



ESSAR STARS 2011 – A Long Term Incentive Plan

Essar Shipping Limited, India

Essar Shipping Employee Stock Options Scheme – 2011

Pursuant to the approval of the shareholders at the AGM held on September 9, 2011.

CERTIFIED TRUE COPY

For ESSAR SHIPPING LIMITED


VINAYAK JOSHI
COMPANY SECRETARY



Essar Shipping Employee Stock Options Scheme -2011

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Essar Shipping Employee Stock Options Scheme – 2011

PART A

STATEMENT OF RISKS

All investments in Shares or options in Shares are subject to risk as the value of shares is subject to market volatility. In addition, the Options are subject to the following risks:

1. **Concentration:** The risk arising out of any fall in value of Shares is aggravated as the Participant's holding is concentrated in the shares of a single company.
2. **Illiquidity:** The Options cannot be transferred to anybody, and therefore the Participants cannot mitigate their risks by selling the whole or part of their Options before they are exercised. The Shares, pursuant to the Options awarded, vest in the Participants after a minimum period of one year (and such further period as may be determined in accordance with the Scheme) from the date of grant and such Option can only be exercised within the Exercise Windows during the Exercise Period determined in accordance with the Scheme, thus, to that extent, the liquidity in the hands of the Participants is restricted.
3. **Vesting:** The Options will lapse if the employment is terminated prior to Vesting, unless otherwise specified under the terms and conditions of the Scheme. Even after the Options are Vested, the unexercised Options may be forfeited if the employment is terminated for any Cause (as defined in Clause 9.1 of the Scheme).
4. **Leverage:** Any change in the value of the Shares can lead to a significantly larger change in the value of the Options as an option amounts to a levered position in a share.



PART B
INFORMATION ABOUT THE COMPANY

BUSINESS OF ESSAR SHIPPING LIMITED (THE "COMPANY")

Details of background, main objects and present business of the Company are set forth below:

Background

The Company was incorporated on April 16, 2010 as a public limited company under the Companies Act, 1956, as amended, with the objective of engaging in business of providing various types of sea transportation services, onshore and offshore drilling services, logistic transport services and related service in the shipping and logistic sector.

The Registered Office of the Company is situated at Administrative Building, Essar Refinery Complex, Okha Highway (SH-25), Taluka Khambala, District Jamnagar 361 305, Gujarat and the Corporate Office of the Company is situated at Essar House, 11, K. K. Marg, Mahalaxmi, Mumbai 400 034, Maharashtra.

Main Objects

In terms of the Memorandum of Association of the Company, the main objects of the Company are as follows:

1. To own, purchase, charter, hire or otherwise acquire, sell, exchange, let or otherwise deal with, operate, trade in ships, boats, tugs, vessels, trawlers, drifters, dredgers, other transports and conveyances propelled or worked or capable of being propelled or worked by steam, electricity, petrol, oil, gas or any other motive power or power producing substance with all equipments and furniture, build steam of other ships and vessels and to employ the same in the carriage or conveyance by land or sea in or between any place or places or port or ports or any seas, rivers, canals or elsewhere, of all kinds of cargo whether wet, dry or gaseous, passengers, mails, troops, munitions of war, livestock and of treasure and merchandise and food articles and goods, and things between such ports and places in any part of the world as may seem expedient and to establish, maintain and work lines of steam and other ships and other transports and conveyances between ports, countries or places which may seem to the Company from time to time expedient and to acquire any postal and other subsidies.

2. To carry on the business of ship-owners, ship-builders, shipbrokers, shipping agents, ship managers, ship charterers, barge owners, dock owners, stevedores, warehousemen, wharfingers, salvors, marine consultants, crew recruiters, ship deliverers, ship repairers, loading brokers, freight contractors, haulage and general contractors, marine engineers, surveyors or any other work connected with the shipping business.
3. To carry on the business as logistic providers, transporters, booking agents, forwarding agents, clearing agents, shipping agents, warehousemen, exporters and importers for transport or movement of goods, live stock and passengers through roadways, ropeways, railways, airways, waterways or any other mode of transport and to make arrangements with transporters, airlines, shipping agents or other concerns engaged in logistics in any manner, both inland and overseas.
4. To manufacture, deal in, hire, store and warehouse all engines, nautical instruments, ship's rigging, machinery, implements, utensils, appliances used in shipping industry.
5. To enter into and conduct the business of owning and / or leasing and / or hiring and / or operating all types of onshore and offshore drilling rigs and coring rigs for drilling for hydrocarbons, offshore construction vessels including but not limited to pipe-lay barges, crane barges, hook up barges etc. and to enter into contracts for conducting such business anywhere in the world.
6. To carry on business to design, develop, establish, build, lay, procure, relay, construct, equip, own, operate, use, administer, manage, maintain, improve, inspect, enlarge, alter, protect, extend, repair, replace, refurbish and carry out works in respect of the whole or any part or parts of ports, terminals, jetties, storage tanks, warehouses, cranes, receipt and dispatch facilities, pumping stations, boosters, control stations, buildings, machinery, equipment and facilities ancillary to the construction and operation or use of the aforesaid or any of them, within or outside India.
7. To create, construct, own, operate, provide, procure, dispose, distribute, install, repair, maintain infrastructural facilities including facilities relating to energy, petroleum and petroleum products, water supply, transportation by rail, road, pipelines, single buoy mooring, mooring systems, staff housing, fire fighting, sewage systems, jetties and operating platforms, communication, service shops, mechanical, electrical, instrumentation and maintenance, storage and related facilities.
8. To lease out, extend, permit and allow the use of the ports, terminals, jetties, storage tanks, warehouses, cranes, pumping stations and other related equipments.



9. To carry on the business as service providers and organise and provide technical, managerial, operation and maintenance, commercial and project management services to the ports, terminals, jetties and other related industries.

Present Business of the Company

The Company is engaged in the business of providing sea-transportation services, onshore and offshore drilling services, logistics transport services and related services in the shipping and logistics sector.

ABRIDGED FINANCIAL INFORMATION

Essar Shipping Ports & Logistics Limited ("ESPLL") went through a demerger process pursuant to which the shipping, logistics and oilfield drilling businesses were demerged from ESPLL and transferred to Essar Shipping Limited with effect from October 1, 2010. Accordingly, abridged financial information for the previous financial year in respect of the Company (on a consolidated basis) is annexed herewith as **Annexure B**.

