



SCALING NEW HEIGHTS



Essar Oil Limited
Annual Report
2016-17

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Scaling New Heights

Crude and product storage facility at the Refinery



Keeping up with its tradition of setting new records, Essar Oil continued its streak of stellar performance for yet another year in FY 2016-17. The Company clocked its highest-ever crude throughput of 20.94 MMT in FY 2016-17, while production of HSD and MS also stood at its best 10,053 kT and 3,498 kT, respectively. Essar Oil's crude receipt through SPM also hit its peak at 18.8 MMT for the first time in the Company's history.

In line with its focus to enter new markets, Essar Oil initiated production and sales of VG-40 Bitumen Grade along with other products like modified bitumen, packed bitumen, molten sulphur, etc. We discovered new markets for packed bitumen across North East India and Nepal. We also penetrated in the public-sector domain of HSD market.

In a bid to further expand retail reach, we added 1,400 new retail outlets tallying 3,499 operational outlets across the country while around 2,631 retail outlets were under various stages of implementation as of March 31, 2017. Thanks to this expansion as well as to deregulation of diesel prices, we recorded 69% growth in sales from our retail operations, jumping to 2.80 million KL in FY 2016-17 from 1.64 million KL in FY 2015-16.

Given the Company's commitment to superior performance, we have been regularly investing in the process and technology improvement. Through a slew of proactive strategies, we have been able to achieve three-fold increase in sales of petcoke to small-scale customers. As a result of these efforts, our petcoke sales grew by 11% in FY 2016-17 while sulphur sales grew by 17%. Our market share strengthened by nearly 3% year-on-year, despite huge imports of bitumen during FY 2016-17.

Our consistent performance underscores the operational efficiency, continuous leverage of technology investments and strategic expansion of our retail network, all of which have helped us take the business to new heights.

The World of Essar Oil

Essar Oil is an independent, fully integrated oil refining Company of international scale with strong presence in refining of crude oil and retail of transportation fuels. The Company has refinery plant situated in Vadinar, District Devbhumi Dwarka in Gujarat with a capacity of 20 MMTPA. The refinery is supported by

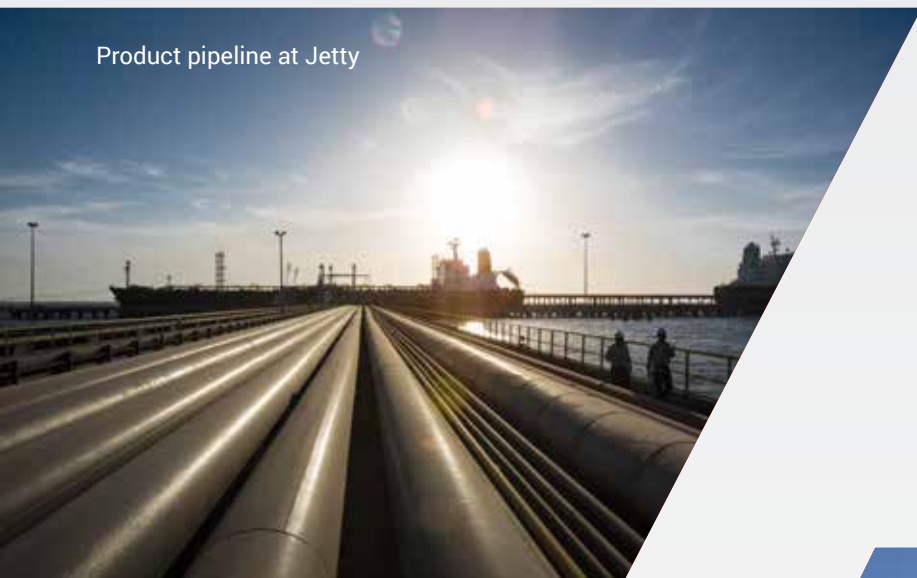
port, storage and power facilities. Essar Oil has a country wide network of retail outlets. As of March 31, 2017 the Company had 3,499 operational fuel stations with another 2,631 sites under various stages of implementation.

