INFORMATION MEMORANDUM

ESSAR SHIPPING LIMITED

(formerly known as Essar Ports & Terminals Limited)
(Incorporated under the Companies Act, 1956)

Registered Office: Administrative Building, Essar Refinery Complex,
Okha Highway (SH-25), Taluka Khambalia, Jamnagar, Gujarat, India – 361 305.
Telephone: +91 22 6660 1100; Fax: +91 22 2354 4312; Website: www.essar.com
Contact Person: **Vinayak Joshi, Company Secretary & Compliance Officer**
Email: vinayak.joshi@essar.com

Essar Shipping Limited was incorporated as Essar Ports & Terminals Limited on April 16, 2010. The name of the Company was changed to Essar Shipping Limited on September 7, 2010.

INFORMATION MEMORANDUM FOR LISTING OF 205,227,768 EQUITY SHARES OF ₹ 10/- (RUPEES TEN ONLY) EACH

NO EQUITY SHARES ARE PROPOSED TO BE SOLD OR OFFERED PURSUANT TO THIS INFORMATION MEMORANDUM

GENERAL RISKS
Investments in equity and equity-related securities involve a degree of risk and investors should not invest in the equity shares of Essar Shipping Limited (formerly known as Essar Ports & Terminals Limited), unless they can afford to take risk of losing their investment. Investors are advised to read the Risk Factors carefully before taking an investment decision in the shares of Essar Shipping Limited. For taking an investment decision, investors must rely on their own examination of the Company including the risks involved.
ABSOLUTE RESPONSIBILITY OF ESSAR SHIPPING LIMITED
Essar Shipping Limited having made all reasonable inquiries, accepts responsibility for, and confirms that this Information Memorandum contains all information with regard to Essar Shipping Limited, which is material, that the information contained in this Information Memorandum is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Information Memorandum as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.
LISTING
The Equity Shares of Essar Shipping Limited allotted in terms of the Composite Scheme of Arrangement sanctioned by the Honorable High Court of Judicature at Gujarat is proposed to be listed on the Bombay Stock Exchange Limited and National Stock Exchange of India Limited, where the equity shares of Essar Ports Limited (formerly known as Essar Shipping Ports & Logistics Limited) are presently listed.
REGISTRAR & SHARE TRANSFER AGENTS
Data Software Research Company Private Limited Unit: Essar Shipping Limited 19, Pycrofts Garden Road, Off Haddows Road Nungambakkam Chennai – 600 006. Tel: (044) 2821 2154, 2821 2207, Fax: (044) 2821 4636 E-mail: essar.shipping@dsrc-cid.in

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I Definition, Abbreviation & Industry related terms

Unless the context otherwise indicates or implies, the following terms have the following meanings in this Information Memorandum and references to any statute or regulations or policies shall include amendments thereto, from time to time:

Company Related Terms

Term	Description
Amalgamation Appointed Date	Close of business on September 30, 2010
Articles / Articles of Association	Articles of Association of the Company
Board / Board of Directors	Board of Directors of the Company
Composite Scheme of Arrangement	Composite Scheme of Arrangement under sections 391 to 394 of the Companies Act, 1956 amongst Essar Shipping Ports & Logistics Limited and Essar Ports & Terminals Limited and Essar International Limited and Essar Shipping Limited and their respective shareholders and creditors sanctioned by the Hon'ble High Court of Gujarat
Demerged Undertakings	Demerged Undertakings shall have the same meaning ascribed to such term in the ***"Composite Scheme of Arrangement"***
Demerger Appointed Date	Commencement of business on October 1, 2010
Effective Date	May 9, 2011
"Essar Shipping Limited" or "ESL" or "the Company"	Essar Shipping Limited, a public limited company incorporated on April 16, 2010 (formerly known as Essar Ports & Terminals Limited) and having its registered office at Administrative Building, Essar Refinery Complex, Okha Highway (SH – 25), Taluka Khambalia, District Jamnagar, Gujarat 361305, India
Equity Share(s) or Share(s)	Equity Share(s) of the Company having face value of ₹ 10/- unless otherwise specified
Information Memorandum	This document filed with the Stock Exchanges is known as and referred to as the Information Memorandum
Listing Agreements	The listing agreements to be entered into between the Company and the relevant stock exchanges
Memorandum or Memorandum of Association	Memorandum of Association of the Company
Orders	Orders of the Hon'ble High Court of Gujarat dated March 1, 2011 approving the Composite Scheme of Arrangement.
Record Date	May 19, 2011
Registrar and Share Transfer Agents	Data Software Research Company Private Limited
Registrar of Companies or RoC	Registrar of Companies, Gujarat and Dadra and Nagar Haveli situated at ROC Bhavan, CGO Complex, Naranpura, Ahmedabad 380 313
Statutory Auditor	M/s. Deloitte Haskins & Sells, Ahmedabad Registration No.117365W
Stock Exchanges	The Bombay Stock Exchange Limited and the National Stock Exchange of India Limited where the Equity Shares of the Company are proposed to be listed

Conventional and General Terms

Term	Description
Act / Companies Act	The Companies Act, 1956 as amended
BSE	Bombay Stock Exchange Limited
Designated Stock Exchange	The designated stock exchange shall be the National Stock Exchange of India Limited
FEMA	Foreign Exchange Management Act, 1999
FII(s)	Foreign Institutional Investors registered with SEBI under applicable laws
GAAP	Generally Accepted Accounting Policies
GOI	Government of India
IFRS	International Financial Reporting Standards
I. T. Act	The Income Tax Act, 1961
MAT	Minimum Alternate Tax
NRI(s)	Non Resident Indians
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited
RBI	Reserve Bank of India
SEBI	Securities and Exchange Board of India
SEBI Act	Securities and Exchange Board of India Act, 1992
DWT	Dead Weight Ton
COA	Contract of Affreightment
FY	Financial Year
A.Y.	Assessment Year
AGM	Annual General Meeting
AS	Accounting Standard
CAGR	Compound Annual Growth Rate
GDP	Gross Domestic Product
Lac or Lakh	1.00×10^5
MT	Metric Ton
N.A.	Not Applicable
USD	United States Dollar
IMO	International Maritime Organization
ABS	American Bureau of Shipping

II	Certain Conventions and use of market data

Unless stated otherwise, the financial data in this Information Memorandum is derived from the financial statements prepared in accordance with the Indian GAAP. The current financial year commenced on April 16, 2010 (being the date of incorporation) and ended on March 31, 2011. In this Information Memorandum, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off.

All references to "India" contained in this Information Memorandum are to the Republic of India. All references to 'Rupees" or "₹" are to the Indian Rupees, the official currency of the Republic of India.

For definitions, please see the section "Definition and Conventional and General terms".

Unless stated otherwise, industry data and market data used throughout this Information Memorandum has been obtained from the published data and industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe that industry data used in this Information Memorandum is reliable, it has not been independently verified. Data from these sources may also not be comparable. The extent to which industry and market data used in this Information Memorandum is meaningful depends on the readers' familiarity with and understanding of the methodologies used in compiling such data.

III	Forward Looking Statements

Certain statements in this Information Memorandum constitute “forward-looking statements”. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company and the Group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company’s and the Group’s present and future business strategies and the environment in which the Company and the Group will operate in the future. Important factors that could cause the Company’s and the Group’s actual results, performance or achievements to differ materially from those in the forward-looking statements include, *inter-alia*, the condition of, and changes in, India’s political and economic status. Additional factors that could cause actual results, performance or achievements to differ materially from those in the forward-looking statements include, but are not limited to, those discussed under “Risk Factors”, “Business Overview” and “Industry Overview”. These forward-looking statements speak only as at the date of this Information Memorandum. The Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the Company’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based.

IV	Risk Factors

RISK RELATING TO THE COMPANY'S BUSINESS

The Company's multinational operations and its continued expansion into markets outside of India subject it to risk.

The Company's operations in shipping & logistics and oilfield businesses require it to transact in various countries around the world. The Company is thus exposed to the political and economic risks that come with conducting business in each of these countries, including the risk of seizure of vessels and rigs that enter the waters of those countries. As the Company also proposes to undertake activities in various other countries in the future, the Company's expansion plans and future returns from such operations are subject to various risks in foreign jurisdictions. The Company's foreign expansion plans are dependent upon receipt of all necessary foreign government approvals and consents. The Company also faces the risk of not being able to successfully execute and commission projects abroad, and the risk of not being successful in tapping the relevant foreign markets or establishing its position as a significant market player. The Company's expansion plans could lead to intensive investment and diminished returns and cash flows.

Difficult conditions in the financial markets may have a material adverse effect on the Company's business, results of operations, financial condition or prospects.

The financial markets have not yet completely emerged from the financial recession and lenders are now conservative in providing funds for new or existing projects. The difficulties in the financial markets may adversely impact the ability of the Company to obtain adequate finance to undertake expansion activities.

The Company is dependent on the affiliated companies to deliver services to its customers.

The Company's business involves a high degree of interdependence with the other members of the Group. Therefore, the ability of the Company to provide services to its customers depends on agreements and arrangements with the other companies in the Group. Thus, any adverse affect on a Group company can have consequential effects that may adversely affect operations and profitability of other Group companies and the Company.

The Company's transactions with its subsidiaries are subject to transfer pricing regulations. These transactions may be subject to regulatory challenges, which may subject the Company to higher taxes and adversely affect its earnings.

The Company has entered into agreements and arrangements with its various subsidiaries and affiliates, and is dependent on its subsidiaries and affiliates for business orders as well as performance of its obligations. The Company's contracts with its associate entities are required to be undertaken at an arms-length price. The requirements and process for calculation of arms-length price are subject to Government regulation, and therefore, any changes in transfer pricing rules can adversely affect the Company's earnings.

The Company may not be able to obtain or maintain adequate insurance. The Company's operations are subject to hazards and risks inherent in the course of its processes.

Operations in shipping, marine logistics and oilfield drilling business carry inherent risks of personal injury, damage or destruction of property, plant and equipment failure and damage to the environment.

The operation of ocean-going vessels carries an inherent risk of catastrophic marine disasters and property losses caused by adverse weather conditions, mechanical failures, human error and other circumstances or events. In addition, the transportation, handling and storage of petroleum and toxic chemicals is subject to the risk of spills and environmental damage. Any such event could have a material adverse effect on the Company. While the Company does carry insurance to protect itself against most of the accident-related risks involved in the conduct of its business, including environmental damage and pollution insurance coverage, there can be no assurance that all risks are adequately insured against, that any particular claim will be paid or that that the Company will be able to procure adequate insurance coverage at commercially reasonable rates in the future.

In particular, more stringent environmental regulations may result in increased costs for, or the lack of availability of, insurance against the risks of environmental damage or pollution. The Company does not carry insurance for loss of revenue and the occurrence of an event for which the Company is not sufficiently insured or the successful assertion of a large claim against the Company that exceeds its insurance coverage, could have a material adverse effect on its business, financial condition and cash flows

Foreign currency fluctuations could adversely affect the cost of borrowings and repayment of indebtedness, revenues from exports, profitability and the operating results of the Company.

The Company's financing includes borrowings and payments in foreign currencies. The Company's liabilities face the risk of fluctuations on account of fluctuating foreign currency exchange rates. Any adverse movement in the currency exchange rates could lead to substantial increase in the cost of borrowing or repayments, as also result in reduced export receivables. Therefore, the operating profits of the Company are subject to foreign currency fluctuations.

High dependence on senior management team and the senior management teams of operating subsidiaries

The Company is dependent on its senior management team, and its ability to meet future business challenges depends on their continued employment. The Company does not maintain any key man insurance. The Company's failure to retain its key management may have an adverse effect on its business

The Company's capital expenditure plans are subject to delays and other risks, and may not yield the intended benefits.

The projects that the Company proposes to undertake are capital intensive and involve construction of intricate infrastructure. The construction and implementation of the Company's projects may get delayed on account of various factors such as delayed supply of materials, delay in execution of construction, shortage of labour, delay in necessary approvals and other external factors. Further, there is a possibility that the Company's capital expenditure in expansion plans or new projects may not bring the projected returns or may lead to delayed returns.

Compliance with, changes in, and breach of safety, health and environmental laws and regulations may adversely affect the Company's results of operations and its financial condition.

The Company's business is subject to various safety, health and environmental laws, which may mandate maintenance of safety standards in operations and maintenance of equipment and machinery. Any change in the safety standards prescribed under law may lead to existing plant and machinery becoming obsolete or existing infrastructure requiring additional capital expenditure. Any changes in the relevant rules and legislations may also lead to delays or temporary obstruction in the operations of the Company. The company's operations and financial condition may be adversely impacted for any breach in the existing laws.

The Company's principal Shareholders have the ability to determine the outcome of any Shareholder resolution

The Company's shareholding is so structured that over 83 per cent. of the shares in the Company are held by the Company's affiliates. By virtue of a shareholding of more than 75 per cent., the principal Shareholders have the ability to exercise significant control over most matters requiring approval by shareholders, including the election and removal of directors and significant corporate transactions. This control could delay, defer or prevent a change in control of the Company, impede a merger, consolidation, takeover or other business combination involving the Company, or discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of the Company even if that was in its best interest.