RISK FACTORS

The risks and uncertainties which the Company faces or may face in future include risks and uncertainties regarding fluctuations in foreign exchange rate, fluctuations in earnings, inability to manage growth, competition in the business in which the Company is engaged, cost / time overruns, including factors affecting cost advantage, wage increases, Company's inability to attract and retain highly skilled professionals, withdrawal of governmental incentives (as applicable), changes in various laws / regulations, political instability, legal restrictions on acquiring companies outside India and general economic conditions affecting its business.

Certain risks and uncertainties, including the risks typical to the nature of the industry in which the Company operates, may be beyond the control of the Company. Further, if any of the risks mentioned above or any other risks or any combination of risks and uncertainties actually occur, the Company's business, results of operations, financial condition and prospects could suffer and the trading price of the Shares could decline.

CONTINUING DISCLOSURES

The Participants shall receive copies of all the documents that are sent to the members of the Company including the annual accounts of the Company (through e-mail), notices of meetings and the accompanying explanatory statements.

PART C
SALIENT FEATURES OF THE SCHEME

This Scheme is established pursuant to and under the authority granted in terms of approval by the Board on July 4, 2011 and by the shareholders of the Company on September 9, 2011 and in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999, as amended (the “**ESOP Guidelines**”), prescribed by the Securities and Exchange Board of India (“**SEBI**”).

This Scheme shall be called the ‘Essar Shipping Employee Stock Options Scheme – 2011’ (the “**Scheme**”).

SECTION 1
OBJECTIVES

The Company believes that presence of a long term incentive plan and the resulting employee ownership can facilitate performance driven culture. Accordingly, the main objectives of the Scheme are:

- a) To achieve sustained growth of the Company and create shareholder value by aligning the interests of the employees with the long term interests of the Company; and
- b) To recognize and reward the efforts of employees and their continued association with the Company (or its Subsidiary Company or Holding Company as the case may be); and
- c) To enable Participants to have greater involvement in the existing plans of the Company and provide an opportunity to share in the future growth and profitability of the Company, which should lead to improved employee engagement, motivation and retention.

This purpose is sought to be achieved through the Grant of Options (subject to certain terms and conditions provided in this Scheme) to the Eligible Employees to subscribe to Shares of the Company.



SECTION 2 DEFINITIONS AND INTERPRETATIONS

2.1 Definitions

Unless the context otherwise requires, the terms defined in this Scheme, including their grammatical variations or cognate expressions, shall have the meaning herein specified and the terms not defined in this Scheme shall have the respective meaning ascribed to such terms in the Securities and Exchange Board of India Act, 1992, as amended (the “SEBI Act”), the Securities Contracts (Regulation) Act, 1956, as amended, the Companies Act, 1956, as amended (the “Companies Act”), the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended, the Foreign Exchange Management Act, 1999, as amended, the Income Tax Act, 1961, as amended and the ESOP Guidelines, as the case may be:

- a) **Applicable Law** means the legal requirements relating to the Scheme, including, without limitation, the Companies Act, the SEBI Act, the ESOP Guidelines and all other relevant tax, securities, exchange control or corporate laws of India, or of any other relevant jurisdiction or of any stock exchange on which the Shares are listed or quoted.
- b) **Board / Board of Directors** means the Board of Directors of the Company for the time being and re-constituted and / or re-structured from time to time during the existence of this Scheme.
- c) **Change in Capital Structure** means a change in the capital structure of the Company as a result of reclassification of the Shares, splitting up of the face value of the Shares, sub-division of the Shares, conversion of the Shares into other shares or securities and any other change in the rights or obligations in respect of the Shares.
- d) **Change in Control Value** means the value at which the Shares are transferred in the case of a Strategic Sale.
- e) **Closing Date** shall mean 15 years from date of approval of the Scheme by the shareholders of the Company, or allotment of all Shares allocated under the Scheme, whichever is earlier.
- f) **Companies Act** shall have the meaning given to such term in Clause 2.1 of the Scheme.
- g) **Company** means ‘*Essar Shipping Limited*’, incorporated in India under provisions of the Companies Act, having its registered office at Essar Refinery Complex, Okha Highway (SH-25), Taluka Khambala, District Jamnagar 361 305, Gujarat, its successors and assigns.



- h) **Compensation Committee/ Committee** shall mean the committee of the Board of Directors of the Company constituted and set up in compliance with the ESOP Guidelines. The Scheme shall be operated and administered under the superintendence of the Committee.
- i) **'Corporate Action'** means any one or more of the following actions:
- a) Bonus issue or rights issue undertaken by the Company;
 - b) Merger, de-merger, spin-off, consolidation, amalgamation, sale of business, restructuring, or other reorganization of the Company in which all the Shares are converted into or exchanged for:
 - i. a different class of securities of the Company,
 - ii. securities of any other issuer;
 - iii. cash; or
 - iv. other property;
 - c) Sale, lease or exchange of all or substantially whole of the assets / undertaking of the Company to any other company or entity; or
 - d) Adoption by the shareholders of the Company of a scheme of liquidation, dissolution or winding up.
- j) **Director(s)** means a member of the Board of the Company.
- k) **Eligible Employees** means and includes:
- (i) Permanent employees of the Company, including the whole-time Directors, in India; and
 - (ii) Permanent employees and directors of a Subsidiary Company or of a Holding Company in India.
- Eligible Employees does not include (i) any employee who is a Promoter or belongs to the Promoter Group or (ii) a Director who either by himself or through his relatives or through any body corporate, directly or indirectly, holds more than 10% of the outstanding Shares of the Company.
- l) **Essar Group of Companies** means Essar Global Limited and Essar Investments Limited and their respective subsidiaries in India.
- m) **ESOP Guidelines** shall have the meaning given to such term in Part C – 'Salient Features of the Scheme'.



