



Essar Oil Limited
15th Annual Report 2004 - 2005

BOARD OF DIRECTORS (As on 25th August, 2005)

Shashi Ruia

Ravi Ruia

Prashant Ruia

Awadhesh N. Sinha

Hari L. Mundra

Dilip J. Thakkar

K. N. Venkatasubramanian

Dr. G. Goswami

N.S. Kannan

Sanjoy Chowdhury

Sriram N. Gogate

*Chairman**Vice Chairman**Managing Director & CEO**Dy. Managing Director and Director (Finance)**Nominee of IDBI Ltd.**Nominee of ICICI Bank Ltd.**Nominee of IFCI Ltd.**Nominee of Debenture Trustees - WITECO***COMPANY SECRETARY**

Sheikh S Shaffi

BANKERS

ICICI Bank Ltd.

State Bank of India

Punjab National Bank

Union Bank of India

State Bank of Saurashtra

HDFC Bank Ltd.

ABN Amro Bank

AUDITORS

M/s. Deloitte Haskins & Sells

Chartered Accountants

12, Dr. Annie Besant Road

Opp. Shiv Sagar Estate, Worli

Mumbai - 400 018

INTERNAL AUDITORS

M/s. B.P. Jain & Company

Chartered Accountants

A-16, Everest, Tardeo Road

Mumbai - 400 034

REGISTERED OFFICE

Khambhalia Post

Post Box No. 24

Dist. Jamnagar - 361 305

Gujarat

Tel.: 02833 - 241444

Fax: 02833-241818 / 241414

CORPORATE OFFICE

Essar House

Post Box No. 7945

11, Keshavrao Khadye Marg,

Mahalaxmi, Mumbai - 400 034

Tel.: 022-24950606 Fax: 022-24954281

Website: <http://www.essar.com>**TRANSFER AGENTS**

M/s. Sharepro Services (India) Pvt. Ltd.

Unit: Essar Oil Limited

Satam Estate, 3rd Floor, Above Bank of Baroda

Cardinal Gracious Road, Chakala

Andheri (East), Mumbai - 400 099

Tel.: 022-28215168, Fax: 022-28375646

Email: sharepro@vsnl.comWebsite: <http://www.shareproservices.com>**SHARES LISTED AT**

Bombay Stock Exchange Ltd.

National Stock Exchange of India Ltd.

*The Calcutta Stock Exchange Association Ltd.

*Vadodara Stock Exchange Ltd.

*(Applied for delisting)

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

7, Lyons Range, Kolkata - 700 001

Fortune Tower, P.O. Box No. 2547, Sayajigunj,
Vadodara - 390 005

NOTICE

NOTICE is hereby given that the **Fifteenth 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 30th September, 2005 at 11:30 a.m** to transact, with or without modifications, as may be permissible, the following business:

ORDINARY BUSINESS

1. To receive, consider, approve and adopt the Balance Sheet as at 31st March, 2005, the Profit & Loss Account for the financial year (15 months) 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 P S Ruia who retires from office by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Shri K N Venkatasubramanian who retires from office by rotation and being eligible offers himself for reappointment.
5. To appoint Auditors, M/s. Deloitte Haskins & Sells, Chartered Accountants, Mumbai, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorise the Board of Directors to fix their remuneration.

SPECIAL BUSINESS:

6. To consider and, if thought fit, to pass the following resolution as a Special 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 subject to such approval from the Central Government or any other authority, as may be required, and subject to any conditions and/or modifications as may be imposed and/or suggested by such authorities, while granting such approvals and supplemental to the earlier resolution passed at the Twelfth Annual General Meeting of the Company held on 28th September, 2001, approval of the Company be and is hereby given for the remuneration paid to Shri Jagdeesh M Mehta during his tenure in office as Managing Director & CEO of the Company for the period from 1st January, 2004 to 31st January, 2004 (both days inclusive) during the financial year ended 31st March, 2005, as set out in the Explanatory Statement annexed to this Notice which is hereby specifically approved."
"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."
7. To consider and, if thought fit, to pass the following resolution as a Special 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 subject to such approval from the Central Government or any other authority, as may be required, and subject to any conditions and/or modifications as may be imposed and/or suggested by such authorities, while granting such approvals, and supplemental to the earlier resolution passed at the Fourteenth Annual General Meeting of the Company held on 25th September, 2004, approval of the Company be and is hereby given for the remuneration paid to Shri Hari L. Mundra as Deputy Managing Director & Director (Finance) of the Company, during the financial year ended 31st March, 2005 and for the remuneration payable during his tenure in office

as Deputy Managing Director & Director (Finance) upon the terms and conditions as set out in the Explanatory Statement annexed to this Notice which is hereby specifically approved with authority to the Board of Directors (which term shall include the Remuneration Committee constituted by the Board of Directors), to alter and vary the terms and conditions of the remuneration as may be agreed to between the Board of Directors and Shri Hari L. Mundra, in the best interest of the Company."

"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."

8. To consider and, if thought fit, to pass the following resolution as a Special 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 subject to such approval from the Central Government or any other authority, as may be required, and subject to any conditions and/or modifications as may be imposed and/or suggested by such authorities, while granting such approvals, and supplemental to the earlier resolution passed at the Fourteenth Annual General Meeting of the Company held on 25th September, 2004, approval of the Company be and is hereby given for the remuneration paid to Shri Awadhesh N. Sinha as the Managing Director & CEO during the financial year ended 31st March, 2005 and for the remuneration payable during his tenure in office as Managing Director & CEO of the Company, upon the terms and conditions as set out in the Explanatory Statement annexed to this Notice which is hereby specifically approved with authority to the Board of Directors (which term shall include the Remuneration Committee constituted by the Board of Directors), to alter and vary the terms and conditions of the remuneration as may be agreed to between the Board of Directors and Shri Awadhesh N. Sinha, in the best interest of the Company."