The Company's logistics and oilfields business is primarily dependent on its vessels and rigs.

The Company's logistics and oilfields business primarily depends on the optimum performance of its vessels, rigs and equipment used at ports for a substantial portion of its revenues. Any damage to, or defect or malfunction in, any of the Company's vessels, rigs or other plant and machinery can adversely affect the revenue of the Company.

The Company relies on a small number of key customers for a substantial part of its revenues.

The Company relies on a small number of key customers for a substantial part of its revenues, and a loss of any one of these customers could have a significant negative impact on the Company's revenues.

RISKS RELATING TO THE INDUSTRY

The demand for the Company's shipping, logistics and oilfields services is primarily dependent on the demand for other commodities such as oil, gas and power.

The Company's oilfields business involves a high degree of dependence on the demand and production of oil and gas. The Company's logistics business is also dependent on the demand for oil. The Company is involved in the business of storage, handling and forwarding of oil, steel and coal, the demand for which will have a direct impact on the business of the Company. A decline in the demand for oil, gas and power or any circumstances adversely affecting the demand of such commodities could lead to a decrease in demand for the Company's services.

The operations of the Company are subject to maritime risks.

The operations of the Company may be exposed to piracy, war, sabotage and terrorism risks, which could potentially disrupt the Company's operations. The Company's vessels are susceptible to arrests by maritime claimants which would result in a significant loss of earnings and cash flow. In times of emergency or wars, Governments could requisition the Company's vessels without adequate compensation.

The Company's business is highly cyclical in nature.

Due to the Company's dependency on the offshore oil and gas drilling activity, a part of the Company's business is cyclical in nature and the Company may not be able to generate cash flows consistently over the year or stabilise its cash flows. The Company's failure to stabilise cash flows in depressed market conditions could lead to non-fulfillment of current or future debt obligations.

The Company's business involves high levels of fixed expenses.

The nature of the Company's business involves incurrence of high fixed costs irrespective of level of business activity. Consequently, any recession in business, weather interruptions or other causes can have a significant negative effect on the Company.

The Government has significant control over the industry.

The Government exercises significant influence over economic and social policies, including those relating to the oil and gas industry, on which a part of the Company's business depends. The Government exercises substantial control over the growth of the industry, for example, through the award of oil blocks. Any Government action concerning the oil and gas industry may have an adverse effect on the business and results of operation of the Company's customers. Additionally, the Government plays an important commercial role in the execution of oil and gas exploration, development and production activities in India. The Government also controls the licensing of ships that undertakes coasting trade in Indian territorial waters which has an impact on the Company's business.

The future Government policy amendments could adversely affect the Company's business.

RISKS RELATING TO INDIA

Enforcement of foreign judgments against the Company may be difficult in India.

The Company is incorporated in India and a majority of its directors and executives are residents of India. In view of the above, any judgment obtained against the Company or its managerial personnel will need to be enforced in India. The rules and process for enforcement of foreign judgments in India are prescribed in the Civil Code. As per the provisions of the Civil Code, unless the foreign judgment is passed by a foreign country which has been notified by the Government as a "reciprocating territory", the enforcement of the judgment will require filing of a fresh suit in India. It must be noted that the United States is not a reciprocating territory. Further, enforcement of foreign judgments in India can be time consuming and foreign judgments can also be challenged on certain grounds prescribed by the Civil Code.

Any change in the tax rates, rules or regulations in India could adversely affect the Company's earnings and future revenues.

The Company is subject to various taxes and levies imposed by the Central and State Governments in India. The various tax liabilities of the Company include customs duties, value-added tax, income tax, service tax and other taxes, duties, surcharges and cess introduced from time to time. The Central and State taxes levied in India are complex, elaborate and subject to periodic amendments. Any adverse changes in any of the taxes levied by the Central Government or State Governments may adversely affect the Company's profitability.

A third party could be prevented from acquiring control of the Company because of anti-takeover provisions under Indian law.

There are provisions in Indian law that may discourage attempts at acquisition of the Company, even if a change in control would result in the purchase of the shares at a premium to the market price or would otherwise be beneficial to investors. Indian takeover regulations contain certain provisions that may delay, deter or prevent a future takeover or change in control of the Company.

Indian securities markets vary from various securities markets in other countries.

The Indian securities markets may be more or less volatile than other securities' markets in the world, and the degree of company information available in the Indian securities market will vary from the information available in other markets. Therefore, Bondholders will be subject to the risk of abnormal fluctuations in share prices on account of macro-economic and political factors and may or may not have access to all the relevant information regarding the securities.

The Company's business is subject to political, economic, social and environmental factors in India.

Political instability or changes in the Government could adversely affect economic conditions in India generally and the Group's business in particular. If regional hostilities, terrorist attacks or social unrest in India increase, the Group's business could be adversely affected and the trading price of the Shares could decrease. Natural disasters could have a negative impact on the Indian economy and cause the Group's business to suffer. Financial instability in countries other than India could disrupt Indian markets and the Group's business, and cause the trading price of the Bonds and the Shares to decrease. If inflation were to rise in India, the Group might not be able to increase the prices of its products in order to pass costs on to its customers and the Group's profits might decline. Any downgrading of India's debt rating by an international rating agency could have a negative impact on the Group's business and the trading price of the Bonds and the Shares.

V	DIVIDENDS AND DIVIDEND POLICY

The process and rules governing declaration and payment of dividends is governed by the Companies Act. As prescribed by the Companies Act an Indian company can declare dividends only upon recommendation by the Board of Directors and approval of the recommendation by the shareholders. The shareholders only have the power to decrease the amount recommended by the Board of Directors. Under the Companies Act, dividends may be paid out of profits of a company in the year in which the dividend is declared or out of the undistributed profits or reserves of previous years or out of both.

The Company does not have a formal dividend policy. There is no guarantee that any future dividends will be declared or paid. The declaration and payment of dividend will be recommended by the Board of Directors and approved by its Shareholders, at their discretion, and will depend on a number of factors, including, but not limited to, its profits, capital requirements and overall financial condition.

VI	Composite Scheme of Arrangement

The Hon'ble High Court of Gujarat at Ahmedabad vide its order dated March 1, 2011 has approved the Composite Scheme of Arrangement whereby Essar Ports & Terminals Limited (EPTL) and Essar International Limited (EIL) (the Amalgamating Companies) stand amalgamated with Essar Ports Limited (EPL), the Applicant Company, and the shipping & logistics and oilfields drilling business (Demerged Undertakings 1 and 2 respectively) of the Applicant Company stand demerged into a separate company viz. Essar Shipping Limited (the Resulting Company).

The rationale for the Scheme is given below:

- The Amalgamations and the Demerger pursuant to the Scheme shall create a focused platform for future growth of the Ports and Terminals Business, distinct from the Demerged Undertakings which will be operated in the Resulting Company.

- The Ports and Terminals Business and the Shipping and Logistics Business and the Oilfields Drilling Business each have tremendous growth and profitability potential and require focused leadership and management attention. The nature of risk and competition involved in each of these businesses is distinct and is capable of attracting a different set of investors, strategic partners, lenders and other stakeholders. There are also differences in the manner in which each of these businesses are required to be managed. The Scheme will result in focused business operations of the Applicant Company and the Resulting Company and allow them increased flexibility in taking advantage of the huge growth opportunities in their respective business segments. The Demerger is proposed in order to enable distinct focus of investors to invest in these businesses and to lend greater focus to its business operations.

The Salient Features of the Scheme are:

(i) The Scheme provides for:

(a) the Amalgamation of the Amalgamating Companies with the Applicant Company as and from the Effective Date and with effect from the Amalgamation Appointed Date; and

(b) the transfer by way of a Demerger of the Demerged Undertakings of the Applicant Company as and from the Effective Date and with effect from the Demerger Appointed Date;

in terms of a Scheme of Arrangement under Sections 391 to 394 and other relevant provisions of the Act.

(ii) The "Amalgamation Appointed Date" for the Amalgamations means the close of business on September 30, 2010 or such other date as may be determined by the board of directors of the Applicant Company and each of the Amalgamating Companies.

(iii) The "Demerger Appointed Date" for the Demerger means the opening of business on October 1, 2010 or such other date as may be determined by the board of directors of the Applicant Company and the Resulting Company.

(iv) The "Effective Date" means the last of the dates on which all the conditions and matters mentioned in Clause 79 of the Scheme occur or have been fulfilled or waived in accordance with the Scheme.

(v) The "Demerged Undertakings" means collectively the First Demerged Undertaking and the Second Demerged Undertaking.

(vi) The "First Demerged Undertaking" means the Applicant Company's undertakings, business, activities and operations pertaining to the Shipping and Logistics Business of the Applicant Company, on a going concern basis, as more elaborately defined in the Scheme.

(vii) The "Second Demerged Undertaking" means the Applicant Company's undertakings, business and activities pertaining to the Oilfields Drilling Business of the Applicant Company, on a going concern basis, as more elaborately defined in the Scheme.

(viii) Part II and Part III of the Scheme envisage the amalgamation of the Amalgamating Companies into the Applicant Company. They provide for inter alia:

(a) the manner of vesting and transfer of the assets of the Amalgamating Companies in the Applicant Company;

(b) the transfer of contracts, deeds, bonds, agreements, schemes, arrangements and other instruments of whatsoever nature relating to the Amalgamating Companies;

(c) the transfer of all consents, permissions, licenses, certificates, clearances, authorities, powers of attorney given by, issued to or executed in favour of the Amalgamating Companies;

(d) the transfer of all debts, liabilities, duties and obligations of the Amalgamating Companies;

(e) the transfer of all suits, actions and proceedings by or against the Amalgamating Companies;

(f) the manner in which the business is to be carried on in trust by the Amalgamating Companies for the benefit of the Applicant Company from the Appointed Date till the Effective Date;

(g) the transfer of employees engaged in the Amalgamating Companies to the Applicant Company on terms and conditions not less favorable than those on which they are engaged in the Amalgamating Companies;

(h) the cancellation of the entire share capital held by the Amalgamated Company in the Amalgamating Companies, and no issuance of shares in lieu thereof, upon the Scheme becoming effective; and

(i) the accounting treatment for the Amalgamations in the books of the Applicant Company.

(ix) Part IV of the Scheme envisages the transfer of the Demerged Undertakings to the Resulting Company. It also provides for inter alia:

(a) the manner of vesting and transfer of the assets of the Applicant Company relating to the Demerged Undertakings in the Resulting Company;

(b) the transfer of contracts, deeds, bonds, agreements, schemes, arrangements and other instruments of whatsoever nature relating to the Demerged Undertakings from the Applicant Company to the Resulting Company;

(c) the transfer of all consents, permissions, licenses, certificates, clearances, authorities, powers of attorney given by, issued to or executed in favour of the Demerged Undertakings from the Applicant Company to the Resulting Company;

(d) the transfer of all debts, liabilities, duties, and obligations of the Demerged Undertakings from the Applicant Company to the Resulting Company;

(e) the transfer of all suits, actions and proceedings by or against the Applicant Company relating to the Demerged Undertakings to the Resulting Company;

(f) the manner in which Applicant Company shall be deemed to have been carrying on all business and activities relating to the Demerged Undertakings for and on account of, and in trust for, the Resulting Company;

(g) the transfer of employees engaged in the Demerged Undertakings of the Applicant Company to the Resulting Company on terms and conditions not less favorable than those on which they are engaged in the Applicant Company;

(h) provisions for the Remaining Business (as defined in the Scheme) to continue in the Applicant Company; and

(i) the issuance of 1 (One) equity share in the Resulting Company of ₹ 10/- (Rupees ten only) each credited as fully paid up for every 3 (Three) equity shares of ₹ 10/- (Rupees ten only) each fully paid up held by such member in the Applicant Company and matters related thereto.

(x) Part IV of the Scheme also provides for the treatment of the ESPLL FCCBs issued by the Applicant Company outstanding as of the Record Date and the issue of FCCBs by the Resulting Company, including the conversion price thereof at ₹ 91.70.

(xi) All equity shares of the Resulting Company shall be listed and/or admitted to trading on the stock exchanges where the equity shares of the Applicant Company are listed and the Resulting Company shall in this regard execute appropriate agreements with such stock exchanges as per applicable law. The shares allotted pursuant to the Scheme shall remain frozen in the depositaries system till relevant directions in relation to listing/trading are given by the relevant stock exchanges.

(xii) The Scheme provides that the existing shareholding of the Applicant Company in the equity share capital of the Resulting Company shall stand cancelled in accordance with the provisions of Sections 100 to 103 of the Act.

(xiii) The Scheme further provides that as an integral part thereof, and, upon the coming into effect of the Scheme:

The authorised share capital of the Applicant Company shall stand reduced to ₹ 10,105,000,000/- divided into 100,00,00,000 equity shares of ₹ 10/- each and 10,50,000 preference shares of ₹ 100/- each. The capital clause of the Memorandum of Association of the Applicant Company shall, upon the coming into effect of the Scheme, be amended accordingly.