- n) **Exercise** means the tendering by a Participant of a notice in prescribed format for acquisition of the Shares, pursuant to the Options Vested in him under the Scheme and on payment of the Exercise Price (except in the event the Participant opts for a cashless exercise in terms of Clause 8.4 of the Scheme) thereof.
- o) **Exercise Period** means the time period commencing from the date of Vesting of Options and ending on the date after which the Options cannot be Exercised, and a Participant shall Exercise his right to acquire Shares against the Options Vested pursuant to the Scheme within this period. Exercise period would be seven years from the date on which the Options Vest in a Participant. However, in the event such Exercise Period extends beyond the Closing Date, the last date of the Exercise Period shall be the Closing Date.
- p) **Exercise Price** means the purchase price of each Share determined in accordance Clause 8.2 of the Scheme, payable by the Participant to the Company for Exercising the Option Granted to him in pursuance of the Scheme.
- q) **Exercise Windows:** shall mean such dates, during the Exercise Period, on which the Participants may exercise their options. The Exercise Windows will be determined and communicated by the Committee and all Participants who intend to Exercise their respective options are required to Exercise within such Exercise Windows.
- r) **Forfeiture** means forfeiture of Options that have been granted to a Participant or Options that have Vested in a Participant (but not Exercised) under this Scheme.
- s) **Grant** means issue or award of Options to the Eligible Employees under this Scheme.
- t) **Grant Date** means the date on which Options are Granted to the Eligible Employees pursuant to this Scheme.
- u) **Grant Letter** means a letter issued by the Company and accepted by the Eligible Employee with respect to the Options Granted to such Eligible Employee based on the terms and conditions stipulated in the Scheme and as suggested / recommended by the Committee from time to time, indicating Eligible Employee's acceptance of the offer made to him to participate in the Scheme.
- v) **Holding Company** means a holding company of the Company as defined under the Companies Act.
- w) **Option / Stock Option** means a right or an option, but not an obligation, granted to an Eligible Employee to subscribe to Shares or any Resultant Shares pursuant to this Scheme during the Exercise Windows within the relevant Exercise Period at the Exercise

Price and upon such terms and conditions as may be specified by the Committee. **One Option shall entitle the Participant to one Share of the Company.**

- x) **Option Value** means value per Option calculated using an option pricing methodology recommended by the Committee based on fair value method, in accordance with the ESOP Guidelines.
- y) **Participant** means an Eligible Employee who has been granted Options pursuant to this Scheme and, where the context so requires, includes legal heir(s) and / or the designated beneficiary(ies), whose details are provided in the Grant Letter by the Participant.
- z) **Permanent Incapacity** shall mean any disability of whatsoever nature, be it physical, mental or otherwise or by reason of accident, which reasonably incapacitates, prevents or handicaps a Participant from performing any specific job, work or task which the said Participant was capable of performing immediately before such incapacity, as determined by the Committee.
- aa) **Promoter** shall have the same meaning as assigned to such term under the ESOP Guidelines.
- bb) **Promoter Group** shall have the same meaning as assigned to such term under the ESOP Guidelines.
- cc) **Recognized Stock Exchange** means a stock exchange in India recognized by SEBI or stock exchange outside India recognized by similar regulatory authorities of the countries outside India.
- dd) **Resultant Shares** means the Shares acquired through the Trust, in lieu of Shares of the Company on occurrence of Change in Capital Structure or on any Corporate Action, as mentioned in this Scheme.
- ee) **Scheme** means Essar Shipping Employee Stock Options Scheme - 2011 as set out herein and as amended or modified from time to time.
- ff) **SEBI Act** shall have the meaning given to such term in Clause 2.1 of the Scheme.
- gg) **Shares** means the equity shares of the Company and the securities convertible into equity shares, and shall include American Depository Receipts, Global Depository Receipts, Global Depository Shares, or other depository receipts representing underlying equity shares or securities convertible into equity shares, and where the context so requires shall include the Resultant Shares.



- hh) Strategic Sale refers to the sale of more than 51% of the equity of the Company in its entirety and / or any event resulting from Corporate Action undertaken by the Company.
- ii) Subsidiary Company means a subsidiary of the Company as defined under the Companies Act.
- jj) Trust means employee welfare trust namely 'Essar Shipping Employee Stock Options Scheme Trust'.
- kk) Unvested Options means an Option, in respect of which the relevant Vesting Period is not complete and the Participant has not become eligible to Exercise the Option.
- ll) Vested Options means an Option, which has Vested with the Participant and has thereby become exercisable.
- mm) Vesting means the process by which the Participant (or the beneficiary(ies) as the case may be) is given the right to apply for Shares of the Company against the Option Granted to him pursuant to this Scheme.
- nn) Vesting Period means the period during which the Options Granted to the Participant Vests in the Participant pursuant to this Scheme.

The definitions as given in this Section are for the purposes of interpretation of this Scheme only and should not be used for any other purpose.

2.2 Interpretations

In this Scheme, unless otherwise stated or a contrary intention appears:

- a) Words in the singular includes the plural and vice versa;
- b) The word person includes an individual, a firm, a body corporate or any other authority; and
- c) Any word or expression importing a gender includes any other gender.

2.3 Section Headings

The section headings are for the sake of convenience and information only and shall not affect the construction of this document and shall not be interpreted to restrict or otherwise affect the meaning or import of the terms / clauses of this Scheme, which shall be interpreted solely in light of the contents thereof.



2.4 References

- a) A reference to a clause or annexure is respectively a reference to a clause or annexure of this document. The annexures, if any, to this document shall for all purposes form part of this document;
- b) A reference to a clause number is a reference to its sub clauses; and
- c) Reference to any Act, Rules, Regulations, Statutes, Notifications, Circulars or Press Notes shall include any statutory modification, substitution or re-enactment thereof.



**SECTION 3
IMPLEMENTATION**

- 3.1 This Scheme shall be operated and administered by the Committee under the policy and framework laid down by the Board of Directors, the ESOP Guidelines, and in accordance with the authority delegated to the Committee from time to time and subject to the amendments, modifications and alterations to this Scheme.



SECTION 4
EFFECTIVE DATE AND DURATION OF THE SCHEME

4.1 Effective Date

The Scheme shall be deemed to have come into force from September 9, 2011.

4.2 Termination

- a) The Scheme shall be terminated and no Grants shall be made, or Options shall be Exercised, under the Scheme after the Closing Date.
- b) Any Options which are not Granted until the Closing Date shall automatically lapse.



SECTION 5
ADMINISTRATION AND THE COMPENSATION COMMITTEE

5.1 Administration of this Scheme

As stated in Section 3 of this Scheme, the Scheme shall be operated and administered under the superintendence of the Committee in accordance with the Applicable Law. The Committee is authorized to interpret the Scheme, to establish, amend and rescind any rules and regulations relating to the Scheme, and to make any other determinations that it deems necessary or desirable for the administration and implementation of the Scheme. The Committee may correct any defect, omission or reconcile any inconsistency in the Scheme in the manner and to the extent the Committee deems necessary or desirable. Any decision of the Committee in the interpretation and administration of the Scheme, as described herein, shall lie within its sole and absolute discretion and shall be final, conclusive and binding on all parties concerned (including, but not limited to, Participants and their beneficiary(ies) or legal heir(s)).

