

Excellence

Breeds Success



2015-16

Annual Report | **Essar Oil limited**



Contents

01-13



COMPANY OVERVIEW

Excellence Breeds Success	01
Key Performance Indicators	02
Chairman's Message	04
MD & CEO's Message	06
Board of Directors	10
Senior Management	12

14-49



STATUTORY REPORT

Directors' Report	14
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50-168



FINANCIAL STATEMENTS

Standalone

Independent Auditors' Report	50
Balance Sheet	58
Statement of Profit and Loss	59
Cash Flow Statement	60
Notes to Financial Statements	62

Consolidated

Independent Auditors' Report	109
Consolidated Balance Sheet	114
Statement of Consolidated Profit and Loss	115
Consolidated Cash Flow Statement	116
Notes to Consolidated Financial Statements	118
Form AOC - 1	168



Night view of Vadinar Refinery



Indradhanush – Shiksha ke Saat Rang. Committed to Nation Building

Cover Images



- 01** Vacuum Column in CDU-1 Complex
- 02** Partners in Progress through education
- 03** Product jetty, pipeline
- 04** Retail outlet in Bhuj, Gujarat



For more details, Please visit:
www.essaroil.co.in

Excellence breeds success

The year 2015-16 has been a landmark one for us at Essar Oil. We have successfully demonstrated the outcome of our resilience and commitment to excellence.

In a period that was marked by global volatility and a severe downturn in crude prices, we have reported our best-ever results. Our refinery clocked the highest current price Gross Refining Margin, leading to the highest ever EBIDTA and Profit After Tax in our history. Seen in a context of a 28-day refinery shutdown, our results underpin efficiency in operations, continuous leveraging of technology investments and a consistent expansion of our profitable retail business. Not just that, our focus on expanding our network also saw us emerge as the leader in private sector petroleum retail.

Our commitment to excellence is also reflected in our ability to take decisions with a long-term view. In

line with the philosophy to incubate, nurture and scale up ideas into world-class businesses and create value for all stakeholders, the promoters have decided to sell 98% of Essar oil to the world's leading oil and gas companies. We are proud to be the source of the largest-ever Foreign Direct Investment in India and this reaffirms Essar Group's unique ability to build world-class businesses and create enterprise value of such high order.

Given our strong commitment to above-average industry performance and the regular investments in process and technology improvement. We are focused on building our retail fuel segment as it is essential for establishing a stable domestic market for our products.

At Essar Oil, we are deeply conscious of our responsibility towards all stakeholders and communities, and our success extends to our achieving a positive impact through our initiatives as a responsible corporate citizen.



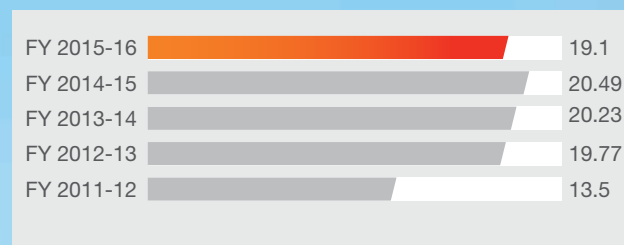
► Mild Hydrocracker unit at Vadinar refinery



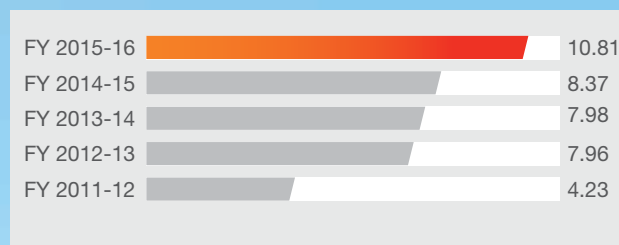
► Rail Gantry for product transportation

Key Performance Indicators

THROUGHPUT (MMT)



CP GRM (USD/bbl)



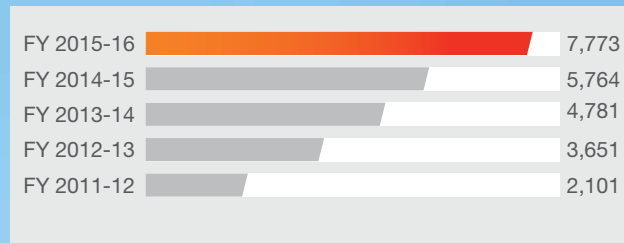
Lower throughput, in financial year 2015 – 16, due to a planned shutdown for turnaround and VGOHT conversion to MHC
 Lower throughput, in financial year 2011 – 12, due to a planned shutdown for turnaround, expansion and tying of new units