(xiv) As an integral part of the Scheme, and, upon the coming into effect of the Scheme, the name of the Applicant Company shall stand changed to "Essar Ports Limited" or such other name as may be approved by the shareholders of the Company without any further act or deed.

(xv) The Scheme also provides for the accounting treatment of the Demerger in the books of the Applicant Company and the Resulting Company.

(xvi) The Scheme is conditional upon and subject to:

(a) the Scheme being agreed to by the requisite majorities of the various classes of members and creditors of the Applicant Company, the Resulting Company, the First Amalgamating Company and the Second Amalgamating Company (as required) under applicable law and the requisite order of the High Court and the Courts of Mauritius being obtained;

(b) such other sanctions and approvals as may be required from any governmental or regulatory authority under applicable law, in respect of this Scheme being obtained;

(c) the certified copies of the court orders referred to in this Scheme being filed with the Registrar of Companies, Gujarat; and

(d) the transfer of the Second Amalgamating Company to Mauritius and the issuance of a Category 2 Global Business License by the Financial Services Commission of Mauritius to each of the First Amalgamating Company and the Second Amalgamating Company.

(xvii) In the event of this Scheme failing to take effect by July 31, 2012 or such later date as may be agreed by the boards of directors of the Applicant Company, the Resulting Company, the First Amalgamating Company and the Second Amalgamating Company, this Scheme shall stand revoked, cancelled and be of no effect and become null and void.

(xviii) Upon the effectiveness of the Scheme and the resultant transfer of the Demerged Undertakings, the shareholders' funds of the Applicant Company comprising share capital and the reserves will no longer be fully represented by assets of the Applicant Company. To reflect the same, as an integral part of the Scheme, the issued, subscribed and paid-up share capital of the Applicant Company shall stand reduced without any further act or deed. The reduction as aforesaid shall be effected by reducing the paid up equity share capital of the Applicant Company on a proportionate basis from each equity share of ₹ 10/- each which are issued and outstanding. Further to the aforesaid reduction of share capital of the Applicant Company, 3 equity shares so reduced shall be consolidated into 2 equity shares of ₹ 10/- each.

(xix) The reduction as aforesaid shall be effected as an integral part of the Scheme in accordance with the provisions of Section 78, Section 80, Sections 100 to 103 and any other applicable provisions of the Act and the Order of the High Court sanctioning the Scheme shall be deemed to be also the Order under Section 102 of the Act for the purpose of confirming the reduction. However, the special resolution as envisaged under Section 100 of the Act and as required in terms of Rule 85 of the Company Court Rules, 1959, shall be considered at a separate meeting convened for this purpose.

(xx) The rights and interests of the members and the creditors of the Applicant Company and the Resulting Company will not be prejudicially affected by the Scheme.

(xxi) In consideration of the transfer and vesting of the Demerged Undertakings in the Resulting Company in accordance with the provisions of this Scheme and as an integral part of this Scheme, the share capital of the Resulting Company shall be restructured and reorganised in the manner set out below.

(i) Upon the effectiveness of the Scheme, in consideration of the Demerger, including the transfer and vesting of the Demerged Undertakings in the Resulting Company pursuant to this Scheme, the Resulting Company shall, without any further act or deed, issue and allot to each member of the Demerged Company whose name is recorded in the register of members and records of the depositary as members of the Demerged Company on the Record Date, equity shares in the Resulting Company in the ratio of 1 equity share in the Resulting Company of the face value of ₹ 10/- each credited as fully paid-up for every 3 equity shares of Rs.10/- each fully paid-up held by such member in the Demerged Company. For the avoidance of doubt it is clarified that no shares shall be issued by the Resulting Company in respect of the forfeited shares of the Demerged Company.

(ii) The shares issued to the members of the Demerged Company by the Resulting Company pursuant to sub-Clause (i) above shall be issued in dematerialised form by the Resulting Company, unless otherwise notified in writing by the shareholders of the Demerged Company to the Resulting Company on or before such date as may be determined by the Board of Directors of the Demerged Company. In the event that such notice has not been received by the Resulting Company in respect of any of the members of the Demerged Company, the shares shall be issued to such members in dematerialised form provided that the members of the Demerged Company shall be required to have an account with a depositary participant and shall be required to provide details thereof and such other confirmations as may be required. It is only thereupon that the Resulting Company shall issue and directly credit the dematerialised securities to the account of such member. In the event that the Resulting Company has received notice from any member that shares are to be issued in physical form or if any member has not provided the requisite details relating to his/her/its account with a depositary participant or other confirmations as may be required, then the Resulting Company shall issue shares in physical form to such member.

(iii) Equity shares to be issued by the Resulting Company pursuant to sub-Clause (i) above in respect of such of the equity shares of the Demerged Company which are held in abeyance under the provisions of Section 206A of the Act or otherwise shall, pending allotment or settlement of dispute by order of Court or otherwise, also be kept in abeyance by the Resulting Company.

(iv) In the event of there being any pending share transfers, whether lodged or outstanding, of any shareholder of the Demerged Company, the Board of Directors of the Demerged Company shall be empowered in appropriate cases, prior to or even subsequent to the Record Date, to effectuate such a transfer in the Demerged Company as if such changes in registered holder were operative as on the Record Date, in order to remove any difficulties arising to the transferor of the share in the Resulting Company and in relation to the shares issued by the Resulting Company after the effectiveness of the Scheme. The Board of Directors of the Demerged Company shall be empowered to remove such difficulties as may arise in the course of implementation of this Scheme and registration of new members in the Resulting Company on account of difficulties faced in the transaction period.

(v) In case any shareholder's holding in the Demerged Company is such that the shareholder becomes entitled to a fraction of an equity share of the Resulting Company, the Resulting Company shall not issue fractional share certificates to such shareholder but shall consolidate such fractions and issue consolidated equity shares to a trustee nominated by the Resulting Company in that behalf, who shall sell such shares and distribute the net sale proceeds (after deduction of the expenses incurred) to the members respectively entitled to the same in proportion to their fractional entitlements;

(vi) The equity shares of the Resulting Company issued pursuant to this Scheme will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and the Resulting Company will elect, in its sole discretion, to rely upon applicable exemptions from the registration requirements of the Securities Act.

(vii) All equity shares of the Resulting Company shall be listed and/or admitted to trading on the Stock Exchanges, in accordance with applicable law.

(viii) Unless otherwise determined by the Board of Directors of the Demerged Company and the Board of Directors of the Resulting Company, issuance of equity shares in terms of sub-Clause (i) above shall be done within 45 days from the Effective Date.

(ix) Subject to any dispensations that may be granted by the Securities and Exchange Board of India and / or the Stock Exchanges, the shares allotted pursuant to the Scheme shall remain frozen in the depositories system till listing/trading permission is given by the designated stock exchange.

(x) Subject to any dispensations that may be granted by the Securities and Exchange Board of India and / or the Stock Exchanges, there shall be no change in the shareholding pattern or control in the Resulting Company between the Record Date and the date of listing of the shares of the Resulting Company pursuant to the Scheme, save and except pursuant to the issuance of shares under this Scheme.

VII	Capital Structure

Share Capital

Pre-Scheme

Particulars	Amounts in ₹
Authorised Capital	
50,000 Equity Shares of ₹ 10/- each	5,00,000
Total	**5,00,000**
Issued, Subscribed and Paid-Up	
50,000 Equity Shares of ₹10/- each	5,00,000
Total	**5,00,000**

Post-Scheme

Particulars	Amounts in ₹
Authorised Capital	
50,00,00,000 Equity Shares of ₹ 10/- each	5,000,000,000
Total	**5,000,000,000**
Issued, Subscribed and Paid-Up	
20,52,27,768 Equity Shares of ₹ 10/- each	2,052,277,680
Total	**2,052,277,680**

Pursuant to the Composite Scheme of Arrangement, the Company shall issue and allot to each of the members of ESPLL whose name is recorded in the register of members and records of the Depositary as members of ESPLL on the Record Date, equity shares in the Company in the ratio of 1 (One) equity share in the Company of the face value of ₹10/- each credited as fully paid-up for every 3 (Three) equity shares of ₹10/- (Rupees ten only) each fully paid-up held by such member in ESPLL except for the forfeited shares of the Demerged Company.

Notes to Capital Structure

The Company was incorporated with the Authorised Capital of ₹ 5,00,000/- (Rupees five lakhs only) divided into 50,000 (Fifty thousand) equity shares of ₹10/- (Rupees ten only) each. These shares were held by ESPLL. Upon the effectiveness of the Scheme, the initial capital of ₹ 5,00,000/- is reduced.

The authorised share capital of the Company was increased to ₹ 5,000,000,000/- on May 6, 2011.

VIII	Company History and Management

The Company was originally incorporated on April 16, 2010 under the provisions of the Companies Act, 1956, in the name and style of Essar Ports & Terminals Limited having Registered Office originally situated at Essar House, Opposite Gujarat College, Near Hotel Inder Residency, Ellisbridge, Ahmedabad - 380006, Gujarat, India and having Corporate Identity Number U63030GJ2010PLC060285. The Company obtained the Certificate of Commencement of Business on June 1, 2010. The Registered Office of the Company was shifted to Administrative Building, Essar Refinery Complex, Okha Highway (SH-25), Taluka Khambalia, Jamnagar, Gujarat – 361 305, India on August 9, 2010 and the name of the Company was changed to Essar Shipping Limited on September 7, 2010.

The Main Objects of the Company *inter alia* are:

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

2. To carry on the business of ship-owners, ship-builders, shipbrokers, shipping agents, ship managers, ship charterers, barge owners, dock owners, stevedores, warehousemen, wharfingers, salvors, marine consultants, crew recruiters, ship deliverers, ship repairers, loading brokers, freight contractors, haulage and general contractors, marine engineers, surveyors or any other work connected with the shipping business.

3. To carry on the business as logistic providers, transporters, booking agents, forwarding agents, clearing agents, shipping agents, warehousers, exporters and importers for transport or movement of goods, live stock and passengers through roadways, ropeways, railways, airways, waterways or any other mode of transport and to make arrangements with transporters, airlines, shipping agents or other concerns engaged in logistics in any manner, both inland and overseas.

4. To manufacture, deal in, hire, store and warehouse all engines, nautical instruments, ship's rigging, machinery, implements, utensils, appliances used in shipping industry.

5. To enter into and conduct the business of owning and / or leasing and / or hiring and/or operating all types of onshore and offshore drilling rigs and coring rigs for drilling for hydrocarbons, offshore construction vessels including but not limited to pipe-lay barges, crane barges, hook up barges etc. and to enter into contracts for conducting such business anywhere in the world.

Changes in the Memorandum and Articles of Association

Change in Authorised Share Capital

The Company was incorporated with an Authorised Share Capital of ₹ 5,00,000/- (Rupees five lakhs only) divided into 50,000 (Fifty thousand) equity shares of ₹ 10/- (Rupees ten only) each.

The Authorised Share Capital of the Company was further increased to ₹ 5,000,000,000/- (Rupees five hundred crore only) divided into 500,000,000 (fifty crore) equity shares of ₹ 10/- (Rupees ten only) pursuant to the Composite Scheme of Arrangement on May 6, 2011.

Subsidiaries (including step-down subsidiaries) of the Company
As at the date of submission of this Information Memorandum following are the subsidiaries of the Company:

Essar Oilfields Services Limited
Essar Logistics Limited
Essar Oilfield Services (India) Limited
Energy II Limited
Energy Transportation International Limited

Shareholders Agreement

There exists no separate agreement executed between any shareholder and the Company.

Strategic/Financial Partners and Other Material Contracts
The Company does not have any strategic/financial partners or has not entered any material contracts other than in ordinary course of business.

Management
The overall management is vested in the Board of Directors, comprised of qualified and experienced persons and the day-to-day business operations are managed by the Managing Director and the Chief Executive Officers under the general superintendence and control of the Board of Directors.

