



**Essar Shipping Limited**

1st annual report  
2010-11

## BOARD OF DIRECTORS

**Anshuman Ruia**  
Director

**R. N. Bansal**  
Independent Director

**N. Srinivasan**  
Independent Director

**K. V. Krishnamurthy**  
Independent Director

**Deepak Kumar Varma**  
Independent Director

**A. R. Ramakrishnan**  
Managing Director

**Capt. Anoop Kumar Sharma**  
Wholetime Director

**Ankur Gupta**  
Director

**COMPANY SECRETARY**  
Vinayak Joshi

**AUDITORS**  
Deloitte Haskins & Sells, Ahmedabad  
(Registration No. 117365W)

**AUDIT COMMITTEE**  
Anshuman Ruia  
K. V. Krishnamurthy  
R. N. Bansal  
N. Srinivasan

**SHARE TRANSFER AND SHAREHOLDERS' GRIEVANCE COMMITTEE**  
Deepak Kumar Varma  
A. R. Ramakrishnan  
Ankur Gupta

**COMPENSATION COMMITTEE**  
Anshuman Ruia  
R. N. Bansal  
N. Srinivasan

**REGISTERED OFFICE**  
Administrative Building  
Essar Refinery Complex  
Okha Highway (SH-25)  
Taluka Khambalia  
District Jamnagar  
Gujarat - 361 305  
Website: [www.essar.com](http://www.essar.com)

**REGISTRAR & TRANSFER AGENT**  
Data Software Research Company Private Limited  
9, Pycroft Garden Road, Off Haddows Road  
Nungambakkam, Chennai - 600 006  
Tel: (044) 2821 2154, 2821 2207, Fax: (044) 2821 2133  
E-mail: [dsr cmd@vsnl.com](mailto:dsr cmd@vsnl.com)

**CORPORATE OFFICE**  
Essar House  
11, K. K. Marg  
Mahalaxmi  
Mumbai - 400 034



## NOTICE TO MEMBERS

Notice is hereby given that the First Annual General Meeting of Essar Shipping Limited will be held at the Registered Office of the Company at Administrative Building, Essar Refinery Complex, Okha Highway (SH-25), Taluka Khambalia, District - Jamnagar, Gujarat - 361 305 at 2.00 p.m. Friday, September 9, 2011 to transact the following businesses:

### ORDINARY BUSINESS

1. To receive, consider and adopt the Profit and Loss Account for the year ended March 31, 2011 and the Audited Balance Sheet as on that date and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. A. R. Ramakrishnan who retires at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.
3. To re-appoint M/s. Deloitte Haskins & Sells, Chartered Accountants, Ahmedabad (Registration No. 117365W) as the Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

### SPECIAL BUSINESS

4. **To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:**

“RESOLVED THAT Mr. Anshuman Ruia, who was appointed as an Additional Director by the Board of Directors of the Company pursuant to Section 260 of the Companies Act, 1956 (the Act) and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing from a member under Section 257 of the Act proposing his candidature for the office of Director be and is hereby appointed as a Director of the Company whose office shall be liable to retire by rotation.”

5. **To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:**

“RESOLVED THAT Mr. Ankur Gupta, who was appointed as an Additional Director by the Board of Directors of the Company pursuant to Section 260 of the Companies Act, 1956 (the Act) and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing from a member under Section 257 of the Act proposing his candidature for the office of Director be and is hereby appointed as a Director of the Company whose office shall be liable to retire by rotation.”

6. **To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:**

“RESOLVED THAT Mr. R. N. Bansal, who was appointed as an Additional Director by the Board of Directors of the Company pursuant to Section 260 of the Companies Act, 1956 (the Act) and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing from a member under Section 257 of the Act proposing his candidature for the office of Director be and is hereby appointed as a Director of the Company whose office shall be liable to retire by rotation.”

7. **To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:**

“RESOLVED THAT Mr. N. Srinivasan, who was appointed as an Additional Director by the Board of Directors of the Company pursuant to Section 260 of the Companies Act, 1956 (the Act) and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing from a member under Section 257 of the Act proposing his candidature for the office of Director be and is hereby appointed as a Director of the Company whose office shall be liable to retire by rotation.”

8. **To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:**

“RESOLVED THAT Mr. K. V. Krishnamurthy, who was appointed as an Additional Director by the Board of Directors of the Company pursuant to Section 260 of the Companies Act, 1956 (the Act) and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing from a member under Section 257 of the Act proposing his candidature for the office of Director be and is hereby appointed as a Director of the Company whose office shall be liable to retire by rotation.”

9. **To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:**

“RESOLVED THAT Mr. Deepak Kumar Varma, who was appointed as an Additional Director by the Board of Directors of the Company pursuant to Section 260 of the Companies Act, 1956 (the Act) and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a

notice in writing from a member under Section 257 of the Act proposing his candidature for the office of Director be and is hereby appointed as a Director of the Company whose office shall be liable to retire by rotation.”

**10. To consider and if thought fit, to pass with or without modification, the following resolution as an Special Resolution:**

“RESOLVED THAT pursuant to the provisions of Section 198, 269, 309 and all other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII to the Companies Act, 1956, (including any statutory modification(s) or re-enactment thereof for the time being in force) and subject to such approval from the Central Government or any other authority, as may be required, consent of the Company be and is hereby accorded to the appointment of Mr. A. R. Ramakrishnan as the Managing Director of the Company for a period of 3 (Three) years commencing from May 23, 2011 on the terms and conditions including remuneration as set out in the Explanatory statement annexed to the notice convening this meeting with liberty to the Board of Directors (hereinafter referred to as “Board” which term shall be deemed to include the Remuneration/ Compensation Committee of the Board) to alter and vary the terms and conditions of the said appointment, as may be agreed to between the Board and Mr. A. R. Ramakrishnan.

RESOLVED FURTHER THAT the Board of Directors be and are hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this resolution.”

**11. To consider and if thought fit, to pass with or without modification, the following resolution as an Special Resolution:**

(a) “RESOLVED THAT Capt. Anoop Kumar Sharma, who was appointed as an Additional Director by the Board of Directors of the Company pursuant to Section 260 of the Companies Act, 1956 (the Act) and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing from a member under Section 257 of the Act proposing his candidature for the office of Director be and is hereby appointed as a Director of the Company whose office shall be liable to retire by rotation.

(b) RESOLVED THAT pursuant to the provisions of Section 198, 269, 309 and all other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII to the Companies Act, 1956, (including any statutory modification(s) or re-enactment thereof for the time being in force) and subject to such approval from the Central Government or any other authority, as may be required, consent of the Company be

and is hereby accorded to the appointment of Capt. Anoop Kumar Sharma as the Wholetime Director of the Company designated as CEO – Sea Transportation Business for a period of 3 (Three) years commencing from May 23, 2011 on the terms and conditions including remuneration as set out in the Explanatory statement annexed to the notice convening this meeting with liberty to the Board of Directors (hereinafter referred to as “Board” which term shall be deemed to include the Remuneration / Compensation Committee of the Board) to alter and vary the terms and conditions of the said appointment, as may be agreed to between the Board and Capt. Anoop Kumar Sharma.

RESOLVED FURTHER THAT the Board of Directors be and are hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this resolution.”

**12. To consider and, if thought fit, to pass the following resolution with or without modification, as a Special Resolution:**

“RESOLVED that pursuant to the provisions of sections 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (Act), the provisions of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme), 1999 (ESOS Guidelines) (including any statutory modification or re-enactment thereof for the time being in force), the enabling provisions of the Memorandum and Articles of Association of the Company, the Listing Agreements entered into by the Company with the stock exchanges where shares of the Company are being listed and subject to such approvals, consents, permissions and sanctions, as may be required, and further subject to such terms and conditions as may be prescribed while granting such approvals, consents, permissions and sanctions, the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as “the Board”, which term shall be deemed to include any Committee(s) constituted/to be constituted by the Board to exercise its powers including the powers conferred by this Resolution) to introduce and implement Essar Shipping Employees Stock Option Scheme – 2011 (hereinafter referred to as the ‘Scheme’) the salient features of which are detailed in the Explanatory Statement annexed to this Notice and to create, offer, issue and allot at any time to or for the benefit of such persons who are in the permanent employment of the Company including Wholetime Directors of the Company under this Scheme, such number of equity shares not exceeding in aggregate 1% of the paid-up equity shares of the Company, from time to time, on the date(s) of the grant of option(s) under the Scheme, or such other adjusted figures for any bonus, split,

consolidation, or other reorganization of the capital structure of the Company, as may be applicable from time to time, in one or more tranches, at such price and on such terms and conditions as may be fixed or determined by the Board in accordance with the Scheme, ESOS Guidelines and other provisions of law as may be prevailing at that time.

RESOLVED FURTHER that subject to the terms stated herein, the equity shares allotted pursuant to this resolution, shall rank *pari-passu* in all respects with the existing equity shares of the Company.

RESOLVED FURTHER that said equity shares that may be allotted directly to such employees in accordance with the Scheme, through a trust or any other entity which may be set up in any permissible manner and that the Scheme may also envisage for providing any financial assistance to the trust to enable the employees / trust to acquire, purchase or subscribe to the equity shares of the Company.

RESOLVED FURTHER that for the purpose of giving effect to any creation, offer, issue, allotment or listing of shares or for the purpose of settling any Trusts, the Board be and is hereby authorized to do all such acts, deeds, matters and things as the Board may, in its absolute discretion, consider necessary, proper, expedient, desirable or appropriate for making the said issue as aforesaid and to settle any question, query, doubt or difficulty that may arise in this in its absolute discretion and without being required to seek any further consent or approval of the members.

RESOLVED FURTHER that the Board be and is hereby authorised to vary or modify the terms of the Scheme or to suspend, withdraw or revive the Scheme in accordance with any guidelines or regulations that may be issued, from time to time, by any appropriate authority unless such variation, modification or alteration is detrimental to the interests of the employees."

**13. To consider and, if thought fit, to pass the following resolution with or without modification, as a Special Resolution:**

"RESOLVED that pursuant to the provisions of sections 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (Act), the provisions of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme), 1999 (ESOS Guidelines) (including any statutory modification or re-enactment thereof for the time being in force), the enabling provisions of the Memorandum and Articles of Association of the Company, the Listing Agreements entered into by the Company with the stock exchanges where shares of the Company are being listed and subject to such approvals, consents, permissions and sanctions, as may be required, and further subject to such terms and conditions as may be prescribed while granting such approvals, consents, permissions and sanctions, the consent of the Company be and is hereby accorded to the Board of Directors of the

Company (hereinafter referred to as "the Board", which term shall be deemed to include any Committee(s) constituted/to be constituted by the Board to exercise its powers including the powers conferred by this Resolution) to extend the benefits of "Essar Shipping Employees Stock Option Scheme – 2011" proposed under Resolution No.12 contained in this Notice, to the employees and /or Directors of any present and future subsidiary/holding companies of the Company, on such terms and conditions as may be decided by the Board of Directors of the Company.

RESOLVED FURTHER that subject to the terms stated herein, the equity shares allotted pursuant to this resolution, shall rank *pari-passu* in all respects with the existing equity shares of the Company.

RESOLVED FURTHER that for the purpose of giving effect to any creation, offer, issue, allotment or listing of shares or for the purpose of settling any Trusts, the Board be and is hereby authorized to do all such acts, deeds, matters and things as the Board may, in its absolute discretion, consider necessary, proper, expedient, desirable or appropriate for making the said issue as aforesaid and to settle any question, query, doubt or difficulty that may arise in this in its absolute discretion and without being required to seek any further consent or approval of the members."

By Order of the Board

Mumbai  
July 4, 2011

Vinayak Joshi  
**Company Secretary**

**Registered Office:**

Administrative Building  
Essar Refinery Complex  
Okha Highway (SH-25)  
Taluka Khambalia  
District Jamnagar  
Gujarat - 361 305

**Notes:**

- A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF ON A POLL ONLY. THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
- Proxy forms in order to be effective should be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for the meeting.
- Members/Proxies should bring the attendance slip duly filled in for attending the meeting.
- The Register of Members and Share Transfer Books of the Company shall remain closed from September 5, 2011 to September 9, 2011, both days inclusive.
- All documents referred to in the accompanying Notice are open for inspection at the Registered Office of

the Company on all working days, except Saturdays, Sundays and Bank holidays, between 11.00 a.m. and 1.00 p.m. upto the date of the Annual General Meeting.

6. The Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956 relating to the Special Businesses to be transacted at the Annual General Meeting is annexed.
7. The members are requested to immediately notify in their own interest the change in their address to the Company's Registrar and Share Transfer Agents: Data Software Research Company Private Limited, No.9, Pycroft Garden Road, Off Haddows Road, Nungambakkam, Chennai - 600 006, e-mail: dsr cmd@vsnl.com.
8. Members are informed that in case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
9. In terms of Section 109A of the Companies Act, 1956, members are entitled to make nomination in respect of shares held by them in physical form. Members desirous of making nominations are requested to send their requests in Form 2B, in duplicate, to the Secretarial Department at the Registered Office of the Company or to the Registrar and Share Transfer Agents – Data Software Research Company Private Limited.
10. Members desiring any information regarding the accounts are requested to write to the Company at "Essar House", 11, K. K. Marg, Mahalaxmi, Mumbai - 400 034 atleast 7 days before the date of the Meeting to enable the Company to keep the information ready.
11. In accordance with Green initiative of the Ministry of Corporate Affairs in Corporate Governance, the Companies can now send various communications to Shareholders electronically to those who register their email addresses. To receive all communications including Annual Reports by e-mail:
  - a. Holders of shares in physical form are requested to fill up the postage pre-paid e-mail registration form as setout at the end of Annual Report and send it to the share transfer agents, Data Software Research Co. Pvt. Ltd.
  - b. Members holding shares in demat form, may register their e-mail IDs with the Company or the Depository Participant.

## **ANNEXURE TO NOTICE:**

### **Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956**

#### **Item No. 4**

Mr. Anshuman Ruia was appointed as an Additional Director of the Company with effect from May 23, 2011. In terms of Section 260 of the Companies Act, 1956 and in accordance with Article 75 of the Articles of Association

of the Company, Mr. Ruia holds office upto the date of ensuing Annual General Meeting.

Accordingly, the resolution at item No. 4 of the notice is being proposed for his appointment as Director of the Company.

The Company has received a notice from a member under Section 257 of the Companies Act, 1956, with requisite deposit proposing the name of Mr. Ruia as a candidate for the office of Director of the Company.

Mr. Ruia is a Commerce Graduate and has over a decade's experience in overseeing Essar Group's major businesses. He currently looks after Essar's Shipping & Logistics, Communications and Power and BPO businesses. Mr. Ruia is responsible for the expansion and diversification of the Power business into new, renewable energy sources and the plans for entry into transmission and distribution. He is also involved in new business ventures of the Group in India and overseas.

In addition, he also works on the consolidation of the Group's business enterprises and strategy for growth.

He is a member of the YPO (Young Presidents' Organisation).

Mr. Ruia is also a Director on the Board of various Indian public limited companies.

Mr. Ruia's qualifications and varied experience would be most beneficial to the Company.

Your Directors accordingly recommend the resolution at Item No. 4 of the Notice for your approval.

None of the Directors, except Mr. Ruia, is concerned or interested in this resolution.

#### **Item No. 5**

Mr. Ankur Gupta was appointed as an Additional Director of the Company with effect from May 23, 2011. In terms of Section 260 of the Companies Act, 1956 and in accordance with Article 75 of the Articles of Association of the Company, Mr. Gupta holds office upto the date of ensuing Annual General Meeting.

Accordingly, the resolution at item No. 5 of the notice is being proposed for his appointment as Director of the Company.

The Company has received a notice from a member under Section 257 of the Companies Act, 1956, with requisite deposit proposing the name of Mr. Gupta as a candidate for the office of Director of the Company.

Mr. Gupta has over 23 years of experience in the Oilfield Services industry. Prior to joining Essar, he was Regional Vice President (Asia Pacific) for Paradigm Geophysical, a company specialising in providing geophysical software and services to oil and gas companies. Mr. Gupta has also held a variety of operations, technical and management positions with Schlumberger, the world's largest integrated oilfield services company. He has worked in five countries across three continents.



Mr. Gupta's qualifications and varied experience would be most beneficial to the Company.

Your Directors accordingly recommend the resolution at Item No. 5 of the Notice for your approval.

None of the Directors, except Mr. Gupta is concerned or interested in this resolution.

### Item No. 6

Mr. R. N. Bansal was appointed as an Additional Director of the Company with effect from May 23, 2011. In terms of Section 260 of the Companies Act, 1956 and in accordance with Article 75 of the Articles of Association of the Company, Mr. Bansal holds office upto the date of ensuing Annual General Meeting.

Accordingly, the resolution at item No. 6 of the notice is being proposed for his appointment as Director of the Company.

The Company has received a notice from a member under Section 257 of the Companies Act, 1956, with requisite deposit proposing the name of Mr. Bansal as a candidate for the office of Director of the Company.

Mr. R. N. Bansal is a Commerce Graduate and M.A. (Economics) and a Fellow Member of the Institute of Chartered Accountants of India, Associate Member of the Institute of Chartered Secretaries and Administrators, London and Associate Member of the Institute of Company Secretaries of India.

He joined the Department of Company Affairs in December 1956. He was the Registrar of Companies, Punjab, Tamilnadu and Maharashtra.

Mr. Bansal has served as a Government Nominee Director on all major Stock Exchanges of India. He was the Additional Director of Inspection & Investigation, Company Law Board, New Delhi, Regional Director (Southern and Western Regions), Director (Investment) and Additional Controller of Capital Issues and member of Company Law Board. He dealt with matters relating to share transfer appeals, Company Law Boards Bench Petitions, Policy Rules and Amendment of the Companies/MRTP Acts etc.

Mr. Bansal visited USA in 1981 to attend the meeting of the expert group of UN on Standard Accounting. Served as the National Treasurer of the All India Scouts & Guides. Mr. Bansal visited Japan as India representative in the World Congress in 1971. He is also a recipient of the Silver Elephant Award. Mr. Bansal presented papers on corporate law related matters in various forms.

Mr. Bansal is serving as an independent professional Director on the Board of various Indian public limited companies.

Mr. Bansal's qualifications and varied experience would be most beneficial to the Company.

Your Directors accordingly recommend the resolution at Item No. 6 of the Notice for your approval.

None of the Directors, except Mr. Bansal is concerned or interested in this resolution.

### Item No. 7

Mr. N. Srinivasan was appointed as an Additional Director of the Company with effect from May 23, 2011. In terms of Section 260 of the Companies Act, 1956 and in accordance with Article 75 of the Articles of Association of the Company, Mr. Srinivasan holds office upto the date of ensuing Annual General Meeting.

Accordingly, the resolution at item No. 7 of the notice is being proposed for his appointment as Director of the Company.

The Company has received a notice from a member under Section 257 of the Companies Act, 1956, with requisite deposit proposing the name of Mr. Srinivasan as a candidate for the office of Director of the Company.

Mr. N. Srinivasan has been a member of the Institute of Chartered Accountants of India since 1955. Mr. Srinivasan was a senior partner in Fraser & Ross / Deloitte Haskins & Sells and has had a close association with the development of the accounting profession in India. He was Chairman of the Southern Indian Regional Council and a Central Council Member of the Institute of Chartered Accountants.

Mr. Srinivasan is also a Director on the Board of various Indian public limited companies.

Mr. Srinivasan's qualifications and varied experience would be most beneficial to the Company.

Your Directors accordingly recommend the resolution at Item No. 7 of the Notice for your approval.

None of the Directors, except Mr. Srinivasan is concerned or interested in this resolution.

### Item No. 8

Mr. K. V. Krishnamurthy was appointed as an Additional Director of the Company with effect from May 23, 2011. In terms of Section 260 of the Companies Act, 1956 and in accordance with Article 75 of the Articles of Association of the Company, Mr. Krishnamurthy holds office upto the date of ensuing Annual General Meeting.

Accordingly, the resolution at item No. 8 of the notice is being proposed for his appointment as Director of the Company.

The Company has received a notice from a member under Section 257 of the Companies Act, 1956, with requisite deposit proposing the name of Mr. Krishnamurthy as a candidate for the office of Director of the Company.

Mr. K.V. Krishnamurthy, a Chartered Accountant by profession is a fellow member of the Indian Institute of Bankers and was a member of its Governing Board. He has over 33 years of experience in Public Sector Banking. His areas of specialisation include both domestic

and international banking, treasury management, risk management, foreign exchange management and human resource management.

He is credited with the remarkable turnaround of both Bank of India and Syndicate Bank, leading nationalised banks. He has been the Chairman/Director of nationalised banks like Bank of India, Bank of Baroda, Syndicate Bank and other financial institutions like Indo Hong Kong International Finance Company Limited, Export Credit Guarantee Corporation of India and Agricultural Finance Corporation of India Limited.

Mr. Krishnamurthy is also a Director on the Board of various Indian public limited companies.

Mr. Krishnamurthy's qualifications and varied experience would be most beneficial to the Company.

Your Directors accordingly recommend the resolution at Item No. 8 of the Notice for your approval.

None of the Directors, except Mr. Krishnamurthy is concerned or interested in this resolution.

#### **Item No. 9**

Mr. Deepak Kumar Varma was appointed as an Additional Director of the Company with effect from May 23, 2011. In terms of Section 260 of the Companies Act, 1956 and in accordance with Article 75 of the Articles of Association of the Company, Mr. Varma holds office upto the date of ensuing Annual General Meeting.

Accordingly, the resolution at item No. 9 of the notice is being proposed for his appointment as Director of the Company.

The Company has received a notice from a member under Section 257 of the Companies Act, 1956, with requisite deposit proposing the name of Mr. Varma as a candidate for the office of Director of the Company.

Mr. Varma is B.E. (Mechanical) and MBA by qualification and is a Management Consultant and Arbitrator by profession and is a member of the Indian Council of Arbitrators.

During his career Mr. Varma has held various senior management positions in Steel Authority of India Limited, Chairman and Managing Director of Hindustan Shipyard Limited, Chairman and Managing Director of Cochin Shipyard Limited, Managing Director of National Ship Design & Research Centre (NSDR), Chairman and Managing Director of Rashtriya Chemical & Fertilizers Limited, Chairman and Managing Director of Fertilizers & Chemicals (Cochin), Director & Group Leader of Oman India Fertilizers (OMIFCO), Chairman of the Standing Conference of Public Enterprises, the Apex Body of all Central PSU's.