"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 in accordance with the provisions of sections 81, 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 and enabling provisions of the Memorandum and Articles of Association of the Company, the Listing Agreements entered into by the Company with the Stock Exchanges, where the shares of the Company are listed and in accordance with the guidelines issued by the Government of India (GOI), the Reserve Bank of India (RBI), the Securities and Exchange Board of India (SEBI) and / or any other competent authorities and clarifications thereof, issued from time to time, and subject to such approvals, permissions, consents and sanctions as may be necessary from the GOI, RBI, SEBI and / or any other competent authorities and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, permissions, consents and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall include any committee constituted / to be constituted by the Board for exercising the powers conferred on the Board by this resolution), the consent of the Company be and is hereby accorded to the Board to create, offer, issue and allot, in one or more tranches, outside India, with or without premium, denominated in any foreign currency, such

number of optionally/compulsorily convertible/redeemable Foreign Currency Convertible Bonds (FCCBs) and / or Global Depository Receipts (GDRs) and / or American Depository Receipts (ADRs) and / or Fully / Partially Convertible Bonds / Debentures / Loans and / or any other instruments / securities in the nature of Shares and / or warrants, naked or otherwise, convertible into Shares or otherwise, either in registered or bearer forms, and / or any such security convertible into equity shares of Rs.10/- each or otherwise (hereinafter referred to as 'financial instruments') or any combination of the financial instruments in the International Market, aggregating to an amount not exceeding US\$ 300,000,000/- (United States Dollars three hundred million only) to Essar Oil Holdings Limited (formerly Prime Finance Company Limited) Mauritius, the existing Promoters and its associates / nominees / group companies/ persons acting in concert, whether or not they are members of the Company, on preferential issue basis, to the extent and in the manner as may be decided by the Board in this behalf."

"RESOLVED FURTHER THAT :

- i. The equity shares issued upon conversion of FCCBs / GDRs / ADRs and / or other financial instruments, so issued and allotted shall rank pari-passu with the existing equity shares of the Company;
 - ii. The **Relevant Date** as per clause 13.1.2.2 of SEBI (Disclosure and Investor Protection) Guidelines, 2000 on Preferential Issue, as amended upto date, for the determination of applicable price for the issue of equity shares upon conversion of any financial instruments in part or full is 31st August, 2005;
 - iii. For the purpose of giving effect to this resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things as the Board may, in its absolute discretion, consider necessary, proper, expedient, desirable or appropriate for making the said issue as aforesaid and to settle any question, query, doubt or difficulty that may arise in this regard including the power to allot under subscribed portion, if any, in such manner and to such persons(s) as the Board, may deem fit and proper in its absolute discretion to be most beneficial to the Company."
10. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:
- "RESOLVED THAT pursuant to the provision of Section 293(1)(a) and all other applicable provisions of the Companies Act, 1956 consent of the Company be and is hereby accorded to the Board of Directors of the Company, including any Committee thereof for the creation of the Security / Mortgage (created / to be created) on lands admeasuring approximately 1021-31-54 hectares, owned by the Company, situate at district Jamnagar in the state of Gujarat, on which the Terminal Project is being set up by Vadinar Oil Terminal Limited, in favour of the Terminal Lenders or their Security Trustees.
- "RESOLVED FURTHER THAT pursuant to the provision of Section 293(1)(a) and all other applicable provisions of the Companies Act, 1956 and subject to consents / approvals that may be required from various authorities / institutions, consent of the Company be and is hereby accorded to the Board of Directors of the Company, including any Committee thereof for creation of security / mortgage in the form and manner as required by Lenders to Vadinar Power Company Limited (VPCL), on lands owned by the Company (presently admeasuring approximately 4-07-79 hectares) including equipments and plant & machinery owned by the Company and relating to the Power Project and lands that may be acquired on which the Power Project is being set-up by VPCL

in favour of VPCL Lenders or their security trustees on terms and conditions acceptable to the Lenders of VPCL and for the purpose do all acts as may be necessary."

"RESOLVED FURTHER THAT the mortgages and / or charges created by the Company as aforesaid and to be created by the Company shall constitute an exclusive first ranking mortgage and charge in favour of the aforesaid parties."

"RESOLVED FURTHER THAT approval is accorded to the Board of Directors of the Company for all the documents, agreements, undertakings, bonds, and writings executed / to be executed, creating the mortgages / charges as aforesaid."