Board of Directors as on the date of filing the Information Memorandum

Name, Designation and Address	Other Directorships held in Public Limited Companies
Mr. Anshuman Ruia **Non-Executive Director** 67-A, Walkeshwar Road Walkeshwar Mumbai - 400 006	**1.** Essar Oil Limited **2.** Essar Ports Limited **3.** Essar Shipping Limited
Mr. A. R. Ramakrishnan **Managing Director** Flat No. 6-A Siddhi Apartments 15-A, Shankar Ghanekar Marg, Opposite IDBI Bank, Prabhadevi Mumbai – 400 028	**1.** Indian National Shipowners Association **2.** Essar Oilfield Services India Limited **3.** Adel Shipping & Logistics Limited **4.** Essar Logistics Limited **5.** Essar Shipping Limited
Capt. Anoop Kumar Sharma **Whole-time Director designated as CEO – Sea Transportation Business** 2104 A, Oberoi Gardens, Thakur Village, near Mahindra & Mahindra, Kandivali (East) Mumbai 400 101	**1.** Essar Shipping Limited
Ankur Gupta **Non-Executive Director**	**1.** Essar Shipping Limited **2.** Essar Oilfield Services India Limited

201, Amardeep, N.S. Road No. 3 JVPD Scheme, Vile Parle Mumbai 400 056	
Mr. R. N. Bansal **Independent Director** B-365, New Friends Colony New Delhi 110025	**1.** Chambal Fertilizer & Chemicals Limited **2.** Pushpsons Industries Limited **3.** Orient Ceramics & Industries Limited **4.** The Hindoostan Spinning & Weaving Mills Limited **5.** Vadinar Oil Terminal Limited **6.** Essar Logistics Limited **7.** Essar Ports Limited **8.** Essar Oilfields Services India Limited **9.** Essar Shipping Limited
Mr. N. Srinivasan **Independent Director** T-19, Sixth Avenue Besant Nagar Chennai – 600 090	**1.** United Breweries (Holdings) Limited **2.** UB Engineering Limited **3.** McDowell Holdings Limited **4.** India Cements Limited **5.** India Cements Capital Limited **6.** Tractors and Farm Equipment Limited **7.** The Andhra Pradesh Paper Mills Limited **8.** The United Nilgiri Tea Estates Company Limited **9.** GATI Limited **10.** Ador Fontech Limited **11.** TAFE Motors & Tractors Limited **12.** Redinton India Limited **13.** Essar Shipping Limited
Mr. K. V. Krishnamurthy **Independent Director** A-174, Kalpataru Residency Opp. Cine Planet Sion Mumbai	**1.** FCH CentrumDirect Limited **2.** Essel Propack Limited **3.** Balan Foods Pvt. Ltd. **4.** Borosil Glass Works Limited **5.** Essar Steels Limited **6.** Thirumalai Chemicals Limited **7.** Packaging India Pvt. Ltd. **8.** Centrum Capital Limited **9.** VVF Industries Limited **10.** Essar Oil Limited **11.** Loop Telecom Limited **12.** Loop Mobile (India) Limited **13.** Essar Ports Limited **14.** Essar Shipping Limited
Mr. Deepak Kumar Varma **Independent Director** Flat No. 2403, Odyssey Tower-1, Hiranandani Gardens, Powai Mumbai 400076	**1.** Matix Fertilizers & Chemicals Limited **2.** Broad Vision and Management Consulting Private Limited **3.** Essar Shipping Limited **4.** Essar Ports Limited

Brief Profile of Directors

Mr. Anshuman Ruia
Non Executive Director

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

Mr. Anshuman 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, 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.

Mr. A. R. Ramakrishnan
Managing Director

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 is currently the Managing Director of Essar Shipping 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.

Capt. Anup Kumar Sharma
Whole-time Director designated as CEO-Sea Transportation Business

Capt. Sharma has done his Master (F.G.) Certificate of Competency issued by Director General of Shipping, India and also holds a Diploma in Marketing Management from Narsee Monjee Institute of Management Studies, Mumbai. He is also a Fellow of the Institute of Chartered Shipbrokers, London, an Associate Member of Institute of Marine Technologists and is a licentiate of the Insurance Institute of India. He is the Vice President of the Institute of Chartered Shipbrokers, London (Mumbai Branch).

Capt. Sharma has a rich experience spanning over 28 years. Capt. Sharma started his career as a cadet with Shipping Corporation of India Ltd. (SCI) and went on to become Senior Vice President – Chartering at SCI. He was responsible for formulation and implementation of comprehensive strategy to explore global business opportunities for various vessels. He has also been at the helm of formulating, monitoring and reviewing revenue budget for SCI.

Mr. Ankur Gupta
Non Executive Director

Mr. Ankur Gupta holds a B.Tech degree in Electrical Engineering from IIT, Delhi. He has a vast experience of over 23 years in oilfield business and has been associated with companies like Schlumberger, Cap Gemini and Paradigm Geophysical India Private Limited. He has held various technical, operational, sales & marketing and management positions in Far East, Middle East, Europe and North America

Mr. R. N. Bansal
Independent Director

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 has also 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. N. Srinivasan
Independent Director

Mr. 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. K. V. Krishnamurthy
Independent Director

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. Deepak Kumar Varma
Independent Director

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

(NSDRC), 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.

Interest of Director

Other than re-imbursement of conveyance expenses incurred for attending meetings of the Company, and sitting fees from the Company, none of the Non-Executive Directors of the Company has any interest in the Company.

Compensation of the Wholetime Director

The Board of Directors of the Company have *vide* their resolutions dated May 23, 2011 approved the appointment of Mr. A. R. Ramakrishnan, as Managing Director, and Capt. Anoop Kumar Sharma as CEO – Sea Transportation Business in the wholetime employment of the Company for a period of 3 years with effect from May 23, 2011 on such remuneration as detailed in the said resolutions.

Shareholding of Directors

None of the the Directors of the Company hold any equity shares in the Company.

Corporate Governance

The Company is fully compliant with the provisions of Clause 49 of the Listing Agreement and the details are as follows:

The Board of Directors of the Company comprises of 8 (eight) Directors, of which 4 (four) are Independent Directors, 2 (two) Non-Executive Directors and 1 (two) Executive Directors.

The Board has *vide* their resolution dated May 23, 2011 constituted Audit Committee, Shareholders/Investor's Grievance Committee and Compensation Committee as required under Clause 49 of the Listing Agreement as under:

Committee	Name of the Director	Category
Audit Committee	Mr. K. V. Krishnamurthy, Chairman Mr. N. Srinivasan Mr. R. N. Bansal Mr. Anshuman Ruia	Independent Director Independent Director Independent Director Non-Executive Director
Shareholders' and Investors Grievance Committee	Mr. Deepak Kumar Varma, Chairman Mr. A. R. Ramakrishnan Capt. Anoop Kumar Sharma Mr. Ankur Gupta	Independent Director Managing Director Whole-time Director Non-Executive Director
Compensation Committee	Mr. Anshuman Ruia Mr. R. N. Bansal Mr. N. Srinivasan	Non-Executive Director Independent Director Independent Director

The role, powers, scope of functions and duties of the Audit Committee, Shareholders/Investor's Committee and Compensation Committee of the Board are as per the applicable provisions of the Companies Act, 1956 and Clause 49 of the Listing Agreement.

The Board of Directors, at its Meeting held on May 23, 2011 has approved the Code of Conduct for the Members of the Board and Senior Management. Same has been uploaded on Company's website www.essar.com.

IX	Management Discussion & Analysis

This discussion contains forward-looking statements and reflects current views of the Company with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors such as those set forth under "Risk Factors" and elsewhere in this Information Memorandum.

Overview of the World Economy

The world is gradually recovering from the shocks of the most severe recession in recent history. Emerging Asian economies led by China and India are expected to lead the global economic growth as the global economy shifts in their favour. Earlier this year, China overtook Japan as the world's second largest economy, as Japan grappled with its worst natural catastrophe that shocked the slowly consolidating global recovery.

The IMF projects the global growth at 4.4% in 2011, led by the global emerging economies that are expected to grow at 6.5%, even as China, India and other high growth economies take steps to cool down their overheating economies and fight rising inflation.

The US economy is on the recovery path as hiring increases and oil prices remain a worry, with the economy expanding by 1.3% in Q1 of the 2011 calendar year, down from 3.1% in the previous quarter. The US Federal Reserve forecasts US growth for 2011 to be 3.2%.

The Euro zone is currently facing the possibility of 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 of the Euro Zone. The Euro too faces downward pressure against the U.S. Dollar as ECB indicates continued period of low rates. 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 a meager 1.5% in 2011.

Overview of the Indian Economy

The Indian economy witnessed an average annual GDP growth of over 9 per cent during the period 2005 to 2008, before slowing down to 6.1% amidst the global financial crisis. After a period of high growth in 2010, the Indian economy seems to be following global cues in preventing the economy from overheating as it looks to continue funding infrastructure growth.

Inflation is the biggest worry in the Indian economic circles as economists warn it may push down growth. The RBI recently revised India's growth rate for 2011 downwards by 1 percentage point to 8%, as it raised key rates for the ninth time in fifteen months. Similarly, the IMF has downgraded India's growth forecast to 8.2% and warned of an overheating economy. Higher interest rates are likely to affect private capital expenditure in infrastructure and industries.

Global commodity pressures continue to remain a worry for India. Higher commodity prices, particularly food, will also put an upward pressure on wages, affecting India's competiveness in several industries.

X	Business Overview

Essar Shipping Limited ("ESL") has been in the business of providing shipping services for more than 4 (four) decades. Prior to the demerger, the shipping business was being carried out by Essar Shipping Ports & Logistics Limited. ESL has been providing shipping transportation services to renowned clients in both crude oil and dry bulk commodity transportation.

ESL has structured its business under three verticals comprising Shipping, Oilfields Services and Surface Logistics. Shipping business is carried out through ESL whereas other businesses are carried out through different subsidiaries. The Company operates under various segments as mentioned below.

Shipping Business

With an experience of over 250 ship years, the Shipping business carried through ESL provides transportation management services for crude oil and dry bulk cargo to the global energy, steel and power industries. It provides crude oil transportation, transportation management services and integrated dry bulk transportation services.

In the energy transportation segment, ESL has the credentials of serving all global oil majors such as Shell, BP, Chevron Texaco, Total, Ultramar, Saudi Aramco, Indian Oil Corporation among others. In dry bulk commodity transportation, the company's clientele includes Cargill, BHP Billiton, Jindal, SAIL, Essar, among others.

ESL was among the first Indian companies to be compliant with the most stringent IMO regulations and has over the years won awards for being the most quality conscious shipping company of the country by the DG Shipping of India. ESL is also a certified ISO 14001 company since 2009, being one of the first Indian companies to be accredited with the prestigious certification.

ESL's integrated business model provides opportunities to cater to the complete supply chain management services to clients in the oil and gas, steel and power generation businesses. The Company proposes to list on the BSE and the NSE.

The company has a diversified fleet of 23 vessels, including 2 modern double hull Very Large Crude Carriers (VLCC), 6 Cape-Sizes, 2 Supramax bulk carrier vessels and 2 Handysize vessels. The aggregate capacity of all the vessels is 1.62 million DWT.

ESL will be acquiring on bareboat charter basis from Essar Shipping & Logistics Limited, Cyprus, its holding company, 6 supramax vessels being built at ABG Shipyard, Dahej and 6 minicape vessels being built at STX Shipyard in Dalian from Essar Shipping (Cyprus) Limited. Upon delivery, these vessels will be deployed on long term contracts with the steel and power businesses of Essar Group for the transportation of coal, iron ore and other raw materials, thus providing a hedge against any spot rate fluctuations in the future.

ESL's entire fleet is currently under a COA or under time charter, thus reducing the Company's exposure to the volatile spot market.

Existing Fleet Profile

	Vessel	DWT	Vessel Type	Year Built	Charterer as on Oct 31, 2011	Cargo
Tankers	MT Smiti	281,396	VLCC	2005	Indian Oil Corporation	Crude Oil
	MT Ashna	301,428	VLCC	1999	Essar Oil Limited	Crude Oil
Bulk Carriers	MV Kiran	175,048	Capesize	1993	Baoshan Iron & Steel	Iron Ore
	MV Mahavir Prasad	136,608	Capesize	1983	Essar Steel Limited	Iron Ore
	MV Badri Prasad	151,418	Capesize	1990	Essar Steel Limited	Iron Ore
	MV Ram Prasad	138,000	Capesize	1982	Essar Steel Limited	Iron ore
	MV Govind Prasad	129,329	Capesize	1983	Essar Steel Limited	Iron Ore
	MV Chandi Prasad	152,065	Capesize	1989	Essar Steel Limited	Iron Ore
	MV Malathi	55,707	Supramax	2004	Essar Steel Limited	Coal
	MV Malavika	53,169	Supramax	2005	Jaldhi Enterprises	Coal
	MV Tvisha	13,000	Handysize	1998	Essar Steel Limited	Steel
	MV Tuhina	13,000	Handysize	1999	Essar Steel Limited	Steel

Fleet Expansion

The new buildings that will join the fleet soon already have firm commitments from group companies, Essar Steel Limited and Essar Power Limited for the transportation of coal, iron ore and other dry bulk.

Vessel	DWT	Vessel Type	Year Built	Cargo
Hull No 2038	105,000	Minicape	Nov-11	Iron Ore
Hull No 2040	105,000	Minicape	Dec-11	Iron Ore
Hull No 2042	105,000	Minicape	Jan-12	Iron Ore
Hull No 2045	105,000	Minicape	Feb-12	Iron Ore
Hull No 2046	105,000	Minicape	Mar-12	Iron Ore
Hull No 2048	105,000	Minicape	Apr-12	Iron Ore
Hull No 291	54,000	Supramax	Jul-12	Coal
Hull No 292	54,000	Supramax	Oct-12	Coal
Hull No 293	54,000	Supramax	Feb-13	Coal
Hull No 294	54,000	Supramax	Jun-13	Coal
Hull No 295	54,000	Supramax	Oct-13	
Hull No 297	54,000	Supramax	Feb-14	

**Orders have been placed by holding/ sister companies and vessels will be acquired on Bareboat Charter services by ESL*

<u>Essar Oilfields Services Limited (EOSL), Mauritius</u>

Business Overview

Essar Oilfields Services Limited, (EOSL), incorporated in May 2005 in Mauritius, provides onshore and offshore oilfield drilling services to domestic and international clients. The company owns and operates a third generation semi-submersible rig, Essar Wildcat. EOSL, through its subsidiary, Essar Oilfield Services (India) Limited (EOSIL), owns and operates a fleet of 12 on-shore rigs of varying capacity from 250 HP to 2,000 HP. EOSIL has also placed orders for two new building jack up rigs. The clientele of the oilfield services business include major E&P companies such as Vietsovpetro, Gujarat State Petroleum Corporation, Schlumberger, etc.

a) Offshore Business

Essar Wildcat

The semi submersible rig, the largest investment in the rig fleet, recently completed its charter with Vietsovpetro in Vietnam in August 2011, successfully outbidding international drilling companies such as Transocean, Sea Drill and Japan Drilling which participated in the competitive bidding. The rig will shortly begin drilling for ConocoPhillips in Indonesian waters.

