Companies Act, 1956.

Item Nos. 5 and 8

Shri Jagdeesh M Mehta was appointed as an Additional Director of the Company on 31st October, 2000 and at the same time appointed as the Managing Director & CEO of the Company for a period of five years with effect from the said date. Though under the relevant provisions of Articles of Association of the Company, the Managing Director is not liable to retire by rotation, under Section 260 of the Companies Act, 1956 and Article 82 of Articles of Association of the Company, Shri Mehta would hold office as a Director only upto the date of the ensuing Annual General Meeting. It is because of this that the resolution as per Item No. 5 of the Notice is being proposed for his appointment as Director of the Company.

Prior to joining Essar Oil, Shri Jagdeesh M Mehta was the representative of the AV Birla Group on the Board of Mangalore Refinery and Petrochemicals Limited (MRPL). He has vast experience of this Industry right from land acquisition to the successful implementation of that grass-root refinery and its further expansion and successful commissioning thereof in two phases. He is fully conversant with all the areas of refining including project configuration, recruitment, training and arranging rupee / foreign term loans, tie-up of technology and running the plant successfully at a very high rate of efficiency. Prior to this assignment, he was the CEO of National Rayon Corporation Ltd. His work experience and expertise would be useful for the successful implementation of the Company's Refinery and can be advantageously availed of to lead the Company's operations.

The terms and conditions of his appointment including remuneration payable to him are set out in the Agreement entered into by the Company with Shri Mehta of which the following are the main provisions including those relating to remuneration.

The basic salary is Rs.3,00,000/- (Rupees Three Lacs only) per month with further increase as may be determined by the Board or such other authority / committee as may be delegated by the Board, from time to time. In addition to salary, the Managing Director & CEO of the Company, shall be entitled to performance/annual bonus, perquisites and allowances such as fully furnished accommodation maintained by the Company, Executive Allowance of Rs.1,00,000/- per month, Reimbursement of cooking gas, fuel, electricity, water, fax, telephone

expenses at home and office at actuals, entertainment and other related expenses incurred in the conduct of the Company's business and Medical / Hospitalisation Expenses incurred in India or abroad for him and his dependent family members. He shall be entitled to Leave Travel Allowance equal to two months' basic salary for each completed year of service. The contribution to Provident Fund, Gratuity and Insurance will be as per the Rules of the Company. Further, the Company will contribute 15% of basic salary per annum towards Superannuation Fund during his period of employment. He shall be entitled to two club memberships including admission fee, if necessary and reimbursement of expenses thereon and provided with a car for use in the course of business, for which maintenance and fuel shall be reimbursed at actuals.

In case of inadequacy of profits during any year comprised by the period of his office, the remuneration as above will be treated as minimum remuneration payable to Shri Mehta.

Apart from the above terms and conditions governing remuneration, the aforesaid agreement contains further provisions as to the term of office, the duties of Managing Director & CEO, the provision for earlier determination of the appointment by either party giving three months' notice in writing to the other party, etc. Shri Mehta will not be paid any sitting fee for attending the meetings of the Board or any Committee thereof.

The appointment of Shri Mehta as Managing Director & CEO on the terms and conditions set out in the aforesaid agreement is subject to the approval of the Company in General Meeting and accordingly, the Board recommends the resolutions at Item Nos. 5 & 8 of the Notice for approval.

The Agreement with Shri Mehta is available for inspection of members 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 this Annual General Meeting.

Shri Mehta being the Managing Director & CEO of the Company is interested in this resolution.

The above may be treated as an abstract of the Agreement between the Company and Shri Jagdeesh M Mehta pursuant to Section 302 of the Companies Act, 1956.

Item Nos. 6 and 7

Shri K N Venkatasubramanian and Shri P S Ruia were appointed as Additional Directors of the Company on 31st October, 2000 and 29th November, 2000 respectively. Pursuant to Section 260 of the Companies Act, 1956 and Article 82 of Articles of Association of the Company, they hold office of Director only upto the date of this Annual General Meeting.

Shri K N Venkatasubramanian is a Chemical Engineer and an M.Tech from IIT, Kharagpur. Having gained rich experience in the petroleum sector with major International Oil Companies, he became Director - Marketing of Indian Petrochemicals Corporation Ltd. in 1981 and thereafter as Director - Operations. He has in the past also served as Director of State Trading Corporation of India Ltd. He became the Chairman and Managing Director of Engineers India Ltd. in 1990 and took over as Chairman & Managing Director of Indian Oil Corporation in 1991. The Board considers it desirable that the Company should avail itself of his rich experience which should be of considerable benefits to the Company.