Mr. Varma has rich experience in the fields of Construction, Project Implementation (Marine, Shipping, Shipbuilding & Offshore Construction), Oil Field Equipments Manufacturing (Steel, Chemical and Fertilizer / Petrochemical), Communication and Corporate Governance.

Mr. Varma is also a Director on the Board of various Indian public limited companies.

Mr. Varma's qualifications and varied experience would be most beneficial to the Company.

Your Directors accordingly recommend the resolution at Item No. 9 of the Notice for your approval.

None of the Directors, except Mr. Varma is concerned or interested in this resolution.

#### **Item No. 10**

Mr. A. R. Ramakrishnan was appointed as the Managing Director of the Company for a period of three years with effect from May 23, 2011.

Mr. A. R. Ramakrishnan has done his Mechanical Engineering with an Honours Degree and is a Post Graduate from the Indian Institute of Management, Kolkata.

He has been with the Essar Group since 1992. He spent the first two and half years as a Business Analyst, dealing with all the Essar Group companies. He joined the management team of Essar Shipping at the end of 1994 as General Manager (Commercial). In 1999, he took over as Chief Operating Officer and thereafter as Chief Executive Officer. He was a Wholtime Director of Essar Ports Limited (formerly Essar Shipping Ports & Logistics Limited). Prior to joining the Essar Group, Mr. Ramakrishnan was employed with Godrej for 12 years gaining experience in marketing, sales, manufacturing, systems and finance. He has wide experience in dealing with International companies and agencies, including building joint ventures.

Mr. Ramakrishnan is also a Director on the Board of various Indian public limited companies.

The gist of material terms relating to his appointment are as follows:

- (a) Period of Appointment : three years from May 23, 2011.
- (b) In consideration of his duties, Mr. Ramakrishnan shall be paid the following remuneration:

#### **1. Remuneration :**

Basic salary in the range of ₹ 5,00,000/- to ₹ 10,00,000/- per month, as may be determined by the Board of Directors or such other authority as may be delegated by the Board.

In addition to the Basic Salary, Mr. Ramakrishnan shall be entitled to perquisites and allowances like accommodation (furnished or otherwise) or House Rent Allowance in lieu thereof; House Maintenance Allowance together with reimbursement of expenses/allowances for utilisation of gas, electricity, water, furnishing and repairs; medical reimbursement; education allowance; leave travel concession for self and his family including dependents; club fees, premium for medical insurance, commission and



all other payments in the nature of perquisites and allowances as agreed by the Board of Directors or such other authority as may be delegated by the Board of Directors from time to time up to the limit of ₹ 23,50,000/- per month. As per the rules of the Company, Mr. Ramakrishnan will be eligible for Provident Fund, Gratuity and Superannuation, which payments shall not be included for the purpose of calculation of the Managerial Remuneration.

### 2. Minimum Remuneration:

Notwithstanding anything to the contrary herein contained where in any financial year during the currency of tenure of Mr. Ramakrishnan, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary and perquisites and allowances as specified above subject to compliance with the applicable provisions of Schedule XIII to the Act, if and to the extent necessary, with the approval of the Central Government.

- (c) Mr. Ramakrishnan shall not be paid any sitting fees for attending the meetings of the Board or any Committee(s) thereof.
- (d) Mr. Ramakrishnan shall be bound by the non-compete and confidentiality provisions as applicable to the members of the Board.
- (e) Mr. Ramakrishnan shall cease to be a Director if he ceases to be an employee.
- (f) Either party shall be entitled to terminate the employment by giving not less than three calendar months prior notice in writing in that behalf to the other party, provided that the Company shall be entitled to terminate Mr. Ramakrishnan's employment at any time by payment to him of three months basic salary in lieu of such notice.

The above may be treated as an abstract of the agreement between the Company and Mr. Ramakrishnan pursuant to Section 302 of the Companies Act, 1956.

The Board is of the opinion that the appointment of Mr. Ramakrishnan would be in the best interest of the Company. The Board accordingly recommends the resolutions at Item No. 10 of the accompanying notice for your approval.

None of the Directors other than Mr. Ramakrishnan are concerned or interested in the resolution at Item No. 10 of the accompanying Notice.

### Item No. 11 (a) and (b)

Capt. Anoop Kumar Sharma was appointed as an additional Director of the Company with effect from May 9, 2011. In terms of Section 260 of the Companies Act, 1956 and in accordance with Article 75 of the Articles of Association of the Company, Mr. Sharma holds office upto the date of ensuing Annual General Meeting.

Capt. Sharma has been associated with Essar Ports Limited (formerly Essar Shipping Ports & Logistics Limited) since 2008 as CEO - Shipping Business after a rich experience spanning over 28 years at Shipping Corporation of India (SCI) in technical, operations, purchase/contracts, commercial, business development etc.

Capt. Sharma started his career as a cadet with SCI and went on to become Sr. VP – Chartering where he formulated and implemented a comprehensive strategy to explore global business opportunities for various type of vessels i.e. tankers, bulk carriers and containers.

The Company has received a notice from a member under Section 257 of the Companies Act, 1956, with requisite deposit proposing the name of Mr. Sharma as a candidate for the office of Director of the Company.

The gist of material terms relating to his appointment are as follows:

- a) Period of Appointment : three years from May 23, 2011.
- b) In consideration of his duties, Mr. Sharma shall be paid the following remuneration:

#### 1. Remuneration :

- a. Basic salary in the range of ₹ 3,00,000/- to ₹ 8,00,000/- per month, as may be determined by the Board of Directors or such other authority as may be delegated by the Board.
- b. In addition to the Basic Salary, Mr. Sharma shall be entitled to perquisites and allowances like accommodation (furnished or otherwise) or House Rent Allowance in lieu thereof; House Maintenance Allowance together with reimbursement of expenses/allowances for utilisation of gas, electricity, water, furnishing and repairs; medical reimbursement; education allowance; leave travel concession for self and his family including dependents; club fees, premium for medical insurance, commission and all other payments in the nature of perquisites and allowances as agreed by the Board of Directors or such other authority as may be delegated by the Board of Directors from time to time up to the limit of ₹ 10,00,000/- per month. As per the rules of the Company, Mr. Sharma will be eligible for Provident Fund, Gratuity and Superannuation, which payments shall not be included for the purpose of calculation of the Managerial Remuneration.

#### 2. Minimum Remuneration:

Notwithstanding anything to the contrary herein contained where in any financial year during the currency of tenure of Mr. Sharma, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary

and perquisites and allowances as specified above subject to compliance with the applicable provisions of Schedule XIII to the Act, if and to the extent necessary, with the approval of the Central Government.

- c) Mr. Sharma shall not be paid any sitting fees for attending the meetings of the Board or any Committee(s) thereof.
- d) Mr. Sharma shall be bound by the non-compete and confidentiality provisions as applicable to the members of the Board.
- e) Mr. Sharma shall cease to be a Director if he ceases to be an employee.
- f) Either party shall be entitled to terminate the employment by giving not less than three calendar months prior notice in writing in that behalf to the other party, provided that the Company shall be entitled to terminate Mr. Sharma's employment at any time by payment to him of three months basic salary in lieu of such notice.

The above may be treated as an abstract of the agreement between the Company and Mr. Sharma pursuant to Section 302 of the Companies Act, 1956.

The Board is of the opinion that the appointment of Mr. Sharma would be in the best interest of the Company. The Board accordingly recommends the resolutions at Item No. 11 of the accompanying notice for your approval.

None of the Directors other than Mr. Sharma are concerned or interested in the resolution at Item No. 11 of the accompanying Notice.

#### **Item No. 12 and 13**

Stock Options in the hands of employees have long been recognised as an effective instrument to align the interests of the employees with that of the Company and its shareholders, providing an opportunity to the employees to share the growth of the Company and to create wealth in the hands of the employees.

Though your Company has been recognising the performance and incentivising its employees from time to time and with a view to encourage value creation and value sharing with employees, attract and retain best talents, your Company proposes to introduce an Employees Stock Option Scheme namely "Essar Shipping Employee Stock Option Scheme - 2011" ("Scheme").

To promote the culture of employee ownership, approval of the members is being sought for issue of stock options to the employees of the Company.

The Scheme has been formulated in accordance with the Securities Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (SEBI ESOS Guidelines) and other applicable laws. The Board has accordingly decided

to seek the approval of the Members for the same. The salient features of the Scheme are:

- 1) Total number of options to be granted:  
The total number of options that may in the aggregate be granted shall be such number that would entitle the option holders to acquire in one or more tranches equity shares of ₹ 10/- each upto 1% of the paid up share capital of the Company as on the date(s) of grant of option(s). One option entitles the option holder to one equity share.
- 2) Identification of classes of employees entitled to participate in the Scheme:  
Persons who are permanent employees (including Wholetime Directors) of the Company or its subsidiary/ or holding company, as may be decided by the Board/ Committee, are eligible to be granted options under the Scheme.  
An employee who is a promoter or belongs to the promoter group or a director who either by himself or through his relative or through any body corporate, directly or indirectly holds more than 10% of the outstanding equity shares of the Company at the time of granting of option shall not be eligible to participate in the Scheme.
- 3) Requirements of vesting and Period of vesting:  
The vesting period may commence after a period of not less than one year from the grant date or such longer period as the Board/Committee may determine.
- 4) Exercise price or pricing formula:  
The Exercise Price per Share would be determined by the Compensation 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 Board/ Compensation Committee at which the Options are granted or at such price as the Board / the Compensation Committee may determine on the date(s) of Grant of the Option(s).
- 5) Exercise period and process of exercise:  
The exercise period shall commence from the date of vesting and expire at the end of 7 years from the date of Vesting. The option will lapse if not exercised within the specified exercise period. The option will be exercisable by the employees by a written application to the Company / Trust or any other entity which may be setup for this purpose to exercise the options, in such manner and on execution of such documents as may be prescribed by the Board/Committee.
- 6) Appraisal process for determining the eligibility of employees:  
The Company has formal appraisal process in place to assess the performance of employees each year based on various parameters which is reviewed at regular intervals. The stock options to be granted to employees would be based on the appraisal procedure

which shall be determined by Board/Committee on the basis of work performance, period of service, technical knowledge, managerial level, future potential, etc.

The Board/Committee may decide to extend the benefits of the Scheme to new entrants or to existing employee on such basis as it may deem fit.

- 7) Maximum number of options to be issued per employee and in aggregate:

The maximum number of options granted to any employee in a year will depend upon the rank/total compensation/designation of the employee as determined by the Board or Compensation Committee of the Company. The aggregate of all such options granted shall not exceed 1% of the aggregate of the paid up equity shares of the Company, from time to time, on the date(s) of grant of option(s).

- 8) Disclosure and accounting policies:

The Company shall comply with the disclosure and accounting policies prescribed by Scheme and any other applicable guidelines/laws as may be amended from time to time.

- 9) Method of valuation:

To calculate the employee compensation cost, the Company shall use the Fair Value Method for valuation of the options granted.

In case the Company follows the Intrinsic Value method for computing the compensation cost using the intrinsic value of stock option, the difference between the employee compensation cost so computed and employee compensation cost that shall have been recognized, if the Company had used fair value of the options shall be disclosed on the Directors Report and also the impact of the difference on the profits and the earnings per share of the Company shall also be disclosed in the Directors' Report.

- 10) Other Terms:

The Board/Committee may provide for operation of the Scheme through Essar Shipping's Employee Stock Option Scheme Trust (Trust), which shall be governed and operated in terms of the provisions stipulated therein.

The Board/Committee shall have the absolute authority to vary or modify the terms of the Scheme in accordance with the regulations and guidelines prescribed by SEBI or regulations that may be issued by any appropriate authority, from time to time, unless such variation, modification or alteration is detrimental to the interests of the stakeholders.

The equity shares may be allotted directly to the employees or in accordance with the Scheme through any appropriate mechanism including the Trust or any

other entity which may be setup for that purpose and such Scheme may also contain provisions for providing financial assistance to the employees / Trust / entity to enable the employees / Trust / entity to acquire, purchase or subscribe to the equity shares.

As the scheme would entail issue of further shares to persons other than the existing shareholders, in terms of Section 81(1A) and all other applicable provisions if any, of the Companies Act, 1956 and as per Clause 6 of the SEBI ESOS Guidelines, consent of the members is required by passing Special Resolution in General Meeting. As per Clause 6 of the SEBI ESOS Guidelines, a separate resolution is required to be passed if the benefits of the Scheme are to be extended to the employees /Directors of existing or future subsidiary(s) or holding Company

The Board accordingly recommends the resolutions set out at Item No. 12 and 13 of the accompanying Notice for your approval.

Mr. A. R. Ramakrishnan, Capt. Anoop Kumar Sharma and Mr. Ankur Gupta may be treated as concerned or interested in these resolutions to the extent of benefits they may derive to them from the Scheme. None of the other directors is concerned or interested in these resolutions.

By Order of the Board

Mumbai  
July 4, 2011

Vinayak Joshi  
Company Secretary

**Registered Office:**  
Administrative Building  
Essar Refinery Complex  
Okha Highway (SH-25)  
Taluka Khambalia  
District Jamnagar  
Gujarat - 361 305

### ANNEXURE TO NOTICE:

#### **Details of Directors seeking appointment/re-appointment at the First Annual General Meeting in pursuance of Clause 49 of the Listing Agreement.**

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##### **Mr. R. N. Bansal**

Mr. R. N. Bansal is a Commerce Graduate and M.A. (Economics) and a Fellow Member of the Institute of Chartered Accountants of India, Associate Member of the Institute of Chartered Secretaries and Administrators, London and Associate Member of the Institute of Company Secretaries of India.

He joined the Department of Company Affairs in December 1956. He was the Registrar of Companies, Punjab, Tamilnadu and Maharashtra.



Mr. Bansal has served as a Government Nominee Director on all major Stock Exchanges of India. He was the Additional Director of Inspection & Investigation, Company Law Board, New Delhi, Regional Director (Southern and Western Regions), Director (Investment) and Additional Controller of Capital Issues and member of Company Law Board. He dealt with matters relating to share transfer appeals, Company Law Boards Bench Petitions, Policy Rules and Amendment of the Companies/MRTP Acts, etc.

Mr. Bansal visited USA in 1981 to attend the meeting of the expert group of UN on Standard Accounting. He has served as the National Treasurer of the All India Scouts & Guides. Mr. Bansal visited Japan as India representative in the World Congress in 1971. He is also a recipient of the Silver Elephant Award. Mr. Bansal has presented papers on corporate law related matters in various forms.

Mr. Bansal is serving as an independent professional Director on the Board of various other Indian public limited companies viz., Chambal Fertilisers and Chemicals Limited, Gobind Sugar Mills Limited, Pushpsons Industries Limited, Orient Ceramics and Industries Limited, The Hindoostan Spinning & Weaving Mills Limited, Vadinar Oil Terminal Limited, Essar Logistics Limited, Essar Ports Limited and Essar Oilfield Services India Limited and Bell Ceramics Limited.

Mr. Bansal is the Chairman of the Audit Committee of Bell Ceramics Limited, Pushpsons Industries Limited, Orient Ceramics & Industries Limited and Investor Grievance Committee of Chambal Fertilizers & Chemicals Limited. He is a member of the Audit Committee of Chambal Fertilizers & Chemicals Limited, Gobind Sugar Mills Limited, The Hindoostan Spinning & Weaving Mills Limited and Vadinar Oil Terminal Limited.

Mr. Bansal does not hold any shares in the Company.

#### **Mr. Anshuman Ruia**

Mr. Anshuman Ruia is a Director on the Board of major companies of the Essar Group.

Mr. Ruia is a Commerce Graduate and has over a decade's experience in overseeing Essar Group's major businesses. He currently looks after Essar's Shipping & Logistics, Ports, Communications and Power and BPO businesses. Mr. Ruia is responsible for the expansion and diversification of the Power business into new, renewable energy sources and the plans for entry into transmission and distribution. He is also involved in new business ventures of the Group in India and overseas.

In addition, he also works on the consolidation of the Group's business enterprises and strategy for growth.

He is a member of the YPO (Young Presidents' Organisation).

Mr. Ruia is also a Director on the Board of various Indian public limited companies viz., Essar Oil Limited, AGC Networks Limited, Vodafone Essar Limited, India Securities

Limited, Aegis Limited, Essar Securities Limited and Essar Ports Limited.

Mr. Ruia does not hold any shares in the Company.

#### **Mr. Ankur Gupta**

Mr. Gupta has over 23 years of experience in the Oilfield Services industry. Prior to joining Essar, he was Regional Vice President (Asia Pacific) for Paradigm Geophysical, a company specialising in providing geophysical software and services to oil and gas companies. Mr. Gupta has also held a variety of operations, technical and management positions with Schlumberger, the world's largest integrated oilfield services company. He has worked in five countries across three continents.

Mr. Gupta's qualifications and varied experience would be most beneficial to the Company.

Mr. Gupta is a Director of Essar Oilfield Services India Ltd.

Mr. Gupta does not hold any shares in the Company.

#### **Mr. A. R. Ramakrishnan**

Mr. A. R. Ramakrishnan has done his Mechanical Engineering with an Honours Degree and is a Post Graduate from the Indian Institute of Management, Kolkata.

He has been with the Essar Group since 1992. He spent the first two and half years as a Business Analyst, dealing with all the Essar Group companies. He joined the management team of Essar Shipping at the end of 1994 as General Manager (Commercial). In 1999, he took over as Chief Operating Officer and thereafter as Chief Executive Officer. He was a Wholtime Director of Essar Ports Limited (formerly Essar Shipping Ports & Logistics Limited). Prior to joining the Essar Group, Mr. Ramakrishnan was employed with Godrej for 12 years gaining experience in marketing, sales, manufacturing, systems and finance. He has wide experience in dealing with International companies and agencies, including building joint ventures.

Mr. Ramakrishnan is on the Board of Indian National Shipowners Association, Essar Oilfield Services India Limited and Adel Shipping & Logistics Limited.

Mr. Ramakrishnan does not hold any shares in the Company.

#### **Capt. Anoop Kumar Sharma**

Capt. Anoop Kumar Sharma has been associated with Essar Ports Limited (formerly Essar Shipping Ports & Logistics Limited) since 2008 as CEO - Shipping Business after a rich experience spanning over 28 years at Shipping Corporation of India (SCI) in technical, operations, purchase/contracts, commercial, business development etc.

Capt. Sharma started his career as a cadet with SCI and went on to become Sr. VP – Chartering where he formulated and implemented a comprehensive strategy to

## 1<sup>st</sup> Annual Report 2010-11

explore global business opportunities for various type of vessels i.e. tankers, bulk carriers and containers.

Mr. Sharma does not hold any shares in the Company.

### Mr. N. Srinivasan

Mr. N. Srinivasan has been a member of the Institute of Chartered Accountants of India since 1955. Mr. Srinivasan was a senior partner in Fraser & Ross / Deloitte Haskins & Sells and has had a close association with the development of the accounting profession in India. He was Chairman of the Southern Indian Regional Council and a Central Council Member of the Institute of Chartered Accountants.

Mr. N. Srinivasan is on the Board of United Breweries (Holdings) Limited, UB Engineering Limited, McDowell Holdings Limited, India Cements Limited, India Cements Capital Limited, Tractors and Farm Equipment Limited, The Andhra Pradesh Paper Mills Limited, Amco Batteries Limited, The United Nilgiri Tea Estates Company Limited, GATI Limited, Ador Fontech Limited, TAFE Motors & Tractors Limited, Best & Crompton Engineering Limited and Redinton India Limited.

Mr. N. Srinivasan does not hold any shares in the Company.

### Mr. K.V. Krishnamurthy

Mr. K.V. Krishnamurthy, a Chartered Accountant by profession is a fellow member of the Indian Institute of Bankers and was a member of its Governing Board. He has over 33 years of experience in Public Sector Banking. His areas of specialisation include both domestic and international banking, treasury management, risk management, foreign exchange management and human resource management.

He is credited with the remarkable turnaround of both Bank of India and Syndicate Bank, leading nationalised banks. He has been the Chairman/Director of nationalised banks like Bank of India, Bank of Baroda, Syndicate Bank and other financial institutions like Indo Hong Kong International Finance Company Limited, Export Credit Guarantee Corporation of India and Agricultural Finance Corporation of India Limited.

Mr. K. V. Krishnamurthy is on the Board of FCH Centrum Direct Limited, Esar Propack Limited, Balan Foods Private Limited, Borosil Glass Works Limited, Essar Steel Limited, Thirumalai Chemicals Limited, Packaging India Private Limited, Centrum Capital Limited, VVF Industries Limited, Essar Oil Limited, Loop Telecom Limited, Loop Mobile (India) Limited.

Mr. K. V. Krishnamurthy does not hold any shares in the Company.

### Mr. Deepak Kumar Varma

Mr. Deepak Kumar Varma is B.E. (Mechanical) and MBA by qualification and is a Management Consultant and

Arbitrator by profession and is a member of the Indian Council of Arbitrators.

During his career Mr. Varma has held various senior management positions in Steel Authority of India Limited, Chairman and Managing Director of Hindustan Shipyard Limited, Chairman and Managing Director of Cochin Shipyard Limited, Managing Director of National Ship Design & Research Centre (NSDR), Chairman and Managing Director of Rashtriya Chemical & Fertilizers Limited, Chairman and Managing Director of Fertilizers & Chemicals (Cochin), Director & Group Leader of Oman India Fertilizers (OMIFCO), Chairman of the Standing Conference of Public Enterprises, the Apex Body of all Central PSU's.

Mr. Varma has rich experience in the fields of Construction, Project Implementation (Marine, Shipping, Shipbuilding & Offshore Construction), Oil Field Equipments Manufacturing (Steel, Chemical and Fertilizer / Petrochemical), Communication and Corporate Governance.

Mr. Deepak Kumar Varma is on the Board of Matix Fertilizers & Chemicals Limited and Broad Vision and Management Consulting Private Limited.

Mr. Varma does not hold any shares in the Company.