KEY PERFORMANCE INDICATORS

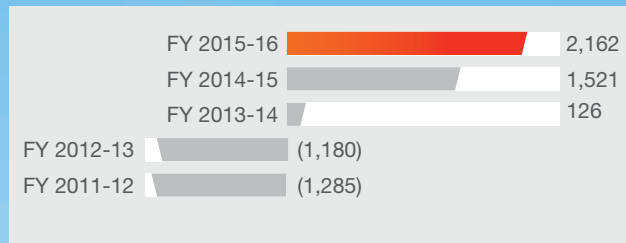
EBIDTA

(₹ Crore)



PAT

(₹ Crore)



Chairman's Message



The Company generated a record high current price Gross Refining Margin (GRM) of

USD 10.81 per barrel



In line with Essar's philosophy to incubate, nurture, and scale up ideas to landmark valuations, the promoters decided to sell 98% of your Company stake to world's leading oil & gas companies.

Dear Shareholders,

I am delighted to present your Company's performance in fiscal year 2015-2016. The Company has achieved excellent operational and financial performance and despite a challenging business environment has also accelerated to newer heights.

The crude oil markets witnessed sustained volatility due to geopolitical developments, continued sluggishness in Japanese and European economies, and the increasing inclination towards alternate fuels. On the supply side, major OPEC supplier Saudi Arabia maintained its crude oil production while, Iran, another OPEC nation, increased supply aggressively post lifting of economic sanctions. This led to an inevitable supply glut and pushed crude prices to levels not seen in last few years. On the demand side, consumption of oil products increased from countries like ours with growing aspirations it led to a build-up of strategic oil reserves in Asia that were very much higher compared to the historical averages.

In the domestic landscape, different challenges and opportunities emerged. Private sector retail fuel sellers like us are capitalizing on the deregulation in the petroleum retail announced in October 2014.

CHAIRMAN'S MESSAGE

Our Honorable Prime Minister Shri Narendra Modi is himself leading dedicated initiatives that give us hope and a strong belief that great prospects are not very far from us. The government has announced several sector specific reforms to help accelerate the economy. In my view, some of the key announcements by the government include the new Hydrocarbon Exploration and Licensing Policy, and introduction of the Mines and Minerals (Development and Regulation) Amendment Bill, 2016. The cumulative outcome of the reforms will result in greater industrial activity and spur demand for our products in coming months and years. I welcome the initiatives and believe that delivery of these reforms provide long-term opportunities to the company.

I am happy to share that in FY 2015-16 your Company achieved the highest ever EBITDA of ₹ 7,773 crore, 35% higher than the previous year. The Profit after Tax (PAT) was also at a new high of ₹ 2,162 crore an increase of 42% from FY 2014-15. The company generated a record high current price Gross Refining Margin (GRM) of USD10.81 per barrel, compared with USD 8.37/bbl in FY 2014-15.

Your Company has set new benchmark in the private sector retail sale network in just about two years. You may recall that Essar Oil was the first private sector company in India to open a retail fuel outlet back in 2003. Since then, the Company kept its network operation despite the turbulent times right up till 2014, close to the complete de-regulation. Today, your Company has the largest private sector retail fuel network in India with over 2800 operational outlets across the length and breadth of the country and over 2800 at various stages of implementation to capitalize on the rising demand of transportation fuel.

I believe that the benchmark financial and operational highlights of the company's performance in FY 2015-16 are an outcome of enduring efforts and demonstrate our un-paralleled ability to excel in volatile circumstances.

In 2014, the Company had received a proposal from Promoter companies to voluntarily delist from stock exchanges. The Securities and Exchange Board of India (SEBI) permitted the stock exchanges to grant in-principle approval to the Company to proceed with voluntary delisting process. On a separate application by the Promoter Companies, SEBI also passed orders giving extension of time to complete the delisting process. In terms of the SEBI (Delisting of Equity Shares) Regulations, 2009, Promoter Group company made a public announcement for acquisition of shares held by public shareholders and voluntary delisting of equity shares of the Company. The

Promoters accepted the discovered price of ₹ 262.80 per share for acquiring the equity shares from public shareholders and the Company got delisted from stock exchanges in February 2016.