DHDT Unit



Business Segments

Product pipeline at Jetty



Refinery Business

- First private Company in India to enter the retail business
- Second largest single location refinery in India
- One of the most Complex refineries of the world
- Capacity – 20 MMTPA
- Produces high quality Euro IV and V grade products

Marketing Business

- 3,499 operational outlets
- 2,631 retail outlets under implementation
- One-stop destination for retail customers with ever-changing needs

(As of March 31, 2017)

Retail outlet at Bhuj



Snapshot of FY 2016-17



Making MS and HSD

Strategic Highlights

- New markets for packed bitumen were discovered in North East India and Nepal
- Successfully penetrated HSD market of Govt. sector industries such as fisheries under Govt. of Gujarat and Maharashtra, ONGC Petro-Additions Limited, etc and to India's largest HSD consumer – Railways
- Molten sulphur was introduced in the market
- Hiving off of Exploration & Production Business, to its wholly owned subsidiary, Essar Oil and Gas Exploration and Production Limited

Operational Highlights

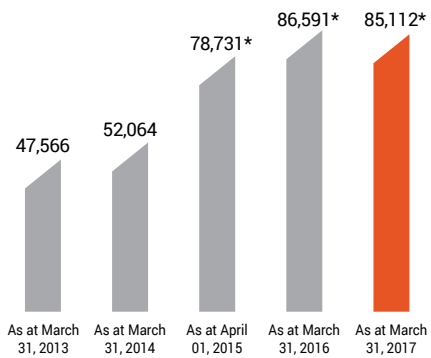
- Highest crude throughput of 20.94 MMT achieved in FY 2016-17
- Highest production of HSD (10,053 kT) and MS (3,498 kT) achieved
- Highest crude receipt through SPM (18.8 MMT) achieved
- Production and Sales of VG-40 Bitumen Grade started
- Revamp of NHT/ISOM/CCR units started for the up-gradation of Naphtha to MS
- Three fold increase in sales of petcoke to small scale customers, increasing the customer spread as well as realization
- Despite huge imports of bitumen, Essar Oil's market share increased by ~3%
- Petcoke sales increased by 11%
- Sulphur sales grew by 17%



Preheat Exchangers in CDU

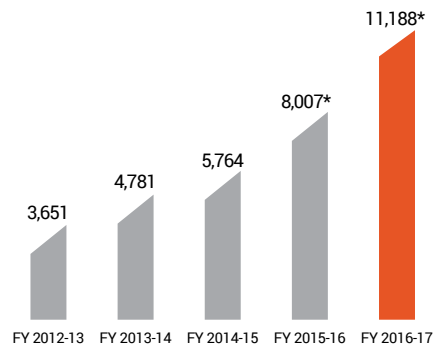
Key Performance Indicators

Total Assets (in ₹ crore)



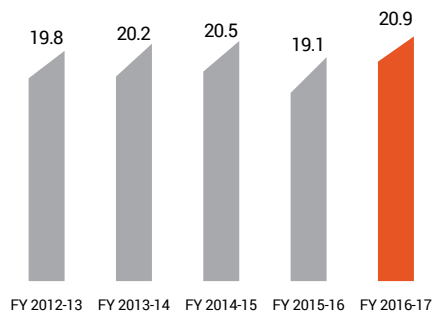
* As per IND AS

EBITDA (in ₹ Crore)

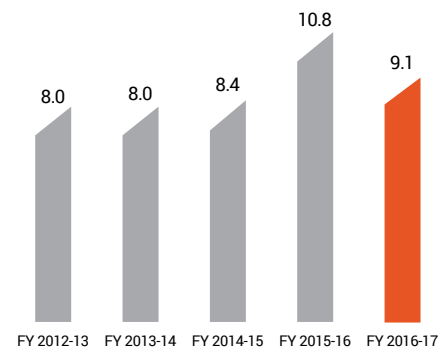


* As per IND AS

Throughput (MMT)



CP GRM (USD/bbl)



Message from the Former Chairman



Dear Shareholders,

It is with mixed feelings that I write this note, my last as the Chairman of Essar Oil, a Company that I, with stellar support from my colleagues at Essar, had the privilege to incubate, nurture and grow over the last two and a half decades. As you know, Essar Oil is now owned by the Russian oil major, Rosneft, and a consortium led by Trafigura & UCP (United Capital Partners).