5.2 Constitution of the Compensation Committee

The Committee shall consist of at least three members of the Board of Directors or such higher number as may be determined by the Board from time to time, provided that the majority of members of the Committee shall be independent Directors. The Board shall constitute and set up the Committee in compliance with the Listing Agreement and the ESOP Guidelines. The Committee, in exercise of its powers, may require any information from the Board / Company and / or seek any assistance from any Eligible Employee or a Participant as it may deem fit to, fully and effectively discharge its duties and responsibilities.

5.3 Powers

- a) The Committee shall *inter alia* have the power to settle and decide on the following and other related matters:
- i) To determine the number of Options to be Granted to each Eligible Employee in accordance with the ESOP Guidelines and in aggregate, and the time at which such Grant shall be made.
 - ii) To amend the Vesting Period / schedule of the Grant made to any Participant and / or any conditions in accordance with the ESOP Guidelines, subject to which such Vesting may take place.
 - iii) To determine the qualification criteria pursuant to which the Eligible Employees may participate in the Scheme, including in compliance with Section 13 of this Scheme.
 - iv) To determine the qualification and performance criteria for Grant and Vesting of the Options under the Scheme.



- v) To assess the performance of an Eligible Employee for purposes of Grant and determining Vesting of the Options.
- vi) To lay down the conditions under which Options Vested in Participants may lapse in case of termination of employment for fraud or misconduct.
- vii) To determine the Exercise Period within which the Participants should Exercise the Options.
- viii) To determine the Exercise Windows.
- ix) To specify time period within which the Participants shall Exercise the Vested Options in the event of termination or resignation by the Participant.
- x) To allow the Participants to Exercise, Vested Options, by way of a combination of (a) payment of Exercise Price and (b) cashless exercise.
- xi) To determine Option pricing methodology to be utilized to determine the value of the Options.
- xii) To lay down the procedure for making a fair and reasonable adjustment to the number of Options and to the Exercise Price in case of Change in the Capital Structure and / or a Corporate Action.
- xiii) To provide for the right of a Participant to Exercise all the Options Vested in him at one time or at various points of time during the Exercise Windows within the Exercise Period.
- xiv) To decide the number of Shares of the Company that may be acquired pursuant to one Option.
- xv) To lay down a method for satisfaction of any tax obligation arising in connection with the Options or the Shares in compliance with Applicable Laws.
- xvi) To lay down the procedure for cashless exercise of Options, if any.
- xvii) To provide for the Grant, Vesting and Exercise of Options in case of Participants who are on long leave.
- xviii) To provide for Vesting and Exercise of Options in case of Participants whose services have been seconded to any other company forming part of the Essar Group of Companies at the instance of the Company.
- xix) To obtain permissions from, and making periodic reports to, the regulatory authorities, as may be required and ensuring compliance with the Applicable Law.
- xx) Deciding the treatment of Unvested / un-allotted Options upon termination of employment.
- xxi) Appoint consultants, intermediaries/ advisors including merchant bankers, registrars, trustees as may be required to be appointed for the purpose of implementation of the Scheme and to determine the terms and conditions of their appointment including particulars relating to fees, commission etc.



- xxii) Finalize, approve and authorize executives of the Company to execute various agreements, deeds, writings, confirmations, undertakings, indemnities or other documents, as may be necessary, under the Common Seal of the Company, with any party including legal advisors, accountants, share transfer agents, depositories, custodians, trustees, bankers or others for the purposes of the Scheme and accept modifications, changes and amendments to any such documents/ agreements.
 - xxiii) Framing suitable policies and systems to ensure that there is no violation by any Participant of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, as amended, (the “**SEBI Insider Trading Regulations**”), the Securities Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995, as amended and the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended.
 - xxiv) To provide for any statutory, contractual, regulatory or such other matters as may be necessary for the administration and implementation of the Scheme in accordance with Applicable Law.
- b) The terms and conditions for Grant, Vesting and Exercise as may be prescribed by the Committee shall be final and binding on all the Eligible Employees.
 - c) The members of the Committee and their powers and functions can be specified, varied, altered or modified from time to time by the Board of Directors subject to the ESOP Guidelines and other such rules and regulations as may be in force. The Board may further provide that the Committee shall exercise certain powers only after consulting the Board.
- 5.4 **Liability of Members of the Committee:** No member of the Committee shall be personally liable for any decision or action made in good faith with respect to the Scheme.
- 5.5 The members of the Committee and/ or the Board shall, however, abstain from participating in and deciding matters that directly affect their individual ownership interests under the Scheme. In such a case the deciding authority shall rest with the rest of the members of the Committee and/or the Board of Directors, as the case may be.
- 5.6 The Trust that is proposed to be settled by the Company for the purposes of the Scheme will:
- a) Subscribe to and acquire the Shares from the Company by utilizing loan fund from the Company in compliance with the applicable provisions of the Companies Act;



- b) Hold the Shares till the time of Exercise of Options by the Participants in accordance with the Scheme;
- c) Transfer Shares to the Participants in accordance with the directions of the Committee and in accordance with the terms of the Scheme;
- d) Do such necessary acts to enable cashless exercise of Options, as may be required; and
- e) Do all the necessary acts to achieve the objectives under the Scheme.



SECTION 6
GRANT OF OPTIONS

- 6.1 **Total quantum of Options to be granted under the Scheme**
- a) **Quantum of Shares:** The maximum number of Shares (subject to provisions of Section 14 of this Scheme) that may be acquired by the Participants, pursuant to Exercise of the Options, under this Scheme shall not exceed in aggregate 1% of the paid-up Shares of the Company, on the Grant Date(s) under the Scheme.
 - b) **Grant Frequency:** The Eligible Employees are proposed to be granted Options annually for a period of three years (hereinafter referred to as the “Grant Period” for the purposes of the Scheme). The Committee will typically Grant Options at the end of a performance year (i.e. end of a financial year) pursuant to completion of the appraisal of the Eligible Employee, as applicable. The Committee may also Grant Options during the performance year in certain situations such as Grant to a new Eligible Employee or in the event any promotions of an existing Participant. These Grants will coincide with the dates of publication of the quarterly results of the Company. The Committee may further Grant such additional Options to Eligible Employees, based on such criteria, as it may deem appropriate from time to time.
 - c) The Committee shall make Grants to one or more Eligible Employees, determined in accordance with the qualification criteria provided in terms of Section 13 of the Scheme.
 - d) If an Option Vested lapses or becomes un-exercisable, the un-Exercised Option shall become available for future Grant under the Scheme until the Scheme stands terminated.
 - e) The Exercise Price will be determined by the Committee in accordance with Clause 8.2 of the Scheme.
 - f) The Option shall not be transferable and can be Exercised only by the Participant, unless such Options are Exercised by the beneficiary(ies) (or the legal heir(s), as the case may be) named in the Grant Letter in case of death of, or Permanent Incapacity suffered by, the Participant.
 - g) The Options shall not be pledged, hypothecated or otherwise alienated, in any manner.
- 6.2 **Shares Offered:** The Trust formed by the Company shall subscribe to and acquire the Shares (to meet the Exercise obligations) from the Company, by utilizing loan fund from the Company in accordance with the applicable provisions of the Companies Act.
- 6.3 **Grant Size:** The Grant size will be determined by the Committee based on qualification criteria specified in Section 13 of this Scheme.