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

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

- (i) In Article 2, the following sub-clauses be added after the existing sub-clause (xiii):
 - (xiv) **Facilities** means, collectively, all such existing facilities of the Company as are restructured or reconstituted in accordance with restructuring package approved by the CDR Empowered Group and as set out in letter dated November 17, 2004 from the Corporate Debt Restructuring Cell, as amended from time to time, and all rupee term loans, foreign currency loans, LC facilities, guarantee facilities and deferred interest facilities extended to the Company, from time to time, for the purposes of the Project as provided in accordance with the aforesaid restructuring package.
 - (xv) **Lenders** means, collectively, all lenders providing the Facilities.
 - (xvi) **Lenders' Nominee Director** has the meaning assigned to such term in Article 75A (1).
 - (xvii) **Nominee Director(s)** means collectively, the Promoter Nominee Director(s) and the Lenders' Nominee Director(s).
 - (xviii) **Project** means the facilities for refining 10.5 million tones of crude oil being developed, constructed, maintained and operated by the Company at Vadinar in the State of Gujarat.
 - (xix) **Promoters** means EIL, Essar Shipping Limited Essar Steel Limited and Essar Oil Holdings Limited.
 - (xx) **Promoters Nominee Director(s)** shall have the meaning assigned to such term in Article 75A (2).
- (ii) The following Article 13B be added after the existing Article 13A

"13B. Notwithstanding anything contained in these Articles, all shares of the Company pledged or required to be pledged to secure the Facilities in favour of Lenders shall be in dematerialised form. The Company shall not issue any new share certificates in respect of the shares of the Company required to be so pledged in favour of the Lenders or rematerialise the shares so pledged without the prior written consent of the Lenders or any person acting as security trustee for the benefit of the Lenders."

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- (iii) The following Article be added after Article 73

Recognition of pledge in favour of Lenders

"73A. The Company recognises pledge agreements executed/ to be executed as existing and continuing or reaffirmed or restated by the Company and/or any of its shareholders in respect of the Facilities and further recognises that all rights, privileges, benefits, interests, discretions and powers vested in and exercisable thereunder by the Lenders or any person acting as security trustee for the benefit of such Lenders, including but not limited to the right of such Lenders or any person acting as security trustee on their behalf in accordance with the Pledge agreement:

- (i) to receive notices of all General Meetings, meeting of the members or class of members or the creditors or class of creditors of the Company;
- (ii) to attend and vote at such meetings, whether or not an event of default may have occurred;
- (iii) to transfer, sell or do any act as may be required for the enforcement of the security for purposes of recovery of the amounts due thereunder (upon the occurrence of an Event of Default)."

- (iv) The existing Article 75 be substituted as follows

"75 Subject to the provisions of Section 252 of the Act, the number of Directors, excluding any Debenture Directors and Special Directors, shall not be less than three (3) and more than fifteen (15)."

- (v) The existing Article 75A be substituted as follows:

"75A(1) Notwithstanding anything to the contrary contained in these Articles so long as any monies/liabilities in relation to any of the Facilities remain owing by the Company to the Lenders, the Lenders shall have a right, by a notice in writing addressed to the Company, duly signed by an authorised officer of any of the Lenders, to appoint from time to time, any person or persons, as shall together, not exceed four (4) Directors, as Director or Directors (such directors hereinafter referred to as the "**Lenders' Nominee Director(s)**") on the Board of Directors of the Company (excluding the Debenture Directors appointed pursuant to Article 84B), and to remove from such office any person or persons so appointed and on a vacancy being caused in such office from any cause whether by resignation, death, removal or otherwise, of any such persons so appointed, to appoint any person to fill such vacancy. A Director so appointed by the Lenders shall neither be liable to retire by rotation nor be bound to hold any qualification shares.

- (2) The Promoters shall have the right, by a notice in writing addressed to the Company, duly signed by the Promoters/ Directors or Chief Executives of the Promoters, to appoint such persons as shall together, at any time, not exceed Four (4) Directors of the

Company (such directors hereinafter referred to as the "**Promoters Nominee Director(s)**") and to remove from such office any person or persons so appointed and on a vacancy being caused in such office from any cause whether by resignation, death, removal or otherwise, of any such persons so appointed, to appoint any person to fill such vacancy. Provided that if Lenders decide to limit the number of Lenders' Nominee Directors which they are entitled to appoint to a maximum of three then the Promoters entitlement to appoint the Promoters' Nominee Directors shall also simultaneously be limited to a maximum of three. Subject to the provisions of the Act and Article 75A(1) a Director so appointed by the Promoters shall neither be liable to retire by rotation nor be bound to hold any qualification shares.

- (3) The Board of Directors of the Company shall have no power to remove from office any of the Lenders' Nominee Director(s). The Lenders' Nominee Director(s), shall be appointed a member of any committee(s) of the Board of Directors, as may be specified by the Lenders. Except as aforesaid, the Promoter Nominee Director(s) and the Lenders' Nominee Director(s) shall be entitled to the same rights and privileges and be subject to the same obligations as any other Director of the Company.

- (4) The Lenders' Nominee Director(s) so appointed shall hold the said office only so long as any monies/liabilities in relation to the Facilities remain owing by the Company to the Lenders.

- (5) The Lenders' Nominee Director(s) appointed under this Article shall receive all notices of and attend all General Meetings, meetings of the Board of Directors and meetings of the committee of the Board of Directors of which the Lenders' Nominee Director(s) is/ are member(s) as also the minutes of such meetings. The Lenders shall also receive all such notices and minutes.

- (6) The Lenders' Nominee Director(s) appointed under this Article shall be entitled to the same sitting fees, commission, remuneration and expenses as are applicable to other Directors of the Company. The Company shall pay the sitting fees, commission, remuneration and other expenses to the Lenders' Nominee Director(s) directly. Provided that if any such Lenders' Nominee Director is an officer of any of the Lenders, the sitting fees, in relation to such Lenders' Nominee Director(s) shall accrue to the Lender and the same shall accordingly be paid by the Company directly to the Lenders.

- (7) Any expenses that may be incurred by the Lenders or the Lenders' Nominee Director(s) in connection with his appointment or directorship shall also be paid or reimbursed by the Company to the Lenders or, as the case may be, the Lenders' Nominee Director(s)."