Shri P S Ruia is 32 years old and is the eldest son of Shri S N Ruia, Chairman of the Essar Group. He is a Director on the Boards of major



companies of the Essar Group including the flagship company, Essar Steel Ltd. and has gained considerable business experience by his association for a number of years with different segments of industry. He handles all operations connected with Steel, Power and Turnkey Projects of the Group. He is also involved in the other Essar Group activities through backward and forward integration to utilise the synergy to achieve competitive advantage and propel the Group towards further growth. His presence on the Board is of great value and is an added strength to the Board.

The Directors accordingly recommend the resolutions at Item Nos. 6 and 7 of the Notice for your approval.

Shri K N Venkatasubramanian and Shri P S Ruia are interested in the respective resolutions relating to them. Shri S N Ruia and Shri R N Ruia, being related to Shri P S Ruia, may also be considered to be interested in the resolution relating to Shri P S Ruia.

Item No. 9

The equity shares and 14% Secured Redeemable Non Convertible Debentures of Rs.105/- each ('NCDs') of your Company are presently listed at eight stock exchanges, viz.: Saurashtra Kutch Stock Exchange Ltd. ('SKSE'), The Stock Exchange, Mumbai ('BSE'), The National Stock Exchange of India Ltd. ('NSE'), The Delhi Stock Exchange Association Ltd. ('DSE'), The Calcutta Stock Exchange Association Ltd. ('CSE'), Madras Stock Exchange Ltd. ('MSE'), The Stock Exchange, Ahmedabad ('ASE') and Vadodara Stock Exchange Ltd. ('VSE').

When the shares and NCDs were initially listed on these Stock Exchanges after the Public Issue in 1995, the listing fee payable was quite nominal. Later on, some of the Stock Exchanges have increased the listing fee exorbitantly whereas the trading of our securities at these Exchanges is rare and trading volume negligible. Listing of

securities at the Regional Stock Exchange i.e. SKSE is, however, compulsory. On the other hand, trading at BSE and NSE are regular and listing fee payable also much less compared to that charged by the other Stock Exchanges. With a view to control the expenditure and conserve resources for the operations of the Company in these difficult times, it is proposed to delist the securities from the DSE, CSE, MSE, ASE and VSE.

Share/Debenture holders in Regions of the said five Stock Exchanges will not suffer due to delisting since with the introduction of screen based trading on the BSE and NSE, trading in shares/debentures can be easily done throughout the country. Moreover, the Company's shares are one of the scripts which the Securities and Exchange Board of India ('SEBI') has specified for settlement only in demat form by all investors, effective 8th May, 2000.

Members' approval is being accordingly sought by this Resolution to enable voluntary delisting of the Company's shares and NCDs from the said Stock Exchanges as required by SEBI Guidelines.

Your Directors recommend the Resolution in this item of the Notice for approval. The Directors holding shares/NCDs of the Company may be concerned with the resolution.

By Order of the Board of Directors

Mumbai
23rd August, 2001

SHEKH S. SHAFFI
COMPANY SECRETARY

Registered Office :
Khambhalia Post,
P. O. Box 24,
Dist. Jamnagar-361 305
Gujarat

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Essar Oil Limited

DIRECTORS' REPORT**To the Members of Essar Oil Limited**

The Directors have pleasure in presenting the Twelfth Annual Report together with the audited accounts of the Company for the year ended 31st March, 2001.

FINANCIAL RESULTS

	(Rs. in Crores)	
	2000-2001	1999-2000
Gross Income	189.17	261.90
Gross Profit	33.94	53.34
Less: Depreciation	20.99	22.29
Profit before Income Tax	12.95	31.05
Less: Provision for Income Tax	2.52	6.00
Net Profit	10.43	25.05
Add: Balance brought forward from previous year	114.88	108.33
Total amount available for appropriations	125.31	133.38
Less: Appropriations		
(a) Foreign Projects Reserve	10.00	18.50
(b) Transfer to General Reserve	—	—
(c) Proposed Dividend	—	—
Balance to be carried to Balance Sheet	115.31	114.88

OPERATIONS REVIEW**Refinery & Marketing**

Your Company is setting-up a 10.5 MMTA crude oil Refinery at Vadinar, Jamnagar (Gujarat). The implementation of the Refinery Project was progressing smoothly till June, 1998 when the project site was hit by a severe cyclone damaging some of the facilities and causing delay in project implementation. The project cost was reappraised by the lead Financial Institution, ICICI Limited at Rs.8000 Crores and the participating financial institutions and banks have sanctioned additional financial assistance. The Company is at an advanced stage of complying with certain pre-disbursement conditions stipulated by the financial institutions and banks after which the work at Refinery site will resume.

The implementation of the Refinery is completed to the extent of about 63% of the total work and the Company has already incurred Rs.6300 Crores as on 30th June, 2001. After restarting the project work, the Refinery is expected to be commissioned, barring unforeseen circumstances, within a period of 18 to 24 months. Once commissioned, this will be the second largest private sector refinery with a high level of competitiveness.