- 6.4 **Grant Letter:** The Grant of Options to an Eligible Employee shall be evidenced by a Grant Letter. Each Grant Letter shall contain certain terms and details including number of Options granted, Grant Date, Exercise Price, Vesting schedule and such other terms and conditions as the Committee may deem necessary.

Under each Grant Letter, a Participant shall have the right to designate any individual or legal entity in writing as his beneficiary(ies) under the Scheme in the event of his death or Permanent Incapacity. Such designation may be revoked in writing by the Participant at any time during the time of employment and a new beneficiary(ies) may be appointed in writing as per the form prescribed by the Committee for such purpose. A Participant may change his beneficiary(ies) without any notice to prior beneficiary(ies). However, in the event of death of such Participant, if name of a beneficiary(ies) has not been provided, the rights shall Vest in the legal heir(s) of such Participant.

- 6.5 **Limitations on Exercise of Option:** Any Option Granted hereunder shall be exercisable at such times and under such conditions as determined by the Committee, and as permitted under the ESOP Guidelines and the terms of the Scheme, which may be indicated in the Grant Letter evidencing the Option. An Option shall not, however, be Exercised for fractional Shares.

- 6.6 **New Eligible Employees:** Grant of Options to new Eligible Employees, if any, would be pro-rated taking into account the balance of the Grant Period from the date of appointment of the new Eligible Employee. For example, if an Eligible Employee joins service after seven months, his entitlement would be 5/12 of the original Options that he would have received for that year.

However, the Exercise Price would be determined in terms of Clause 8.2 of the Scheme for the relevant grant year.

- 6.7 **Promotion:** If an Eligible Employee is promoted from one grade to another during the operation of the Scheme, the Grant size to such Eligible Employee will be determined by the Committee based on the new grade assigned to such Eligible Employee and such other qualification criteria specified in Section 13 of this Scheme.



SECTION 7 VESTING OF OPTIONS

7.1 Vesting Schedule

- a) Except in case of demise or Permanent Incapacity of the Participant as specified in the Scheme, Options shall Vest pursuant to the Scheme in the following manner:
- (i) $\frac{1}{3}^{\text{rd}}$ of the Options Granted and outstanding shall Vest at the end of three years from the relevant Grant Date;
 - (ii) $\frac{1}{3}^{\text{rd}}$ of the Options Granted and outstanding shall Vest at the end of four years from the relevant Grant Date; and
 - (iii) $\frac{1}{3}^{\text{rd}}$ of the Options Granted and outstanding shall Vest at the end of five years from the relevant Grant Date.

Notwithstanding anything to the contrary in this Scheme, the Committee shall be entitled, in its absolute discretion, to vary or alter the Vesting schedule, as it may deem fit in accordance with the Applicable Law, subject to a minimum Vesting period of one year from the Grant date (or such other period as may be prescribed by SEBI from time to time). Provided, however, that such variation shall not be to the disadvantage of the Participants.

- 7.2 The Shares to be Vested as above shall be subject to the condition that the Participant is in continuous employment of the Company and is not serving any notice of resignation on the date of Vesting, except in the case of death or Permanent Incapacity suffered by a Participant. For the purposes of this Clause, it is further clarified that, in case of Participants, who are employees of a Subsidiary Company or a Holding Company, the term 'Company' shall mean to include such Subsidiary Company or Holding Company, as the case may be.

SECTION 8
EXERCISE OF OPTIONS

8.1 Exercise Plan

There shall be no lock-in after the Options have Vested. Unless otherwise specified by the Committee, the Vested Options shall be Exercised only during the Exercise Windows within the Exercise Period.

8.2 Exercise Price

- a) The Exercise Price per Share for the Options proposed to be granted each year may be determined by the Committee based on closing price (on the Stock Exchange on which the Shares are listed) of the Shares on the date prior to the date of the meeting of the Committee deciding to Grant the Options or at such other price as the Committee may determine on the date(s) of Grant of the Option(s). In the event the Shares are listed on more than one Recognized Stock Exchange, the closing price on the Recognized Stock Exchange where the trading volume is highest would be considered. Such Exercise Price will be intimated to the Participant through the Grant Letter.
- b) The Exercise Price determined as per Clause 8.2 above shall be applicable for all Grants made during that year.
- c) Upon payment of the Exercise Price and subject to the completion of necessary formalities, the Participant will acquire Shares from the Trust.
- d) Payment of the Exercise Price for the Options being Exercised shall be made in a manner as notified from time to time by the Committee.

8.3 Exercise Period and Exercise Windows

- a) The Exercise Period shall commence from each date of Vesting and expire at the end of seven years from the date of Vesting. However, in the event such Exercise Period extends beyond the Closing Date, the last date of the Exercise Period shall be the Closing Date. Options will lapse if not Exercised within the Exercise Period. The Participants shall be entitled to Exercise his Vested Options from the date of Vesting or such other period as may be determined by the Committee in compliance with the ESOP Guidelines.
- b) The Exercise of Options under this Scheme would be permitted only within the Exercise Windows during the Exercise Period, as determined and communicated by the Committee.
- c) The Participants shall Exercise Options which have Vested on a particular date as one lot at one time during an Exercise Window, and shall not be permitted to Exercise in part at various points of time within the relevant Exercise Period.
- d) Unless the Options lapse earlier in terms of the Scheme, the Options will lapse if not Exercised within the specified Exercise Period.



8.4 Cashless Exercise

Under a cashless exercise, a Participant who Exercises the Options, during an Exercise Window, will have to simultaneously provide instructions to sell the Shares the Participant is entitled to upon Exercise of the Options, and will only be entitled to receive the difference between the Selling Price and the Exercise Price for the Options Exercised by him, after deducting taxes payable on Exercise / sale, if any, and other amounts, expenses and charges due from him (including that in connection with the sale).

For the purpose of implementing the 'Cashless Exercise' the Committee shall be entitled to specify procedures and / or mechanisms to enable the Trust to facilitate cashless exercise of the Options as may be necessary and the same shall be binding on the Participant.