- (vi) The existing Article 82(2) be substituted as follows:
- “82(2) The Board of Directors may appoint an alternate director to act for a Director (hereinafter called the **“Original Director”**) during his absence for a period of not less than three months, from the State in which meetings of the Board of Directors are ordinarily held, and such appointee whilst he holds office as an alternate director shall be entitled to receive notice of meetings of the Directors and to attend and vote thereat accordingly; *Provided* that in the case of a Director appointed by the Promoters and/or the Lenders, as the case may be, the alternate director appointed for such Original Director, shall be a person appointed, approved or nominated by the Promoters and/or the Lenders, as the case may be. An alternate director so appointed shall not hold office as such for a period longer than that permissible to the Original Director, in whose place he has been appointed and shall vacate office if and when the Original Director returns to the State in which the meetings of the Board of Directors are ordinarily held. If the term of office of the Original Director is determined before he so returns to the State as aforesaid, any provision for the automatic reappointment of retiring Directors in default of another appointment shall apply to the Original Director and not to the Alternate Director.”
- (vii) The existing Article 83 (1) be substituted as follows:
- “83 (1) Subject to the provisions of Sections 262 (2), 284 (6) and other applicable provisions (if any) of the Act, any casual vacancy occurring in the office of a Director whose period of office is liable to determine by retirement by rotation, may be filled up by the Directors at a Meeting of the Board. Any person so appointed shall hold office only upto the date on which the Director in whose place he is appointed would have held office if the vacancy had not occurred. *Provided* however that, if the Director whose office shall be so vacated, has been appointed by the Promoters or the Lenders, then the person who shall be appointed in his place by the Board of Directors as aforesaid, shall be a person appointed, approved or nominated by the Promoters or the Lenders, as the case may be.”
- (viii) The existing Article 83 (3) be substituted as follows:
- “83(3) At every Annual General Meeting of the Company one-third of such of the Directors for the time being as are liable to retire by rotation, or if their number is not three or a multiple of three, the number nearest to one third, shall retire from office. The non-retiring directors under Article 75A (1) shall not be taken into account in determining the number of Directors liable to retire by rotation.”
- (ix) The existing Article 84(A) be deleted and existing Article 84(B) be re-numbered as Article 84A
- (x) The existing Article 86 be substituted as follows:
- “86. Questions arising at any meeting of the Board of Directors shall be decided by a majority of votes and in the case of an equality of votes, the Chairman shall have a second or a casting vote.”
- (xi) The existing Article 87 be substituted as follows:
- “87. Subject to Section 287 and other applicable provisions (if any) of the Act, the quorum for a meeting of the Board of Directors shall be one-third of its total strength (excluding Directors, if any, whose place may be vacant at the time and any fraction contained in that one third being rounded off as one) or two Directors, whichever is higher. *Provided* that where at any time the number of interested Directors exceeds or is equal to two-third of the total strength, the number of the remaining Directors, that is to say, the number of Directors who are not interested present at the meeting, being not less than two, shall be the quorum during such meeting. A meeting of the Board of Directors for the time being, at which a quorum as aforesaid is present, shall be competent to exercise all or any of the authorities, powers and discretions by or under the Act or the Articles of the Company, for the time being vested in or exercisable by the Board of Directors generally.”
- (xii) The existing Article 88 be substituted as follows:
- “88. The Board of Directors may elect a Chairman of its meetings and determine the period for which he is to hold office. If no such Chairman is elected or if at any meeting the Chairman is not present within five minutes after the time appointed for holding the meeting, the Directors present may choose one of their number to be the Chairman of the meeting.”
- (xiii) The existing Article 89 (1) be substituted as follows:
- “89(1)(a) Subject to the restrictions contained in Section 292 of the Act, the Board of Directors may delegate any of its powers to committees of the Board of Directors consisting of such member(s) of its body, as it thinks fit. *Provided* that the Lenders’ Nominee Director(s), shall be entitled to be appointed a member of any committee(s) of the Board of Directors, as may be specified by the Lenders.
- (b) Every committee of the Board of Directors so formed shall in the exercise of the powers so delegated conform to any regulations that may from time to time, be imposed on it by the Board of Directors. All acts done by any such committee of the Board of Directors in conformity with such regulations and in fulfillment of the purposes of their appointment but not otherwise shall have the like force and effect as if done by the Board of Directors. Subject to the provisions of the Act, the Board of Directors may from time to time fix the remuneration to be paid to any member(s) of their body constituting a committee appointed by the Board of Directors in terms of these Articles and may pay the same.”
- (xiv) The existing Article 93 (1) be substituted as follows:
- “93 (1) No resolution shall be deemed to have been duly passed by the Board of Directors or by a committee thereof by circulation, unless the resolution has been circulated in draft, together with the necessary papers, of any, to all the Directors, or to all the members of the committee, then in India (not being less in

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number than the quorum fixed for a meeting of the Board of Directors or committee, as the case may be), and to all other Directors or members of the committee, at their usual address in India, and has been approved by such of the Directors or members of the committee as are then in India, or by a majority of such of them as are entitled to vote on the resolution."

(xv) The existing Article 100 (1) be substituted as follows:

"100(1) Subject to the provisions of Section 269 and other applicable provisions of the Act and of these Articles, the Board shall, in consultation with the Promoters, have the power to appoint from time to time any of its number as Managing Director or Managing Directors of the Company."