By Order of the Board

Mumbai  
July 4, 2011

Vinayak Joshi  
**Company Secretary**

**Registered Office:**  
Administrative Building  
Essar Refinery Complex  
Okha Highway (SH-25)  
Taluka Khambalia  
District Jamnagar  
Gujarat - 361 305

Persons constituting 'group' coming within the definition of group as defined in the Monopolies and Restrictive Trade Practices Act, 1969 for the purpose of interse transfer of shares of the Company under regulation 3(1)(e)(i) of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997:

Sr.No.	Name of the Company
1.	Essar Investments Limited
2.	Imperial Consultants & Securities Private Ltd.
3.	Essar Global Limited
4.	Essar Shipping & Logistics Limited
5.	Essar Steel Limited

## DIRECTORS' REPORT

### To the Members of Essar Shipping Limited

Your Directors take pleasure in presenting the First Annual Report of your Company together with Audited Accounts for the year ended March 31, 2011. Pursuant to the provisions of Section 219 of the Companies Act, 1956 and as permitted by the Securities and Exchange Board of India (SEBI), the abridged annual accounts of the Company are enclosed. Any member interested in obtaining a copy of the unabridged accounts may write to the Company Secretary at the Registered Office.

### 1. FINANCIAL RESULTS:

The summary of the standalone and consolidated financial results of your Company for the year ended March 31, 2011 are furnished below:

(₹ in crore)

Particulars	Consolidated		Standalone	
	For the year ended 31.03.2011*	For the year ended 31.03.2010**	For the year ended 31.03.2011*	For the Year ended 31.03.2010**
Total Income	1,342.79	–	546.95	–
Total Expenditure	1,005.83	–	287.27	–
EBITDA	336.86	–	259.68	–
Less: Interest & Finance charges	139.37	–	123.11	–
Less: Provision for Depreciation	162.23	–	56.90	–
Profit before Tax	35.36	–	79.67	–
Less: Provision for Tax	2.09	–	1.50	–
Profit before Share of Minority Interest	–	–	–	–
Add: Share of Minority Interest (loss)	–	–	–	–
Profit after Tax	33.27	–	78.17	–

The Composite Scheme of Arrangement for demerger of shipping, oilfields and logistics business of Essar Ports Limited (formerly known as Essar Shipping Ports & Logistics Limited) into Essar Shipping Limited became effective on May 9, 2011 and all assets and liabilities pertaining to shipping, logistics and oilfields business stood transferred to Essar Shipping Limited from the appointed date i.e., October 1, 2010, accordingly there are no comparative figures available.

\* Performance for the period April 16, 2010 to March 31, 2011.

\*\* The Company was incorporated on April 16, 2010. Since this is the first year of operations of the Company, previous year figures have been shown as Nil.

### 2. SCHEME OF ARRANGEMENT

Essar Shipping Ports & Logistics Limited (ESPLL) has successfully implemented the Scheme of Arrangement whereby Essar Ports & Terminals Limited and Essar International Limited got amalgamated with ESPLL and the Shipping & Logistics and Oilfields Drilling businesses were demerged into your Company.

The Demerger has resulted in the vesting of the Shipping & Logistics and Oilfields Drilling businesses into your Company. The Scheme has resulted in focused business operations of the Company and will give the Company increased flexibility in taking advantage of the huge growth opportunities in the business segments it operates in.

The authorised share capital of the Company was increased to ₹ 500,00,00,000/- from ₹ 5,00,000/-.

The Board of Directors of your Company have on May 21, 2011 issued and allotted 20,52,27,768 equity shares of ₹ 10/- each credited as fully paid to all eligible members of ESPLL as on May 19, 2011 being the Record Date fixed for ascertaining the members eligible to receive the shares of your Company pursuant to the demerger. Consequently the issued, subscribed and paid up share capital of your Company currently stands at Rs. 205,22,77,680/-. The shares of your Company shall be listed on the Bombay Stock Exchange and the National Stock Exchange.

### 3. DIVIDEND

Your Company which comprises of Sea Transportation, Oilfield Services and Logistics Businesses is currently expanding the capacities in these businesses through acquisition of suitable assets. These assets are highly capital intensive in nature and therefore require substantial investment. This necessitates the operating profits to be ploughed back towards capital expenditure. With a view to conserving resources for these requirements, your Directors have not recommended any dividend for the year ended March 31, 2011.

### 4. MANAGEMENT DISCUSSION & ANALYSIS

#### Overview of the World Economy

The world is gradually recovering from the shocks of the most severe recession since World War II. After fighting off the economic depression with massive public investment, the major concern today is to maintain growth without inflation as most developing nations have reached the pre-crisis activity levels. While the developing nations strengthen their financial policies to contain inflation, the developed economies seem to be continuing with the post-crisis clean up job. Two major events affecting the global economy this fiscal were the earthquake and tsunami in Japan and the continuing political struggle in the Middle East and North Africa, both of which have negatively affected the global economy. Emerging economies in Asia



and the BRICS are expected to lead the global economic growth scenario, led by robust domestic consumption and a strong demand for global oil and mineral resources. China overtook Japan as the world's second largest economy this fiscal highlighting the changing global economic scenario.

The IMF predicts the global GDP to grow at 4.3% in 2011, down from its previous estimate of 4.4% and much lower than the growth of 5.1% in 2010, with the high-income nations growing at a meager 2.2%, mainly due to the Japanese earthquake and tighter policy measures. The developing economies are expected to grow at a strong 6.3%, even as developing economies around the world fight rising domestic inflation and take steps to avoid overheating.

The Euro zone is facing a severe debt crisis as it scrambles to bail out several of its members. The ECB has already spent over Euro 250 billion to fund the bailouts of three member nations even as the Euro faced downward pressure against the U.S. Dollar as the ECB prepares to slowly raise rates after a two year lull. Coupled with low growth prospects, The Euro zone may be entering a phase of severe economic austerity and the IMF predicts the Euro area to grow by 2% this fiscal.

The US economy is on the recovery path but will grow at a lower rate than previously estimated mainly due to higher global oil prices and a lower than expected factory output. The US economy is expected to grow at 2.5% in 2011, below its growth of 2.9% in 2010. The key focus areas for the high-income countries going forward will be deficit reduction and employment generation.

### Overview of the Indian Economy

The Indian economy grew at an average annual GDP growth of over 9 per cent during the period 2005 to 2008, before slowing down to 6.1% due to the global financial crisis. After growing at 10.4% in 2010, the first time that the economy grew in double digits, the Indian economy is expected to grow at 8.2% in 2011. The RBI revised India's growth rate for 2011 downwards by 1 percentage point and expects it to grow at 8% this fiscal year. India's fiscal deficit is expected to fall in the coming years, though is expected to remain high at 4.6% of the GDP in 2011. Similarly, its debt ratio is expected to fall mainly due to higher output.

Inflation remains the biggest worry in the Indian political and economic circles as economists warn high food and global oil prices can hamper growth. Continuing its hawkish stance, the RBI has raised key rates 10 times in the past 15 months, most recently in June when it raised its key policy rate by 25 basis points to 5.7%. Higher interest rates will affect private capital expenditure and hurt growth as global bankers do not rule out further hikes in the future as core inflation continues to remain above RBI's comfort zone.

Global commodity pressures continue to remain a worry for India as its demand for global oil and mineral assets grows. Higher commodity prices, particularly food, will also put an upward pressure on wages, affecting India's competitiveness in several industries. Several sectors may face lower demand due to higher interest rates.

### YOUR COMPANY'S BUSINESS PERFORMANCE, OPPORTUNITIES AND OUTLOOK

The business model adopted by your Company is unique in nature with no peer group comparison. The business is based on the intrinsic and captive demand for transportation services and logistics & cargo handling infrastructure required by the steel, power generation and refining industry. With interests in crude and dry bulk carriers, port to plant logistics and oilfield services, your Company continues to provide end-to-end logistics solutions to its customers in a very cost effective manner.

#### a) Sea Transportation Business:

The global tanker and bulk carrier markets are still hampered by an oversupply of vessels amid weaker economic cues thus indicating a continued period of soft rates. However, the spot freight rates seemed to have stopped their downward spin in the recent past and it seems that the market may have bottomed out and even picked slightly, although the weak global economic cues will curtail significant growth in output and rates may not improve much in the near term.

In 2010, the main driver of global demand for commodities was China, and as the world's second largest economy takes steps to cool down its overheating economy and prevent an asset bubble, the growth in its demand for commodities is expected to remain subdued. At the same time, coal production in Australian mines was cut off due to flooding, thus depressing the rates further. Coal trade is expected to grow at 6+% in 2011 as India and China continue to use it as the primary source of fuel for power.

The global oversupply of bulk carriers, particularly capesize vessels, resulted in poor market conditions. However, new building addition is expected to slow, albeit slowly, as buyers cancel or put on hold new buildings and ship builders are asked to delay construction. The impact of the International Maritime Organization (IMO) regulations requiring the phasing out of single hull vessels by 2010 should be behind the global tanker market in the coming year. With Japan rebuilding its physical infrastructure and major developing economies continuing their infrastructure push, bulker rates may see slight improvements in the near future.

Even as global oil supplies experienced some major production shifts, with output from Libya coming to a halt and OPEC increasing production to make up for the deficit. Increased OPEC production is expected to lead to a stronger tanker market in 2011. Global oil demand is expected to grow by 1.7% to 89.4 MMbpd, lower than the growth rate of 3.4% in the previous year.

A significant shift is also being witnessed in the global sources of oil and minerals. With depleting coal supplies at home, China and India are now importing coal from as far as South America, and countries like Brazil and Russia are increasing their production of oil, thus necessitating newer sea routes and contracts.

With an experience of over 250 ship years and a diversified fleet of 25 vessels, Your Company's sea transportation business has an integrated business model that provides opportunities to cater to the complete supply chain management services to clients in the oil and gas, steel and power generation businesses.

The Sea Transportation business fleet includes two modern double hull Very Large Crude Carriers (VLCC) which are employed on time charter with global oil majors. Your company owns a fleet of six capesize dry bulk carriers which are employed with domestic and international steel mills. Your company has long term Contracts of Affreightment (CoA) for transportation of iron ore, coal, limestone etc.

Your Company will add to its fleet 12 new vessels in the next two years that will be employed on long term contracts for transportation of coal, iron ore and other raw materials for the steel and power sector. With its entire fleet under a CoA or time charter, your Company's exposure to the volatile spot market is greatly reduced.

**b) Oilfields Services Business:**

Global demand for offshore services is likely to revive gradually in line with a positive outlook on crude. New supplies of assets are expected to continue through 2011. Hence, while demand for rig services will revive gradually, continued inventory supply may keep rates tepid for some time along with idling of rigs. As offshore drilling stretches out to newer regions, older rigs will face a pressure to upgrade to newer technologies or be phased out.

With a surge in oil prices over the last five years and improved technology, deepwater projects which were unviable in the past due to very low oil prices have become economically viable. This has warranted huge investments in the offshore space leading to increased demand for offshore support services. Global drilling in shallow waters is expected to decline as exploration companies explore more offshore prospects, including previously untapped regions such as the Arctic seas of Russia and production from traditional regions such as Norway decline.

Global oil demand grew at higher than expected 3.4% to 87.9 MMbpd in 2010, and is expected to grow at 1.7% in 2011 to 89.4 MMbpd, backed by continued global recovery efforts and higher demand expected from Japan as it rebuilds itself post-tsunami and looks to displace nuclear power with conventional power. China's oil imports, despite its efforts to slow down its overheating economy, are expected to account for 40% of the total increase in global oil demand, in addition to expanding in tons per mile, as it imports more from sources in West Africa and South America. The past year also witnessed a shift in production areas, as Russia and Brazil increased their output and OPEC pumped up its production levels on higher global demand and disruption in supply from Libya. As crude continues to hover above \$100, off-shore drilling

companies are expected to continue to focus on new explorations.

In its annual forecast, the Energy Information Administration (EIA) said that global oil demand will average about 105 million barrels per day in 2030 and almost 111 million bpd in 2035. Developing countries like China and India are expected to account for most of this increase in global oil demand.

The domestic offshore services sector is poised for significant growth on the back of recent successes by Reliance, ONGC and others under the New Exploration Licensing Policy (NELP), growing offshore crude/gas production, and monetization of new discoveries in basins like KG, Cambay and Mahanadi. This is likely to be a catalyst for demand for offshore supply vessels, drilling units and construction services.

During the 11th five year plan period, the total sedimentary basin area to be brought under exploration coverage is being targeted at 80%. Under NELP-VIII, the highest numbers of blocks were awarded for exploration, covering an area of 1.63 lakh sq. km. Further, the Government's Hydrocarbon Vision 2025 envisages a program for a comprehensive appraisal of all of India's basins by 2025, which augurs well for the offshore drilling industry. Hence strong domestic demand and relatively improved market conditions are likely to favour Indian rig owners going forward.

With an increase in demand for oil as envisaged, the demand-supply deficit is bound to increase going forward. Thus, tightening of oil supply, combined with a long term growth in demand, imply stable to increasing oil prices.

Your company, through its wholly owned subsidiary, Essar Oilfields Services Limited (EOSL), has recently qualified for a contract with ConocoPhillips to deploy its semisubmersible offshore rig Essar Wildcat in Indonesian waters for drilling 12 wells after the successful completion of its contract with Vietsovpetro. Land rig MR1 successfully completed drilling 2 wells for Schlumberger for their shale gas project with ONGC. Your company's Oilfield Services business has two jack-up rigs on order that will be delivered during this financial year. These rigs will be capable of drilling deeper and be able to withstand harsh environments.

**c) Logistics Business:**

Road transportation dominates the logistics market as it enables point-to-point transportation, effective tracking of cargo and limited multiple handling of consignments. Moreover, improved road infrastructure and higher capacity trucks (multi axle vehicles) have reduced transit times, thereby further improving the competitiveness of road transportation for shorter lead distances (<500 kms). The outlook for the road freight transport sector heavily depends on the outlook for other sectors such as agriculture and industry.

90 percent of India's logistics sector is unorganized but highly evolving. While the industry has been growing at almost 10 percent in the past few years, the organized players have witnessed a much higher growth, thus

shifting the weight in their favour. With the proposed Goods & Services Tax (GST), major gains are expected for the organized players, as infrastructure continues to remain a bottleneck. With a renewed push from the Government towards construction of national highways and expressways, fleet owners are expected to continue their drive to replace their fleets with newer and more powerful vehicles.

Your Company through its wholly owned subsidiary Essar Logistics Limited (ELL), carries out the business of logistics management, transshipment and port services and specializes in handling, storage distribution and movement of cargo by sea, road and rail. ELL operates a fleet of over 5,000 trucks for the movement of petroleum and steel products all across the country and handles the inter-carting activity of Essar Steel's Hazira plant. ELL plans to acquire more assets in the future to augment its cargo movement capabilities.

### 5. RISK MANAGEMENT

**Economic Risks:** As a business philosophy, your Company has followed the conservative policy of entering into long term contracts with reputed global majors in each of its divisions thereby ensuring long term profitability of the Company and assured cashflows.

**Forex Risk:** A majority of the revenues of your Company are in foreign currency which creates a natural hedge against foreign exchange exposures. Apart from this, Essar Group's specialised forex team provides efficient advice to mitigate the exchange risk of your Company.

**Interest Rate Risk:** Your Company has been undertaking suitable hedging strategies to overcome any adverse interest rate risks. It has formulated internal target rates at which any open interest rate risk can be hedged.

### 6. QUALITY, SAFETY AND ENVIRONMENT

Your Company, in order to ensure highest standard of safety, has implemented and initiated various measures with respect to Quality, Safety and Environment Management Systems. The initiatives by your Company have been rewarded with several recognitions. Some of the noticeable ones amongst the many are as follows:

- a) OHSAS 18001 certified by American Bureau of Shipping (ABS); first and only shipping company in India to obtain this certification.
- b) ISO 9001:2000 and ISO 14001:2004 certification to the Sea Transportation business by ABS Quality Evaluations Inc.
- c) Essar Wildcat awarded by the International Association of Drilling Contractors (IADC) for achieving 2 years without LTI.
- d) Essar Wildcat received positive recommendations on its external HSE audit conducted by ABS.
- e) Land Rig MR#1 recorded zero LTI since its inception in Schlumberger's India shale gas project.

### 7. INTERNAL CONTROL FRAMEWORK

Your Company conducts its business with integrity, high standards of ethical behavior and in compliance with

the laws and regulations that govern its business. Your Company has a well established framework of internal controls in operation, including suitable monitoring procedures. In addition to the external audit, the financial and operating controls of your Company at various locations are reviewed by Internal Auditors, who report their observations to the Audit Committee of the Board.

### 8. HUMAN RESOURCE

Your Company has introduced contemporary Human Resource practices to enhance technical and managerial competence of the employees and to further leverage their capabilities to enhance the performance of its business. Further the Company has taken a series of initiatives to enhance emotional and intellectual engagement of employees with the Company and its business.

### 9. INFORMATION TECHNOLOGY

Your Company has successfully implemented SAP in its financial and budget management systems. The Company is also exploring various methods of automation so as to have greater visibility and control over its assets and further improve the turnaround time thereby increasing asset utilisation and profitability. All the vessels are undergoing upgradation of systems in terms of hardware and software. Your Company has implemented a robust Document Management System thus improving the availability of critical information in e-mode thereby reducing the use of paper.

### 10. SUBSIDIARIES:

Post the Scheme of Arrangement, following are the subsidiaries of your Company:

1. Essar Logistics Limited
2. Essar Oilfields Services Limited
3. Essar Oilfield Services (India) Limited
4. Energy Transportation International Limited
6. Energy II Limited

In accordance with the general circular issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, Profit & Loss Account and other documents of the subsidiary companies are not being attached with the Balance Sheet of the Company. The Company will make available the Annual Accounts of the subsidiary companies and the related information to any member of the Company who may be interested in obtaining the same. The annual accounts of the subsidiary companies will also be kept for inspection at the Registered Office of the Company and that of the respective subsidiary companies. The Consolidated Financial Statements presented by the Company include the financial results of the subsidiary companies.

### 10. DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company Mr. A. R. Ramakrishnan retires at the ensuing Annual



General Meeting and being eligible offers himself for re-appointment.

Mr. V. Ashok, Mr. Rajiv Agarwal and Mr. Shailesh Sawa have resigned from the Directorship of your Company. Your Board places on record their appreciation for the valuable contribution made by these Directors in the progress of the Company.

Mr. Anshuman Ruia, Mr. R. N. Bansal, Mr. N. Srinivasan, Mr. K. V. Krishnamurthy, Mr. Deepak Kumar Varma and Mr. Ankur Gupta have been appointed as Additional Directors. They will cease to be Directors on the date of the ensuing Annual General Meeting. The Company has received notices from members proposing the appointment of Mr. Anshuman Ruia, Mr. R. N. Bansal, Mr. N. Srinivasan, Mr. K. V. Krishnamurthy, Mr. Deepak Kumar Varma and Mr. Ankur Gupta as Directors of the Company.

Capt. Anoop Kumar Sharma was appointed as Additional Director in the wholetime employment of the Company designated as CEO – Sea Transportation Business. Capt. Sharma holds office upto the date of the ensuing Annual General Meeting. The Company has received a notice from members proposing the appointment of Capt. Sharma as Director in the wholetime employment of the Company designated as CEO – Sea Transportation Business of the Company.

#### 11. AUDITORS

Your Company's Auditors, M/s. Deloitte Haskins & Sells, Chartered Accountants, Ahmedabad (Registration No. 117365W) retire at the ensuing Annual General Meeting. It is proposed to re-appoint M/s. Deloitte Haskins & Sells, Chartered Accountants as the Auditors of the Company from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting.

#### 12. CORPORATE GOVERNANCE

The Company has complied with the requirements under the Corporate Governance reporting system. The disclosures as required in Clause 49 of the Listing Agreement have been furnished in the Annexure to the Directors' Report under the head "Corporate Governance".

#### 13. PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988

This does not apply to your Company as the Shipping industry is not included in the Schedule to the relevant rules.

Foreign exchange earnings and outgo are summarised below:

Total Foreign Exchange:

- |  |                  |
|--|------------------|
| (1) Earned (including loan receipts, sale of ships, freight, charter hire earnings, interest income, etc.) | : ₹ 359.38 crore |
| (2) Used (including cost of acquisition of ships, loan repayments, interest, operating expenses, etc.)     | : ₹ 353.40 crore |

The Company has been exempted by the Central Government vide their Letter F. No. 46/45/2011-CL-III dated January 24, 2011 Under Section 211(4) of the Companies Act, 1956, from disclosing quantitative details in compliance with paras 4 D (a), (b), (c) and (e) of Part - II of Schedule - VI to the Companies Act, 1956 as Amended vide Notification No. GSR. 494(E) dated October 30, 1973.

#### 14. PARTICULARS OF EMPLOYEES

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, is given in the Annexure forming part of this Report. However, as per the provisions of Section 219(1)(b)(iv) of the said Act, the Report and Accounts are being sent to all the shareholders of the Company excluding the statement of particulars of employees under u/s 217 (2A) of the said Act. Any shareholder interested in obtaining a copy of this statement may write to the Company Secretary for the same at the Registered Office of the Company.

#### 15. STATEMENT OF DIRECTORS RESPONSIBILITIES

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956 the Board of Directors hereby state that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed and there have been no material departures;
- the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the Directors have prepared the annual accounts on a going concern basis.

#### 16. Fixed Deposits

Your Company has not accepted any public deposits under section 58A of the Companies Act, 1956 during financial year under report.

#### 17. APPRECIATION AND ACKNOWLEDGEMENTS

Your Directors express their sincere thanks and appreciation to all the employees for their commendable teamwork and contribution to the growth of the Company.

Your Directors also thank its bankers and other business associates for their continued support and co-operation during the year.

For and on behalf of the Board

Mumbai  
July 4, 2011

A. R. Ramakrishnan  
Managing Director

K. V. Krishnamurthy  
Director

## CORPORATE GOVERNANCE REPORT

### 1. Statement on Company's philosophy on Code of Corporate Governance

Your Company believes that adhering to global standards of Corporate Governance is essential to enhance shareholders value and achieve long term corporate goals. The Company's philosophy on Corporate Governance stresses the importance of transparency, accountability and protection of shareholder interests. The Board overseas periodic review of business plans, monitors performance and ensures compliance of regulatory requirements including SEBI Regulations and Listing requirements.

#### Code of Conduct for Board Members and Senior Management

The Board of Directors of the Company at their meeting held on May 23, 2011 adopted Code of Conduct applicable to all Directors and specified senior management executives in compliance with Clause 49 of the Listing Agreements (the Code). The Code is based on the premise that the Directors and senior management executives shall act in accordance with the highest standards of honesty, integrity, fairness and ethical conduct and shall exercise utmost good faith, due care and integrity in performing their duties. The Code is available on the Company's website 'www.essar.com'.