While FY2015-16 came with the most promising prospects, it has been a year of tough decision making. In line with Essar's philosophy to incubate, nurture, and scale up ideas to landmark valuations, the promoters decided to sell 98% of your Company stake to world's leading oil & gas companies.

On 15th October 2016, Essar Energy Holdings Limited and Oil Bidco (Mauritius) Limited—the controlling shareholders of Essar Oil Limited—signed an agreement to sell 49% of the Company to Petrol Complex Pte. Ltd, a subsidiary of Russia's PJSC Rosneft Oil Company and another 49% to Kesani Enterprises Company Limited, owned by a consortium led by Trafigura and United Capital Partners. The sale transaction includes the Vadinar refinery and the retail network.

Essar is proud to have nurtured Essar Oil's integrated facility and to have brought it to a level where it has attracted international investments of such magnitude. This reaffirms Essar's unique ability to build world-class businesses and create enterprise value of such high order.

Let me also acknowledge that our feats have been realised with the support, commitment, cooperation, patience and contribution of each and every employee.

Meeting the energy needs of a fast-expanding economy like ours underscores the vitality of the sector and the great responsibility of all the stakeholders involved. I am confident that our combined strength, vision and the common objective of vigorously and continuously improving our efficiency will help Essar Oil thrive in this challenging environment with the backing of the new shareholders which are the world's renowned oil & gas players.

In conclusion, I would like to once again thank you for your unabated support in our journey. I will look forward for the same commitment as we set out towards a new horizon to achieve another milestone.

Best wishes,
Prashant Ruia
Chairman

MD & CEO's Message



In FY 2015-16, the Profit after Tax (PAT) was at a new record high of

₹ 2,162 crore



Our refinery received the coveted 'Refinery of the Year' award for 2015 by the Petroleum Federation of India. This is the second time the Company achieved this feat after having it won in 2011.

Dear Shareholders,

I am pleased to put forth the performance of your Company for the fiscal year ended March 2016 which saw your Company create new records on many parameters.

I am delighted to share that our refinery received the coveted 'Refinery of the Year' award for 2015 by the Petroleum Federation of India. This is the second time the Company achieved this feat after having it won in 2011.

FY 2015-16 Performance

Let me begin by placing before you the operational and financial performance for the year. I am happy to share with you that during the year, your Company achieved great performance and set new benchmarks. It would be pertinent to bring to your attention that your Company undertook a major planned turnaround shutdown of 28 days during September-October period. The performance, therefore has to be evaluated in that context.

The total throughput of Refinery stood at 19.1 MMT of crude during the year, compared to 20.49 MMT in the previous year. We recorded a current price Gross Refining Margin

MD & CEO'S MESSAGE

(GRM) of USD10.81 per barrel, a record high, compared with USD 8.37/bbl in FY 2014-15.

The gross revenue of your Company for the year was ₹ 66,080 crore compared to ₹ 93,206 crore in its preceding year. The fall in gross revenue was due to a combination of decline in crude oil prices and the planned refinery shutdown. The Operating Profit, or EBIDTA, of the Company was at a new record of ₹ 7,773 crore. It was 35% higher than EBIDTA of ₹ 5,764 crore achieved in the previous financial year. Profit after Tax (PAT) was also at a new record high of ₹ 2,162 crore a 42% jump from ₹ 1,521 crore in FY 2014-15.

Your Company further dollarised USD780 million of rupee debt in FY2015-16, leading to saving of almost 6% per annum in interest cost. The total dollarisation completed at the end of the year amounted to USD2 billion.