(xvi) The following Article 100 (1A) be added after the existing Article 100 (1):

"100 (1A) The Company shall appoint a whole-time professional finance director. *Provided* however that till such time that any monies/liabilities are owing to the Lenders in relation to the Facilities, such finance director shall (i) be appointed with the prior approval of the Lenders; (ii) no such finance director shall be dismissed without the prior consent of the Lenders; and (iii) the terms and conditions of the appointment of such finance director shall be approved by the Lenders."

By Order of the Board of Directors

Mumbai
25th August, 2005

SHEIKH S SHAFFI
Company Secretary

Registered Office:

Khambhalia Post, P.O. Box 24,
Dist. Jamnagar – 361 305, Gujarat

NOTES:

1. **A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company. The proxy, in order to be effective, must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.**
2. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, the 27th day of September, 2005 to Thursday, the 29th day of September, 2005 (both days inclusive).
3. All documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company on all working days, except Saturdays, Sundays and Bank holidays, between 11.00 a.m. and 1.00 p.m. upto the date of the Annual General Meeting.
4. Members/proxies should bring the attendance slip duly filled in for attending the meeting.
5. 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.
6. The Company has already transferred unclaimed dividend for

the year ended 31st March, 1997 to the Investor Education and Protection Fund (IEPF).

7. Directors retiring by rotation :

Shri R N Ruia, Vice Chairman of Essar Group is 55 years old. He is one of the new generation industrialists, who has played a major role in promoting India's industrial growth in the last two decades. With his rare entrepreneurial ability, he has been able to set a fast pace, which has catapulted the Essar Group to be amongst the top industrial houses in the country. The Group is involved in diverse infrastructure sectors viz. Steel, Shipping, Oil & Gas, Power, Telecom and Construction. The other companies in which Shri R N Ruia is a Director are: Consolidated Fabrics Ltd., Energy I Ltd., Essar Global Ltd., Essar Investments Ltd., Essar Power Ltd., Essar Shipping Ltd., Essar Steel Ltd., Energy Transportation International Ltd., Hazira Steel Ltd., Hazira Plate Ltd., Hutchison Max Telecom Ltd., India Securities Ltd., International Fabrics Ltd., Karthik Financial Services Ltd. Shri R N Ruia retires by rotation at the Annual General Meeting and offers himself for reappointment.

Shri P S Ruia, is 35 years old and is the eldest son of Shri S.N Ruia, Chairman of the Essar Group. He is a Director on the Board of major companies of the Essar Group and is the Managing Director of Essar Group flagship company, Essar Steel Ltd. He has gained considerable business experience by his association for a number of years with different segments of the industry. He handles all operations connected with Steel, Power, and Turnkey projects of the Essar Group. His presence on the Board is of great value and is an added strength to the Board. The other companies in which Shri P S Ruia is a Director are: Essar Global Ltd., Essar Information Technology Ltd., Essar Pipeline Ltd., Essar Power Ltd., Essar Steel Ltd., Hazira Plate Ltd., Hazira Steel Ltd., Hy-Grade Pellets Ltd., Hutchison Essar Telecom Ltd., Kama Jewellery (India) Pvt. Ltd., Karthik Financial Services Ltd. and Steel Corporation of Gujarat Ltd. He is a member of the Audit and Governance Committee, Investors' Relation Committee, Banking and Finance Committee and Monitoring Committee of the Board of Directors of the Company. Shri P S Ruia retires by rotation at the Annual General Meeting and offers himself for reappointment.

Shri K N Venkatasubramanian, is 66 years old. He 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 Limited in 1981 and thereafter 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 Limited. In 1990 and took over as Chairman and 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. The other companies in which Shri K.N. Venkatasubramanian is a Director are: E-Cube India Solutions Ltd., East India Petroleum Ltd., Gujarat Adani Port Ltd., Gulf Carrosserie India Ltd., Gulf Oil Corporation Ltd., Imperial Corporate Finance & Services Pvt. Ltd., Rajula Ltd., Royal Chemie Corporation Ltd., Savi Investments Ltd. and Time Packaging Ltd. He is a member of the Audit and Governance Committee, Monitoring Committee and Remuneration Committee of the Board of Directors of the Company. Shri K.N Venkatasubramanian retires by rotation at the Annual General Meeting and offers himself for reappointment.

8. The Explanatory Statements pursuant to Section 173(2) of the Companies Act, 1956 relating to the Special Business mentioned in Item Nos. 6 - 11 of the accompanying Notice is annexed.

ANNEXURE TO NOTICE

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

Item No. 6 to 8

Shri Jagdeesh M Mehta was appointed and was the Managing Director & CEO of the Company from 31st October, 2001 to 31st January, 2004. His appointment and terms thereof was approved by the members at the Twelfth Annual General Meeting held on 28th September, 2001. Shri Awadhesh N Sinha was thereafter appointed as Managing Director & CEO of the Company, in his place, for a period of three years, with effect from 31st January, 2004. Shri Hari L Mundra was appointed as Dy. Managing Director & Director (Finance) for a period of four years with effect from 31st October, 2003. The members at their Fourteenth Annual General Meeting held on 25th September, 2004 approved and the appointment and terms thereof of Shri Awadhesh N Sinha and Shri Hari L Mundra in their respective positions. The three Directors are hereinafter collectively referred to as "Wholetime Directors".

At the time of appointment respectively of the Wholetime Directors, the remuneration payable was well within the limits of total managerial remuneration payable to directors in accordance with and subject to the provisions of sections 198 read with sections 309, 349 and 350 of the Companies Act, 1956 and computed as per the net profits of the Company as per the latest audited financial results. However, as per the audited Balance sheet for the year (15 months) ended 31st March, 2005, the profits of the Company have turned out to be inadequate under the provisions of sections 198 read with sections 309, 349 and 350 of the Companies Act, 1956.