The Company's ownership changed on August 18, 2017 following a historic transaction that valued Essar Oil at USD 12.9 billion. This transaction includes sale of the Vadinar Oil refinery, the retail network, as well as the captive port and terminal facility (Vadinar Oil Terminal Limited) and captive power plant (Vadinar Power Company Limited), which are both at Vadinar in Devbhumi Dwarka. Until date, this is the largest Foreign Direct Investment (FDI) in India and is also Russia's largest investment ever in any country, heralding a new era in Indo-Russian ties.

With this deal, we have completed our monetisation and deleveraging programme, which is the largest undertaken by any corporate in recent years. We have substantially deleveraged our portfolio companies' balance sheets, reducing debt by over USD 11 billion (₹ 70,000 crore).

I want to thank all my colleagues at Essar Oil for being a part of the 22-year-old journey that started way back in 1995 when we launched an IPO to build the 20 million tonne Vadinar refinery, India's second largest private refinery as well as among the world's most complex refineries. It is a journey that has had many milestones.

I can vividly recall the day we received the first crude consignment and started trial production in 2006, and inaugurated the Vadinar Port and Vadinar Power the same year, followed by so many more memorable events: the completion of the expansion and optimization projects in 2012, and receiving PetroFed award for the 'Refinery of the Year' in 2016.

A special thanks to the management team of Lalit Gupta, Managing Director & CEO; C Manoharan, Director (Refinery); Ajit Mishra, Chief Marketing Officer; Madhur Taneja, CEO-Retail; Sunil Misra, Head of International Supply & Trading;

Sreedhar Rudraraju, Chief Planning Officer; and Suresh Jain, who worked with the Company as Director Finance for their exemplary contribution in building and managing such a world-class business. I am also grateful to them for their support in concluding the Essar Oil sale transaction with Rosneft and the Trafigura-UCP consortium.

Rosneft, as some of you may perhaps know, is the world's largest publicly traded oil company with not only a very impressive track record of performance, but also a positive growth outlook. Acquisition of Essar Oil will help them find a strong foothold in the expanding Indian oil market, which is in line with their inorganic growth plans.

The credentials of the other two companies that are party to this deal are also equally impeccable. Trafigura, which is expanding its presence in India, is one of the world's largest physical commodities trading groups. UCP, on the other hand, is among the leading private investments groups with a successful track record of investing in a wide range of sectors.

I am certain that the experience and stature of these large corporations will mean a fascinating journey for Essar Oil going ahead. Having completed its monetisation and capex programmes, Essar, too, is poised for growth with a more sustainable balance sheet and a right-sized portfolio across the sectors of Mineral & Metals, Energy, Infrastructure and Services, which have tremendous growth opportunity.

As Shri. Shashi Ruia, Essar Founder, said: "I congratulate Rosneft and the Trafigura-UCP consortium for investing in a world-class oil business and global scale assets, which we are proud to have incubated and built. I would like to extend a very warm welcome to these large global corporations who are sure to make a positive impact on Essar Oil's future and India's growing oil market. For Essar, the closure of this landmark transaction ushers in a new phase of growth and consolidation across a portfolio of businesses that hold great promise because of India's enduring development story."

We are proud to have grown Essar Oil, a 100% Made in India Company, to a position where it has attracted global attention. This reaffirms Essar's unique ability to build world-class assets. None of this would have been possible without your support and contribution. Please accept my sincere gratitude to you for that.

I am also happy that the new Essar Oil will continue to use the Essar brand in the foreseeable future. It is a validation of the contributions of thousands of Essarites who built the Company and demonstrates the umbilical ties that Essar and Essar Oil will always share.

In conclusion, I would like to welcome the new Board, management and shareholders at Essar Oil. I wish you all great success in taking this world-class Company to even greater heights.