In the intervening period, business environment in this Industry is expected to witness favourable changes. These changes emerge from the ongoing economic reform programmes of the Government of India, mainly from the opening up of petroleum products market to the Indian private sector and foreign companies and also from dis-investment by the Government in public sector companies. This is a key welcome change and is likely to have a significant impact on the strategic and operational aspects of this Industry.

The Company's refining business is closely linked to the economic growth of the country. Indian economy is expected to register a GDP growth rate of around 6% that should lead to corresponding growth in the demand for petroleum products. It is expected that the Company will experience favourable demand position by the time its commercial production starts.

The Company's Marketing Division is gearing itself to effectively handle the challenging task of dealing with free market situation that will be ushered in by April 2002. It plans to be ready with the superior supply and distribution model, comprehensive retail marketing plan, including brand strategy and efficient marketing organisation to leverage this opportunity. To ensure efficient and economic evacuation of products, investments have been made in the pipelines linking the Refinery to the Northern and Central parts of the country. A jetty to load large vessels upto 1,00,000 DWT is also being set-up for coastal movements and for exports.

The Company has been pre-qualified for bidding for acquisition of stake in privatisation proposal of IBP Company Ltd., a public sector marketing company. If this materialises, the Company will get strong competitive edge to market its products. Alternatively, plans have been drawn to set-up new retail outlets across the country with initial emphasis in the Western and Northern regions.

The main challenges before the Company will be to cope up with competition from the refineries within India and outside and to deal with radical changes in the fuel quality norms in international market and India's desire to follow them in a compressed time frame.

Energy

Relatively high oil and gas prices since the beginning of 2000 have led to significant increase in drilling activities by Oil companies worldwide. This has led to sharp increase in the utilisation of Land Rigs and hardening of rates. The effect has been felt most in North American markets while other markets including Middle East, where the Company operates, reflect this trend on a relatively lesser scale.

The current environment offers opportunities for increase in the Rig Fleet. It also provides an opportunity to improve realisations as and when the contracts are renewed by the parties or are re-tendered.

The Company is currently executing contracts worth about US\$ 80 million. Two rigs in Oman, which were coming off contract, during April 2000 to March 2001 have received extensions, which ensures continued deployment through the current financial year. With current market trends, rigs coming off the contracts are expected to get fresh employment at better rates.

After two decades with major Oil and Gas Projects, international oil companies have entered in several Middle East Countries like Saudi Arabia and Kuwait. These developments are expected to generate substantial demand for Drilling Contractors in the coming years and the Company is expected to obtain a fair deal of business.

The risks and concerns in the Oil and Gas Industry could arise due to the policy changes in the spheres of domestic, regional or international influences, either due to changes within the Industry or any upheaval in the economic climate in these spheres.

Exploration and Production

High oil prices, increasing demand of petroleum products and declining domestic oil production have resulted in the Government of India making intensive efforts to increase exploration and production activities in the country.

The Company has partnered with international oil companies both for risk sharing as well as for technology transfer. The Production Sharing Contract for the Ratna & R-series oil and gas fields near Ratnagiri awaits final execution. The Contract and Joint Operating Agreement and all associated agreements were initialled in April 2001. The Division commenced drilling of its first exploratory well in the Rajasthan onshore Block RJ-ON-90/5 in February 2001 and completed the same recently with encouraging findings of oil. Plans are afoot to drill another well in close proximity to the first well as part of the work commitment in Phase III. The Romanian National Oil Company - Petrom S.A. was inducted as Operator with 21% participating interest in Block BB-OS/5. An offshore well is planned to be drilled in October 2001 in this block. The work could not be commenced in Blocks CB-ON/3 and CR-ON-90/1 pending receipt of requisite Government approvals. The Division is also evaluating the current CBM offering by the Government of India and would bid for prospective blocks. It is also expected that during the current year, approval of the Government would be received for conducting CBM exploration in Block CB-ON/3 in the Mehasana District of Gujarat where, it may be recalled that the Company had drilled three wells earlier to establish the CBM potential.

The execution of the long delayed Ratna contract will enable the Company to monetise the already discovered oil reserves of around 50 million barrels (the Company's share). At the same time, exploration activities in Rajasthan and Bombay offshore are likely to result in creation of additional oil and gas reserves. Further, commencement of CBM activity in Gujarat should help the Company to move rapidly towards realising the full value of this resource.

DIRECTORS

During the year under review, Shri R K Sukhdevsinhji, Managing Director, Shri S R Agrawal, Director (Finance), Shri S V Venkatesan, and Shri A S Ruia, Directors withdrew from the Board.

Shri Jagdeesh M Mehta was appointed as Managing Director & CEO for a period of five years with effect from 31st October, 2000 replacing Shri R K Sukhdevsinhji. Shri K N Venkatasubramanian and Shri P S Ruia also joined the Board as Additional Directors.