Due to inadequacy of profits approval of the members at General Meeting and the Central Government is required in terms of section 198(4) read with Schedule XIII of the Companies Act, 1956 for payment of managerial remuneration to whole time directors for the financial year 2004-2005 and for their tenure in office.

Information required to be given to members as per Schedule XIII of the Companies Act, 1956 is as under:

I General Information:

The Company belongs to the oil and gas industry. It is an existing Company engaged in exploration and production of oil and gas and marketing of petroleum products and is setting up an Oil refinery at Vadinar, District Jamnagar, Gujarat, with a capacity of processing 10.5 million metric tons per annum crude oil (Refinery project). The Refinery project is under implementation and has not yet commenced commercial production. The work at the refinery project was affected due to a severe cyclone in June, 1998, causing delay in project implementation and consequent delay in tying up the balance funds required for the restart of the project. A debt restructuring package has been approved by the Corporate Debt Restructuring (CDR) Cell of lenders. Additional funds in the form of Foreign Currency Convertible Bonds (FCCBs) aggregating to US\$ 207 million have been brought in. The lenders have disbursed additional funds and the Company has restarted project construction activities. Commercial production is expected to commence by January, 2007.

Prime Finance Company Ltd., Foreign Co-Promoter has made investment of Rs.252 Crores in 5,51,57,892 equity shares of the Company and holds 5.09 % shares. Exports are expected to commence only after commencement of commercial production from the Refinery.

The financial performance of the Company in the past five years was as under:

(Rs. In crore)

Financial parameters	Year				
	1999-00 (12 mts. period ended on 31/3/2000)	2000-01 (12 mts. period ended on 31/3/2001)	2001-02 (18 mts. period ended on 30/9/2002)	2002-03 (15 mts. period ended on 31/12/2003)	2004-05 (15 mts. period ended on 31/3/2005)
Turnover	229.89	167.94	292.64	173.25	1045.12
Net profit (as computed under section 198)	30.10	13.91	44.47	22.19	16.82
Net profit as per profit & loss account	25.05	10.43	25.16	20.64	9.86

II Information about the wholetime directors:

(1) Shri Jagdeesh M Mehta

Shri Jagdeesh M Mehta is a law graduate. Prior to joining the Company he was the representative of AV Birla Group on the Board of MRPL. He has vast experience in refinery sector right from land acquisition to the successful implementation of grass root refinery, its further expansion and successful commissioning. Prior to this assignment he was the CEO of National Rayon Corporation Ltd.

Under the leadership of Shri Mehta the process of debt restructuring of the Company was initiated. The debt maturity profile of the financial assistance already availed has been extended, the interest rate has been revised to be in line with the current market rates and substantial reliefs have been granted on the interest for the past period.

Shri Mehta was instrumental in successfully selling off the drilling business of the Company to comply with the pre-disbursements conditions laid down by the lenders and bringing in funds for the Refinery Project.

During the financial year ended 31st March, 2005, Shri Jagdeesh M. Mehta was paid basic salary of Rs.3,25,900, allowances of Rs.1,00,000 and perquisites valued at Rs.3,00,000 aggregating to Rs.7,25,900 apart from contribution to provident fund, superannuation and gratuity during his tenure as Managing Director & CEO from 1st January, 2004 to 31st January, 2004.

Shri Jagdeesh M Mehta was the Managing Director & CEO of the Company from 31st October, 2001 till 31st January, 2004. The last Remuneration paid to him during the financial year 2002-2003 (15 months) was a total of Rs. 1.35 crore.

Shri Jagdeesh M Mehta during his tenure in office did not have direct or indirect pecuniary relationship with the Company or relationship with the managerial personnel other than getting remuneration as the Managing Director & CEO of the Company.

(2) Shri Hari L Mundra

Shri Hari L Mundra is 55 years old and is a Bachelor of Arts in Economics from Bombay University and an MBA from IIM Ahmedabad. He has over 34 years experience. Shri Mundra worked in Hindustan Lever Ltd. for about 24 years in several positions, both in the Financial and General Management areas and finally as Vice President / Director, Exports. Thereafter, he was associated with the RPG Group for 7 years as the Chief Financial Officer of the Group as well as the President and Chief Executive of Carbon Black Business.

Shri Mundra has been associated with a number of professional bodies in Finance, Taxation and Export Fields and has been an active participant at the policy making level. Currently, he is serving on several committees of CII & FICCI.

Essar Oil Limited

Under the leadership of Shri Hari L Mundra, the Company has successfully restructured its debt with the CDR Cell approving the revised restructuring package in November 2004 and completed international offering of FCCBs aggregating to US \$207 million. For development of countrywide operations of marketing of petroleum products, proper financial controls are being put in place. Internal audit system is being developed and strengthened. For handling such complex operations the Company needs a specialist like Shri Mundra to handle its Finance functions.

Before joining the Company, Shri Hari L. Mundra was working with Wockhardt Limited as Executive Vice Chairman and drawing a remuneration of Rs. 84 lacs Per Annum. In addition he was provided with perks like house, cars, telephone, retirement benefits, etc.

During the financial year ended 31st March, 2005, Shri Hari. L. Mundra was paid basic salary of Rs.45,00,000/-, allowances of Rs.45,65,100/- and perquisites valued at Rs.6,53,100, aggregating to Rs.97,18,200/- apart from contribution to provident fund and superannuation.