For the purpose of this clause, unless otherwise stated, "**Selling Price**" means the actual price realized on sale of the Shares on a Recognized Stock Exchange.

Notwithstanding anything contained herein or elsewhere in this Scheme, it is hereby clarified that the Company is under no obligation to either buy the Shares or pay any compensation to any Participant under this clause as a result of the inability or unwillingness of the Participant to acquire any Shares, whether due to lack of funds, or any restriction under law or otherwise.

- 8.5 Notwithstanding anything contained elsewhere in the Scheme, if the Committee and / or the Board, in case of the Options have Vested but not Exercised, is prevented by any law or regulation in force, it may defer or refuse to permit the Exercise of Options till such time as it is prohibited by the Applicable Laws. In such an event, the Company shall not be liable to pay any compensation or similar payment to the Participant for any loss suffered due to such refusal. Provided further, that the Board and / or the Committee shall have the power, and is authorized, to cancel all or any of the Options granted under the Scheme, if so required under the Applicable Law. The Company shall not be liable to pay any compensation or similar payment to the Participant for any loss suffered due to such cancellation.

8.6 Exercise Notice

- a) All Participants shall submit a duly signed written notice of Exercise of Options (hereinafter referred to as the "**Exercise Notice**"), in the format annexed hereto as **Annexure A**, to the Committee within the Exercise Windows during the Exercise Period setting forth:



- i. The number of Options desired to be Exercised;
 - ii. Participant's demat account details (viz. Depository Participant (D.P.) No. and Client I.D. Account No.);
 - iii. Permanent account number;
 - iv. Selection of decision to Exercise Options by way of (i) payment of Exercise Price; or (ii) cashless exercise; and
 - v. Such other particulars as the Committee may prescribe from time to time.
- b) The Options shall be deemed to be Exercised upon receipt, by the Committee, of duly executed Exercise Notice accompanied with:
- the aggregate Exercise Price towards the number of Options proposed to be Exercised (*see method of payment below*);
 - OR**
 - relevant instructions to Sell the Shares, the Participant will be entitled to upon Exercise of Options, in accordance with Clause 8.4 (*cashless exercise*) of this Scheme.
- c) Method of payment: Payment of the aggregate Exercise Price for all the Options proposed to be Exercised shall be made in the following manner:
- i. Cheque or demand draft drawn in the name of 'Essar Shipping Employee Stock Options Scheme Trust' payable at Mumbai; or
 - ii. Any other mode as may be approved by the Committee.
- d) The date of the submission of the Exercise Notice shall be considered as date of Exercise of such Options.



SECTION 9
Implications of Cessation of Employment

In the event of termination of employment of the Participant:

- 9.1 Due to any Cause (as defined hereinafter): The Options which have Vested but not Exercised and the Unvested Options shall be Forfeited immediately.

"Cause" shall mean, as determined by the Committee (i) the engaging by the Participant in wilful, reckless or grossly negligent misconduct which is determined by the Committee to be detrimental to the interest of the Company or any of the companies forming part of the Essar Group of Companies, monetarily or otherwise; (ii) the Participant's pleading guilty to or conviction of a felony; (iii) fraud, moral turpitude, misfeasance, breach of trust or wrongful disclosure of any secret or confidential information about the Company to any third party; or (iv) employment or provision of services by the Participant in any other organization outside the Company and the Essar Group of Companies while in employment with the Company, or abandonment of employment without consent of the Company. For the purposes of this Clause, it is further clarified that, in case of Participants, who are employees of a Subsidiary Company or a Holding Company, the term 'Company' shall mean to include such Subsidiary Company or Holding Company, as the case may be.

Voluntary Resignation: Without Cause, or on account of voluntary resignation, all the Unvested Options, on the date of submission of resignation letter by the Participant or termination shall be Forfeited immediately and the Participant shall have no right to claim any part of such Unvested Options. The Options already Vested in the hands of the Participant must be Exercised during the Exercise Windows within three months from the date of resignation or expiry of the Exercise Period applicable to the Options held by such Participant on the date of resignation, whichever is earlier.

Taxes or any other liability or any amount recoverable from the Participant pursuant to such acquisition of Shares, if any, shall be recovered from such Participant.

- 9.2 **In the event of death of the Participant while in employment:**
- a) Unvested Options on the date of death: the Unvested Options shall immediately Vest in the beneficiary(ies) (named in the Grant Letter, in failure of which, the Options shall Vest in the legal heir(s) of the deceased Participant), and must be Exercised during the Exercise Windows within one year of such Vesting.
 - b) Vested Options on the date of the death: For Options that were Vested and not Exercised by the deceased Participant, the beneficiary(ies) (or the legal heir(s) as the case may be) can Exercise all such Vested Options during the Exercise Windows within one year of



date of death of the Participant or expiry of the Exercise Period applicable to the Options held by such deceased Participant, whichever is earlier.

- 9.3 In the event of Permanent Incapacity of the Participant while in employment:
- a) Unvested Options: the Unvested Options shall Vest immediately in him and shall be permitted to be Exercised by him or his appointed beneficiary(ies) (named as such in the Grant Letter), and must be Exercised during the Exercise Windows within three years of such Vesting.
 - b) Vested Options: the Options that were Vested and not Exercised shall be Exercised by him or his appointed beneficiary(ies) (named as such in the Grant Letter) during the Exercise Windows within three years from the date on which the Participant suffered such Permanent Incapacity or expiry of the Exercise Period applicable to the Options held by such Participant on the date of permanent incapacity, whichever is earlier.
- 9.4 In case of Retirement:
- a) Unvested Options: All Unvested Options shall Vest as per the Vesting schedule mentioned in Section 7 of the Scheme and upon Vesting, Options can be Exercised upon payment of the Exercise Price within the Exercise Windows during the Exercise Period.
 - b) Vested Options: The Vested Options shall be Exercised within the Exercise Windows during the Exercise Period applicable to the Options held by such Participant on the date of retirement in terms of Section 8 of the Scheme.



SECTION 10
Non-Assignability

- 10.1 **Non-Assignability:** The Options shall not be transferable or assignable by the Participant, otherwise than by will or the laws of descent and distribution, and the Option shall be Exercisable, during the lifetime of the Participant, only by him or, after his death or upon Permanent Incapacity, by his appointed beneficiary(ies) under the Grant Letter or the Participant's legal heir(s), as the case may be. No Option shall be subject to execution, attachment or similar process.
- 10.2 **Change of Employment within Essar Group of Companies:** Except as may be otherwise provided in the Grant Letter, the Options Granted to the Participant hereunder shall not be affected by any change of employment if the Participant continues to be employed by any company within the Essar Group of Companies. Accordingly, the Participant will continue to hold the Options Granted to him, which shall Vest as per the Vesting schedule, and he shall be entitled to Exercise such Vested Options in accordance with terms and conditions set out in Section 8 of this Scheme.