Particulars	Specifications
Type	Semi submersible
Semi submersible generation	Three
Rig Design	Aker H-3
Rated Water Depth	1,300 ft
Drilling Depth	25,000 ft
Built by	Aker Verdal
Shipyard	Norway
Delivery year	1977
Rig Registered/Flag	Liberia

Essar Wildcat's first successful charter was with Gujarat State Petroleum Corporation Limited (GSPC), India, for a period of two years and was deployed in the Krishna Godavari (KG) basin. The contract expired on 4th April 2010. The rig successfully completed its charter with Vietsovpetro (VSP) in Vietnam in August 2011, during which it achieved 1000 days of LTI free operations. Post completion of the VSP charter, the rig won a contract to drill with ConocoPhillips after beating several high profile international competitors. The rig is currently drilling in Indonesia under the same contract.

New Building Jack Up Rigs

As part of the growth plan, EOSIL has entered into a contract with ABG Shipyard Limited, India, to construct two state of the art Jack Up Rigs type F&G JU 2000 with Hull Numbers Y308 and Y309 at a price of Rs. 1,074.26 crore per rig. ABG Shipyard Limited is the largest private sector shipbuilding yard in India with satisfied customer base all around the world. During the past decade, the Shipyard has constructed and delivered Ninety-Five (95) vessels including Specialised and Sophisticated vessels like Interceptor Boats, Floating Cranes, Bulk Carriers, Newsprint Carriers, Offshore Supply Vessels, Dynamic Positioning Ships, and Diving Support Vessels for leading companies in India and abroad.

JU-2000A rig is capable of drilling deep and withstanding harsh environment. The main features of its design include increased storm criteria, extended reach cantilever, lightweight and efficient drilling package.

Features of JU-2000A rig	
Water Depth (ft)	350
Maximum Wave Height (ft)	43
Corresponding Wave Period (sec)	12.5
Maximum Wind Velocity (kts – one min. avg.)	100
Surface Current (kts)	1.8
Bottom Current (kts)	0.7
Air Gap (ft)	50
Penetration (ft)	10
Variable Load (kips)	6,000
Leg Length (ft)	493
Minimum Design Temperature	-20°C

It is a Self-elevating Drilling Vessel, consisting of a modified triangular hull with three triangular truss work legs, each fitted with spud cans at its lower end. The rig is equipped with a Quarters House (accommodation for 120 persons), a helicopter deck and a retractable cantilever carrying the drilling derrick and the related equipment. The completed weight of each rig would be around 17,000 tons. It proposes to obtain the Class notation Maltese Cross A1, which indicates compliance with ABS Rules for unrestricted ocean service.

b) Onshore Business

The following are the specifications of 12 land rigs acquired by the company:

Rig Name	Essar Land Rig-1	Essar Land Rig-2	Essar Land Rig-3	Essar Land Rig-4	Essar Land Rig-5
Type	Land Rig-2000 HP	Land Rig 2000 HP	Land Rig 2000 HP	Land Rig 1500 HP	Land Rig 1000 HP
Original yard	National	National	National	Oilwell	National

Rig Name	Essar Mobile Rig-1	Essar Mobile Rig-2	Essar Mobile Rig-3	Essar Mobile Rig-4
Type	Mobile Rig 1000 HP	Mobile Rig 750 HP	Mobile Rig 750 HP	Mobile Rig 550 HP
Original yard	Cabot	Cooper	Ideco	Ideco

Rig Name	Essar Mobile Rig-5	Essar Mobile Rig-6	Essar Coring Rig-1
Type	Mobile Rig 350 HP	Mobile Rig 250 HP	coring Rig 20 ton
Original yard	Ideco	Ideco	Kores

Essar Oilfield Services India Limited (EOSIL)

Essar Oilfield Services India Limited (EOSIL) was incorporated in August 2006 under the provisions of the Companies Act, 1956 and provides onshore and offshore drilling services. EOSIL owns 12 land rigs, with capacities varying from 250 HP to 2000 HP.

EOSIL has entered into a contract with ABG Shipyard Limited (ABGL), India, to construct two jack up rigs. The two rigs are based on the leading designs of mobile offshore drilling and production units of the world (F&G JU 2000A), to be built in accordance with rules/standards of American Bureau of Shipping (ABS). The rigs are designed to operate round the year in regions like Gulf of Mexico and also in harsh North Sea environment.

Essar Logistics Limited (ELL)

ELL was incorporated in October 2004 with the name of Essar Logistics Private Limited and was subsequently changed to Essar Logistics Limited in January 2006. In FY10, the operating revenue ELL from the Essar Group companies accounted for 95 per cent of total revenue of ELL, with majority of the revenue from Essar Steel Limited and Essar Oil Limited.

A fully owned subsidiary of the Company, ELL is currently carrying out the business of logistics management, trans-shipment and port services. The company specialises in the handling, storage distribution and movement of cargo by sea, road and rail.

ELL has since inception subcontracted land based logistics activity to various truck dealers for petroleum products and steel products who are required to place trucks/trailers/tank trucks in requisite numbers for movement of products both for long-haul / short-distance supplies within their assigned area of operation. Land Logistics for movement Ex-Hazira is mainly done by subcontractors. However, inter-carting activity at Hazira plant is entirely done by ELL itself.

The Company's business prospects are directly dependent on the level of operations of its principals – Essar Steel and Essar Oil. ELL plans to provide road and sea logistics services to third parties as well and enhance its revenue from trucking services.

Fleet Details

ELL operates a fleet of over 5,000 trucks to provide inland transportation of steel and petroleum products. Based out of Hazira, Gujarat, the company operates at various locations across India.

Energy Transportation International Limited

Energy Transportation International Limited (ETIL) is a Company incorporated in the State of Bermuda. The principal activities of the company are ship owning, operating and chartering.

ETIL is in the business of providing crude oil transportation and crude oil transportation management services. At present the Company owns and operates one Very Large Crude Carrier (VLCC) MT Ashna, which is 1999 built and having a dwt of 301,428 MT.

Energy II Limited

Energy II Limited (EII) is a Company incorporated in the State of Bermuda. EII provides ship management services to shipping companies.

About The Essar Group

The Essar Group is a multinational conglomerate and a leading player in the sectors of steel, oil & gas, power, communications & business process outsourcing (BPO), shipping, oilfield services, logistics, projects and minerals. With operations in more than 25 countries across five continents, the group employs 70,000 people, with revenues of USD 20 billion.

With manufacturing facilities in India, Indonesia, Canada and North America, Essar Steel is a global steel producer with 14 million tonnes capacity. The company is fully integrated from iron ore mining to steel retail. It operates specialized plants to manufacture value-added products like plates and pipes. It is also a leader in cold rolled, galvanized and pre-coated steel products. Essar Steel operates a global steel retailing and processing network that spans India, Indonesia, UAE and the UK.

Essar Oil is an end-to-end player in the Oil & Gas sector - from exploration to refining and retail. It owns a portfolio of 17 onshore and offshore oil & gas blocks in Asia, Africa and Australia. The company is a leader in the exploration for Coal Bed Methane (CBM) gas. Essar Oil has a 300,000-bpsd (barrels per stream day) refinery at Vadinar in India's Gujarat state. This refinery is being expanded to 405,000 bpsd, with the complexity being enhanced to 11.8 from the current 6.1. The company has a 50 percent stake in an 80,000-bpsd refinery in Kenya. Essar Oil is also among the leading oil retailers in India with over 1,370 outlets, which is being expanded to 1,700 outlets.

Essar Power is among India's top private sector power producers with a current generation capacity of 1,600 MW spread across six power plants in India and Canada. This capacity is being expanded to 6,100 MW by 2012 and to 11,470 MW by 2014 through the addition of seven new power plants in various parts of India.

The combined assets of Essar Power and Essar Oil constitute Essar Energy plc, a company that was listed on the London Stock Exchange in 2010 following a highly successful Initial Public Offer (IPO), the second largest overseas IPO ever floated by a company of Indian origin. Essar Energy is part of the FTSE 100, the UK's top 100 companies by market capitalization. In 2011, Essar Energy acquired Shell's refinery at Stanlow in Cheshire, England, which has a refining capacity of 296,000 bpsd.

Essar Communications is a global player in the communications sector with presence in telecom services (over 120 million subscribers in India and Kenya as well as telecom and consumer durables & IT retail (over 1,200 outlets).

Aegis is Essar’s BPO arm. It serves Fortune 500 companies across 10 countries through 42 delivery centres. It has launched many innovative initiatives in the services sector, the latest being the Institute of Customer Experience Management, which grooms managers for the services industry.

Essar Projects has world-class Engineering, Procurement and Construction (EPC) capabilities that have helped build all of Essar’s industrial assets in India in the sectors of steel, oil & gas, power and ports & terminals. The company, which is among India’s top three EPC contractors, is increasingly using its expertise to execute large external projects across the world.

XI	Industry Overview

a) Shipping Business:

Overview

The maritime shipping industry is the primary means of international transportation of many essential commodities. It is the backbone of international trade. More than 80 per cent of international trade in goods, by volume, is carried by sea. Shipping industry is cyclic and is highly capital intensive. The industry is affected by global economic conditions, trade patterns, political events, new vessel delivery schedules, availability of ship building slots with ship yards, government regulations, etc.

Demand for shipping is measured in ton-miles and depends on the growth in trade and changes in trade patterns. Growth in trade depends on global economic factors like GDP and the demand supply scenario of the commodities that are traded. Trade patterns or movement of cargo depends on the sourcing and consumption areas and changes in global trends like production outsourcing.

The growth in supply of vessels in the shipping industry depends on various factors like new demand for vessels due to increase in shipping services demand. It also depends on replacement demand, that is if ships are scrapped, resulting in reduction in fleet, then addition of ships for compensating the same. The ship's age plays an important part in the scrapping decision as ships are scrapped either at the end of their economic life or due to certain regulatory compulsions. The cost of building new ships and the shipbuilding capacity are the other factors affecting the fleet capacity. All these factors play an important role in determining the global shipping capacity.

New orders

Ordering of a new vessel is dependent on:

a) *Ship building capacity,* which is a function of availability of berth, number of vessels a shipyard can build and time taken to build a vessel. Ship building capacity acts as a supply constraint as sudden increase in demand cannot be met since new capacities take time to set up; and

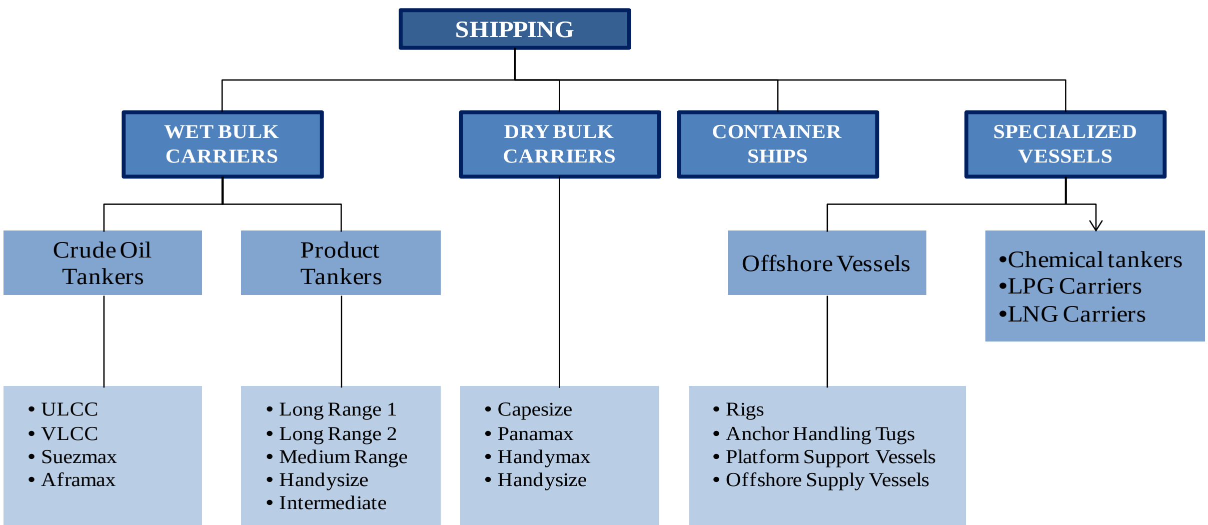
b) *New ship prices*, as in case of high prices companies defer to order new ships as breakeven becomes higher while lower new ship building prices leads to increased orders.