The Company has received a declaration of compliance with the Code of Conduct from Directors and Senior Management Personnel. The declaration by the Executive Director affirming compliance of the Board of Directors and Senior Management Personnel to the Code of Conduct is given in this Report.

### 2. Board of Directors

Your Company has an optimum combination of Executive and Non-Executive Independent Directors on the Board. The Board comprises of 8 (Eight) Directors out of which (Four) are Non-Executive.

The Composition of the Board is in conformity with Clause 49 of the Listing Agreements entered into with the Stock Exchanges.

#### A. Composition, Category, Attendance and Number of other Directorships of the Directors are furnished below:

As at March 31, 2011 the Board consisted of five members namely Shri Rajiv Agarwal, Shri K. K. Sinha, Shri A. R. Ramakrishnan, Shri V. Ashok and Shri Shailesh Sawa. Post the Composite Scheme of Arrangement, as approved by the Hon'ble High Court of Gujarat at Ahmedabad, the new composition, category of directors (**Post De-merger**) and directorships held in other companies as of May 23, 2011 was as under:

Name of Director	Category of Director	* No. of outside Directorships in other Indian public companies	**No. of Committee positions held in other public companies	
			Chairman	Member
#Mr. Anshuman Ruia	Promoter Non-Executive	8	–	–
#Mr. R. N. Bansal	Independent Non-Executive	10	4	8
#Mr. N. Srinivasan	Independent Non-Executive	14	4	5
#Mr. K. V. Krishnamurthy	Independent Non-Executive	10	4	3
#Mr. Deepak Kumar Varma	Independent Non-Executive	1	–	1
#Mr. A.R. Ramakrishnan (Managing Director)	Non-Promoter Executive	4	–	3
@Capt. Anoop Sharma	Whole Time Director	–	–	–
#Mr. Ankur Gupta	Non-Promoter Non Executive	1	–	1

@ Capt Anoop Sharma appointed as Whole Time Director w.e.f., May 9, 2011

# Appointed w.e.f., May 23, 2011.

\* excludes foreign companies, private limited companies, Section 25 companies and Alternate Directorships.

\*\* includes membership of Audit and Share Transfer & Shareholders' Grievance Committee only.

All Independent Directors are persons of eminence and bring a wide range of expertise and experience to the Board hereby ensuring the best interest of stakeholders and the Company.

None of the Directors are related to any other Director on the Board in terms of the definition of "relative" given under the Companies Act, 1956.

None of the Directors on the Board is a member of more than 10 committees and Chairman of more than 5 committees (as specified in Clause 49 of the Listing Agreement) across all the Companies in which he is a Director. The necessary disclosures regarding Committee positions have been made by the Directors.

#### B. Details of Board Meetings held during the year:

Sr. No.	Date	Board Strength	No. of Directors present
1	April 19, 2010	3	3
2	April 22, 2010	3	3
3	May 25, 2010	3	3
4	June 19, 2010	3	3
5	August 2, 2010	4	4
6	August 9, 2010	4	4
7	August 23, 2010	4	4
8	August 25, 2010	4	4
9	September 9, 2010	4	4
10	October 20, 2010	5	5
11	November 26, 2010	5	5
12	November 29, 2010	5	5
13	February 2, 2011	5	3

**C. Attendance of Directors at Board Meetings and at the last Annual General Meeting:**

The ensuing Annual General Meeting, being the first Annual General Meeting of the Company, the above provisions do not apply to the Company.

Since Mr. Anshuman Ruia, Mr. R. N. Bansal, Mr. N. Srinivasan, Mr. K. V. Krishnamurthy, Mr. Deepak Kumar Varma and Mr. Ankur Gupta have been appointed w.e.f., May 23, 2011 they have not attended any meeting of the Board of Directors. Mr. A. R. Ramakrishnan attended 13 Board Meetings of the Company.

**3. Audit Committee:**

**Composition, Details of Audit Committee Meetings**

The Board of Directors in their meeting held on May 23, 2011 has constituted a Qualified and Independent Audit Committee in line with the provisions of Clause 49 of the Listing Agreement entered into with the Stock Exchanges read with Section 292A of the Companies Act, 1956.

The Audit Committee of the Company is mandated to perform the functions specified under the Companies Act, 1956 and Clause 49 of the Listing Agreement and has the powers and terms of reference in compliance with the requirements provided therein.

The Committee comprises of Mr. Anshuman Ruia and three Independent Directors viz., Mr. K. V. Krishnamurthy, Mr. R. N. Bansal and Mr. N. Srinivasan. The Chairman of the Audit Committee is Mr. K. V. Krishnamurthy an Independent Director. All the members of the Committee are financially literate and have relevant financial management and/or audit exposure. The Managing Director, Wholetime Director, Chief Financial Officer, Head – Accounts, Statutory Auditors and Internal Auditors attend the meetings. The Company Secretary is the Secretary to the Committee.

**4. Remuneration to Directors:**

The Company has appointed Mr. A. R. Ramakrishnan as Managing Director of the Company with effect from May 23, 2011 and Capt. Anoop Kumar Sharma as Whole-time Director designated as CEO-Sea Transportation Business with effect from May 23, 2011. Therefore no remuneration was paid to Managing Director and Whole-time Director during the year ended March 31, 2011.

No Employee Stock Option Schemes have been provided by the Company till March 31, 2011. Services of the aforesaid Executive Directors can be mutually terminated by giving three months notice or three months salary *in-lieu* thereof.

**Details of sitting fees paid to Non-Executive Directors for the meetings held during the year ended March 31, 2011:**

No Sitting fees were paid to Non-Executive Directors for the meetings held during year ended on March 31, 2011.

No shares or convertible instruments are held by any members of the Board.

**5. Share Transfer & Shareholders' Grievance Committee:**

The Board at its meeting held on May 23, 2011 has constituted the Share Transfer and Shareholders Grievance Committee.

**Terms of reference of Shareholders Grievance Committee:**

To redress grievances and complaints of members on all matters pertaining to their shareholding in the Company and to oversee the functioning of the Registrar & Share Transfer Agent and ensure that the process of share transfers, transmission and issue of duplicate shares is effective and efficient.

**Composition:**

As on May 23, 2011 the Committee comprised of Mr. Deepak Kumar Varma, Mr. A. R. Ramakrishnan, Capt. Anoop Kumar Sharma and Mr. Ankur Gupta. Shri Deepak Kumar Varma has been appointed as Chairman of the Committee.

The Board has further authorised the Executive Directors and Company Secretary to approve the Share Transfer and other related transactions on a regular basis under the supervision of the Committee.

**Details of Share Transfer and Shareholders' Grievance Committee Meetings held during the year and attendance thereat:**

No meetings were held during the year ended on March 31, 2011 since the Committee was constituted on May 23, 2011.

**Details of shareholders complaints received, solved and pending share transfers:**

No shareholders complaints were received during the year ended March 31, 2011.

**6. General Body Meeting:**

**Details of General Meetings held in last three years:**

The ensuing Annual General Meeting, being the first Annual General Meeting of the Company, the provisions of this clause do not apply to the Company.

**Details of the Extraordinary General Meetings Held**

Date	Brief of Businesses Transacted
August 9, 2010	Change of Registered Office
August 25, 2010	Amendment to the Memorandum of Association and Borrowing Limits and Creation of Charge
November 30, 2010	Approving the Composite Scheme of Arrangement
May 6, 2011	Increase in the Authorised Capital

**7. Disclosures:**

- There are no materially significant related party transactions made by the Company with its Promoters, Directors or Management, their relatives, its subsidiaries, etc. that may have potential conflict with the interest of the Company at large.



- Transactions with related parties during the year are disclosed in Note No. B(13) of Schedule 13 to the accounts in the Annual Report.
- Since incorporation of the Company, no penalty or stricture has been imposed on the Company by Stock Exchanges/SEBI/Statutory Authorities on matters related to Capital Markets.

## 8. Subsidiary Monitoring Framework:

All the subsidiary Companies of the Company are Board managed with their Boards having the right and obligations to manage such Companies in the best interest of their stakeholders. As a majority shareholder, the Company at times nominates its representatives on the Boards of subsidiary Companies and monitors the performance of such Companies, *inter-alia*, by the following means:

- Mr. R. N. Bansal, Independent Director on the Board of Directors of the Essar Shipping Limited (the holding company) has been appointed as a Director on the Board of Directors of all material non-listed Indian subsidiary companies.
- A copy of the Minutes of the Meetings of the Board of Directors of the Subsidiary Companies is tabled before the Company's Board on quarterly basis.
- A statement containing all significant transactions and arrangements entered into by the unlisted subsidiary Companies is placed before the Company's Board.
- Quarterly compliance reports issued by Director-in-charge/Finance and Accounts head/Company Secretary/HR head are tabled before the Company's Board on quarterly basis.
- Financial Results are also tabled before the Company's Board on quarterly basis.

## 9. Means of Communication:

Financial results and other information about the Company	The quarterly and annual financial results are displayed on the Company's website: <a href="http://www.essar.com">www.essar.com</a>
Publication of financial results	Published in major newspapers such as Business Standard and Jai Hind
Presentation to Institutional Investors and to the Analyst	Press releases and presentations made to Institutional Investors and Analysts are displayed on the Company's website : <a href="http://www.essar.com">www.essar.com</a>
Management Discussion & Analysis	Forms part of the Annual Report, which is mailed to the shareholders of the Company

## 10. General Shareholders information:

### A. Annual General Meeting details:

Date	Friday, September 9, 2011
Venue	Administrative Building Essar Refinery Complex Okha Highway (SH-25) Taluka Khambalia District Jamnagar, Gujarat - 361 305
Time	2.00 p.m.
Book Closure Dates	September 5, 2011 to September 9, 2011 (both days inclusive)

### B. Financial Calendar:

Financial year of Company	April 1, 2011 to March 31, 2012
First Quarter results	On or before August 13, 2011
Second Quarter results	On or before November 15, 2011
Third Quarter results	On or before February 14, 2012
Annual results for the year	On or before May 30, 2012

### C. Registrars and Share Transfer Agents:

Data Software Research Company Private Limited  
9, Pycroft Garden Road, Off Haddows Road  
Nungambakkam, Chennai - 600 006  
Tel: (044) 2821 2154, 2821 2207, Fax: (044) 2821 2133  
E-mail: [dsrcmd@vsnl.com](mailto:dsrcmd@vsnl.com)

### D. Share Transfer System:

To expedite the process of share transfers, transmission, etc., the Board of your Company has delegated these powers to the Executive Directors and the Company Secretary.

The share transfers are registered within an average period of 15 days. Presently the Company dematerialises the shares after getting the dematerialisation requests being generated by the Depository Participant.

### E. Listing on Stock Exchanges:

The Company has applied to the Bombay Stock Exchange Limited and National Stock Exchange of India Limited for listing of the equity shares of the Company.

### F. Market price data (High/Low) during each month in the year 2010-2011 on the Bombay Stock Exchange Limited and National Stock Exchange Limited and Share Price performance in comparison to BSE Sensex:

Since the securities of the Company are yet to be admitted for listing the above mentioned data is not available for the year 2010-2011.

**G. Shareholding Pattern as on May 21, 2011 (POST DEMERGER):**

Shareholding By	No. of Shares	%
Promoters	171,793,080	83.71
Financial Institutions/Mutual Funds/Banks/Insurance Companies	297,967	0.14
Other Corporate Bodies	4,448,681	2.17
Non-Domestic Companies/ Foreign Banks	–	0.00
Foreign Institutional Investors	17,465,852	8.51
Non-Resident Individuals	304,287	0.15
Public	10,917,901	5.32
<b>Total</b>	<b>205,227,768</b>	<b>100.00</b>

**H. Distribution of Shareholding as on May 21, 2011 (POST DEMERGER):**

No. of equity shares held	Number of shareholders	% of shareholders	Total number of shares	% of holding
Upto 5000	105503	97.784	6,280,626	3.060
5001-10000	1270	1.177	913,175	0.445
10001-20000	573	0.531	848,674	0.414
20001-30000	134	0.124	333,650	0.163
30001-40000	126	0.117	430,206	0.210
40001-50000	51	0.047	233,977	0.114
50001-100000	88	0.082	637,768	0.311
100001 and above	149	0.138	195,549,692	95.284
<b>Total</b>	<b>107894</b>	<b>100.000</b>	<b>205,227,768</b>	<b>100</b>

- I. **Compliance Officer** : Mr. Vinayak Joshi  
Company Secretary
- J. **Registered Office** : Administrative Building  
Essar Refinery Complex  
Okha Highway (SH-25)  
Taluka Khambalia  
District Jamnagar  
Gujarat - 361 305
- K. **Corporate Office** : Essar House  
11, K. K. Marg  
Mahalaxmi  
Mumbai - 400 034  
Tel : (022) 6660 1100  
Fax: (022) 2354 4312  
Email: esl.secretarial@ essar.com

**L. Status of Dematerialisation of shares as on May 21, 2011 (POST DEMERGER):**

Mode	No. of shares	No. of folios	%
Physical	30,84,233	57,393	1.50
Demat	20,21,43,535	50,801	98.50
<b>Total</b>	<b>20,52,27,768</b>	<b>1,08,194</b>	<b>100.00</b>

**11. Nomination Facility:**

Shareholders holding shares in physical form and desirous of making a nomination in respect of their shareholding in the Company, as permitted under Section 109A of the Companies Act, 1956 are requested to submit to the R&T Agent of the Company in the prescribed nomination form.

**12. Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion date and likely impact on equity:**

Post Demerger there are 2,800 outstanding Foreign Currency Convertible Bonds aggregating US\$ 240,000,000 which can be converted into equity shares of the Company at a conversion price of ₹ 91.70 per share.

**13. Secretarial Audit:**

A qualified practicing Company Secretary will carry out secretarial audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The audit confirms that the total issued/paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialised shares held with NSDL and CDSL.

**14. Non-mandatory requirements:**

**1. Compensation Committee:**

The Committee comprises of three non-executive Directors with the Company Secretary as the Secretary of the Committee. The Committee is empowered to formulate and recommend to the Board from time to time, the compensation structure for Managing/ Executive/Wholetime Directors and to administer and supervise the Employee Stock Option Schemes, whenever applicable.

**2. Shareholders right:**

Quarterly financial results are available on the website of the Company i.e., www.essar.com. No separate financials are sent to shareholders of the Company.

**3. Audit qualifications:**

There are no audit qualifications in the Auditor's report on the financial statements to the Shareholders of the Company.

## AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of  
Essar Shipping Limited  
(formerly Essar Ports & Terminals Limited)

We have examined the compliance of conditions of Corporate Governance by Essar Shipping Limited (formerly Essar Ports & Terminals Limited) ("the Company"), for the year ended March 31, 2011, as stipulated in clause 49 of the Listing Agreement entered into by the said Company with Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to review of procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that

the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **Deloitte Haskins & Sells**  
Chartered Accountants  
(Registration No. 117365W)

**Khurshed Pastakia**  
Partner  
(Membership No. 31544)

Mumbai  
July 4, 2011

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## DECLARATION ON COMPLIANCE OF THE COMPANY'S CODE OF CONDUCT TO THE MEMBERS OF ESSAR SHIPPING LIMITED

The Company has framed a specific code of conduct for the members of the Board and the Senior Management Personnel of the Company pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges to further strengthen corporate governance practices in the Company.

All the members of the Board and Senior Management Personnel of the Company have affirmed due observance

of the said code of conduct in so far as it is applicable to them and there is no non-compliance thereof during the year ended March 31, 2011.

**A.R. Ramakrishnan**  
Managing Director

Mumbai  
July 4, 2011

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## AUDITORS' REPORT ON ABRIDGED FINANCIAL STATEMENTS TO THE MEMBERS OF ESSAR SHIPPING LIMITED

We have examined the abridged Balance Sheet of Essar Shipping Limited (formerly Essar Ports & Terminals Limited) ("the Company"), as at 31<sup>st</sup> March, 2011 and also the abridged Statement of Profit and Loss and the Cash Flow Statement for the period from 16<sup>th</sup> April, 2010 to 31<sup>st</sup> March, 2011 and both annexed thereto. These abridged financial statements have been prepared by the Company pursuant to Rule 7A of the Companies (Central Government's) General Rules and Forms, 1956 and are based on the audited financial statements of the Company as at and for the period ended 31<sup>st</sup> March, 2011 prepared in accordance with the provisions of sub-section 3(C) of Section 211 of the Companies Act, 1956 and covered by our report

of even date to the members of the Company, which is attached hereto.

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants  
(Registration No. 117365W)

**Khurshed Pastakia**  
Partner  
(Membership No. 31544)

Mumbai  
July 4, 2011



## AUDITORS' REPORT TO THE MEMBERS OF ESSAR SHIPPING LIMITED

1. We have audited the attached Balance Sheet of Essar Shipping Limited (formerly Essar Ports & Terminals Limited) ("the Company") as at March 31, 2011, the Statement of Profit and Loss for the period from 16th April 2010 to March 31, 2011 and Cash Flow Statement of the Company for the period ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - (i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (iii) The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (iv) In our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
  - (v) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2011;
    - (b) in the case of the Statement of Profit and Loss, of the profit of the Company for the period from April 16, 2010 to March 31, 2011 and
    - (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the period from April 16, 2010 to March 31, 2011 ended on that date.
5. On the basis of written representations received from Directors as on 31st March, 2011 taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2011 from being appointed as a director in terms of Section 274(1) (g) of the Companies Act, 1956.

For **Deloitte Haskins & Sells**  
Chartered Accountants  
(Registration No. 117365W)

**Khurshed Pastakia**  
Partner  
(Membership No. 31544)

Mumbai  
July 4, 2011

## ANNEXURE TO THE AUDITOR'S REPORT TO THE MEMBERS OF ESSAR SHIPPING LIMITED

(Referred to in paragraph 3 of our report of even date)

In our opinion and according to the information and explanations given to us, the nature of the Company's business/activities during the year are such that clauses (vi), (viii), (x), (xiii), (xiv), (xviii), and (xx) of para 4 of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

1. In respect of its fixed assets:
  - a. The Company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets.
  - b. The fixed assets of the Company are physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is largely reasonable having regard to the size of the Company and the nature of its assets. As per the information given to us by the management, no material discrepancies as compared to book records were noticed in respect of fixed assets verified during the year.
  - c. In our opinion and according to the information and explanations given to us, the Company has not made substantial disposals of fixed assets during the year and the going concern status of the Company is not affected.
2. In respect of its inventories:
  - a. As explained to us, inventories were physically verified during the year by the management at reasonable intervals.
  - b. In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its business.
  - c. According to the information and explanations given to us, the Company's inventories comprise fuel oil and lube oil on board the ships. Having regard to the nature of the Company's business and scale of operations, quantities are determined by physical count and it is not considered feasible to maintain records of movements of inventories of such items by the vessel in which they are carried. As quantities are determined by physical count and records of movements are not maintained on board the ships, the question of discrepancies on physical verification thereof does not arise.
3. In our opinion and according to the information and explanations given to us, there are no companies, firms or parties required to be entered into the register maintained under section 301 of the

Companies Act, 1956. Accordingly, paragraphs 4(iii) (a) to (g) of the Order are not applicable to the Company.

4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in such internal controls. The nature of the Company's business does not involve sale of goods.
5. In our opinion and according to the information and explanations given to us, there are no contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act 1956.
6. The provisions relating to internal audit are not applicable to the Company.
7. According to the information and explanations given to us in respect of statutory dues:
  - a. The Company has been generally regular in depositing undisputed statutory dues, including Provident Fund, Investor Education and Protection Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Value Added Tax, Customs Duty, Excise Duty, Cess and any other material statutory dues, as applicable, with the appropriate authorities during the year. As informed to us Employees State Insurance Scheme is not applicable to the Company. There are no material undisputed amounts payable in respect of above statutory dues outstanding as at 31<sup>st</sup> March, 2011 for a period exceeding six months from the date they became payable.
  - b. The details of disputed Income Tax and Sales Tax dues which have not been deposited as at 31<sup>st</sup> March, 2011 on account of disputes pending, are given below:

Name of the statute	Nature of the disputed dues	Amount (₹ in crore)	Period to which the amount relates	Forum where dispute is pending
Income tax Act, 1961	Income Tax	7.29	Assessment Year from 1994-1995	Appellate Authority – Tribunal Level
Tamil Nadu Sales Tax Act, 1959	Sales Tax and penalty thereon	52.20 (security deposit 0.50)	Assessment Year 1997-98	Madras High Court
Director General of Foreign Trade, Bangalore	Customs duty	27.40	F.Y 07-09	Bombay High court

According to the information and explanation given to us, there were not dues pending to be deposited on account of any dispute in respect of Wealth Tax, Service Tax, Customs Duty, Excise Duty and Cess as on 31st March, 2011.

8. In our opinion, on the basis of audit procedures and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks, financial institutions or debenture holders.
9. According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
10. In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given guarantees for the loans taken by others from banks and financial institutions, are not, prima facie, prejudicial to the interests of the Company.
11. To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, term loans availed by the Company were, prima facie, applied by the Company during the year for the purposes for which the loans

were obtained, other than temporary deployment pending application.

12. According to the information and explanations given to us, and on an overall examination of the Balance sheet of the Company, we report that the funds raised on short-term basis have, prima facie, not been used during the year for long-term investment.
13. According to the information and explanations given to us, during the period covered by our audit report, in respect of the debentures outstanding the securities created fully cover the amount of debentures.
14. To the best of our knowledge and belief and according to the information and explanations given to us, no material fraud on or by the Company was noticed or reported during the year.

**For Deloitte Haskins & Sells**  
Chartered Accountants  
(Registration No. 117365W)

**Khurshed Pastakia**  
Partner  
(Membership No. 31544)

Mumbai  
July 4, 2011



**ABRIDGED BALANCE SHEET AS AT 31ST MARCH, 2011**

(Statement containing the salient features of Balance Sheet as per Section 219 (1) (b) (iv) of the Companies Act, 1956.)