Let me take you through the turnaround shutdown at the Vadinar refinery during FY2015-16. The turnaround was completed in 28 days, from September 18 to October 15, as against the planned 30 days. During the shutdown, we implemented the Diesel Maximization Project. Under this project, Vacuum Gas Oil Hydro Treater (VGO-HT) unit was converted into mild Hydrocracker and DHDT was revamped successfully. The objective was to convert excess sweet VGO into, mainly high and middle distillates. Your Company also put in place in-house schemes to extend the crude blend window and enhance the intake of ultra-advantaged crudes with high TAN, and two or more opportunity crude, simultaneously. Some of the other schemes included the tie-ins for future revamps for NHT/CCR/ISOM/COKER. We also put in efforts to maintain and inspect units including statutory compliance, reliability improvement/corrective engineering schemes and piping metallurgy upgradation for processing of high TAN crudes. The total number of jobs completed during the shutdown was 8,176. A total of 27,075 labour were employed which included 25,000 contract labours.

I believe that safety is not just priority; it should be in our DNA. Your Company has been leading and guiding the industry in this aspect of business. As of 31st October 2016, we

The EBIDTA for FY 2015-16 was 35% higher than the preceding year and it stood at

₹ 7,773 crore

have 3,135 (8 Years 214 days) Lost Time Injury free days for employees (30.02+ million man-hours) and 2,720 Major Fire Free days (7 Years and 163 days).

As you may know, the growth of your Company's retail fuel segment is essential for establishing a stable domestic market for our products. I am happy to share that your Company added 583 retail outlets during the financial year and is now the leader in the private sector retail segment. As of 31st October 2016, your Company has 2,823 operational outlets across 28 States and Union Territories. Our aim is to complete another 2,800 operational outlets across the country over the next 12-18 months. Our retail sales volume grew by almost 145% to 1.6 million kl during the year.

The year 2015-16 marked an inflection point for our flagship CBM Project, Raniganj East, in West Bengal. The CBM production from Raniganj registered a significant growth during the year, with production of close to 8,00,000 scmd as of 31st March, 2016. In July 2016, your Company become the first operator in the country to cross the 1 million scmd production milestone.

Industry overview

The crude oil market, continued to display turbulence throughout the year requiring a constant and thorough vigil. Price of crude oil during FY 2015-16 fell to nearly USD 25 per barrel in January 2016 from about USD 55 per barrel in March 2015. Such low levels of crude oil prices has not been seen in the past few years.

Our country has benefitted from the decline in crude oil prices by way of a sustained lower import bill. Also, the fall in crude oil prices has helped surge the consumption of oil products in



▶ Altadhara outlet in Vadodra



Your Company added 583 retail outlets during the financial year and is now the leader in the private sector retail segment.

the country resulting in increased opportunity for companies such as yours. The Government under the leadership of the Honourable Prime Minister Shri Narendra Modi has been swift in capitalizing on the opportunity to push for reforms, expand infrastructure projects and announce dedicated initiatives all of which will help in accelerating economic growth. India's economic growth of 7.6% in fiscal year 2015-16

is amongst the fastest in the world. Given India's rising domestic consumption, a young population and a pro-active government at helm almost all analysts believe India has the capability to lead the revival in the global economy.

The testimony to India's economic aspirations are underlined by the highest annual consumption of petroleum products in almost two decades which stood at 183.5 MMT in FY 2015-16. Our country is now the third-largest consumer of crude oil, after the US and China.

Sale of 98% Shareholding by Essar Group

Essar Energy Holdings Limited and Oil Bidco (Mauritius) Limited, promoter group companies of Essar Oil had, on October 15, 2016, entered into separate definitive agreements for the sale of 98% of paid-up equity share capital of the Company. The promoters have signed sale and purchase agreement of 49% of the Company's equity to Petrol Complex Pte. Ltd (a subsidiary of PJSC Rosneft Oil Company) and the balance 49% equity to Kesani Enterprises Company Limited (owned by a consortium led by Trafigura and United Capital Partners).

Recognitions

Essar Oil has been recognised as one of the top Climate Disclosure Leaders for India for the 5th year in a row by Carbon Disclosure Project (CDP) India. CDP publishes an annual index on climate disclosure that ranks companies on the basis of their energy management techniques and climate change initiatives. Essar Oil is among the only two organisations in the energy sector to have made it to the index.

Essar Oil was also recognised by Franchise India as the 'fastest growing franchise network for 2015'.

Corporate Social Responsibility

As a responsible corporate citizen, the Company has made noteworthy contribution to positively impact the life of people in ways more than one. Under the Community Health Project your Company provides basic medical services to 12 villages