The particulars of remuneration payable and the terms of the appointments of Shri Hari L Mundra are basic salary of Rs.3,00,000 per month in the scale of Rs.3,00,000 to Rs.5,00,000 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 the salary, Shri Hari L Mundra shall be entitled to perquisites and allowances such as unfurnished rent-free accommodation maintained by the Company or House Rent Allowance in lieu thereof; any other allowances; full reimbursement of medical expenses incurred for him and his spouse and dependents and hospitalization facilities as per the Company's Hospitalization policy. The contribution to Provident Fund will be as per the Rules of the Company. Further, the Company will contribute 15% of basic salary per annum towards Superannuation fund upto the age of 58 years. In addition, he shall be entitled to reimbursement of car expenses, telephone and entertainment expenses incurred in the conduct of Company's business as per Company rules. He shall be further entitled to receive performance bonus as may be determined by the Board. However, the total of perquisites / allowances / other benefits, as may be decided by the Board of Directors or the Remuneration Committee, evaluated, as per Income Tax Act, 1961, and bonus will not exceed Rs.8,00,000 per month.

All other companies except one in the Oil & Gas industry are Public Sector Undertakings having operating Refineries whereas the Company is in Private sector and the Refinery Project is under implementation. Companies in the private sector are either not of the same size or are companies with diversified activities. Hence, the salary payable to Shri Hari L. Mundra is not strictly comparable with others in the same industry.

Shri Hari L. Mundra does not have direct or indirect pecuniary relationship with the Company or relationship with the managerial personnel other than getting remuneration as the Deputy Managing Director & Director (Finance) of the Company.

(3) Shri Awadhesh N Sinha

Shri A N Sinha is 67 years old. A Masters in Science and an MBA in Marketing, he has over 44 years of rich industry experience. Shri Sinha started as an Assistant Professor in 1960 teaching Post Graduate Students. After a year, he joined Caltex in the sales function where he was for 6 years. He then joined Indian Oil Corporation (IOC) in middle management level. During his 30 years service with them, he had headed all functions in Marketing, Sales, Operations, Aviation, LPG,

Supply & Distribution, and Human Resources. He was in the top management team placed in Mathura to complete the Refinery & Commission. He grew to the level of Executive Director and a Board member of IOBL - a subsidiary of IOC, a position from which he retired in 1996. Thereafter, he was with Macdermott, Dubai, in India for a brief period. Thereafter, he held the positions of Chief Executive (Marketing) of Essar Oil Ltd. for 3 years and President (Business Development) of Reliance Petroleum for 4 years.

Before rejoining Essar Oil he was with Oil and Natural Gas Corporation (ONGC) where his key contributions were the acquisition and operations of the Mangalore Refinery and advising ONGC / MRPL on their forward integration in downstream sector. His contribution in turning around MRPL from a sick company to profit making one is well recognised.

Shri Awadhesh N Sinha has steered an ambitious plan of setting up over 5000 retail outlets across the country. Under his leadership, the Company has already set up over 500 outlets in a short period of about 15 months. Under the leadership of Shri Sinha, the Company received the award from the Government of Myanmar for exploration of two Blocks located in Myanmar. The Company is setting up a mega refinery. The management of the Company should be vested with competent executives to ensure that the Refinery Project is implemented in a timely manner.

Before joining the Company, Shri Awadhesh N. Sinha was working in advisory capacity with Oil and Natural Gas Commission (ONGC). Prior to this, he was working in a private sector company where his salary including bonus was Rs.72.00 Lakhs. In addition he was provided with perks like furnished accommodation, cars, telephone etc.

During the financial year ended 31st March, 2005, Shri A.N Sinha was paid basic salary of Rs.42,09,863/-, allowances of Rs.74,66,894/- and perquisites valued at Rs.6,71,686 aggregating to Rs.1,23,48,443/- apart from contribution to provident fund.

The particulars of remuneration payable and the terms of the appointments of Shri Awadhesh N. Sinha are basic salary of Rs. 3,00,000 in the scale of Rs.3,00,000 – Rs.5,00,000 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 the salary, Shri Sinha as the Managing Director & CEO shall be entitled to perquisites such as unfurnished rent-free accommodation maintained by the Company or House Rent Allowance in lieu thereof; any other allowances; provision of Company car and full reimbursement of car expenses, telephone expenses and entertainment expenses incurred for company's business, full reimbursement of domiciliary medical expenses incurred for him, his spouse and dependent children and hospitalization facilities as per the Company's Hospitalization scheme. The contribution to Provident Fund will be as per the Rules of the Company. In addition, he shall be entitled to Leave Travel allowance of Rs.6 lakhs p.a. He will be further entitled to receive performance bonus as may be determined by the Board. However, the total of perquisites / allowances / other benefits, as may be decided by the Board of Directors or the Remuneration Committee, evaluated, as per Income Tax Act, 1961, and bonus will not exceed Rs.9,00,000 per month.

All other companies except one in the Oil & Gas industry are Public Sector Undertakings having operating Refineries whereas the Company is in Private sector and the Refinery Project is under implementation. Companies in the private sector are either not of the same size or are companies with diversified activities. Hence, the salary payable to Shri Awadhesh N. Sinha is not strictly comparable with others in the same industry.

Shri Awadhesh N. Sinha does not have direct or indirect pecuniary relationship with the Company or relationship with the managerial personnel other than getting remuneration as the Managing Director & CEO of the Company.