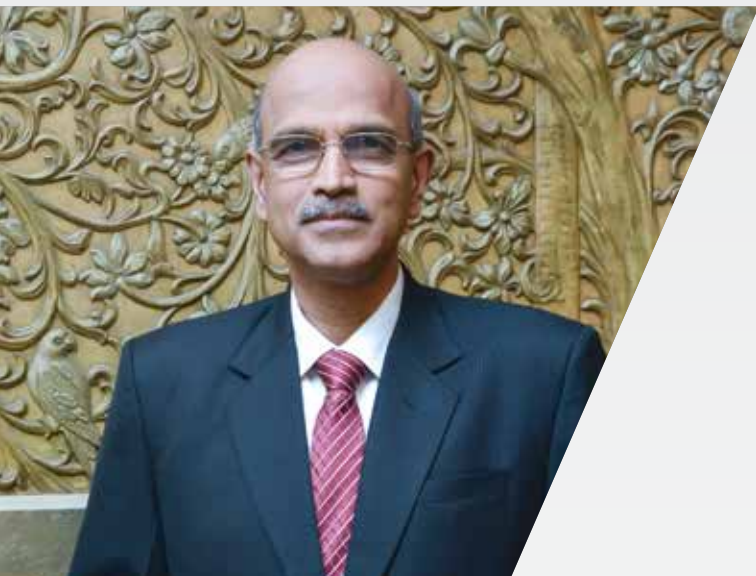
Best Wishes,

Prashant Ruia

August 19, 2017

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Message from the Former Managing Director & CEO



Dear Shareholders,

It is my pleasure to present the performance of your Company for the Financial Year ended March 31, 2017, which saw your Company report record Operational and Financial performance.

FY 2016-17 Performance

Your Company has closed the Financial Year with its highest ever EBITDA of ₹ 11,188 crore up by 40% from ₹ 8,007 crore and highest ever Throughput of 20.94 MMT from 19.1 MMT previous year aiding your Company to report Revenue from operations of ₹ 72,085 crore for the year, which is an improvement of ~16% over ₹ 62,381 crore reported in FY 2015-16.

Your Company continued to expand its retail network for sale of petroleum products while successfully leveraging the potential of the existing network. Our retail outlets network touched 6,130 as of March 31, 2017 – of these 3,499 were operational while 2,631 were under implementation as of March 31, 2017. Retail sales grew by 71% from 1.64 million KL in FY 2015-16 to 2.8 million KL in FY 2016-17.

Your Company believes in sustainable development with safety and security being at the core of all its functions. Your refinery achieved a yet another Lost Time Injury (LTI) free year,

with a cumulative record of 3,286 LTI free days for employees, 1,078 LTI free days for contract staff and 2,871 major fire free days as of March 31, 2017.

To focus more on refining and marketing activities, your Company has hived off its E&P Business to its wholly-owned subsidiary, Essar Oil and Gas Exploration and Production Limited with effect from March 31, 2017, which was eventually sold to a third party.

Industry Overview

India's oil demand continues to grow and outpace demand in other Asian countries including China. With demand growth in China losing pace, India is expected to emerge as the driver of growth in the region. India is the second largest consumer of oil in the Asia Pacific region and the per capita oil consumption of the country is expected to grow from 1.2 barrels per year to 1.5 barrels per year in the next five years. Given India's growth trajectory, its burgeoning middle class and rapid urbanisation with a consequential rise in demand for energy and petrochemicals will propel growth in the industry. Although the government has been taking concerted efforts to promote renewable and alternative energy, the country continues to meet 80% of its crude oil requirements through imports. Besides, as the after-effects of demonetization scheme launched in November 2016 start to phase out, demand for automobiles and passenger vehicles as well as in other sectors would normalize, thereby boosting demand for fuel and other petrochemical products.

Recognitions

I am extremely happy to share that your Company has been recognized as "the Industry Leader in Downstream sector" in the Platts Global Energy Awards 2016 acknowledging the excellence that we have demonstrated and highlights our position as Industry leader. We have also won the "Refinery of the year- 2015" awarded by PetroFed (Now FIPI), the apex governing body for the Indian Downstream Sector, which is another jewel in your Company's ever shining Crown.

Your Company firmly believes that sustainable growth can only be achieved by promoting social, environmental and economic development. I am happy to share that Essar Oil was recognised as the top Climate Performance Leader in the Energy/Oil & Gas sector for India for the sixth consecutive year by Carbon Disclosure Project (CDP), UK, in its annual report for India –