Scrapping of old vessels

Scrapping of old vessels is dependent on the economic life of the fleet and regulations.

Classification of Shipping and Offshore Service Industry

The shipping industry can be broadly classified on the basis of the type of cargo which ships carry. The broad classification is depicted in the following chart:



Wet bulk carriers

Wet bulk carriers can be bifurcated into Crude Oil Tankers and Product Tankers. Crude Tankers are used to transport crude oil and Product Tankers are used to carry a variety of refined oil products. The demand for tankers is dependent on the oil movements, which is a function of oil demand, oil prices and the rate of growth in the global economy. Description and categories of wet bulk carriers are presented below:

a) Crude tankers

Types	Description	Length Metres	Size DWT	Cargo Capacity Million tons
ULCC (Ultra Large Crude Carriers)	Industry's largest crude oil carriers	380	>320,000	2.0-3.0
VLCC (Very Large Crude Carriers)	Provides economies of scale as it is the most effective way of transporting large hauls.	330-335	200,000-320,000	2.0
Suez max	Can transmit the Suez canal with fully loaded volumes of oil over long distance and is more suitable for medium haul.	275	120,000-200,000	1.0
Aframax	Workhorse of the tanker fleet and provides maximum flexibility; Can enter most crude oil ports and is suitable for short hauls.	240-250	80,000-105,000	0.6

Source: Platou

Product tankers

Types	Description	Length Metres	Size DWT	Cargo Capacity Million tons
LR2 (Long Range)	Coated Aframax tanker used to carry products over long distances.	240-250	80,000-1,19,999	0.6
LR1 (Long Range)	Coated Panamax which carries products over medium to long distances.	230	55,000-79,999	0.5
MR (Medium range)	Coated vessel which is used to carry products over short distances.	183	40,000-54,999	0.3
Handysize	Coated tanker used to carry products over short distances.	183	27,000-39,999	0.3
Intermediate	Coated tanker used for coastal or regional trades.	120-165	10,000-26,999	0.06-0.2

Source: Platou

Dry Bulk Carriers

These carriers are used for transporting dry cargo like steel, iron ore, coal, fertilizers, etc. Globally about 40-50 per cent of the cargo transported in this segment comprises iron ore and coal. Hence the demand-supply dynamics of these two products significantly affects the demand for dry bulk carriers. There are certain ‘combination vessels’ which can carry either liquid cargo or dry bulk cargo.

Types	Size DWT
Handy Size	10,000 - 30,000
Handy Max	30,001 - 50,000
Panamax	50,001 - 80,000
Capesize	80,000 and above
Mini Bulk Carriers	10,000 - 30,000

Source: Intercargo

Container Ships

Container ships carry most of the world's manufactured goods and products, usually through scheduled liner services. They carry finished and semi finished products, capital goods, textiles, computers and a horde of other manufactured goods.

Type of vessel	Description	Capacity TEU
First Generation	Converted cargo vessels/converted tankers	500
Second Generation	Cellular Containership	1,000
Third Generation	Panamax Class	3,000
Fourth Generation	Post Panamax	4,000
Fifth Generation	Post Panama Plus	5,000

Source: Solentwaters

Specialized Vessels

These include:

a) Chemical carriers, LPG/ LNG carriers: Due to the nature of the cargo carried, these vessels are built using a specialized technology.

b) Offshore vessels: These vessels are used by Oil Exploration and Production (E&P) companies to carry out E&P activities. Tugs, supply vessels etc. also form a part of the offshore fleet and are used for transporting men and material from rigs to shore and vice-versa. The demand for offshore vessels is dependent on the exploration activities around the globe.

Types	Description	Length Metres	Size DWT	Cargo Capacity Barrels
Chemical Tankers				
	Highly specialized and can carry small parcels of chemicals and acids etc.	100- 185	5,000- 50,000	26,000- 400,000
Offshore Vessels				
Rigs	Drilling rigs also known as oil rigs are used to make a hole in the basis so that oil/gas can be extracted.			

Types	Description	Length Metres	Size DWT	Cargo Capacity Barrels
OSV	Offshore supply vessels specially designed to load at offshore location and transport the oil to onshore facilities.	277	1,18,400	815,000
FSO	Floating Storage and Offshore vessels (FSO) are moored in oil fields, being modified to store and transfer oil.	267	1,65,000	1,000,000
Combination Carriers				
	Designed to carry either liquid cargo or dry bulk cargo on different voyages.	120- 340	13,000- 3,06,000	140,000- 2,200,0000

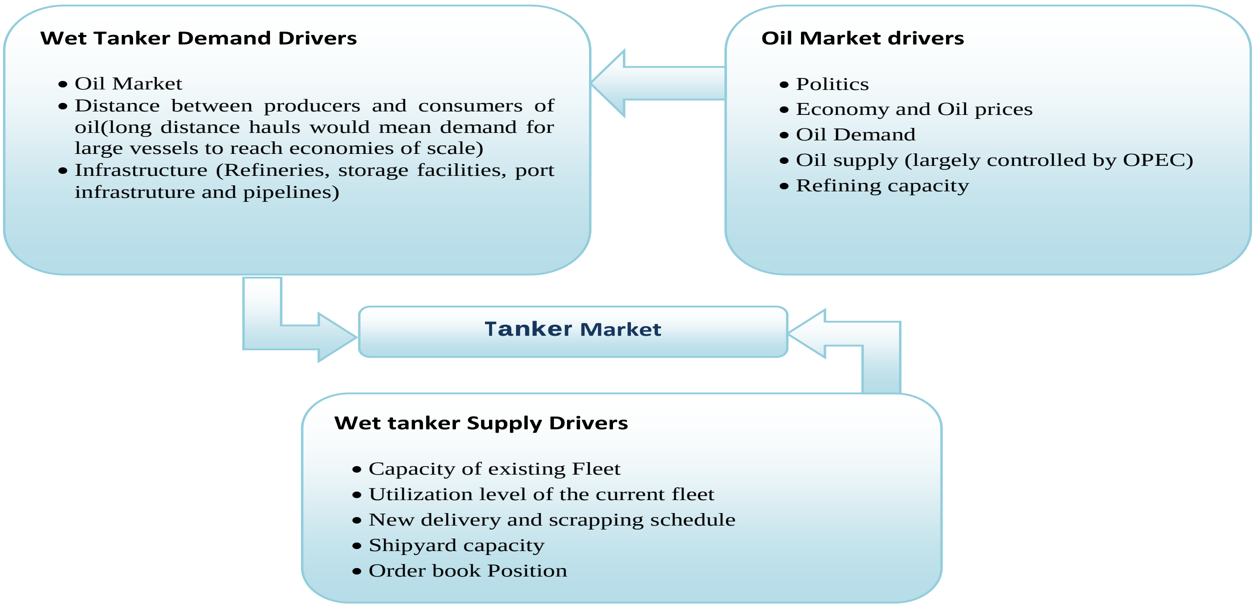
Source: Platou

The sections below discuss the Wet Bulk and Dry Bulk markets, which constitute a substantial chunk of the shipping industry.

<u>Wet Bulk Market (Tankers)</u>

Key Drivers for Wet Bulk Carriers

The tanker segment is primarily driven by oil demand and refinery location while supply is a function of scrapping of older vessels and new additions to the existing supply. The demand-supply drivers of the tanker market are indicated below.



Global Shipping Outlook

Global demand for movement of commodities has been falling steady on weak economic cues and efforts by Asian countries such as China and India to cool down their overheating economies. In addition, political uncertainty in the Middle-East, devastation by the tsunami in Japan and flooding in Australia have all affected the current market rates in the crude and dry bulk segments.

Amid the fall in demand, the supply of new vessels to the global fleet continues to grow. As the world's shipping capacity continues to increase as global oil production is hampered globally, freight rates are expected to stagnate. Since the beginning of the economic crisis in 2008, numerous orders at the world's shipyards have been cancelled or put on hold. Shipbuilders have been spending time more on renegotiating existing contracts than receiving new enquiries or orders. Even as new ship building contracts continue to be canceled or put on hold, it will still take some time for excess supply to meet the slowing demand thus stabilizing freight rates.

VLCC Fleet Profile					
Fleet MMdwt	***Dec 31, 2008***	***Dec 31, 2009***	***Dec 31, 2010***	***Dec 31, 2011E***	***Dec 31, 2012E***
Beginning Fleet	148.1	153.8	159.9	164.4	176.4
Additions	12.4	16.7	16.9	19.2	14.8
Removals	-6.7	-10.6	-12.4	-7.2	-3.6
Ending Fleet	153.8	159.9	164.4	176.4	187.5

Source: Clarksons Research, Jefferies, October 2011

In recent years, the global seaborne transport of iron ore, coking coal and steel products has been driven by China. In 2008, just before the financial crisis hit, record Chinese imports of iron ore took freight rates to over $ 200,000 per day for capesize vessels, which plummeted to under $ 50,000 within a few months. As fears of an overheating economy in China grow, the growth in its demand for coal and iron ore is expected to ease. In addition, coal exports from Australia were severely hampered after floods in the country.

Worldwide Dry Bulk Carrier Fleet Profile					
Fleet (MMdwt)	***Dec 31, 2008***	***Dec 31, 2009***	***Dec 31, 2010***	***Dec 31, 2011E***	***Dec 31, 2012E***
Capesize (100,000+)	143.6	169.8	208.8	241.2	269.6
Panamax (60,000-100,000)	114.5	120.9	136.2	154.8	178.4
Handymax (40,000-60,000)	83.2	91.9	108.9	125.0	137.8
Handysize (10,000-40,000)	77.2	75.5	81.5	88.3	93.9
Total Fleet	418.5	458.2	535.3	609.4	679.7

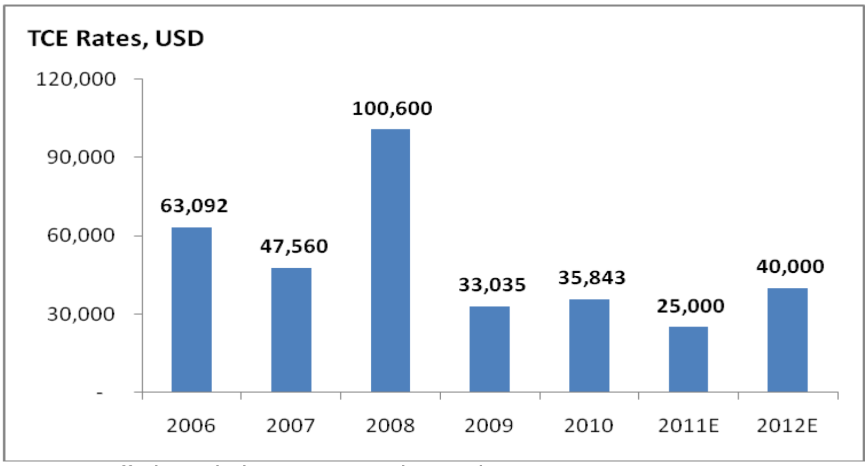
Source: Clarksons Research, Jefferies, October 2011

The demand for coal from Indian power producers is expected to keep up its fast paced growth as Indian companies continue expanding their global coal assets, with acquisitions in Africa, Indonesia and Australia. In addition, demand for iron ore is expected to rise from a slowly rebuilding Japan, devastated by the tsunami. By 2012, the overall dry bulk trade is expected to cross 4.5 billion ton.

Coal has become a primary driver of global dry bulk movement, as India and China look to ramp up global supply chain due to dwindling domestic supplies. Apart from the traditional suppliers such as Australia and Indonesia, coal exports are picking up from regions in Africa and South America, thus increasing ton mile distances.

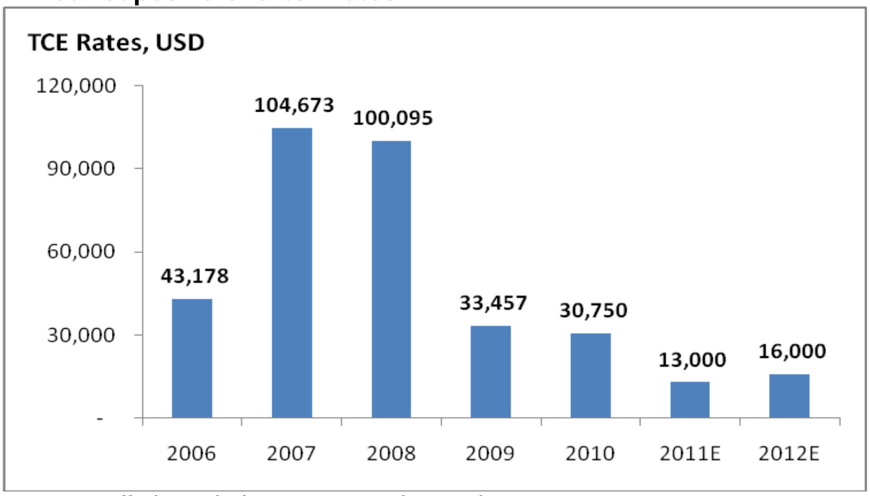
In the energy transportation segment, global crude prices are expected to remain volatile given the political uncertainty in the Middle East and North Africa, and the global economy slows down, affecting output. Despite their caution against inflation, demand for crude from fast-growing economies such as India and China is expected to keep up. Already, there are signs that the global oil demand is improving, as global oil prices continue to hover over USD 100 and a much stronger tanker market is expected as OPEC increases production.