IFCI Limited has nominated Shri Tapan Ganguli as its representative on the Board of the Company. Subsequently, he was replaced by their Executive Director, Shri M V Muthu.

The Directors wish to place on record their appreciation for the valuable services rendered by Shri R K Sukhdevsinhji, Shri S R Agrawal, Shri S V Venkatesan, Shri A S Ruia and Shri Tapan Ganguli.

Shri R N Ruia and Shri D J Thakkar retire by rotation and being eligible offer themselves for re-appointment.

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 31st March, 2001, 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 safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the Directors have prepared the accounts for the financial year ended 31st March, 2001 on a 'going concern' basis.

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 u/s 217(2A) of the said Act. Any shareholder interested in obtaining a copy of this statement may write to the Company Secretary at the Registered Office.

ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE

Information in accordance with Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of the Particulars in the Report of the Board of Directors) Rules, 1988 relating to the 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 earnings and outgo appear in Note Nos.5 and 6 of Schedule XIX to the Annual Accounts.

SUBSIDIARY COMPANY

As required under Section 212 of the Companies Act, 1956, the audited statements of accounts along with the report of the Board of Directors and the Auditors' Report thereon of the subsidiary company, Vadinar Power Company Limited for the financial year ended 31st March, 2001 are enclosed.

FIXED DEPOSIT

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

DISCLOSURES UNDER LISTING AGREEMENT

With a view to control the expenditure and conserve resources for the operations of the Company, it is proposed to seek approval of the members and the holders of 14% Secured Redeemable Non Convertible Debentures of Rs.105/- each ('NCDs') to delist its Equity Shares and NCDs from all or any of the following Stock Exchanges viz. The Delhi Stock Exchange Association Ltd.; The

Essar Oil Limited

Calcutta Stock Exchange Association Ltd.; Madras Stock Exchange Ltd.; The Stock Exchange, Ahmedabad and Vadodara Stock Exchange Ltd. at an appropriate time in future. The securities will continue to remain listed on Saurashtra Kutch Stock Exchange Ltd. ('SKSE'), The Stock Exchange, Mumbai ('BSE') and The National Stock Exchange of India Ltd. ('NSE'). With the introduction of screen based trading on the BSE and NSE, the members / debentureholders of the Company have access to online dealings in the Company's securities across the country.

The trading in securities was suspended temporarily by the Stock Exchange, Mumbai on 2nd April, 2001 due to investors' complaints relating to non-receipt of debenture interest. On the Company taking remedial steps, the trading was resumed in a week's time.

Listing fee for the year 2000-2001 has been paid in full to five Stock Exchanges and part-payment made to the other three Stock Exchanges. The Company has requested these Exchanges to reduce the listing fee in line with BSE and NSE more so due to lack of any significant trading at these Stock Exchanges. Listing fee for the year 2001-2002 has been paid to SKSE and arrangements are being made to make payment of the upto date listing fee to the other Stock Exchanges.

CORPORATE GOVERNANCE

In terms of clause 49 of Listing Agreement with Stock Exchanges, the requirements as to corporate governance are required to be implemented by your Company by not later than 31st March, 2002. The Company has already implemented substantial portion of the requirements of corporate governance and necessary steps are being taken to implement the guidelines fully during the financial year 2001-2002.

AUDITORS AND AUDITORS' REPORT

M/s. Deloitte Haskins & Sells, Chartered Accountants, Mumbai, Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting. M/s. Deloitte Haskins & Sells, Chartered Accountants, Mumbai, have informed the Company that, if appointed, their appointment will be within the limits prescribed

under Section 224(1B) of the Companies Act, 1956. Accordingly, the members' approval is being sought to their appointment as the Auditors of the Company at the ensuing Annual General Meeting.

The information given by the Management, pursuant to Section 217(3) of the Companies Act, 1956, on allocation of borrowing costs into capital and revenue expenditure and note nos. 9 and 10 of Schedule XIX to the Annual Accounts, as referred to in the Auditors' Report, are self explanatory and do not call for further explanations and comments.

PROJECTIONS v/s PERFORMANCE

The Projected financials for the year 2000-2001 in the Prospectus include the income from the refinery operations. Since the commissioning of the Refinery Project has been delayed mainly due to cyclone, the projected financials could not be achieved. Against the projected turnover of Rs.467 Crores from the existing operations, the Company achieved a turnover of Rs.189.17 Crores during the financial year ended 31st March, 2001. The profit before tax for the year was Rs.12.95 Crores as against projected profit before tax of Rs.132 Crores.

ACKNOWLEDGEMENT

The Board wishes to express appreciation and place on record its gratitude for the faith reposed in and co-operation 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

Mumbai
23rd August, 2001

S N RUIA
CHAIRMAN

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