PARTICULARS	As at 31.03.2011 (₹ in crore)
<b>I. SOURCES OF FUNDS</b>	
<b>Shareholders' funds:</b>	
a) Capital	
Equity -pending allotment (alloted on May 21 <sup>st</sup> , 2011) (refer note no.2)	205.23
b) Reserves and surplus	
i) Debenture redemption reserve	35.00
ii) Revenue reserves	4,835.22
iii) Tonnage tax reserve	20.00
iv) Surplus in Statement of Profit and Loss	48.17
	<b>4,938.39</b>
<b>Loan funds:</b>	
a) Debentures (refer note no. 15(a))	700.00
b) Secured loans (refer note no.3)	621.03
c) Finance lease obligations (refer note no.6)	580.63
d) Unsecured loans (refer note no.15(b))	1,257.50
	<b>3,159.16</b>
<b>Total</b>	<b>8,302.78</b>
<b>II. APPLICATION OF FUNDS</b>	
<b>Fixed assets:</b>	
a) Net block	1,745.80
(Original cost ₹ 2,230.96 crore less depreciation ₹ 485.16 crore) (refer note no.3)	
b) Capital work in progress - including capital advances	8.54
	<b>1,754.34</b>
<b>Investments</b>	
Investments in subsidiary companies:	
Unquoted (refer note no.14)	<b>5,629.88</b>
<b>Current assets, loans and advances:</b>	
a) Inventories	25.27
b) Sundry debtors	114.05
c) Cash and bank balances	19.31
d) Other current assets	10.19
e) Loans and advances:	
i) To subsidiary companies	453.93
ii) To others	413.52
	1,036.27
<b>Less: Current liabilities and provisions:</b>	
a) Liabilities (refer note no.17)	111.44
b) Provisions	6.27
	117.71
<b>Net current assets</b>	<b>918.56</b>
<b>Total</b>	<b>8,302.78</b>

**Refer notes to abridged financial statements.**

Compiled from the audited annual accounts of the Company referred to in our report dated July 4, 2011.

In terms of our report attached

For **Deloitte Haskins & Sells**  
Chartered Accountants

**Khurshed Pastakia**  
Partner

Place : Mumbai  
Date : July 4, 2011

For and on behalf of the Board

**A.R. Ramakrishnan**  
Managing Director

**Vikram Gupta**  
Chief Financial Officer

Place : Mumbai  
Date : July 4, 2011

**K.V. Krishnamurthy**  
Director

**Vinayak Joshi**  
Company Secretary

## ABRIDGED STATEMENT OF PROFIT AND LOSS FOR THE PERIOD FROM 16.04.2010 TO 31.03.2011

(Statement containing the salient features of Statement of Profit and loss as per Section 219 (1) (b) (iv) of the Companies Act, 1956.)

PARTICULARS	From 16.04.10 to 31.03.11 (₹ in crore)	
<b>INCOME</b>		
a) Fleet operating and chartering earnings	456.67	
b) Interest income	27.72	
c) Other income:		
i) Profit on sale of assets	57.99	
ii) Currency exchange gain, net	2.71	
iii) Miscellaneous income	1.86	<b>62.56</b>
<b>Total</b>		<b>546.95</b>
<b>EXPENDITURE</b>		
a) Fleet operating expenses:		
i) Direct voyage expenses	133.22	
ii) Consumption of fuel, oil and water	74.14	
iii) Employees expenses (off shore staff)	29.88	
iv) Other fleet operating expenses	22.81	
	260.05	
b) Establishment and other expenses:		
i) Employee expenses (office staff)	12.58	
ii) Repairs and maintenance-others	0.53	
iii) Auditors' remuneration	0.48	
iv) Other expenses	13.62	
	27.22	
c) Interest and finance expenses		123.11
d) Depreciation (refer note no.3)		56.90
<b>Total</b>		<b>467.28</b>
<b>PROFIT BEFORE TAX</b>		<b>79.67</b>
Less: Provision for taxation		
Current tax (including tonnage tax)		(1.50)
<b>PROFIT FOR THE PERIOD BEFORE APPROPRIATIONS</b>		<b>78.17</b>
<b>APPROPRIATIONS</b>		
Less: Transferred to tonnage tax reserve		(20.00)
Less: Transferred to debenture redemption reserve		(10.00)
<b>Balance carried to balance sheet</b>		<b>48.17</b>
Basic earnings per share (₹) (face value of ₹ 10/- per share)		—
Diluted earnings per share (₹) (face value of ₹ 10/- per share) (refer note no.8)		<b>3.71</b>

### Refer notes to abridged financial statements

Compiled from the audited annual accounts of the Company referred to in our report dated July 4, 2011.

In terms of our report attached

For **Deloitte Haskins & Sells**  
Chartered Accountants

**Khurshed Pastakia**  
Partner

Place : Mumbai  
Date : July 4, 2011

For and on behalf of the Board

**A.R. Ramakrishnan**  
Managing Director

**Vikram Gupta**  
Chief Financial Officer

Place : Mumbai  
Date : July 4, 2011

**K.V. Krishnamurthy**  
Director

**Vinayak Joshi**  
Company Secretary

## CASH FLOW STATEMENT FOR THE PERIOD FROM 16.04.10 TO 31.03.11

PARTICULARS	From 16.04.10 to 31.03.11 (₹ in crore)
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>	
Profit before tax	79.67
Adjustments for :	
Depreciation / impairment	56.90
Interest and finance expenses	123.11
Interest income	(27.72)
Profit on sale of assets	(37.97)
Surplus on extinguishment of finance lease liability cancelation	(20.02)
Foreign exchange difference loss / (gain)	(2.71)
<b>Operating profit before working capital changes</b>	<b>171.26</b>
Adjustments for:	
Trade and other receivables	(61.48)
Inventories	(3.32)
Trade and other payables	1.07
<b>Cash generated from operations</b>	<b>107.53</b>
Income taxes paid	(6.66)
<b>Net cash flow from operating activities</b>	<b>100.87</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>	
Purchase of fixed assets including capital work in progress /advance	(196.21)
Proceeds from sale of fixed assets *	62.31
Fixed deposits matured for a period of more than three months, net	5.83
Loans and advances given to subsidiaries and other body corporate	(8.75)
Loans and advances repaid by subsidiaries and other body corporate	32.96
Interest received	22.92
<b>Net cash used for investing activities</b>	<b>(80.94)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>	
Interest and finance expenses paid	(122.97)
Proceeds from term loans	228.95
Proceeds from commercial papers	205.00
Proceeds from unsecured loans	26.17
Repayment of term loans	(115.86)
Repayment of finance lease obligations	(38.19)
Repayment of commercial papers	(205.00)
Repayment of unsecured loan	(11.17)
<b>Net cash flow from financing activities</b>	<b>(33.07)</b>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(13.14)</b>
Cash and cash equivalents received upon demerger	32.51
<b>Cash and cash equivalents at end of the year</b>	<b>19.37</b>
<b>Notes :</b>	
<b>1. Cash and cash equivalents include :</b>	
Cash and bank balances	19.37
Unrealised foreign currency (loss) / gain on cash and cash equivalents	(0.07)
<b>Total cash and cash equivalents</b>	<b>19.30</b>
Balances in fixed deposits (maturity period of more than 3 months)	0.01
<b>CASH AND BANK BALANCES (as per schedule 7)</b>	<b>19.31</b>

## CASH FLOW STATEMENT FOR THE PERIOD FROM 16.04.10 TO 31.03.11

PARTICULARS	From 16.04.10 to 31.03.11 (₹ in crore)	
<b>2. Non cash transactions</b>		
i) Pursuant to the scheme, the EPL has transferred the following assets and liabilities at its book value as on 01.10.2010.		
a) <b>Assets:</b>		
Fixed assets including capital advance	1887.23	
Investments	4210.48	
Inventories	21.95	
Sundry debtors	128.31	
Margin deposits with bank	5.81	
Other current assets	0.05	
Loans and advances	2238.94	<b>8492.77</b>
b) <b>Liabilities</b>		
Secured loans	1214.77	
Finance lease obligations	879.87	
Unsecured loans	1248.69	
Current liabilities and provisions	116.50	<b>3459.83</b>
		<b>5,032.94</b>
ii) Equity shares - pending allotment refer note no. B (1) of schedule 13		
iii) During the period the company has cancelled the finance lease obligation amounting to ₹ 248.70 crore against the net book value of the vessel M.T. Ashna ₹ 228.68 crore.		
<b>205.23</b>		
<b>3. Cash Flow Statement has been prepared under the indirect method as set out in Accounting Standard - 3 'Cash Flow Statement' as notified under the Companies (Accounting Standard) Rules, 2006.</b>		

In terms of our report attached  
For **Deloitte Haskins & Sells**  
Chartered Accountants

**Khurshed Pastakia**  
Partner

Place : Mumbai  
Date : July 4, 2011

For and on behalf of the Board

**A.R. Ramakrishnan**  
Managing Director

**Vikram Gupta**  
Chief Financial Officer

Place : Mumbai  
Date : July 4, 2011

**K.V. Krishnamurthy**  
Director

**Vinayak Joshi**  
Company Secretary



## NOTES TO ABRIDGED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31ST MARCH, 2011

### 1) (Note no. B (1) of schedule 13 of annual accounts)

The Company was incorporated in the name of Essar Ports & Terminals Limited in the State of Gujarat on April 16, 2010. The Company received the Certificate of Commencement of Business on June 1, 2010. The main object of the Company on incorporation was to carry on the business inter alia of providing ports and terminals services. The main objects of the Company were expanded on August 25, 2010 to inter alia provide shipping & logistics and oilfields services business. The name of the Company was then changed to Essar Shipping Limited with effect from September 7, 2010.

### 2) Composite Scheme of arrangements: (Note no. B (2) of schedule 13 of annual accounts)

The Hon'ble High Court of Gujarat at Ahmedabad has vide order dated March 1, 2011 approved the Composite Scheme of Arrangement (Scheme) between Essar Shipping Ports & Logistics Limited (ESPLL), Essar Ports & Terminals Limited (EPTL) Mauritius, Essar International Limited (EIL) Mauritius and Essar Shipping Limited (ESL).

The Scheme provides for the merger of EPTL and EIL with ESPLL and the demerger of the Shipping & Logistics Business and the Oilfields Services Business into a separate company into ESL.

Pursuant to the Scheme, all the assets and liabilities pertaining to the Shipping & Logistics Business and the Oilfields Services Business stood transferred to and became vested in ESL at the book values (ignoring revaluation) as appearing in the books of account of ESPLL with effect from October 1, 2010 being the Demerger Appointed Date, which are based on financial statements as on September 30, 2010. The difference between the values of assets and liabilities transferred was first adjusted against share capital (Rs. 205.23 crores), Rs 25 crores against Debenture Redemption Reserve and the balance to General Reserve of the Company.

Upon the Scheme becoming effective, ESL ceased to be a subsidiary of ESPLL with effect from October 1, 2010.

Non Convertible Debentures aggregating to Rs. 700 crores and Foreign Currency Convertible Bonds aggregating to USD 240 million (out of USD 280 million) issued by ESPLL stood transferred to ESL.

In consideration of the demerger, the Company allotted 20,52,27,768 equity shares of ₹ 10/- each as fully paid up to the eligible members of ESPLL whose name recorded in register of members of ESPLL as on May 21, 2011, in terms of the Scheme as detailed below.

Name of the company	No. of shares
Essar Shipping & Logistics Limited (immediate holding company)	1,70,451,856
Essar Global Limited	33
Essar Steel Limited (subsidiary of Essar Global Limited)	1,273,610
Erstwhile other share holders of ESPLL	33,502,269
<b>Total</b>	<b>205,227,768</b>

Simultaneously the original issued equity shares capital i.e. 50,000 equity shares of Rs. 10/- each were cancelled in accordance with the Scheme.

The Company is in the process of having its equity shares listed on the Bombay Stock Exchange and the National Stock Exchange of India Limited.

The first financial year of the Company is for the period from April 16, 2010 to March 31, 2011. This being the first year of incorporation, there are no comparative figures.

The Board of Directors has since appointed Mr. A. R. Ramakrishnan as the Managing Director of the Company with effect from May 23, 2011.

### 3) Fixed assets: (Note no. B (3) of schedule 13 of annual accounts)

Pursuant to notification issued by the Central Government under Companies (Accounting Standards) Amendment Rules, 2009 dated March 31<sup>st</sup>, 2009; the Company has chosen to adjust the gains/losses arising on conversion/translation/settlement of long term foreign currency items into the corresponding costs of fixed assets to the extent it is related to acquisition of depreciable fixed assets.

The effect of this treatment has resulted into decrease in the profit for the period by an amount of ₹ 17.78 crore.

The Company has two vessels and one aircraft on finance lease as on the Balance Sheet date.

Gross block of plant and machinery includes ₹ 38.84 crore lease out; Written down value as on March 31, 2011 is ₹ nil.

The fleet along with its receivables is under charge for the secured loans.

4) **Contingent liabilities: (Note no. B (4) of schedule 13 of annual accounts)**

(₹ in crore)

Sr. No.	Particulars	As on 31.03.2011
i)	Guarantees given by banks	30.00
ii)	Corporate guarantees on behalf of subsidiaries	1386.24
iii)	Bills discounted with bank	17.64
iv)	Disputed Sales tax demand under appeal in the Honorable High Court of Madras	52.20
iv)	Income tax appeals before ITAT	7.29

5) **Capital commitment: (Note no. B (5) of schedule 13 of annual accounts)**

Estimated amount of contract remaining to be executed on capital account and not provided for ₹ 76.35 crore (net of advance ₹ 8.54 crore)

6) **Finance leases: (Note no. B (6) of schedule 13 of annual accounts)**

The minimum lease rentals outstanding at period end are as under:

(₹ in crore)

Particulars	As on 31.03.2011		
	Minimum lease payments	Interest	Present value of minimum lease payments
Future lease rental obligation payable:			
– not later than one year	97.72	33.91	63.81
– later than one year but not later than five years	391.16	89.95	301.21
– later than five years	233.90	18.29	215.61
<b>TOTAL</b>	<b>722.78</b>	<b>142.15</b>	<b>580.63</b>

7) **Business segment and geographical segment: (Note no. B (7) of schedule 13 of annual accounts)**

a) **Business segment**

The Company has one primary business segment of fleet operations and chartering.

b) **Geographical segment**

The Company's fleet operations are managed on a worldwide basis from India. Fleet operating and chartering earnings based on the geographical location of customers:

(₹ in crore)

Fleet operating and chartering earnings	Period ended 31.03.2011
India	370.54
Hongkong	55.10
China	17.35
U.S.A	9.06
Rest of the world	4.62
<b>TOTAL</b>	<b>456.67</b>

The main operating assets represent floating fleet, which is not identifiable to any geographical location.

8) **Earnings per share: (Note no. B (9) of schedule 13 of annual accounts)**

The calculation of the basic and diluted earnings per share is based on the following data:

Particulars	Period ended 31.03.2011
Earnings for the purpose of basic earnings per share (net profit for the period) (₹ in crore)	78.17
Add: Adjustment on account of interest on foreign currency convertible bonds (net of income tax) (₹ in crore)	22.07
Earnings for the purpose of diluted earnings per share (net profit for the period) (₹ in crore)	100.24
Equity shares at the beginning of the period (nos.)	50,000
Equity shares to be issued on demerger-pending allotment (nos.)	205,227,768
Weighted average equity shares for the purpose of calculating basic earnings per share (nos.)	NA <sup>(1)</sup>
Weighted average equity shares for the purpose of calculating diluted earnings per share (nos.)	279,276,019
Earnings per share-basic (face value of ₹ 10/- each) (₹)	NA
Earnings per share-diluted (face value of ₹ 10/- each) (₹)	<b>3.71</b>

(1) the shares to be issued on demerger are pending allotments as of the date of the balance sheet and hence have not been considered for calculation of basic earnings per share.

9) **Foreign currency exposures: (Note no. B (10) of schedule 13 of annual accounts)**

- There were no forward / options contracts entered into by the Company during the period to hedge against foreign currency exposures
- The outstanding foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

a) Amount receivable in foreign currency on account of the following:

	Particulars	₹ in crore 31.03.11	Currency	Foreign currency in million 31.03.11
i.	Export of goods and services	8.01	USD	1.43
ii.	Advance to vendors	0.57	USD	0.13
iii.	Advance towards purchase of shares	282.31	USD	62.62
iv.	Bank balances	14.93	USD	3.34
v.	2% Cumulative Preference Shares	1,023.90	USD	230.93

b) Amount payable in foreign currency on account of the following:

	Particulars	₹ in crore 31.03.11	Currency	Foreign currency in million 31.03.11
i)	Import of goods and services	30.20	USD	6.75
		0.06	GBP	0.01
		0.80	EUR	0.13
		0.66	JPY	0.67
		1.48	SGD	0.42
		0.18	AED	0.15
		33.38		8.13
ii)	Due to holding company	5.98	USD	1.34
iii)	Secured and unsecured loans payable (including interest accrued but not due)	517.58	USD	117.13
iv)	Foreign Currency Convertible Bond (including interest accrued but not due)	1076.96	USD	240.16
v)	Lease loans obligation	587.68	USD	131.62

10) Employee benefits: (Note no. B (11) of schedule 13 of annual accounts)

The Company has adopted Accounting Standard (AS) 15 (Revised) 'Employee benefits' as notified under the Companies (Accounting Standards) Rules, 2006.

11) Related party transactions: (Note no. B (12) of schedule 13 of annual accounts)

a) Holding companies :

- i) Essar Global Limited, Cayman Island, ultimate holding company

- ii) Essar Shipping & Logistics Limited, Cyprus, immediate holding company

b) Subsidiaries:

- i) Essar Logistics Limited, India  
 ii) Energy Transportation International Limited, Bermuda  
 iii) Energy II Limited, Bermuda  
 iv) Essar Oilfields Services Limited, Mauritius  
 v) Essar Oilfield Services India Limited, India

c) Other related parties where there have been transactions:

Enterprises commonly controlled or influenced by major shareholders / directors / relatives of directors of the Company:

- (i) Aegis Limited  
 (ii) Arkay Holdings Limited  
 (iii) Essar Agrotech Limited  
 (iv) Essar Bulk Terminal Limited  
 (v) Essar House Limited  
 (vi) Essar Information Technology Limited  
 (vii) Essar Infrastructure Services Limited  
 (viii) Essar Investments Limited  
 (ix) Essar Oil Limited  
 (x) Essar Ports Limited  
 (xi) Essar Shipping (Cyprus) Limited  
 (xii) Essar Steel Limited  
 (xiii) Futura Travels Limited  
 (xiv) Imperial Consultants & Services Limited  
 (xv) India Securities Limited  
 (xvi) Prajesh Marketing Limited  
 (xvii) Vadinar Oil Terminal Limited  
 (xviii) Vadinar Ports & Terminal Limited

The details of transactions with related parties			₹ in crore
Nature of transactions	Holding and subsidiary companies	Other related parties	Total
	31.03.11	31.03.11	31.03.11
<b>INCOME</b>			
<b>Fleet operating income</b>			
Essar Steel Limited	–	290.24	290.24
Essar Shipping (Cyprus) Limited	–	0.62	0.62
Essar Logistics Limited	27.14	–	27.14
<b>Total</b>	<b>27.14</b>	<b>290.86</b>	<b>318.00</b>
<b>Equipment lease rental income</b>			
Essar Steel Limited	–	0.01	0.01
<b>Interest income</b>			
Essar Oilfields Services India Limited	25.84	–	25.84
Essar Oilfields Services Limited (Mauritius)	1.10	–	1.10
<b>Total</b>	<b>26.94</b>	<b>–</b>	<b>26.94</b>
<b>Purchase of fuel oil</b>			
Essar Oil Limited	–	12.73	12.73
Essar Bulk Terminal Limited	–	0.05	0.05
<b>Total</b>	<b>–</b>	<b>12.78</b>	<b>12.78</b>
<b>Vessel hire charges</b>			
Essar Shipping & Logistics Limited	41.67	–	41.67
<b>Manning charges</b>			
Essar Infrastructure Services Limited	–	0.08	0.08
<b>Direct voyage expenses</b>			
Essar Bulk Terminal Limited	–	6.80	6.80
<b>Rent charges</b>			
Essar House Limited	–	0.48	0.48
Essar Infrastructure Services Limited	–	1.56	1.56
<b>Total</b>	<b>–</b>	<b>2.04</b>	<b>2.04</b>
<b>Repair and maintenance</b>			
Essar Infrastructure Services Limited	–	0.18	0.18
Essar Agrotech Limited	–	0.01	0.01
<b>Total</b>	<b>–</b>	<b>0.19</b>	<b>0.19</b>
<b>Traveling expenses</b>			
Futura Travels Limited	–	1.33	1.33
<b>Reimbursement of expenses</b>			
Futura Travels Limited	–	4.64	4.64
Essar Logistics Limited	20.22	–	20.22
Essar Investments Limited	–	0.95	0.95
<b>Total</b>	<b>20.22</b>	<b>5.59</b>	<b>25.81</b>
<b>Professional /Advisory fees / Agency fee</b>			
India Securities Limited	–	0.15	0.15
Essar Investments Limited	–	4.09	4.09
Aegis Limited	–	0.84	0.84
Essar Information Technology Limited	–	0.03	0.03
Essar Logistics Limited	0.20	–	0.20
<b>Total</b>	<b>0.20</b>	<b>5.11</b>	<b>5.31</b>



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Nature of transactions	Holding and subsidiary companies	Other related parties	Total
	31.03.11	31.03.11	31.03.11
<b>Aircraft usage charges reimbursed</b>			
Essar Oil Limited	–	23.60	23.60
<b>Interest on lease loan</b>			
Essar Shipping & Logistics Limited	16.63	–	16.63
<b>Application money for allotment of shares</b>			
Essar Oilfields Services Limited	46.32	–	46.31
<b>Loans and advances given</b>			
Essar Investments Limited	–	1.00	1.00
Essar Oilfield Services India Limited	16.46	–	16.46
<b>Total</b>	<b>16.46</b>	<b>1.00</b>	<b>17.46</b>
<b>Security Deposit received</b>			
Essar Oil Limited	–	2.50	2.50
<b>Guarantees given on behalf of others</b>			
Essar Logistics Limited	13.50	–	13.50
Essar Oilfield Services India Limited	1210.00	–	1210.00
<b>Total</b>	<b>1223.50</b>	<b>–</b>	<b>1223.50</b>

\* Directors sitting Fees: Rs. 0.02.