SECTION 11
RIGHTS OF A PARTICIPANT TO SHARES

- 11.1 **Shareholder rights:** Neither Participant, nor his beneficiary(ies) or legal heir(s), shall have any rights of a shareholder of the Company, except as many be required under the ESOP Guidelines, with respect to the Shares for which the Option is Granted until Options are Exercised and Shares are acquired by the Participant in accordance with the provisions of the Scheme. For example, the Participants shall not have the right to receive dividend or to vote in any manner in respect of the Options Granted to him until Shares are acquired by the Participant on Exercise of the Options.



SECTION 12
TERMS AND CONDITIONS OF SHARES

- 12.1 All Shares acquired by the Participants under the Scheme shall be listed on all the Stock Exchanges on which the Company's Shares are listed and shall rank pari passu with other Shares of the Company including entitlement as to dividend.
- 12.2 The Shares that will be acquired by the Participant upon Exercise in accordance with the provisions of the Scheme will be in dematerialised form.
- 12.3 The Shares acquired by the Participants under the Scheme shall not be subject to any lock-in.

SECTION 13
QUALIFICATION CRITERIA

- 13.1 A Grant of the Options pursuant to the Scheme may be made only to an individual who, at the time of Grant, is an Eligible Employee (as defined in Clause 2.1 (k) of this Scheme).
- 13.2 However the following employees shall not be eligible to participate in the Scheme:
- a) an employee who is a Promoter or belongs to the Promoter Group; and
 - b) a Director who either by himself or through his relatives or through any body corporate, directly or indirectly holds more than 10% of the outstanding Share capital of the Company.
- 13.3 The Committee will identify the Eligible Employees who would satisfy qualification criteria to receive Grant of Options under the Scheme on basis of any or all of the following:
- a) Level and role of the Eligible Employee – Eligible Employees who are in the management grades M-01, M-02 or M-03;
 - b) Performance of the Eligible Employee – Eligible Employees who have achieved minimum performance rating of three (*'Performance Meets Expectations'*), four (*'Performance Significantly Exceeds Expectations'*) or five (*'Performance Redefines Organization Standards'*) in the last performance cycle. For the purposes of this scheme, the first performance cycle will be period commencing from April 1, 2010 to March 31, 2011;
 - c) Age of the Eligible Employee – Eligible Employees whose age is equal to or below 60 years. The Committee may relax this qualification criteria, for any Eligible Employee, as it may deem appropriate; and
 - d) Such other criteria as Committee may determine from time to time.
- 13.4 The Committee will identify the Eligible Employees who would be qualified to receive Grant of Options under the Scheme based on the aforesaid qualification criteria annually at the time of Grant during the Grant Period. Accordingly, if an Eligible Employee satisfies the qualification criteria during a year and was Granted Options for such period, the Company is under no obligation to Grant additional Options to such Eligible Employee, if the Eligible Employee fails to satisfy the qualification criteria for the next applicable Grant Period.
- 13.5 In the event a whole-time Director of the Company (or of its Subsidiary Company or Holding Company, as the case may be) is not classified under the management grades M-01, M-02 or M-03 as set forth in Clause 13.3(a) above, the condition relating to performance rating (as provided in Clause 13.3(b) above) shall not be applicable and the



Board or the Committee may Grant such number of Options to the whole-time Director, as it may deem appropriate, based on such criteria as the Board or the Committee may decide. However, all other conditions provided in the Scheme shall continue to be applicable.

13.6 Each Grant shall be evidenced by a Grant Letter.





SECTION 15
AMENDMENT OR TERMINATION OF THE SCHEME

15.1 The Board and / or the Committee in its absolute discretion may, subject to the provisions of the ESOP Guidelines, from time to time amend, alter or terminate the Scheme or any Grant or the terms and conditions thereof in accordance with Applicable Law. Provided that no amendment, alteration or termination in any Grant previously made may be carried out, to the extent possible, which would impair or prejudice the rights of the Participant without the consent of the shareholders of the Company.

Provided further, that the Board may not, without the approval of the shareholders, in the manner prescribed in the ESOP Guidelines, amend the Scheme:

- a) To increase the aggregate number of Shares which may be acquired by Participants pursuant to the provisions of the Scheme on Exercise; and
- b) To extend the maximum period during which Grants may be made under the Scheme.

15.2 Without prejudice to the above, the Board of Directors may, without any reference to or consent of the Participant concerned, amend the Scheme, Grant or any Grant Letter to comply with the ESOP Guidelines or any laws, regulations or guidelines, which is or may hereinafter, become applicable to this Scheme.



Company, during the period the Options are outstanding, in compliance with Applicable Laws.

- 16.13 **Governing Law:** The Scheme shall be construed in accordance with the laws of Republic of India. The Shares acquired by a Participant on Exercise of Options, pursuant to this Scheme shall be governed by the Applicable Laws of India and in a case where the Shares are listed on a Recognized Stock Exchange in a country other than India, the laws of the country / stock exchange in which the Shares are listed shall also apply.
- 16.14 **Jurisdiction:** The Courts in Mumbai shall have jurisdiction in respect of any and all matters, disputes or differences arising in relation to or out of this Scheme, and all employees shall submit themselves to the jurisdiction of the Courts in Mumbai in connection with this Scheme. Nothing in this clause will however limit the right of the Company (or its Subsidiary Company or Holding Company, as the case may be) to bring proceedings against any employee in connection with this Scheme in any other court of competent jurisdiction; or concurrently in more than one jurisdiction.
- 16.15 **Inability to obtain authority:** The inability of the Company to obtain authority from any regulatory body, if applicable, for the lawful issuance and sale of any Shares hereunder shall relieve and wholly discharge the Company of any and all liability in respect of the failure to issue or sell such Shares.
- 16.16 **Certificate from auditors:** The Board shall at each annual general meeting of the Company, place before the shareholders a certificate from the auditors of the Company that the Scheme has been implemented in accordance with the ESOP Guidelines and in accordance with the resolution of the Company in the general meeting.
- 16.17 **Notices and Correspondence:** Any notice required to be given by a Participant to the Company or the Committee or any correspondence to be made between a Participant and the Company or the Committee may be given or made to the Company at the registered office of the Company or the Committee as may be notified by the Company in writing.