Annual VLCC Charter Rates



Source: Jefferies, Clarksons Research, October 2011

Annual Capesize Charter Rates



Source: Jefferies, Clarksons Research, October 2011

As per International Maritime Organisation (IMO) regulations, single-hull vessels were to be phased out by 2010. However, considering the economic constraints that developing countries could face in this exercise, countries were allowed to extend the phase-out up to 2015. India is one of the many countries that chose to extend the deadline. With many countries denying entry to single-hull vessels, a large number of single hull tankers have been/are in the process of being phased out and large tonnage of double hulled tankers are expected to join the fleet in the next couple of years.

b) <u>Oilfields Services Business:</u>

Offshore Drilling

Offshore drilling pertains to undersea drilling for oil and gas. Rigs are used for the drilling of wells during both exploration and production. Rig contractors provide rigs and are also involved in drilling activity at the exploration and development stage. Rig contractors are also part of the production stage and provide work-over rigs required to undertake maintenance activity. Essar's fleet consists of 12 onshore rigs and one super-specialty semi-submersible rig.

The demand and supply dynamics of the oil and gas industry drives the growth for the offshore oil industry. The offshore oilfield market can broadly be classified into:

- Offshore drilling and allied services
- Sea Logistics and special services
- Offshore construction and projects
- Support services like Air logistics etc

Offshore Drilling Rigs

Companies must drill wells to confirm whether crude oil or natural gas is present deep within the earth. First, geoscientists interpret seismic and geological data to determine the best location to search for these resources. Then rig workers drill thousands of meters deep into the sea floor, often in severe weather and sea conditions. To handle these challenges, the industry uses large, stable, self-contained platforms to drill wells. Exploration drilling rigs used off the coast are also called Mobile Offshore Drilling Units (MODUs). As the name suggests, they are moved from well site to well site as required. Depending on the rig, the MODUs may either float in the ocean or sit on the sea bottom during drilling operations. By international agreement, a safety zone of 500 meters from the rig (or 50 meters beyond the edge of an anchor pattern) must be established while the drilling rig is on location. The only vessels permitted to enter this zone are ships supporting the drilling program with crew, food, equipment or other supplies.

Basic Function of a drilling rig:

- Penetrating operations - The bit breaks down rock at the bottom-hole by the rotation under the weight. The rotating force of the rotary table is transmitted through the drill stem to the bit. Some portion of the weight of drill collars is applied to the bit as the bit weight to push the bit against the rock.
- Hoisting operations - The drill stem with the bit is lowered and lifted by the hoisting system. The casing is also handled by the hoisting system.
- Circulating drilling fluid down to the drill bit and back to the rig. Drilling fluid cools the bit, lubricates the hole to prevent sticking, and carries rock cuttings to the surface. The circulation equipment consists of high pressure pumps, separation equipment (to separate rock cuttings from fluid) and storage tanks for the drilling fluid.
- Preventing the formation fluids from entering into the wellbore and controlling them.

Equipment and facilities on an offshore drilling rig:

Offshore drilling rigs are often located many kilometers from land, and therefore must be reasonably self contained. Offshore drilling rigs can have from 45 to 150 people on board to operate the rig and conduct drilling activities. The following equipment is found on offshore drilling rigs:

- Ballast Control Systems – A network of valves, pipes, pumps and tanks which work as a liquid control system to keep the vessel balanced.
- Control and Communications – Controls to raise and lower jack-up drilling rigs to the drilling position. All rigs carry radios and satellite telephones for communication with helicopters, support vessels and the shore.
- Anchoring/Positioning (Thrusters) – Maintain floating drilling rigs in position over the well.
- Cranes – Transfer supplies and equipment to and from support vessels.
- Power Generators – Provide the electricity to operate rig machinery and drilling equipment.
- Safety and Life Saving Systems – Fire-fighting equipment and systems, emergency lighting, and lifeboats and rafts should an evacuation ever become necessary.
- Accommodations – Living space for the crew, medical facilities, offices and meeting rooms, and an “emergency refuge” for the crew if an incident occurs.
- Helicopter Support – Landing deck and refueling equipment for helicopter operations to transfer people and small equipment between the rig and shore.
- Storage – Open areas to store drill pipe and well casing; storage tanks for fuel, water, drilling fluids and additives.
- Waste Management – Facilities to store waste for transfer to shore, and systems to treat the waste to make it acceptable for safe discharge into the ocean.

Mobile Platforms

The category of mobile structures includes the following rigs:

Jack-up rigs: Jack-up Mobile Drilling Units (or jack-ups), as the name suggests, are rigs that can be jacked up above the sea using legs that can be lowered, much like jacks. Jack-up rigs are used when water depth is 10 – 100 meters. They are designed to move from place to place, and then anchor themselves by deploying the legs to the ocean bottom using a rack and pinion gear system on each leg. Three to four retractable legs perch above the square or triangular hull during transportation of the rig to the drilling site, where the legs are lowered until they contact and rest on the sea floor. With this design, the hull can then be raised up the legs to the desired height above the sea surface. The height is based on the amount of space needed to ensure the largest storm waves will pass under the hull.

Submersible rigs: Submersible drilling rigs consist of upper and lower hulls connected by a network of posts or beams. The drilling equipment and living quarters are installed on the upper hull deck. The lower hull has the buoyancy capacity to float and support the upper hull and equipment. When water is pumped into the lower hull, the rig submerges and rests on the seabed to provide a working place for the drilling. Movement and drilling operations proceed as that of the jack-up rig. Most submerged rigs are used only in shallow waters of 8 to 10 meters.

Drill Ships: Drill ships are normally used at a water depth of about 200 – 1000 meters using anchoring system and at a depth greater than 1000 meters using dynamic positioning system. Drill Ships are the most mobile of the drilling units. Essentially, they are very large ships mounted with a complete drilling system. As these vessels can carry most of the fuel, water and supplies required when drilling a well, they can operate at remote well sites with limited support over a long time period. A derrick and a large opening, called a “moon pool,” are built into the centre of the hull. All drilling takes place through the moon pool. At the drilling location, the vessel can use either anchors or dynamic positioning systems to stay in place, depending on the water depth and operating conditions.

Semi-submersible Rigs: Semi-submersible rigs are used at water depths of 70 – 1000 meters using anchoring system and at a depth greater than 1000 meters using dynamic positioning system. Semi-submersibles are often used in deeper water. They can either be towed or moved under their own power and have features that allow drilling in rough seas and deep water. The working platform is supported by a series of vertical columns. These columns sit on two or more steel pontoons that float below sea level during drilling operations. The platform can be raised or lowered by adjusting the amount of ballast water in the pontoons. The deeper the pontoons are below the sea surface, the less the rig is affected by surface wave action.

In water depths up to approximately 1,800 meters, support vessels can set out a series of anchors that may extend up to one kilometer (0.55 nautical miles) from the rig. Special winches maintain tension on the anchor chains.

The lower hulls provide improved stability for the vessel. Also, the open area between the vertical columns of semi-submersibles provides a reduced area on which the environment can act. In drilling operations, the lower hulls are submerged in the water about half-length of the column, but do not rest on the seabed. When a semi-submersible moves to a new location, the lower hulls float on the sea surface. Semi-submersible rigs are towed by boats and some rigs have self-propelled capacity. On drilling site to keep the position, the anchors usually use moor semi-submersibles.

Drilling equipments, mud systems, living quarters and so forth are placed on the deck and ballast tanks, thrusters, sea water pumps are equipped in the lower hulls.

Semi-submersibles have minimum structures exposed to wave actions. So semi-submersibles provide more stable station for the drilling operations, and are able to operate in harsher environmental conditions as compared with drill ships. The main disadvantage of semisubmersibles is that variable deck loading capacity required for storing drilling materials is limited by the structure. Hoisting capacity and variable deck loading capacity are factors restricting the water depth capability of semisubmersibles.

Offshore Drilling and Allied services

This segment comprises assets involved in shallow, deep and ultra deep water drilling operations, such as drill barges, jack up rigs, drill ships, semi submersibles etc.

Sea logistics and special services

This segment consists of assets assisting various activities such as survey (scanning the seabed), exploration (test drilling, well construction, towing and supplying) and production (anchor handling and towing, stand-by, oil recovery, well maintenance and well intervention). The common vessel categories are PSVs, AHTSVs, Anchor Handling Tugs, Standby Rescue Vessels, and Construction/Subsea vessels.

Offshore construction and projects

The various services under this segment include pipe laying and maintenance, platform installation, repair and maintenance and subsea activities.

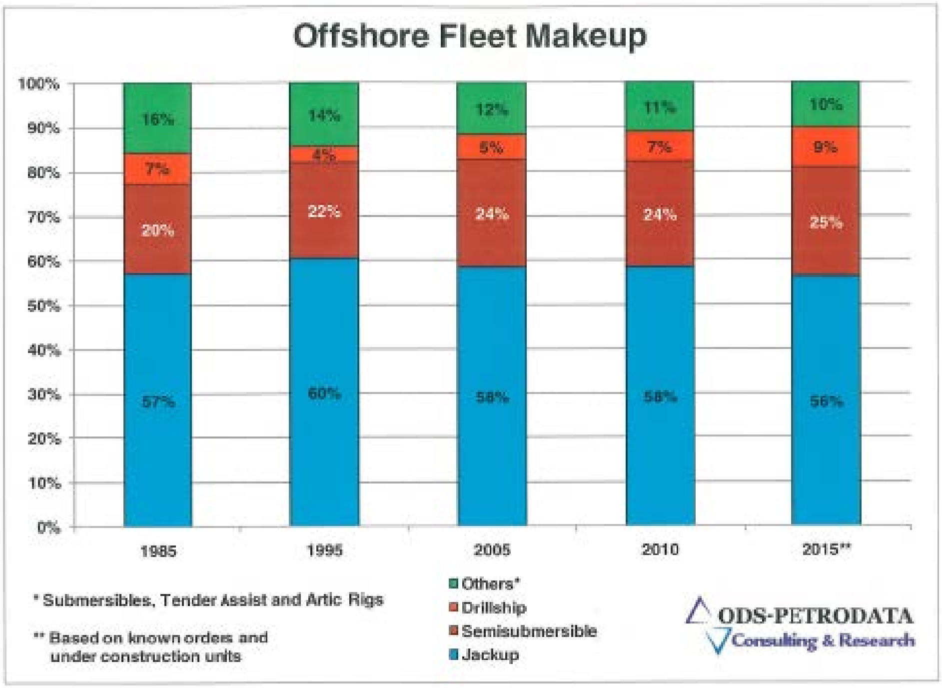
Support services

This segment consists of air logistics, offshore supply management, agency management, staffing and personnel management, training, etc.

The Indian offshore services sector is expected to see significant growth on the back of development of India's relatively unexplored sedimentary basin, the New Exploration Licensing Policy (NELP) commitments, growing offshore crude/gas production and future monetisation of new discoveries in prospective basins like KG, Cambay, Mahanadi, etc. This is likely to be a catalyst for demand for offshore supply vessels, drilling units and construction services.

Break-up of Semi-submersible rig market

As explained earlier, the off-shore drilling market primarily consists of three types of Rigs namely Drillship, Semi-submersibles and Jack-up rigs. The historical and expected offshore fleet makeup is given below.



Source: ODS Petrodata

The semi-submersible rig market is divided into two broad categories namely Mid-water semi-submersibles and Deep-water semi-submersibles based on the water depth at which the rigs operate.

Type	Water Depth (In Feet)
Mid-water Semi-submersible Rigs	Less than 3000
Deep-water Semi-submersible Rigs	Greater then 3000

Essar Wildcat which can operate up to a maximum water depth of 1,300 feet falls in the Mid-water Semi-submersibles category.