Outstanding balances ₹ in crore			₹ in crore
Nature of Balances	Holding and subsidiary companies	Other related parties	Total
	31.03.11	31.03.11	31.03.11
<b>Sundry debtors</b>			
Essar Steel Limited	–	87.31	87.31
Essar Logistics Limited	13.23	–	13.23
Essar Shipping (Cyprus) Limited	–	1.05	1.05
<b>Total</b>	<b>13.23</b>	<b>88.36</b>	<b>101.59</b>
<b>Advance for purchase of shares</b>			
Essar Oilfields Services Limited	46.32	–	46.32
Energy II Limited	235.99	–	235.99
<b>Total</b>	<b>282.31</b>	<b>–</b>	<b>282.31</b>
<b>Loans and advances (including interest accrued) / Other receivables</b>			
Essar Investments Limited	–	6.91	6.91
Essar Ports Limited	–	15.46	15.46
Essar Oilfield Services India Limited	453.93	–	453.93
Futura Travels Limited	–	6.46	6.46
Imperial Consultants & Services Limited	–	10.16	10.16
<b>Total</b>	<b>453.93</b>	<b>38.99</b>	<b>492.92</b>
<b>Deposits given</b>			
Futura Travels Limited	–	6.25	6.25
Essar House Limited	–	31.00	31.00
Essar Investments Limited	–	0.06	0.06
Prajesh Marketing Limited	–	4.80	4.80
Essar Information Technology Limited	–	0.46	0.46
<b>Total</b>	<b>–</b>	<b>42.57</b>	<b>42.57</b>

Nature of Balances	Holding and subsidiary companies	Other related parties	Total
	31.03.11	31.03.11	31.03.11
<b>Lease loan obligation</b>			
Essar Shipping & Logistics Limited	–	533.99	533.99
<b>Sundry creditors</b>			
Essar Logistics Limited	0.63	–	0.63
Energy II Limited	0.10	–	0.10
Essar Shipping & Logistics Limited	5.98	–	5.98
Essar Bulk Terminal Limited	–	9.48	9.48
Essar Infrastructure Limited	–	0.01	0.01
India Securities Limited	–	0.05	0.05
Essar Investments Limited	–	0.83	0.83
Aegis Limited	–	0.63	0.63
Arkay Holdings Limited	–	0.02	0.02
Essar Agrotech Limited	–	0.01	0.01
Essar Information Technology Limited	–	0.09	0.09
Essar Oil Limited	–	2.07	2.07
<b>Total</b>	<b>6.71</b>	<b>13.19</b>	<b>19.90</b>
<b>Interest accrued but not due</b>			
Essar Shipping & Logistics Limited	7.05	–	7.05
<b>Security deposit received</b>			
Essar Oil Limited	–	9.00	9.00
Vadinar Oil Terminal Limited	–	1.50	1.50
Vadinar Ports & Terminals Limited	–	1.50	1.50
Essar Bulk Terminals Limited	–	1.50	1.50
<b>Total</b>	<b>–</b>	<b>13.50</b>	<b>13.50</b>
<b>Guarantees given on behalf of others</b>			
Essar Oilfield Services India Limited	1,310.00	–	1310.00
Essar Logistics Limited	76.24	–	76.24
<b>Total</b>	<b>1,386.24</b>	<b>–</b>	<b>1,386.24</b>

**12) (Note no. B (13) of schedule 13 of annual accounts)**

In view of exemption granted by Central Government for shipping companies vide press note no.2/2011 dated 08.02.2011, information required under sub-clauses (a), (b), (c) and (e) of paragraph 4-D of part II of schedule VI to the Companies Act, 1956, is not given.

**13) (Note no. B (15) of schedule 13 of annual accounts)**

The Company has entered into Memorandum of agreement (MOA) for acquisition of a 152,065 DWT capsized bulk carrier which is expected to be delivered by end of July 2011.

**14) Investments**

The Company's investments in shares of Essar Logistics Limited having negative lien undertaking in favour of lenders for the loan availed by Essar Steel Holdings Limited and pledge of 49% shares in favour

of IDBI Trusteeship Services Limited as security against NCD of ₹ 700 crore.

15. a) As per the Scheme of Arrangement, 5000 – 11.35% Secured Rated Redeemable Non-convertible Debentures of ₹ 10 lakh each aggregating ₹ 500 crore on 22nd June 2009 with a Put and Call Option at the end of 5 years from the date of allotment. The debentures will be redeemed at the end of 10 years i.e. on June 22, 2019; and 2000-11.35% Secured Rated Redeemable Non-convertible Debentures of ₹ 10 lakh each aggregating ₹ 200 crore on 25th March 2010 with a Put and Call Option at the end of 5 years from the date of allotment. The debentures will be redeemed at the end of 10 years i.e. on March 25, 2020, issued by ESPLL stood transferred to the Company.

These debentures have been listed on the Wholesale Debt Market Segment of the National Stock Exchange of India Limited.

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- b) As per the Scheme of Arrangement, 5% Foreign currency convertible bonds, Series-A US\$128,571,429, interest bearing bonds due on August 24, 2015 and Series-B; US\$ 111,428,571 interest bearing bonds due on August 24, 2017, issued by ESPLL stood transferred to the Company.

The above bonds are convertible into fully-paid ordinary shares of ₹ 10 each of the company at an initial conversion rate of ₹ 91.70 per equity share at a fixed exchange rate of ₹ 46.94.

### 16) Performance ratios

Sr. No.	Particulars	Ratio
1.	Total income / Total assets	6.56
2.	Net profit before interest and tax / Capital employed	2.43
3.	Return on net worth	1.51
4.	Net profit / Total income	14.29

### Notes:

Capital employed includes shareholders funds, loan funds and advance against allotment of shares.

Net worth includes shareholders funds and advance against allotment of shares.

### 17) (Note no. B (14) of schedule 13 of annual accounts)

The Company has not received any intimation from the suppliers regarding their status under Micro, Small and Medium Enterprises Development Act, 2006 (the Act) and hence the disclosure required by the Act have not been made. The Company is making efforts to get confirmations from the suppliers as regards their status under the Act.

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For and on behalf of the Board

**A.R. Ramakrishnan**  
Managing Director

**Vikram Gupta**  
Chief Financial Officer

Place : Mumbai  
Date : July 4, 2011

**K.V. Krishnamurthy**  
Director

**Vinayak Joshi**  
Company Secretary

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**  
(As per Schedule VI, part (iv) of the Companies Act, 1956)

<b>I. Registration Details</b>		Registration No. <input type="text" value="6"/> <input type="text" value="0"/> <input type="text" value="2"/> <input type="text" value="8"/> <input type="text" value="5"/>	State Code <input type="text" value="0"/> <input type="text" value="4"/>
		Balance Sheet Date <input type="text" value="3"/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="3"/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="1"/> <input type="text" value="1"/>	
<b>II. Capital Raised During the year</b> (Amounts Rs. in thousands)			
		Public Issue <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>	Right Issue <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
		Bonus Issue <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>	Private Placement <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
<b>III. Position of Mobilisation and Deployment of Funds</b> (Amount Rs. in thousands)			
		Total Liabilities <input type="text"/> <input type="text"/> <input type="text" value="8"/> <input type="text" value="3"/> <input type="text" value="0"/> <input type="text" value="2"/> <input type="text" value="7"/> <input type="text" value="7"/> <input type="text" value="6"/>	Total Asset <input type="text"/> <input type="text"/> <input type="text" value="8"/> <input type="text" value="3"/> <input type="text" value="0"/> <input type="text" value="2"/> <input type="text" value="7"/> <input type="text" value="7"/> <input type="text" value="6"/>
Source of Funds			
		Paid-up Capital <input type="text"/> <input type="text"/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="5"/> <input type="text" value="2"/> <input type="text" value="2"/> <input type="text" value="7"/> <input type="text" value="8"/>	Reserves & Surplus <input type="text"/> <input type="text"/> <input type="text" value="4"/> <input type="text" value="9"/> <input type="text" value="3"/> <input type="text" value="8"/> <input type="text" value="3"/> <input type="text" value="8"/> <input type="text" value="2"/> <input type="text" value="3"/>
Application of Funds			
		Secured Loans <input type="text"/> <input type="text"/> <input type="text" value="1"/> <input type="text" value="9"/> <input type="text" value="0"/> <input type="text" value="1"/> <input type="text" value="6"/> <input type="text" value="6"/> <input type="text" value="2"/> <input type="text" value="2"/>	Unsecured loans <input type="text"/> <input type="text"/> <input type="text" value="1"/> <input type="text" value="2"/> <input type="text" value="5"/> <input type="text" value="7"/> <input type="text" value="5"/> <input type="text" value="0"/> <input type="text" value="4"/> <input type="text" value="0"/>
		Net Fixed Assets <input type="text"/> <input type="text"/> <input type="text" value="1"/> <input type="text" value="7"/> <input type="text" value="5"/> <input type="text" value="4"/> <input type="text" value="3"/> <input type="text" value="4"/> <input type="text" value="2"/> <input type="text" value="2"/>	Investments <input type="text"/> <input type="text"/> <input type="text" value="5"/> <input type="text" value="6"/> <input type="text" value="2"/> <input type="text" value="8"/> <input type="text" value="8"/> <input type="text" value="7"/> <input type="text" value="8"/> <input type="text" value="1"/>
		Net Current Assets <input type="text"/> <input type="text"/> <input type="text" value="9"/> <input type="text" value="1"/> <input type="text" value="8"/> <input type="text" value="5"/> <input type="text" value="5"/> <input type="text" value="6"/> <input type="text" value="0"/>	Misc. Expenditure <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text" value="-"/> <input type="text" value="-"/>
		Accumulated Losses <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>	
<b>IV. Performance of Company</b> (Amount Rs. in thousands)			
		Turnover <input type="text"/> <input type="text"/> <input type="text" value="1"/> <input type="text" value="1"/> <input type="text" value="3"/> <input type="text" value="2"/> <input type="text" value="8"/> <input type="text" value="0"/> <input type="text" value="2"/> <input type="text" value="1"/>	Total Expenditure <input type="text"/> <input type="text"/> <input type="text" value="4"/> <input type="text" value="6"/> <input type="text" value="7"/> <input type="text" value="2"/> <input type="text" value="7"/> <input type="text" value="6"/> <input type="text" value="5"/>
+ - Profit/Loss Before Tax <input type="text" value="+"/> <input type="text"/>		<input type="text"/> <input type="text"/> <input type="text" value="7"/> <input type="text" value="9"/> <input type="text" value="6"/> <input type="text" value="6"/> <input type="text" value="4"/> <input type="text" value="2"/>	+ - Profit /Loss After Tax <input type="text" value="+"/> <input type="text"/> <input type="text"/> <input type="text" value="7"/> <input type="text" value="8"/> <input type="text" value="1"/> <input type="text" value="6"/> <input type="text" value="4"/> <input type="text" value="2"/>
Earning Per Share in Rs. <input type="text"/> <input type="text"/>		<input type="text"/> <input type="text"/> <input type="text"/> <input type="text" value="3"/> <input type="text" value="7"/> <input type="text" value="1"/>	Dividend Rate % <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
<b>V. Generic Names of Three Principal Products/services of Company (as per monetary terms)_Not applicable being Shipping Company</b>			
Item code No (ITC Code)	<input type="text"/> <input type="text"/> <input type="text" value="N"/> <input type="text" value="A"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	Product Description	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text" value="S"/> <input type="text" value="h"/> <input type="text" value="i"/> <input type="text" value="p"/> <input type="text" value="O"/> <input type="text" value="p"/> <input type="text" value="e"/> <input type="text" value="r"/> <input type="text" value="a"/> <input type="text" value="t"/> <input type="text" value="i"/> <input type="text" value="o"/> <input type="text" value="n"/> <input type="text" value="a"/> <input type="text" value="n"/> <input type="text" value="d"/> <input type="text" value="C"/> <input type="text" value="h"/> <input type="text" value="a"/> <input type="text" value="r"/> <input type="text" value="t"/> <input type="text" value="e"/> <input type="text" value="r"/> <input type="text" value="i"/> <input type="text" value="n"/> <input type="text" value="g"/> <input type="text" value="L"/> <input type="text" value="o"/> <input type="text" value="g"/> <input type="text" value="i"/> <input type="text" value="s"/> <input type="text" value="t"/> <input type="text" value="i"/> <input type="text" value="c"/> <input type="text" value="s"/> <input type="text" value="a"/> <input type="text" value="n"/> <input type="text" value="d"/> <input type="text" value="O"/> <input type="text" value="i"/> <input type="text" value="l"/> <input type="text" value="f"/> <input type="text" value="i"/> <input type="text" value="e"/> <input type="text" value="l"/> <input type="text" value="d"/> <input type="text" value="S"/> <input type="text" value="e"/> <input type="text" value="r"/> <input type="text" value="v"/> <input type="text" value="i"/> <input type="text" value="c"/> <input type="text" value="e"/> <input type="text" value="s"/>
Item code No (ITC Code)	<input type="text"/> <input type="text"/> <input type="text" value="N"/> <input type="text" value="A"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	Product Description	<input type="text"/> <input type="text"/> <input type="text" value="N"/> <input type="text" value="A"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
Item code No (ITC Code)	<input type="text"/> <input type="text"/> <input type="text" value="N"/> <input type="text" value="A"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	Product Description	<input type="text"/> <input type="text"/> <input type="text" value="N"/> <input type="text" value="A"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
Item code No (ITC Code)	<input type="text"/> <input type="text"/> <input type="text" value="N"/> <input type="text" value="A"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	Product Description	<input type="text"/> <input type="text"/> <input type="text" value="N"/> <input type="text" value="A"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>

**Note:** for ITC code of Products please refer to the publication "Indian Trade Classification " based on harmonized Commodity description and coding system by Ministry of Commerce, Directorate General of Commercial Intelligence & Statistics, Kolkata 700 001.

For and on behalf of the Board

**A.R. Ramakrishnan**  
Managing Director

**K.V. Krishnamurthy**  
Director

**Vikram Gupta**  
Chief Financial Officer

**Vinayak Joshi**  
Company Secretary

Mumbai  
July 4, 2011



STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

PARTICULARS	Essar Logistics Limited Limited, Mumbai	Energy Transportation International Bermuda	Energy II Limited Limited Bermuda	Essar Oilfields Services Limited Mauritius	Essar Oilfields Services India Mumbai
1. The relevant financial year of the subsidiary ended on	31.03.11	31.03.11	31.03.11	31.03.11	31.03.11
2. No of shares in the subsidiary company held by Essar Shipping Ports & Logistics Limited as on 31st March 2011	73,000,000	1,952,000	12,000	200,000,001	657,986,865
3. Extent of holding by Essar Shipping Ports & Logistics Ltd as at the end of the financial period	100%	100%	100%	100%	100%
4. The net aggregate amount of the Subsidiary Companies Profit / (Loss) so far as it concerns the members of the Holding Company.					
<b>a) Not dealt with in the Holding Company's Accounts :</b>					
i) For the financial period ended 31st March, 2011	₹ 33,264,543	\$ .119,561	\$ .1,068,355	(₹ 137,527,766)	(₹ 393,615,761)
ii) For the previous Financial years of the Subsidiary Companies since they became the Holding Company's subsidiaries	₹ 238,139,135	(\$ .22,302)	(\$ .13,773)	₹ 567,096,115	(₹ 127,218,535)
<b>b) Dealt with in Holding Company's accounts:</b>					
i) For the financial period ended 31st March, 2011	NIL	NIL	NIL	NIL	NIL
ii) For the previous Financial years of the Subsidiary Companies since they became the Holding Company's subsidiaries	NIL	NIL	NIL	NIL	NIL
5. Change of interest of Essar Shipping Ports & Logistics Ltd in the subsidiary between the end of the financial year of subsidiary and that of Essar Shipping Ports & Logistics Limited	NIL	NIL	NIL	NIL	NIL
6. Material changes between the end of the financial year of the subsidiary and the end of the financial year to Essar Shipping Ports & Logistics Limited in respect of subsidiary's fixed assets, investments, monies lent and borrowed					
a) Fixed Assets	NIL	NIL	NIL	NIL	NIL
b) Investments	NIL	NIL	NIL	NIL	NIL
c) Money lent by the subsidiary	NIL	NIL	NIL	NIL	NIL
d) Money borrowed by the subsidiary company other than for meeting current Liabilities (Net)	NIL	NIL	NIL	NIL	NIL

For and on behalf of the Board

**A.R. Ramakrishnan**  
Managing Director

**K.V. Krishnamurthy**  
Director

**Vikram Gupta**  
Chief Financial Officer

**Vinayak Joshi**  
Company Secretary

Place : Mumbai  
Date : July 4, 2011

## AUDITORS' REPORT ON ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTOR OF ESSAR SHIPPING LIMITED

We have examined the abridged Consolidated Balance Sheet of Essar Shipping Limited (formerly Essar Ports & Terminals Limited) ("the Company"), and its subsidiaries (together the Group) as at 31<sup>st</sup> March, 2011 and also the abridged Statement of Profit and Loss and the Cash Flow Statement for the period from 16<sup>th</sup> April, 2010 to 31<sup>st</sup> March, 2011 both annexed thereto. These abridged financial statements have been prepared by the Company pursuant to Rule 7A of the Companies (Central Government's) General Rules and Forms, 1956 and are based on the audited consolidated financial statements of the Group as at and for the period ended 31<sup>st</sup> March, 2011 prepared by the Management in accordance with the requirement of Accounting Standard (AS) 21, Consolidated Financial Statements, as notified under the Companies

(Accounting Standards) Rules, 2006 and covered by our report of even date to the members of the Company, which is attached hereto.

For **Deloitte Haskins & Sells**  
Chartered Accountants  
(Registration No. 117365W)

**Khurshed Pastakia**  
Partner  
(Membership No. 31544)

Mumbai  
July 4, 2011

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## AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF ESSAR SHIPPING LIMITED

1. We have audited the attached Consolidated Balance Sheet of ESSAR SHIPPING LIMITED (formerly Essar Ports & Terminal Limited, India) ("the Company") and its subsidiaries (the Company and its subsidiaries constitute "the Group") as at 31<sup>st</sup> March, 2011, the Consolidated Statement of Profit and Loss for the period from April 16, 2010 to March 31<sup>st</sup>, 2011 and the Consolidated Cash Flow Statement of the Group for the period ended on that date, both annexed thereto. These Consolidated financial statements are the responsibility of the Company's Management and have been prepared on the basis of the separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21

(Consolidated Financial Statements), as notified under the Companies (Accounting Standards) Rules, 2006.

4. Based on our audit and on consideration of the separate audit reports on individual financial statements of the Company and its aforesaid subsidiaries and to the best of our information and according to the explanations given to us, in our opinion, the Consolidated Financial Statements, give a true and fair view in conformity with the accounting principles generally accepted in India.
  - (i) in the case of the Consolidated Balance Sheet, of the state of affairs of the group as at 31<sup>st</sup> March, 2011;
  - (ii) in the case of the Consolidated Statement of Profit and Loss, of the profit of the group for the period ended on that date; and
  - (iii) in the case of the Consolidated Cash Flow Statement, of the cash flows of the group for the period ended on that date.

For **Deloitte Haskins & Sells**  
Chartered Accountants  
(Registration No. 117365W)

**Khurshed Pastakia**  
Partner  
(Membership No. 31544)

Mumbai  
July 4, 2011

**ABRIDGED CONSOLIDATED BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2011**

(Statement containing the salient features of Consolidated Balance Sheet as per Section 219 (1) (b) (iv) of the Companies Act, 1956.)

PARTICULARS	As at 31.03.2011 (₹ in crore)	
<b>I. SOURCES OF FUNDS</b>		
<b>Shareholders' funds:</b>		
a) Capital		
Equity-pending allotment (alloted on May 24,2011)(refer note no.3)		205.23
b) Reserves and surplus		
i) Debenture redemption reserve	35.00	
ii) Revenue reserves	4,893.42	
iii) Tonnage tax reserve	20.00	
iv) Surplus in Statement of Profit and Loss	88.06	
		5,036.48
<b>Loan funds:</b>		
a) Debentures [refer note no.18(a)]	700.00	
b) Secured loans	2,204.25	
c) Finance lease obligations (refer note no.6)	827.30	
d) Unsecured loans (refer note no.18(b))	1,257.50	
		4,989.05
<b>Deferred tax liability (net)</b>		22.26
<b>Total</b>		10,253.02
<b>II. APPLICATION OF FUNDS</b>		
<b>Fixed assets:</b>		
a) Net block	4,135.08	
(original cost ₹.5,222.01 crore less depreciation ₹ 1,086.93 crore (refer note no.4)		
b) Capital work-in-progress (including capital advances and expenditure during construction)	1,500.64	
		5,635.72
c) Goodwill on consolidation		3,658.41
<b>Investments</b>		
Unquoted		0.00
<b>Current assets, loans and advances:</b>		
a) Inventories	133.50	
b) Sundry debtors (refer note no.14)	471.37	
c) Cash and bank balances	224.36	
d) Other current assets	13.75	
e) Loans and advances	694.11	
		1,537.09
<b>Less: Current liabilities and provisions:</b>		
a) Liabilities (refer note no.4 and 15)	568.29	
b) Provisions	11.73	
		580.02
<b>Net current assets</b>		957.07
<b>Miscellaneous expenditure (to the extent not written off or adjusted)</b>		1.82
<b>Total</b>		10,253.02

**Refer notes to abridged consolidated financial statements**

Compiled from the audited annual accounts of the Company referred to in our report dated July 4<sup>th</sup>, 2011.