Other information

(1) Reasons for loss/inadequacy of profit, if any

There was inadequacy of profits, because of the following reasons:

- i. The Drilling division, the main source of income and profit, was sold in May 2003 to comply with the Pre disbursement conditions by the lenders to the Refinery Project and the sale proceeds were brought in to part finance the cost of the Refinery Project.
- ii. The Company has started in 2003 marketing of petroleum products through retail outlets set up on franchisee basis and also through direct sales to bulk customers. During the financial year (15 months) ended 31st March, 2005, the Company had generated a turnover of Rs. 1,045.12 crores from sales of petroleum products. This business operation being a new venture, requires extensive infrastructure for the marketing network and it will take some time for the Company to start generating adequate profits from the marketing activity. Further, the profitability of the Company has suffered considerably on account of unprecedented rise of crude oil prices in the International market resulting in increase of procurement prices of petroleum products while retailing price has been controlled by Central Government and not correspondingly increased, which has had a direct negative impact on the margins. Income from the marketing operations depends on the selling prices of petroleum products fixed by Central Government.
- iii. The Refinery project of the Company is still under implementation and the benefits of its commercial operation are not yet available to the Company.

(2) Steps taken or proposed to be taken for improvement

The Company has already restarted work at the refinery project site. A workforce of over 8000 persons has been mobilized at the project site. The Company expects to commence commercial production by January, 2007.

A nation wide network of Retail Outlets for marketing of Petroleum Products is being set-up on franchisee basis. Having set up the first outlet in September, 2003, as of date 511 retail outlets have been commissioned. The Company plans to set-up over 5000 outlets by April, 2008 to help market the output from its Refinery.

(3) Expected increase in profitability and profits in reasonable terms.

After commissioning of the Refinery in January 2007, the first full year of operation is expected to generate a turnover of about Rs. 20,000 crores and net profit of about Rs. 500 crores.

The Board of Directors is of the opinion that the remuneration paid / payable to the wholtime directors would be in the interest of your Company. Directors accordingly recommend the resolutions at Item Nos. 6 to 8 of the Notice for your approval.

The above may be treated as an abstract of the agreement between the Company and the respective wholtime directors pursuant to section 302 of the Companies Act, 1956.

Shri Hari L Mundra and Shri Awadhesh N Sinha are interested in the respective resolutions relating to them. None of the other Directors is concerned or interested in the resolutions at Item nos. 6 to 8.

Item No.9

The Company is setting-up a 10.5 MMTA Oil Refinery Project at

Vadinar, District- Jamnagar, Gujarat. The implementation of Project work, which was nearly 2/3rd complete, came to a standstill after a cyclone hit the site in 1998. After reappraisal of the Project, the lenders to the Refinery Project approved fresh loans and restructuring of existing loans. After compliance with the Pre-disbursement conditions and execution of necessary documents under the financing package approved by the CDR Lenders, they have disbursed fresh funds for the Project. Construction work has recommenced at the Refinery Project site.

In terms of approval received from the members at the Extraordinary General Meeting (EGM) held on 17th September, 2003, USD 207 Million have been brought in through allotment of FCCBs. The balance of USD 78 Million is required to be brought in. In addition the Company is required to meet any shortfall in funding and escalation in the project cost.

Accordingly, the Company proposes to offer outside India such number of FCCBs and/or GDRs and/or ADRs and/or any other financial instruments convertible into equity shares of face value of Rs.10/- each or otherwise in one or more tranches with or without premium to Promoter Company viz; Essar Oil Holdings Limited and/or nominees on preferential allotment basis for an amount not exceeding US \$300 million (United States Dollars three hundred million only). In terms of The Foreign Exchange Management (Transfer or issue of security by a person resident outside India) Regulation, 2000 [FEM(TISPRO) Regulations] the pricing of equity share to be issued upon conversion of FCCBs/ GDRs/ ADRs etc will be done as per the guidelines, issued by SEBI. The Relevant Date under the SEBI guidelines for the determination of applicable price is 31st August, 2005.

Disclosures relating to Preferential Issues:

a. The objects of the issue through preferential offer:

The object of the issue is to meet expenses involved in part financing the refinery project cost, meeting shortfall in funds and/or escalation in refinery project cost etc. as envisaged in the debt restructuring package approved by the CDR Cell of lenders.

b. Intentions of promoters to subscribe to the offer.

Promoters propose to subscribe upto USD 300 Million by way of FCCBs and / or GDRs and / or ADRs and/or any other financial instrument.

c. Share holding pattern before and after the offer:

The Promoters are holding about 20% and public including financial institutions, banks, mutual funds and Bank of New York holding GDR as Depository Nominee hold about 80% of the existing share capital of Rs.1084 Crore. Assuming that all the FCCB's and / or GDR's and / or ADR's and/or any other financial instruments are converted into equity shares, promoters may hold a maximum of approx. 37% and public including financial institutions, banks, mutual funds and GDR holders will hold about 63% in the enhanced share capital of the Company.

d. Proposed time within which the allotment shall be completed

The Board proposes to allot the FCCBs and/or GDRs and / or ADR's and/or other financial instruments, as per the funds requirements envisaged in the debt restructuring package approved by the Lenders.

e. The identity of the proposed allottees and the percentage of post preferential issue capital that may be held by them.

Proposed allottee, Essar Oil Holdings Limited (EOHL) holds 5,51,57,892 equity shares comprising 5% stake in the Equity Share Capital of the Company. In case of entire conversion of financial instruments contemplated under this issue, EOHL will hold about 34,54,91,225 equity shares comprising about 25% of the then Equity Share Capital of the Company. In case of allotment to any of its nominees / associates upon