

EOL/SEC/7213

10th July, 2012

Bombay Stock Exchange Limited
Department of Corporate Services
Phiroze Jeejeebhoy Towers, Dalal Street
Mumbai - 400001 (Stock code – 500134)

National Stock Exchange of India Limited
Exchange Plaza, Plot no.C/1, G. Block
Bandra-Kurla Complex, Bandra (East)
Mumbai – 400051 (Stock code – ESSAROIL)

Essar Oil Limited
Tower - 2
Equinox Buisness Park
(Peninsula Techno Park)
Off Bandra Kurla Complex
L.B.S. Marg, Kurla (W)
Mumbai 400 070.
India

T +91 22 6733 5000
F +91 22 6708 2183
www.essar.com

Sir/s,

Sub.: Press release on action by Gujarat Sales tax authorities

Enclosed please find press release made to the media by the Company in relation to action taken by sales tax authorities of the Gujarat Government.

This is for your information and records.

Thanking you,

Yours faithfully
For ESSAR OIL LIMITED



SHEIKH S SHAFFI
COMPANY SECRETARY

Encl.: As above

- cc: 1) National Securities Depository Ltd.
2) Central Depository Services (India) Ltd.
3) IDBI Trusteeship Services Ltd., Debenture Trustee
4) Overseas Depository to GDS, The Bank of New York Mellon
5) Datamatics Financial Services Ltd., Transfer Agent.

- **Essar Oil has always agreed to pay the principal amount of Rs 6,169 crores in sales tax dues post the Supreme Court order**
- **Essar Oil is surprised with the withdrawal of these benefits since other refineries and investments in Gujarat have received similar benefits**
- **Despite such an unfortunate treatment Essar Oil has agreed to pay the entire principal amount of which Rs 1,000 crores will be paid immediately to show its bonafide intent**
- **Essar Oil's detailed payment schedule submitted on 5th April 2012 unexpectedly rejected, same plan also submitted to Gujarat High Court on 25th June 2012**
- **Essar Oil surprised by Gujarat government's unexpected step of attaching Essar Oil accounts despite a clearly stated intent to pay the principal sales tax amount by the company**
- **Essar Oil has already re-invested 100% of the sales tax benefit in its Rs 10,000 cr capex program as mandated by its scheme**

Mumbai, July 09, 2012: Essar Oil is surprised and disappointed by the Gujarat government's unexpected step of attaching the bank accounts of Essar Oil despite the company clearly stating its intent to pay the sales tax due to the state. As a statement of its bonafide intent, Essar Oil has already agreed to pay Rs 1000 crores within 30 days to the Gujarat government towards the sales tax liability. Essar Oil has written to the state government requesting that a Committee be formed which can jointly discuss the modalities of the payment of the balance principal amount of Rs 5169 crores and consider a remission of the past interest of Rs 1932 crores. The request for remission of interest amount is based on the fact that the company sought the sales tax scheme benefit only after the Gujarat High Court verdict in its favour in April 2008 and further no interest amount was mentioned in the Supreme Court order.

Essar Oil is clearly the aggrieved party on this matter despite making investments of over Rs 25,000 crore in the refinery and a total of Rs 1 lakh crore of investments in the set up in the state of Gujarat. Every refinery in the country has received major fiscal incentives from respective state governments but in Essar Oil's case the state of Gujarat has denied these benefits despite being aware of the on ground situation. However in other cases where investments amounts have been much smaller, the state continues to grant similar benefits.

Essar Oil has repeatedly made its intent to pay clear once the Supreme Court verdict was announced.

Essar Oil has been writing continuously to the state government to work out an amicable payment schedule after the company lost the case in Supreme Court on the sales tax matter. It had also submitted a detailed payment schedule to the Additional Chief Secretary (Finance) on the 5th of April but the submitted proposal was rejected without any valid reason contrary to accepted norms. The company also submitted the payment schedule to the Gujarat High Court on 25th of June when it issued orders asking the state government to recover the monies. The reason Essar Oil has requested a instalment based payment scheme is because the company embarked on a major capital expansion scheme since the sales tax scheme mandated 50% of the collected amount to be re-invested. Hence it is not possible to make the payment in one single instalment as demanded by the state. Despite attempts to clarify and share the schedule repeatedly, the state government officials today visited our bankers and refinery in connection with the recovery of sales tax dues.

Essar Oil is a law abiding corporate and the Essar Group of companies has invested over Rs 1 lakh crore in the state of Gujarat. It is following all the orders of the Hon'ble Supreme Court and High Court and has made its intent clear to every relevant departments of the state government.

About Essar Oil

Essar Oil is a fully integrated oil & gas company of international scale with strong presence across the hydrocarbon value chain from exploration & production to refining and oil retail. It has a global portfolio of onshore and offshore oil & gas blocks, with about 2.1 billion barrels of oil equivalent in reserves & resources. Essar Oil now has 405,000 bpsd (barrels per stream-day) of crude refining capacity. There are more than 1,600 Essar-branded oil retail outlets in various parts of India.

Media contacts:

Rabin Ghosh, Corporate Communications, (Mumbai)

Tel: 91 99 301 36268, email: rabin.ghosh@essar.com

Parikshit Kaul, Corporate Communications (New Delhi),

Tel: +91 98735 70816, Email: parikshit.kaul@essar.com

Priyank Talati, Corporate Communications (Ahmedabad),

Tel: +91 91 9979868817, Email: priyank.talati@essar.com

Adfactors PR

Hiral Vora, (Mumbai) : +91 97 699 98892, hiral.vora@adfactorspr.com

Narayan Bhatt, (Ahmedabad): +91 91 9979915777, narayan.bhatt@adfactorspr.com