In terms of our report attached

For **Deloitte Haskins & Sells**  
Chartered Accountants

**Khurshed Pastakia**  
Partner

Place : Mumbai  
Date : July 4, 2011

For and on behalf of the Board

**A.R. Ramakrishnan**  
Managing Director

**Vikram Gupta**  
Chief Financial Officer

Place : Mumbai  
Date : July 4, 2011

**K.V. Krishnamurthy**  
Director

**Vinayak Joshi**  
Company Secretary

## ABRIDGED CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE PERIOD FROM

(Statement containing the salient features of Consolidated Statement of Profit and loss as per Section 219 (1) (b) (iv) of the Companies Act, 1956)

### PARTICULARS

From 16.04.10 to  
31.03.2011  
(₹ in crore)

#### INCOME

a) Operating and chartering earnings	659.84
b) Surface transport services income	448.11
c) Port and terminal service income	167.99
d) Interest income	14.40
e) Other income:	
i) Profit on sale of fleet	38.47
ii) Currency exchange gain, net	6.83
iii) Miscellaneous income	7.79
<b>Total</b>	<b>1,342.79</b>

#### EXPENDITURE

a) Operating expenses:	
i) Direct voyage expenses	719.82
ii) Consumption of fuel, oil and water	75.94
iii) Salaries, wages and other employees benefits - floating staff	65.57
iv) Other operating expenses	78.63
	<b>939.96</b>
b) Establishment and other expenses:	
i) Salaries, wages and other employees benefits- office staff	27.42
ii) Auditor's remuneration	1.50
iii) Other expenses	36.95
	<b>65.87</b>
c) Interest expenses	<b>139.37</b>
d) Depreciation	<b>162.23</b>
<b>Total</b>	<b>1,307.43</b>

#### PROFIT BEFORE TAX

<b>PROFIT BEFORE TAX</b>	<b>35.36</b>
Less: Provision for taxation	
i) Current tax (including tonnage tax)	<b>(3.56)</b>
ii) Deferred tax credit / (liability)	<b>1.59</b>
iii) Tax adjustments for earlier years	<b>(0.12)</b>
	<b>(2.09)</b>
<b>PROFIT FOR THE PERIOD AVAILABLE FOR APPROPRIATION</b>	<b>33.27</b>

#### APPROPRIATIONS

Less: Transferred to tonnage tax reserve	<b>20.00</b>
Less: Transferred to debenture redemption reserve	<b>10.00</b>
Balance carried forward to balance sheet	<b>3.27</b>
Basic earnings per share (₹) (face value of ₹ 10/- per share) (refer note no.8)	<b>-</b>
Diluted earnings per share (₹) (face value of ₹ 10/- per share) (refer note no.8)	<b>1.37</b>

#### Refer notes to abridged consolidated financial statements

Compiled from the audited annual accounts of the Company referred to in our report dated July 4<sup>th</sup>, 2011.

In terms of our report attached

For **Deloitte Haskins & Sells**  
Chartered Accountants

**Khurshed Pastakia**  
Partner

Place : Mumbai  
Date : July 4, 2011

For and on behalf of the Board

**A.R. Ramakrishnan**  
Managing Director

**Vikram Gupta**  
Chief Financial Officer

Place : Mumbai  
Date : July 4, 2011

**K.V. Krishnamurthy**  
Director

**Vinayak Joshi**  
Company Secretary



**CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31<sup>st</sup> MARCH, 2011**

	From 16.04.10 to 31.03.11 (₹ in crore)
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>	
Profit before tax	35.39
Adjustments for :	
Depreciation / impairment	162.23
Interest and finance expenses	139.37
Interest income	(14.40)
Loss /(Profit) on sale of assets	(38.47)
Foreign exchange difference loss / (gain)	(6.77)
<b>Operating profit before working capital changes</b>	<b>277.35</b>
Adjustments for:	
Trade and other receivables	(33.52)
Inventories	(4.51)
Trade and other payables	(13.16)
<b>Cash generated from operations</b>	<b>226.15</b>
Income tax paid	(12.63)
<b>Net cash flow from operating activities</b>	<b>213.52</b>
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>	
Purchase of fixed assets including capital work in progress /advance	(371.14)
Proceeds from sale of fixed assets	74.08
Fixed deposits matured for a period of more than three months, net	(16.37)
Loans and advances given to body corporates	(450.43)
Loans and advances repaid by body corporates	18.84
Interest received	9.78
<b>Net cash used for investing activities</b>	<b>(735.24)</b>
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>	
Interest and finance expenses paid	(138.72)
Proceeds from term loans	1,262.27
Proceeds from commercial papers	205.05
Proceeds from unsecured loans	29.00
Repayment of term loans	(841.40)
Repayment of finance lease obligations	(45.17)
Repayment of commercial papers	(205.00)
Repayment of unsecured loan	(11.17)
<b>Net cash flow from financing activities</b>	<b>254.85</b>
<b>INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(266.87)</b>
Cash and cash equivalents received upon demerger	336.30
<b>Cash and cash equivalents at end of the year</b>	<b>69.43</b>

## CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31<sup>st</sup> MARCH, 2011

From 16.04.10 to 31.03.11  
(₹ in crore)

**Notes :**

**1 Cash and cash equivalents include :**

Cash and bank balances	69.43
Unrealised foreign currency (loss) / gain on cash and cash equivalents	(0.07)
Total cash and cash equivalents	69.36
Balances in fixed deposits (maturity period of more than 3 months)	154.97
<b>CASH AND BANK BALANCES (as per schedule 7)</b>	<b>224.33</b>

**2 Non cash transactions**

i) Pursuant to the scheme, EPL has transferred the following assets and liabilities at its book value as on 01.10.2010.

**a) Assets:**

Fixed assets including capital advance	5489.76	
Inventories	128.99	
Sundry debtors	447.13	
Margin deposits with bank	138.60	
Other current assets	2.59	
Loans and advances	308.92	6,515.99

**b) Liabilities**

Secured loans	2495.89	
Finance lease obligations	884.81	
Unsecured loans	1248.69	
Current liabilities and provisions	605.46	5234.85
	-	<b>1,281.14</b>

ii) Equity shares [pending allotment refer note no. B (1) of schedule 13] **205.23**

**3** Cash Flow Statement has been prepared under the indirect method as set out in Accounting Standard - 3 'Cash Flow Statement' as notified under the Companies (Accounting Standard) Rules, 2006.

In terms of our report attached

For **Deloitte Haskins & Sells**  
Chartered Accountants

**Khurshed Pastakia**  
Partner

Place : Mumbai  
Date : July 4, 2011

For and on behalf of the Board

**A.R. Ramakrishnan**  
Managing Director

**Vikram Gupta**  
Chief Financial Officer

Place : Mumbai  
Date : July 4, 2011

**K.V. Krishnamurthy**  
Director

**Vinayak Joshi**  
Company Secretary

**NOTES TO ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31ST MARCH, 2011**

(Compiled from audited annual accounts of the Company)

**1) Subsidiaries**

The reporting date of all the subsidiaries is 31st March 2011. The list of the subsidiaries of the Company which are included in the consolidation and the Group's holding therein are as under:

Name of companies	Country of incorporation	Immediate holding company	Relation-ship	Percent holding
		2011		2011
Essar Logistics Limited ("ELL")	India	ESL	Subsidiary	100%
Essar Oilfields Services Limited ("EOSL")	Mauritius	ESL	Subsidiary	100%
Essar Oilfields Services India Limited ("EOSIL")	India	EOSL	Subsidiary	100%
Energy Transportation International Limited ("ETIL")	Bermuda	ESL	Subsidiary	100%
Energy II Limited ("EII")	Bermuda	ESL	Subsidiary	100%

**2) (Note B (2) of schedule 13 of annual accounts)**

The Company was incorporated with the name of Essar Ports & Terminals Limited in the State of Gujarat on April 16, 2010. The Company received the Certificate of Commencement of Business on June 1, 2010. The main object of the Company on incorporation was to carry on the business *inter-alia* of providing ports and terminals services. The main objects of the Company were expanded on August 25, 2010 to *inter-alia* provide shipping & logistics and oilfields services business. The name of the Company was then changed to Essar Shipping Limited with effect from September 7, 2010.

**3) Composite Scheme of Arrangement (Note B (3) of schedule 13 of annual accounts)**

The Hon'ble High Court of Gujarat at Ahmedabad *vide* order dated March 1, 2011 approved the Composite Scheme of Arrangement (Scheme) between Essar Shipping Ports & Logistics Limited (ESPLL), Essar Ports & Terminals Limited (EPTL) Mauritius, Essar International Limited (EIL) Mauritius and Essar Shipping Limited (ESL).

The Scheme provided for the merger of EPTL and EIL with ESPLL and the demerger of the Shipping & Logistics Business and the Oilfields Services Business into ESL.

Pursuant to the Scheme, all the assets and liabilities pertaining to the Shipping & Logistics Business and the Oilfields Services Business stood transferred to and became vested in ESL at the book values (ignoring revaluation) as appearing in the books of account of ESPLL with effect from October 1, 2010 being the Demerger Appointed Date, which are based on financial statements as on 30<sup>th</sup> September, 2010. The difference between the values of assets and liabilities transferred was first adjusted against share capital (₹ 205.23 crore), ₹ 25 crore against Debenture Redemption Reserve and the balance to General Reserve Accounts of the Company.

Upon the Scheme becoming effective, ESL ceased to be a subsidiary of ESPLL with effect from October 1<sup>st</sup>, 2010.

Non Convertible Debentures aggregating to Rs. 700 crore and Foreign Currency Convertible Bonds aggregating to USD 240 million (out of USD 280 million) issued by ESPLL stood transferred to ESL.

In consideration of the demerger, the Company allotted 20,52,27,768 equity shares of ₹ 10/- each as fully paid up to the eligible members of ESPLL whose name recorded in register of members of ESPLL as on May 21<sup>st</sup>, 2011, in terms of the Scheme as detailed below.

Name of the company	No. of shares
Essar Shipping & Logistics Limited (immediate holding company)	1,70,451,856
Essar Global Limited	33
Essar Steel Limited (subsidiary of Essar Global Limited)	1,273,610
Erstwhile other share holders of ESPLL	33,502,269
<b>Total</b>	<b>205,227,768</b>

Simultaneously the original issued equity share capital i.e. 50,000 equity shares of ₹ 10/- each were cancelled in accordance with the Scheme.

The Company is in the process of having its equity shares listed on the Bombay Stock Exchange Ltd. and the National Stock Exchange of India Limited.

The first financial year of the Company is for the period from April 16, 2010 to March 31, 2011. This

being the first year of incorporation, there are no comparative figures.

The Board of Directors has since appointed Mr. A. R. Ramakrishnan as the Managing Director of the Company with effect from May 23, 2011.

**4) Fixed assets (Note B (4) of schedule 13 of annual accounts)**

Pursuant to notification issued by the Central Government under Companies (Accounting Standard) Amendment Rules, 2009 dated March 31<sup>st</sup>, 2009; the Company has chosen to adjust the gains/losses arising on conversion/translation/settlement of long term foreign currency items into the corresponding costs of fixed assets.

The compounding effect of this treatment has resulted into decrease in the profit for the period by an amount of ₹ 18.88 crore.

The Group is disputing a claim of ₹ 67.28 crore for supply of equipments and other support services during the trial run period of rig. However pending settlement, the group has made the provision for the entire claim towards cost of rig. The group is expecting the settlement in near future.

Gross block of plant and machinery includes ₹ 38.84 crore leased out, W.D.V. on October 1<sup>st</sup>, 2010 ₹ nil. Plant and Machinery includes Essar Wildcat Rig having gross amount of ₹ 2063.82 crore is charged by the Company as security against the syndicated term loan of ₹ 736.73 crore.

Vehicles gross book value of ₹ 7.11 crore have been taken under hire purchase agreement from India securities limited and hypothecated to it.

**5) Contingent liabilities: (Note B (5) of schedule 13 of annual accounts)**

(₹ in crore)

Particulars	As on 31.03.2011
Guarantees given by banks	42.30
Disputed service tax demand	52.01
Disputed sales tax demand under appeal with the Honorable High Court of Madras	52.20
Income tax appeals before ITAT	7.29
Bills discounted with banks	103.64

Estimated amount of contract remaining to be executed on capital account not provided for is ₹ 1,192.89 crore (net of advances ₹ 1,142.29)

**6) Finance lease obligations: (Note B (6) of schedule 13 of annual accounts)**

**(a) Finance leases:**

- (i) The minimum lease rentals outstanding at the year-end are as under:

(₹ in crore)

Particulars	As on 31.03.2011		
	Minimum lease payments	Interest	Present value of minimum lease payments
– Not later than one year	139.05	51.66	87.39
– Later than one year but not later than five years	542.24	142.40	399.84
– Later than five years	364.86	24.79	340.07
<b>Total</b>	<b>1,046.15</b>	<b>218.85</b>	<b>827.30</b>

**7) Business segment and geographical segment: (Note B (7) of schedule 13 of annual accounts)**

**a) Business segment**

(₹ in crore)

Particulars	Period ended 31.03.2011
<b>Segment revenue</b>	
<b>Operating income</b>	
Fleet operating and chartering	745.26
Surface transport services	448.11
Oilfields services	167.99
Unallocated	–
<b>Total</b>	<b>1,361.36</b>
Less: Inter segment revenue	(46.96)
<b>Net income from operation</b>	<b>1,314.40</b>
<b>Other income</b>	
Unallocated	63.72
Less Segment income	(35.32)
<b>Net other income (B)</b>	<b>28.40</b>
<b>Total income (A+B)</b>	<b>1,342.80</b>
<b>Segment results</b>	
Fleet operating and chartering	151.77
Surface transport services	–
Oilfields services	(5.42)
Unallocated	28.39
<b>Profit from operation before interest and finance charges</b>	<b>174.75</b>
Less: Un allocable Interest and finance expense	(139.37)
<b>Profit before Tax</b>	<b>35.39</b>
Less: Income tax	(2.09)
<b>Profit after tax</b>	<b>33.30</b>

Particulars	Period ended 31.03.2011
<b>Segment assets</b>	
Fleet operating and chartering	2,464.25
Surface transport services	252.64
Oilfields services	3,781.83
Unallocated	725.36
<b>Total assets</b>	<b>7,224.07</b>
<b>Segment liabilities</b>	
Fleet operating and chartering	(165.23)
Surface transport services	(234.39)
Oilfields services	(199.83)
Unallocated	-
<b>Total liabilities</b>	<b>(599.45)</b>
<b>Fixed assets acquired during the period</b>	
Fleet operating and chartering	186.43
Surface transport services	10.78
Oilfields services	37.06
<b>Total</b>	<b>234.27</b>
<b>Depreciation</b>	
Fleet operating and chartering	74.05
Surface transport services	4.48
Oilfields services	83.70
<b>Total</b>	<b>162.23</b>

**b) Geographical segment**

The Group's fleet operations are managed on a worldwide basis from India. Fleet operating and chartering earnings are based on the geographical location of customers.

(₹ in crore)

Segment Revenue	Period ended 31.03.2011
India	1,027.31
Vietnam	150.65
Hong Kong	55.10
China	17.35
U.S.A	9.06
South Korea	9.11
Brazil	2.74
Rest of the world	4.63
<b>Total</b>	<b>1,275.95</b>

The main operating assets represent floating fleet and rigs which is not identifiable to any geographical location.

**8) Earnings per share: (Note B (8) of schedule 13 of annual accounts)**

The calculation of basic and diluted earnings per share is based on the following data:

Particulars	Period ended 31.03.2011
Earnings for the purpose of basic earnings per share (net profit for the period) (₹ in crore)	33.30
Add: Adjustment on account of interest on foreign currency convertible bonds (net of income tax) (₹ in crore)	3.77
Earnings for the purpose of diluted earnings per share (net profit for the period) (₹ in crore)	37.07
Equity shares at the beginning of the period (nos.)	50,000
Equity shares to be issued on demerger – pending allotment (nos.)	205,227,768
Equity shares at the end of the period – pending allotment (nos.)	205,227,768
Weighted average equity shares for the purpose of calculating basic earnings per share (nos.)	NA <sup>(1)</sup>
Weighted average equity shares for the purpose of calculating diluted earnings per share (nos.)	279,276,019
Earnings per share-basic (face value of ₹ 10/- each) (₹)	-
Earnings per share-diluted (face value of ₹ 10/- each) (₹)	1.37

(i) The shares to be issued on demerger are pending allotment as of the date of the balance sheet and hence have not been considered for calculation of basic earnings per share.

**9) Foreign currency exposure (Note B (9) of schedule 13 of annual accounts)**

- There were no forward/options contracts entered in to by the Group during the period to hedge against foreign currency exposures.
- The year-end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below.

**(A) Amount receivable in foreign currency on account of the following:**

Sr. No.	Particulars	(₹ in crore)	Currency	In million
i.	Export of goods and services	157.72	USD	34.96
ii.	Advance to vendors	228.69	USD	51.21
		0.02	AED	0.01
		0.09	GBP	0.01
		0.21	EUR	0.03
iii.	Bank balances and fixed deposits including interest accrued thereon	40.27	USD	12.99



**(B) Amount payable in foreign currency on account of the following:**

Sr. No.	Particulars	(₹ in crore)		In million
i)	Import of goods and services	34.77	USD	7.77
		0.39	GBP	0.02
		1.24	EUR	0.14
		1.32	JPY	12.94
		7.34	OMR	1.62
		6.33	SGD	1.51
		0.07	ZAR	0.06
		2.86	AED	1.40
		<b>54.32</b>	<b>-</b>	<b>25.45</b>
ii)	Due to holding company	<b>5.98</b>	USD	<b>1.34</b>
iii)	Secured loans payable (including interest accrued)	<b>1414.51</b>	USD	<b>318.01</b>
iv)	Advance from customers	<b>0.70</b>	USD	<b>0.16</b>
v)	Lease loans obligation	<b>587.68</b>	USD	<b>131.62</b>

**10) Taxation (Note B (10) of schedule 13 of annual accounts)**

Income tax on income from qualifying fleet is provided on the basis of Tonnage Tax scheme. Income tax on other income is provided as per other provisions of Income Tax Act, 1961. Taxes on income earned by foreign subsidiaries are provided based on tax laws of its domicile country.

**11) Deferred tax liability (Note B (11) of schedule 13 of annual accounts)**

The components of net deferred tax liability are as follows:

(₹ in crore)

Details	As at 31 <sup>st</sup> March, 2011
<b>Deferred tax liability</b>	
Depreciation on fixed assets	29.77
<b>(A)</b>	<b>29.77</b>
<b>Deferred tax assets</b>	
Disallowance u/s 40(a)	0.55
Unabsorbed Depreciation	6.19
Employee benefits liability	0.77
<b>(B)</b>	<b>7.51</b>
<b>Net deferred tax liability (A-B)</b>	<b>22.26</b>

**12) Employee benefits: (Note B (12) of schedule 13 of annual accounts)**

The Group has adopted Accounting Standard (AS) 15 (Revised) 'Employee benefits' as notified under the Companies (Accounting Standard) Rules, 2006.

**13) Related party transactions: (Note B (13) of schedule 13 of annual accounts)**

**(a) Holding companies:**

- i) Essar Global Limited, Cayman Islands (ultimate holding company)
- ii) Essar Shipping & Logistics Limited, Cyprus (immediate holding company)

**(b) Key management personnel:**

- i) Mr. A R Ramakrishnan, Managing Director (Essar Shipping Limited)
- ii) Capt. Anoop Sharma, Whole-time Director (Essar Shipping Limited)
- iii) Mr. Ankur Gupta, Whole-time Director (Essar Oilfield Services India Limited)
- iv) Mr. A. K. Musaddy, Whole-time Director (Essar Logistics Limited)

**(c) Other related parties where there have been transactions:**

Enterprises commonly controlled or influenced by major shareholders / directors / relatives of directors of the Group:

1. Essar Agrotech Limited
2. Essar Bulk Terminal Limited
3. Essar Bulk Terminal (Salaya) Limited
4. Essar Engineering Services Limited
5. Essar Exploration & Production India Limited
6. Essar House Limited
7. Essar Information Technology Limited
8. Essar Infrastructure Services Limited
9. Essar Investments Limited
10. Essar Oil Limited
11. Essar Power Gujarat Limited
12. Essar Power Limited
13. Essar Power M.P. Limited
14. Essar Projects (India) Limited
15. Essar Shipping (Cyprus) Limited
16. Essar Shipping & Logistics (Panama) Inc.
17. Essar Steel Limited
18. Futura Travels Limited
19. India Securities Limited
20. Vadinar Oil Terminal Limited
21. Vadinar Power Company Limited

# 1<sup>st</sup> Annual Report 2010-11

The details of transactions with related parties				₹ in crore
Nature of Transactions	Holding companies	Other related parties	Key management personnel	Total
	31.03.2011	31.03.2011	31.03.2011	31.03.2011
<b>INCOME</b>				
<b>Fleet operating income</b>				
Essar Steel Limited	–	510.82	–	510.82
Essar Shipping (Cyprus) Limited	–	0.62	–	0.62
Essar Oil Limited	–	163.28	–	163.28
Essar Bulk Terminal Limited	–	17.87	–	17.87
Essar Project (India) Limited	–	51.26	–	51.26
Essar Power Gujarat Limited	–	21.68	–	21.68
Essar Power M.P. Limited	–	35.72	–	35.72
Essar Shipping & Logistics (Panama) Inc	–	0.16	–	0.16
Vadinar Power Company Limited	–	2.13	–	2.13
Vadinar Oil Terminal Limited	–	0.12	–	0.12
Essar Power Limited	–	0.30	–	0.30
Essar Bulk Terminal (Salaya) Limited	–	5.14	–	5.14
Others	–	10.32	–	10.32
<b>Total</b>	<b>–</b>	<b>819.42</b>	<b>–</b>	<b>819.42</b>
<b>Equipment lease rental income</b>				
Essar Steel Limited	–	0.01	–	0.01
<b>Interest income</b>				
Essar Shipping & Logistics Limited	4.94	–	–	4.94
Essar Investments Limited	–	3.42	–	3.42
<b>Total</b>	<b>4.94</b>	<b>3.42</b>	<b>–</b>	<b>8.36</b>
<b>Remuneration</b>				
A.K. Musaddy	–	–	0.52	0.52
<b>Purchase of fuel oil</b>				
Essar Oil Limited	–	249.27	–	249.27
Essar Bulk Terminal Limited	–	0.05	–	0.05
<b>Total</b>	<b>–</b>	<b>249.32</b>	<b>–</b>	<b>249.32</b>
<b>Purchase of Stores &amp; Spares</b>				
Essar Project (India) Limited	–	0.01	–	0.01
Essar Steel Limited	–	2.56	–	2.56
	<b>–</b>	<b>2.57</b>	<b>–</b>	<b>2.57</b>
<b>Direct Voyage Expenses</b>				
Essar Bulk Terminal Limited	–	7.38	–	7.38
Essar Oil Limited	–	0.23	–	0.23
<b>Total</b>	<b>–</b>	<b>7.61</b>	<b>–</b>	<b>7.61</b>
<b>Freight/Hire charges</b>				
Essar Shipping & Logistics Limited	41.67	–	–	41.67
Essar Project (India) Limited	–	0.81	–	0.81
Futura Travels Limited	–	0.60	–	0.60
Essar Bulk Terminal Limited	–	0.36	–	0.36
Essar Shipping & Logistics (Panama) Inc	–	2.16	–	2.16
<b>Total</b>	<b>41.67</b>	<b>3.93</b>	<b>–</b>	<b>45.60</b>
<b>Manning charges</b>				
Essar Exploration & Production Limited	–	0.04	–	0.04
Essar Infrastructure Services Limited	–	0.08	–	0.08
Essar Information Technology Limited	–	0.14	–	0.14
<b>Total</b>	<b>–</b>	<b>0.16</b>	<b>–</b>	<b>0.16</b>