Any notice, required to be given by the Company / the Committee to a Participant or any correspondence to be made between the Company / the Committee and a Participant shall be given or made by the Company / the Committee on behalf of the Company at the address provided by the Participant in the Grant Letter.

- 16.18 **Regulatory Approvals:** The implementation of the Scheme, the granting of any Option under the Scheme and subscription to and acquisition of any Shares under this Scheme shall be subject to the procurement by the Company and the Participants of all approvals and permits (if any) required by any regulatory authorities having jurisdiction over the



Scheme, the Options and the Shares acquired pursuant thereto. The Participants under this Scheme will, if requested by the Committee, provide such assurances and representations to the Company, as the Committee may deem necessary or desirable to ensure compliance with all applicable legal and accounting requirements.

APPROVED BY THE SHAREHOLDERS ON SEPTEMBER 9, 2011



Annexure A
Format of Exercise Notice
(Clause 4(b) of the Grant Letter and Clause 8.6 of the Scheme)

To,
The Compensation Committee
Essar Shipping Limited
Address: _____

Date: <Month> <Date>, <Year>

Attention:

1. **Exercise of Option:** Effective as of today, <Month> <Date>, <Year>, the undersigned ("Participant") hereby accepts <Number of Shares> shares of par value of Rs. [●] (the "Shares") of Essar Shipping Limited (the "Company") granted under the Essar Shipping Employee Stock Options Scheme - 2011 (the "Scheme") and the Grant Letter dated <Month><Date>, <Year> (the "Grant Letter") by way of (*please tick one*):

Payment of Exercise Price. The Participant herewith delivers to the Company the full purchase price aggregating to Rs. <Purchase price> for the Equity Shares by way of cheque / demand draft (*please strike one*) bearing no. <Number of cheque/ demand draft> in favor of 'Essar Shipping Employee Stock Options Scheme Trust' (the "Trust").

Cashless Exercise of Options. The Participant hereby authorizes the Committee to specify procedures/ mechanisms to enable the Trust to facilitate cashless exercise of Options and sell the Shares the Participant is entitled to upon Exercise in accordance with the terms of the Scheme.

2. **Representations of Participant:** The Participant acknowledges that he has received, read and understood the Scheme and the Grant Letter and agrees to abide by and be bound by the terms and conditions mentioned therein. The Participant's depository account details are:
Name of the Depository: _____; Name of the depository participant: _____; DP ID No.: _____; Client ID Account No.: _____.

<p>Submitted by:</p> <p>_____ (Signature)</p> <p>Employee Name: _____;</p> <p>Employee No. _____</p> <p>Name of company employed with: _____</p> <p>PAN No.: _____</p> <p>Address: _____</p> <p>_____</p>	<p>For official use only:</p> <p>Accepted by:</p> <p>_____</p> <p>(Signature)</p> <p>[Insert Name]</p> <p>[Chief Executive Officer/ Authorised Signatory]</p> <p>Essar Shipping Limited</p>
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Annexure B
Abridged Financial Information

ESSAR SHIPPING LIMITED		
CONSOLIDATED BALANCE SHEET AS AT 31st MARCH 2011		
Particulars	Schedule	As at 31.03.2011 (Rs. in crore)
I. SOURCES OF FUNDS		
Shareholders' funds:		
Capital	1	205.23
Reserves and surplus	2	5,036.48
		5,241.71
Loan funds:		
Secured loans	3	2,904.25
Finance lease obligations (refer note no. B (5) of schedule13)		827.30
Unsecured loans	4	1,257.50
		4,989.05
Deferred tax liability (net) (refer note no. B(10) of schedule13)		22.26
Total		10,253.02
II. APPLICATION OF FUNDS		
Fixed assets:		
Gross block	5	5,222.01
Less: Depreciation		1,086.93
Net block		4,135.08
Capital work-in-progress (including capital advances) and expenditure during construction		1,500.64
		5,635.72
Goodwill on consolidation		3,658.41
Investments *	6	0.00
Current assets, loans and advances:		
Inventories	7	133.50
Sundry debtors		471.37
Cash and bank balances		224.36
Other current assets		13.75
Loans and advances		694.11
		1,537.09
Less: Current liabilities and provisions:		
Liabilities	8	568.29
Provisions		11.73
Net current assets		580.02
		957.07
Miscellaneous expenditure (to the extent not written off or adjusted)		1.82
Total		10,253.02

(*amount less than Rs. 1 lakh)



ESSAR SHIPPING LIMITED		
CONSOLIDATED BALANCE SHEET AS AT 31st MARCH 2011		
Particulars	Schedule	As at 31.03.2011 (Rs. in crore)
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS	13	
ESSAR SHIPPING LIMITED		
CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE PERIOD FROM 16 TH APRIL 2010 TO 31 ST MARCH 2011		
Particulars	Schedule	For the period ended 31.03.2011 (Rs. in crore)
INCOME		
Fleet Operating and Chartering		659.84
Surface Logistics services		448.11
Oilfields services		167.99
Profit on sale of fleet		38.47
Other income	9	21.56
Currency exchange gain, net		6.83
		1,342.80
EXPENDITURE		
Operating expenses	10	939.94
Establishment and other expenses	11	65.87
		1,005.81
PROFIT BEFORE INTEREST, DEPRECIATION AND TAX		336.99
Interest and finance expenses	12	139.37
PROFIT BEFORE DEPRECIATION AND TAX		197.62
Depreciation		162.23
PROFIT BEFORE TAX		35.39
Less: Provision for taxation		
- Current tax (including tonnage tax)		(3.56)
- Deferred tax credit / charge		1.59
- Tax adjustments for earlier years		(0.12)
		(2.09)
PROFIT FOR THE PERIOD AVAILABLE FOR APPROPRIATIONS		33.30
AMOUNT AVAILABLE FOR APPROPRIATION		
APPROPRIATIONS		
Less: Transferred to tonnage tax reserve		20.00
Less: Transferred to debenture redemption reserve		10.00
Balance carried to balance sheet		3.30
Basic earnings per equity share (Rs.) (face value of Rs. 10/-per share		
Diluted earnings per equity share (Rs.) (face value of Rs. 10/-per share		
		1.37
[refer note no. B (7) of schedule 13]		



ESSAR SHIPPING LIMITED		
CONSOLIDATED BALANCE SHEET AS AT 31st MARCH 2011		
Particulars	Schedule	As at 31.03.2011 (Rs. in crore)
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS	14	