Nature of Transactions	Holding companies	Other related parties	Key management personnel	Total
	31.03.2011	31.03.2011	31.03.2011	31.03.2011
<b>Rent charges</b>				
Essar Infrastructure Services Limited	–	4.07	–	4.07
Essar House Limited	–	1.69	–	1.69
Essar Steel Limited	–	0.12	–	0.12
<b>Total</b>	<b>–</b>	<b>5.88</b>	<b>–</b>	<b>5.88</b>
<b>Repair and maintenance</b>				
Essar Information Technology Limited	–	0.67	–	0.67
Essar Agrotech Limited	–	0.01	–	0.01
Essar Infrastructure Services Limited	–	0.18	–	0.18
Essar Steel Limited	–	0.04	–	0.04
Essar Project (India) Limited	–	1.16	–	1.16
Essar Engineering Services Limited	–	0.01	–	0.01
Essar Bulk Terminal Limited	–	0.09	–	0.09
<b>Total</b>	<b>–</b>	<b>2.16</b>	<b>–</b>	<b>2.16</b>
<b>Traveling expenses</b>				
Futura Travels Limited	–	5.14	–	5.14
<b>Management fees</b>				
Essar Investment Limited	–	6.48	–	6.48
<b>Lodging &amp; boarding</b>				
Essar Steel Limited	–	0.02	–	0.02
Essar Investments Limited	–	0.03	–	0.03
<b>Total</b>	<b>–</b>	<b>0.05</b>	<b>–</b>	<b>0.05</b>
<b>Cargo Handling Expenses</b>				
Essar Bulk Terminal Limited	–	15.61	–	15.61
Essar Project (India) Limited	–	12.19	–	12.19
<b>Total</b>	<b>–</b>	<b>27.80</b>	<b>–</b>	<b>27.80</b>
<b>Rent/ Business Centre fees</b>				
Essar Infrastructure Services Limited	–	4.52	–	4.52
Essar House Limited	–	1.35	–	1.35
<b>Total</b>	<b>–</b>	<b>5.87</b>	<b>–</b>	<b>5.87</b>
<b>Interest Expenses</b>				
India Securities Limited	–	0.19	–	0.19
<b>Reimbursement of expenses</b>				
Futura Travels Limited	–	4.64	–	4.64
Essar Exploration & Production Limited	–	0.04	–	0.04
Essar Steel Limited	–	61.24	–	61.24
Essar Infrastructure Services Limited	–	0.01	–	0.01
Essar Oil Limited	–	3.16	–	3.16
Essar Investments Limited	–	0.95	–	0.95
Essar Bulk Terminal Limited	–	1.86	–	1.86
Essar Power Gujarat Limited	–	1.38	–	1.38
Essar Power M.P. Limited	–	0.28	–	0.28
Others	–	0.51	–	0.51
<b>Total</b>	<b>–</b>	<b>74.07</b>	<b>–</b>	<b>74.07</b>
<b>Aircraft usage charges reimbursed</b>				
Essar Oil Limited	–	23.60	–	23.60
<b>Professional /Advisory fees / Agency Fees/survey</b>				
India Securities Limited	–	0.15	–	0.15
Essar Investment Limited	–	10.33	–	10.33
Aegis Limited	–	1.33	–	1.33

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₹ in crore

Nature of Transactions	Holding companies	Other related parties	Key management personnel	Total
	31.03.2011	31.03.2011	31.03.2011	31.03.2011
Essar Information Technology Limited	–	0.03	–	0.03
Essar Bulk Terminal Limited	–	0.20	–	0.20
<b>Total</b>	<b>–</b>	<b>12.04</b>	<b>–</b>	<b>12.04</b>
<b>Interest on loan (ICD)</b>				
Essar Shipping & logistics Limited	<b>0.91</b>	–	–	<b>0.91</b>
<b>Interest on lease loan</b>				
Essar Shipping & Logistics Limited	16.63	–	–	16.63
<b>Loans and advances given</b>				
Essar Investments Limited	–	1.00	–	1.00
Essar Shipping & Logistics Limited	454.40	–	–	454.40
<b>Total</b>	<b>454.40</b>	<b>1.00</b>	<b>–</b>	<b>455.40</b>
<b>Advance towards purchase of preference shares</b>				
Essar Shipping & Logistics Limited	<b>93.56</b>	–	–	<b>93.56</b>
<b>Security deposit received</b>				
Essar Oil Limited	–	<b>2.50</b>	–	<b>2.50</b>
<b>Unsecured loans</b>				
Essar Investments Limited	–	11.54	–	11.54
<b>Total</b>	<b>–</b>	<b>11.54</b>	<b>–</b>	<b>11.54</b>

## The outstanding balances as on 31.03.2011

₹ in crore

Nature of Transactions	Holding companies	Other related parties	Key management personnel	Total
	31.03.2011	31.03.2011	31.03.2011	31.03.2011
<b>Sundry debtors</b>				
Essar Steel Limited	–	143.41	–	143.41
Essar Shipping (Cyprus) Limited	–	1.05	–	1.05
Essar Oil Limited	–	17.05	–	17.05
Essar Project ( India) Ltd	–	27.45	–	27.45
Essar Bulk Terminal Limited	–	9.57	–	9.57
Vadinar Oil Terminal Limited	–	0.08	–	0.08
Essar Bulk Terminal (Salaya) Ltd	–	0.33	–	0.33
Essar Power Gujarat Limited	–	7.51	–	7.51
Essar Offshore Subsea Ltd	–	0.74	–	0.74
Essar Shipping & Logistics (Panama) Inc	–	1.36	–	1.36
Essar Power Jharkhand Ltd	–	1.74	–	1.74
Essar Power MP Limited	–	6.59	–	6.59
Essar Oilfields Services Limited	–	0.00	–	0.00
Vadinar Power Company Ltd	–	0.26	–	0.26
Others	–	0.03	–	0.03
<b>Total</b>		<b>217.17</b>	<b>–</b>	<b>217.17</b>
<b>Loans and advances (including interest accrued)</b>				
Essar Investments Limited	–	7.50	–	7.50
Futura Travels Limited	–	6.46	–	6.46
Imperial Consultants & Services Limited	–	10.16	–	10.16
Essar Shipping & Logistics Limited	434.18	–	–	434.18
<b>Total</b>	<b>434.18</b>	<b>24.12</b>	<b>–</b>	<b>458.30</b>

Nature of Transactions	Holding companies	Other related parties	Key management personnel	Total
	31.03.2011	31.03.2011	31.03.2011	31.03.2011
<b>Deposits given</b>				
Futura Travels Limited	–	6.25	–	6.25
Essar House Limited	–	31.00	–	31.00
Essar Investments Limited	–	55.09	–	55.09
Essar Steel Limited	–	4.80	–	4.80
Asia Motor Works Limited	–	4.91	–	4.91
Essar Information Technology Limited	–	0.46	–	0.46
<b>Total</b>	<b>–</b>	<b>102.51</b>	<b>–</b>	<b>102.51</b>
<b>Loans and advances received (including interest accrued)</b>				
Essar Global limited	4.61	–	–	4.61
Essar Ports Limited	–	15.46	–	15.46
<b>Total</b>	<b>4.61</b>	<b>15.46</b>	<b>–</b>	<b>20.07</b>
<b>Lease loan obligation</b>				
Essar Shipping & Logistics Limited	<b>533.99</b>	–	–	<b>533.99</b>
<b>Sundry creditors</b>				
Futura Travels Limited	–	2.82	–	2.82
Essar Infrastructure Services Limited	–	1.58	–	1.58
Essar Bulk Terminal Limited	–	9.48	–	9.48
India Securities Limited	–	0.05	–	0.05
Essar Shipping & Logistics Limited	5.98	–	–	5.98
Aegis Limited	–	1.07	–	1.07
Arkay Holdings Limited	–	0.02	–	0.02
Essar Agrotech Limited	–	0.01	–	0.01
Essar Investments Limited	–	4.81	–	4.81
Essar Information Technology Limited	–	0.31	–	0.31
Essar Projects (India) Ltd	–	14.25	–	14.25
Essar Oil Limited	–	2.12	–	2.12
Essar Constructions Limited	–	2.99	–	2.99
Essar Engineering Services Limited	–	0.48	–	0.48
Essar Exploration & Production India Limited	–	5.86	–	5.86
Essar Steel Limited	–	0.00	–	0.00
Asia Motor Works Limited	–	5.20	–	5.20
Others	–	0.19	–	0.19
<b>Total</b>	<b>5.98</b>	<b>51.24</b>	<b>–</b>	<b>57.22</b>
<b>Security deposit received</b>				
Essar Steel Limited	–	5.00	–	5.00
Essar Oil Limited	–	9.00	–	9.00
Vadinar Oil Terminal Limited	–	1.50	–	1.50
Vadinar Ports & Terminals Limited	–	1.50	–	1.50
Essar Bulk Terminals Limited	–	1.50	–	1.50
India Securities Limited	–	4.00	–	4.00
<b>Total</b>	<b>–</b>	<b>22.50</b>	<b>–</b>	<b>22.50</b>
<b>Interest accrued on lease loan</b>				
Essar Shipping & Logistics Limited	<b>7.06</b>	–	–	<b>7.06</b>

**Note:** The Company has paid sitting fees to group of individuals having significant influence: Rs. 0.04 crore.

**14) (Note B (14) of schedule 13 of annual accounts)**

Receivable from Essar Shipping and Logistics (Panama) Inc. and Essar Shipping (Cyprus) Limited, company under the same management within the meaning of Section 371 (1B) is ₹ 1.36 and ₹ 1.05 respectively.



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### 15) (Note B (15) of schedule 13 of annual accounts)

The Group has received intimations from certain suppliers regarding status under the Micro, Small and Medium Enterprises Development Act, 2006 (the Act). Amounts due to such suppliers at the end of the accounting year have been given in Schedule 9 under sundry creditors. There were no: a) interest paid during the year; b) interest payable at the end of the accounting year; and c) interest accrued and unpaid at the end of the accounting year, in respect of such suppliers.

### 16) (Note B (16) of schedule 13 of annual accounts)

The Company has entered into a Memorandum of Agreement (MOA) for acquisition of a 152,065 DWT capsized bulk carrier which is expected to be delivered by end of July 2011.

### 17) Information pursuant to Section 212 (8)

#### Details of Subsidiary Companies pursuant to exemption granted U/S.212 (8)

₹ in crore

Sr. No.	Particulars	Essar Logistics Limited, Mumbai	Energy Transportation International Limited, Bermuda	Energy II Limited, Bermuda	Essar Oilfields Services Limited, Mauritius	Essar Oilfields Services India Limited, Mumbai
	<b>Period ending</b>	<b>31.03.11</b>	<b>31.03.11</b>	<b>31.03.11</b>	<b>31.03.11</b>	<b>31.03.11</b>
1.	Capital	73.00	8.72	0.05	1924.09	657.99
2.	Reserves	1215.17	0.80	4.69	40.54	(85.19)
3.	Total Assets	4132.67	253.68	239.27	2746.45	1276.18
4.	Total liabilities	4132.67	253.68	239.27	2746.45	1276.18
5.	Details of investments (excluding investments in subsidiaries)	-	-	-	-	-
6.	Turnover	681.17	9.10	5.42	153.94	28.21
7.	Profit before taxation	3.91	0.47	4.73	(13.75)	(39.36)
8.	Provision for taxation	0.58	-	-	-	-
9.	Profit after taxation	3.33	0.47	4.73	(13.75)	(39.36)
10.	Proposed dividend	-	-	-	-	-

### 18) Borrowings

a) As per the Scheme of Arrangement, 5000 - 11.35% Secured Rated Redeemable Non-convertible Debentures from the date of allotment. The debentures will be redeemed at the end of 10 years i.e. on June 22<sup>nd</sup>, 2019; and 2000 - 11.35% Secured Rated Redeemable Non-convertible Debentures of ₹ 10 lakh each aggregating ₹ 200 crore on March 25<sup>th</sup>, 2010 with a Put and Call Option at the end of 5 years from the date of allotment. The debentures will be redeemed at the end of March 25<sup>th</sup>, 2020, issued by ESPLL stood transferred to the Company. These debentures have been listed on the Wholesale Debt Market Segment of the National Stock Exchange India Limited.

b) As per the Scheme of Arrangement, 5% Foreign currency convertible bonds, Series-A US\$128,571,429, interest bearing bonds due on August 24<sup>th</sup>, 2015 and Series-B; US\$111,428,571 interest bearing bonds due on August 24<sup>th</sup>, 2017 issued by ESPLL stood transferred to the Company.

The above bonds are convertible into fully-paid ordinary shares of ₹ 10/- each of the company at an initial conversion rate of ₹ 91.70 per equity share at a fixed exchange rate of ₹ 46.94.

c) EOSL Investment in EOSIL has been pledged in favour of the lender for term loan availed.

19) Previous year's figures have not been shown as the company has been incorporated on April 16<sup>th</sup>, 2010.

For and on behalf of the Board

**A.R. Ramakrishnan**  
Managing Director

**K.V. Krishnamurthy**  
Director

**Vikram Gupta**  
Chief Financial Officer

**Vinayak Joshi**  
Company Secretary

Place : Mumbai  
Date : July 4, 2011

The Ministry of Corporate Affairs has taken a Green Initiative in Corporate Governance by allowing paperless compliance by companies. Accordingly, companies can now send various documents electronically to those shareholders who register their email addresses. To receive all communications including Annual Reports by e-mail:

- Holders of shares in physical form are requested to fill up the postage pre-paid e-mail registration form setout below and send it to the share transfer agents, M/s. Data Software Research Company Private Limited.
- Members holding shares in demat form may register their e-mail IDs with the Company or their Depository Participant.

## E-MAIL REGISTRATION

To

**Data Software Research Company Private Limited**

Unit: ESSAR SHIPPING LIMITED  
Sree Sovereign Complex,  
No. 22, 4th Cross Street, Trustpuram,  
Kodambakkam, Chennai - 600 024.

Dear Sir/s,

### Re: Registration of e-mail ID for receiving communications in electronic form

I am a shareholder of the Company. I want to receive all communications from the Company including AGM and other General Meeting notices and explanatory statement(s) thereto, Balance Sheets, Directors' Reports, Auditor's Reports etc. through e-mail. Please register my e-mail ID, set-out below, in your records for sending communication through e-mail:

Folio No\* : .....

Name of 1st Registered Holder\* : .....

Name of Joint Holder(s) : .....

Address : .....

Pin Code : .....

E-mail ID (to be registered) : .....

Contact Tel. Nos. : Mobile .....

Landline .....

Date: ..... Signature of first holder\* .....

### Important Notes:

- 1) Fields marked \* are mandatory for registration of the e-mail ID
- 2) On registration, all the communications will be sent to the e-mail ID registered in the folio
- 3) The form is also available on the website of the Company [www.essar.com](http://www.essar.com)
- 4) Any change in e-mail ID, from time to time, may please be registered in the records of the Company.

**Demat of shares:** I would like to know the procedure to demat my physically held shares of Essar Shipping Limited. Please contact at my above contact number. [ Yes  / No  ]

**BUSINESS REPLY INLAND LETTER**

Postage  
will be  
paid by the  
Addressee

Business Reply Permit No.  
TN/CH(S)/258  
Kodambakkam P.O.  
Chennai - 600 024

No postage  
stamp  
necessary 'if'  
posted in  
INDIA

To,

**Data Software Research Company  
Private Limited**

Unit: **Essar Shipping Limited**

Sree Sovereign Complex,  
No. 22, 4th Cross Street, Trustpuram,  
Kodambakkam, Chennai - 600 024.

1<sup>st</sup> Fold

2<sup>nd</sup> Fold

## ESSAR SHIPPING LIMITED

**Registered Office:** Administrative Building, Essar Refinery Complex, Okha Highway (SH – 25), Taluka Khambalia, District Jamnagar, Gujarat - 361 305

### PROXY FORM

Member's Folio No. : _____
and/or
DP ID No./Client ID No.*: _____

I/We ..... of ..... in the district of ..... being a member of ESSAR SHIPPING LIMITED, hereby appoint ..... of ..... or failing him ..... of ..... as my/our proxy to vote for me/us and on my/our behalf at the First Annual General Meeting of the Company to be held on Friday, September 9, 2011 at 2.00 p.m. at the Registered Office of the Company, situated at Administrative Building, Essar Refinery Complex, Okha Highway (SH-25), Taluka Khambalia, District Jamnagar, Gujarat - 361 305 and at every adjournment thereof.

Signed this ..... day of ..... 2011

**Proxy Form must reach the Company's Registered Office, at Administrative Building, Essar Refinery Complex, Okha Highway (SH-25), Taluka Khambalia, District Jamnagar, Gujarat - 361 305, not less than 48 hours before the commencement of the meeting.**

Affix ₹ 1  
Revenue  
Stamp

**Signature**

*\* Applicable for Investors holding share(s) in electronic form.*

## ESSAR SHIPPING LIMITED

**Registered Office:** Administrative Building, Essar Refinery Complex, Okha Highway (SH – 25), Taluka Khambalia, District Jamnagar, Gujarat - 361 305

### ATTENDANCE SLIP

Member's Folio No. : _____
and/or
DPID No./Client ID No.*: _____

1<sup>st</sup> Annual General Meeting

Time : 2.00 p.m.

Date : September 9, 2011

Venue : Administrative Building  
Essar Refinery Complex  
Okha Highway (Sh-25)  
Taluka Khambalia  
District Jamnagar  
Gujarat - 361 305

Member

Proxy

[Name in Capital letters]

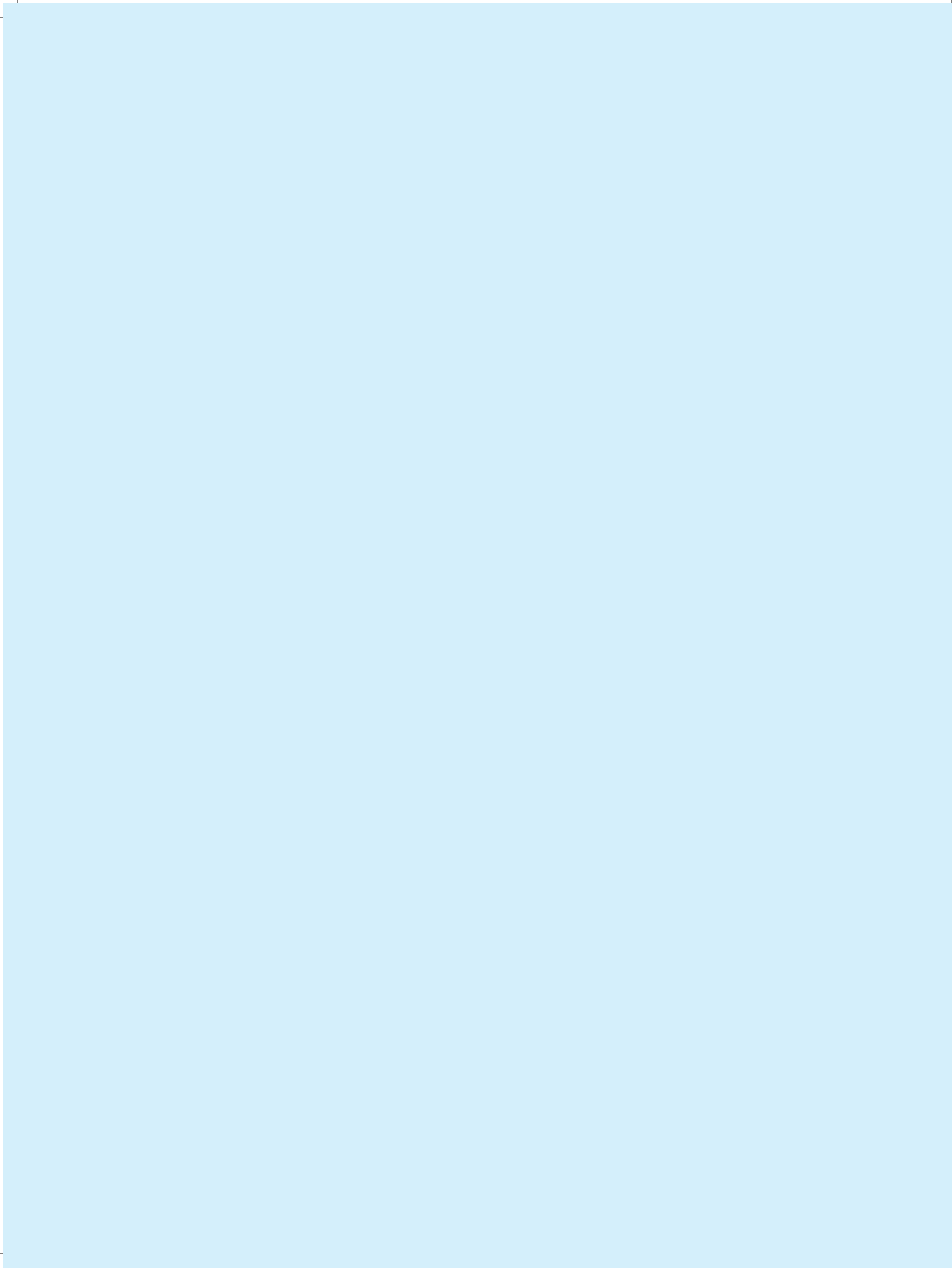
**NOTE:**

1. Admission restricted to Members/Proxies only.
2. Please avoid bringing children/non-members with you.

I hereby record my presence at the 1<sup>st</sup> AGM of the Company

Signature of Member/Proxy

*\* Applicable for Investors holding share(s) in electronic form.*





## Book Post

*If undelivered, please return to:*

**Data Software Research Company Private Limited**

Unit: **Essar Shipping Limited**

9, Pycroft Garden Road,

Off Haddows Road

Nungambakkam, Chennai - 600 006