Drivers and Influencers for the Offshore Industry:

The key drivers and influencers for the offshore industry are tabulated below:

Drivers and influencers for the offshore services Industry	
Direct Drivers ▪ World Economy ▪ Oil and Gas prices ▪ Asset Supply/Demand equation	**Boosters** ▪ Surveying, exploration and drilling technology ▪ National energy security policies ▪ Manufacturing growth ▪ Increase in automobile
Influencers ▪ Oil consumption pattern and growth rates ▪ Production/reserve replacement ratio ▪ OPEC policies ▪ Global and regulation politics ▪ Oil futures speculation ▪ Stated reserves ▪ Nature(Weather pattern and calamities)	**Threats** ▪ Alternative energy measures/subsidies ▪ Energy efficiencies measure

Global Oilfield Services Outlook

The state of world economy:

- leads to demand for energy (especially oil and gas)
- which, assuming oil price is firm, leads to oil company profits
- which pay for exploration & development
- which produces demand for offshore units
- which produces day-rates for contractors
- which directly relates to values of offshore units

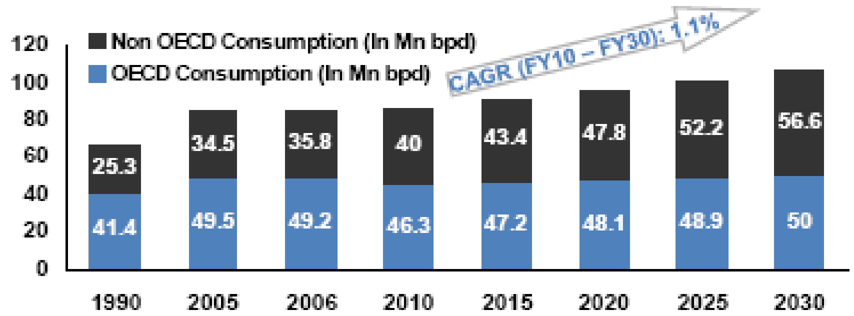
Global demand for offshore services is likely to revive gradually in line with a positive outlook on crude. New supplies of assets are expected to continue through 2011. Hence, while demand for rig services will revive gradually, continued inventory supply may keep rates tepid for some time along with idling of rigs. As off-shore 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.

Crude oil has a positive outlook as the global economy is expected to stabilize and global uncertainty subsides. Crude demand is expected to grow at 1.6 per cent for the next few years. As uncertainty in the Middle East tightens crude production in that region, exploration and production is expected to pick up in other regions, particularly Brazil. 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.

World Oil Demand Projection:



Source: US Energy Information Administration

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.

- India has 16% of the global population and 0.5% of the petroleum reserves
- India is the 4th largest consumer of oil in the world - ~80% of crude oil is imported (~35% of total India import bill)
- Indian sedimentary basins with low drilling density require technology & capital intensive accelerated exploration
- USD 50 Billion of estimated investment required in the next 15-20 years

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.

c) Logistics Business:

LAND BASED LOGISTICS

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.

Road movement of cargo accounts for almost 70 per cent of the total cargo moved, both in volume and value terms. Roads are used for transporting all kinds of cargo such as food grains, coal, cement, fertilizers, containers, etc. Road transportation is also used for transporting liquid fuels such as petrol, diesel, etc.

The road transportation industry entails lower entry barriers in the form of low capital intensity, ease of financing, lack of technology requirements and a huge market for second hand trucks. Even larger transporters do not own the entire fleet and outsource 75 per cent. of their truck needs from small transporters owning 3-5 trucks. This has resulted in a highly fragmented structure to the industry.

Freight rates have increased sharply over the past three years on the back of strong demand for truck transportation in a growing economy. The steep rise in fuel prices over this period has also contributed to the escalation in freight rates. The industry is characterized by stiff competition.

The cost structure of truck transport operator primarily constitutes capital cost and fuel cost. Fuel cost typically constitutes more than 50 per cent. of transport operator’s total cost. Accordingly any increase in diesel prices may reduce the player’s operating margin. However, this increase in cost is passed on by the truck operators. Considering 95 per cent of finance in new truck sales and 85 per cent penetration in second hand sales, interest cost has gained significant importance in the capital cost structure of transport operators.

Indian Logistics Outlook

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.

RISK MANAGEMENT

Economic Risks: As a business philosophy, the 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 cash flows.

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

Interest Rate Risk: The 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.

XII Financial Statements

Deloitte
Haskins & Sells

Chartered Accountants
'Heritage', 3rd Floor
Near Gujarat Vidhyapith
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AUDITORS' REPORT
TO THE BOARD OF DIRECTORS OF
ESSAR SHIPPING LIMITED
(Formerly ESSAR PORTS & TERMINALS LIMITED)

1. We have audited the attached Consolidated Balance Sheet of **ESSAR SHIPPING LIMITED** (formerly Essar Ports & Terminal Limited) ("the Company") and its subsidiaries (the Company and its subsidiaries constitute "the Group") as at 31^{st} March, 2011, the Consolidated Statement of Profit and Loss for the period from April 16, 2010 to March 31, 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^{st} March, 2011;

DELOITTE HASKINS & SELLS
AHMEDABAD
Chartered Accountants

(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

ESSAR SHIPPING LIMITED (Formerly known as Essar Ports & Terminals Limited)
CONSOLIDATED BALANCE SHEET AS AT 31st MARCH 2011

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

(*amount less than ₹ 1 lakh)

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS — 13

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

Khurshed Pastakia
Partner

Place: Mumbai
Dated: 4th July, 2011

DELOITTE HASKINS & SELLS AHMEDABAD Chartered Accountants

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
Dated: 4th July, 2011

ESSAR SHIPPING LIMITED (Formerly known as Essar Ports & Terminals Limited)
CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE PERIOD FROM 16TH APRIL 2010 TO 31ST MARCH 2011

Particulars	Schedule no.	From 16.04.10 to 31.03.11 (₹ in crore)
INCOME		
Fleet operating and chartering		659.84
Surface logistics services		448.11
Oilfields services		167.99
Profit on sale of fleet		38.47
Other income	9	21.56
Currency exchange gain, net		6.83
		1,342.80
EXPENDITURE		
Operating expenses	10	939.94
Establishment and other expenses	11	65.87
		1,005.81
PROFIT BEFORE INTEREST, DEPRECIATION AND TAX		336.99
Interest and finance expenses	12	139.37
PROFIT BEFORE DEPRECIATION AND TAX		197.62
Depreciation		162.23
PROFIT BEFORE TAX		35.39
Less: Provision for taxation		
- Current tax (including tonnage tax)		(3.56)
- Deferred tax credit		1.59
- Tax adjustments for earlier years		(0.12)
		(2.09)
PROFIT FOR THE PERIOD AVAILABLE FOR APPROPRITIONS		33.30
AMOUNT AVAILABLE FOR APPROPRIATION		
APPROPRIATIONS		
Less: Transferred to tonnage tax reserve		20.00
Less: Transferred to debenture redemption reserve		10.00
Balance carried to balance sheet		3.30
Basic earnings per equity share (₹) (face value of ₹10/-per share		-
Diluted earnings per equity share (₹) (face value of ₹10/-per share		1.37
[refer note no B (8) of schedule 13]		
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS	13	

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

Khurshed Pastakia
Partner

Place: Mumbai
Dated: 4th July, 2011

DELOITTE HASKINS & SELLS AHMEDABAD Chartered Accountants

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
Dated: 4th July, 2011

ESSAR SHIPPING PORTS & LOGISTICS LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31ST MARCH, 2011

	From 16.04.10 to 31.03.11 (₹ in crore)
A CASH FLOW FROM OPERATING ACTIVITIES	
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)
Operating profit before working capital changes	**277.35**
Adjustments for:	
Trade and other receivables	(33.52)
Inventories	(4.51)
Trade and other payables	(13.16)
Cash generated from operations	**226.15**
Income tax paid	(12.63)
Net cash flow from operating activities	**213.52**
B CASH FLOW FROM INVESTING ACTIVITIES	
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
Net cash used for investing activities	**(735.24)**
C CASH FLOW FROM FINANCING ACTIVITIES	
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)
Net cash flow from financing activities	**254.85**
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**(266.87)**
Cash and cash equivalents received upon demerger	336.30
Cash and cash equivalents at end of the year	**69.43**

Continued on page 2

DELOITTE HASKINS & SELLS AHMEDABAD Chartered Accountants

Continued from page 1

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
	CASH AND BANK BALANCES (as per schedule 7)		224.33
2	Non cash transactions		
	i) Pursuant to the scheme, the 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
			1,281.14
	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 : 4th July, 2011

DELOITTE HASKINS & SELLS
AHMEDABAD
Chartered Accountants

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 : 4th July, 2011

ESSAR SHIPPING LIMITED (Formerly known as Essar Ports & Terminals Limited)
SCHEDULES ATTACHED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2011

Particulars		As at As at 31.03.2011 (₹ in crore)
SCHEDULE 1		
SHARE CAPITAL		
Authorised		
50,000	Equity shares of ₹ 10/- each	0.05
49,99,50,000	Increase of equity shares under the Scheme of arragement	499.95
		500.00
Issued, subscribed and paid up		
50,000	equity shares of ₹10/- each issued for cash	0.05
	Less: Extinguishment under the Scheme of arrangement	0.05
		-
20,52,27,768	Equity shares of ₹10/- each, pending allotment (since alloted on May 21,2011) (refer note no B(3) of Schedule13)	205.23
		205.23
SCHEDULE 2		
RESERVES AND SURPLUS		
Debenture redemption reserve		
Transfer as per scheme of demerger (refer note no.B(3) of schedule13)		
Add: Transferred from statement of Profit and Loss		
		35.00
Tonnage tax reserve		
(in terms of Section 115 VT of the Income Tax Act,1961)		
Transferred from statement of Profit and Loss		
		20.00
General reserve		
Transfer as per scheme of demerger (refer note no.B(3) of schedule13)		4,835 22
Foreign currency translation reserve		58.20
Balance In Statement of Profit and Loss		
Accumulated balances transferred on demerger (refer note no B(3) of schedule13)		
Add : Profit for the period		88.06
		5,036.48

DELOITTE HASKINS & SELLS AHMEDABAD Chartered Accountants

ESSAR SHIPPING LIMITED (Formerly known as Essar Ports & Terminals Limited)

SCHEDULES ATTACHED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2011

Particulars		As at As at 31.03.2011 (₹ in crore)
SCHEDULE 3		
SECURED LOANS		
SHIPPING BUSINESS:		
Debentures		
11.35%, 7,000 secured non convertible debentures of Rs.10,00,000 each, secured by mortgage on immovable property, first charge on three bulk carriers, two tugs of the company and six land rigs of a subsidiary		700.00
Of the above,5000 debentures issued on 22.06.09 are redeemable on 22.06.19 with put and call option after five years from the date of issue, and 2000 debentures issued on 25.03.10 are redeemable on 25.03.20 with put and call option after five years from the date of issue.		
Loans from banks		
Rupee term loans [converted into FCNR(B) facility], secured by first charge on a very large crude carrier and its receivables		
Foreign currency term loan secured by first charge on four bulk carriers and its receivables		
Rupee term loan, secured by charge on a bulk carrier of the company		
		521.04
Loan from financial institution		
Rupee term loan, secured by first charge on eight mini bulkers and four tugs		100.00
LOGISTICS BUSINESS:		
Loans from banks		
Foreign currency term loan secured by first charge on six tugs and two floating cranes		
Rupee term loan [converted into FCNR(B) facility], secured by first charge on a barge unloader		
Rupee term loan secured by first charge on cargo handling equipment		
Cash credit facility from bank secured by first charge on current assets		
Interest accrued and due on foreign currency loan		193.98
OIL FIELDS SERVICES BUSINESS:		
Loans from banks		
Foreign currency term loan secured by first charge on a rig and corporate guarantees by Essar Shipping & Logistics Limited		
Rupee term loan secured by charge on six land rigs and receivable thereon and corporate guarantee by the Company.		
Rupee term loan secured by charge on Jack up rigs and receivable thereon and corporate guarantee by the Company and Essar Oilfields Services Limited.		
Loan from financial institution		
Rupee loan secured by charge on Jack Up rigs and receivable thereon and corporate guarantees by the Company and Essar Oilfields Services Limited.		
		1,389.23
	TOTAL	2,904.25
SCHEDULE 4		
UNSECURED LOANS		
5% Foreign currency convertible bonds		1,071.52
Series -A ; US$ 128,571,429, interest bearing bonds due on 24th August 2015 Series -B ; US$ 111,428,571, interest bearing bonds due on 24th August 2017.		
The above bonds are convertible into fully-paid ordinary shares of f ₹ 10 each of the Company at an initial conversion rate of Rs.91.70 per equity share at a fixed exchange rate of ₹ 46.94]		
Short term loans from banks		25.98
Short term loans from others		
-Commercial paper		160.00
[maximum balance ₹160 crore- repayable within one year]		
		1,257.50

DELOITTE HASKINS & SELLS AHMEDABAD Chartered Accountants

ESSAR SHIPPING LIMITED (Formerly known as Essar Ports & Terminals Limited)

SCHEDULE ATTACHED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH,2011

SCHEDULE 6

FIXED ASSETS

(₹ In crore)

Particulars	GROSS BLOCK AT COST				DEPRECIATION				NET BLOCK
	Addition on demerger	Additions	Sale/deductions	As at 31/3/2011	Addition on demerger	For the period	Deductions	As at 31/3/2011	As at 31/3/2011
Tangible Fixed Assets			*A						
Land-freehold	0.02	-	-	0.02	-	-	-	-	0.02
Buildings	6.53	-	-	6.53	2.56	0.21	-	2.77	3.76
Fleet-									
-Owned	1,519.87	185.83	73.74	1,631.96	433.71	43.60	61.75	415.56	1,216.40
- taken on lease	1,005.61	-	12.46	993.15	183.50	22.20	-	205.70	787.45
Plant and machinery *B	2,427.52	37.06	12.48	2,452.10	333.30	90.41	2.09	421.62	2,030.48
Aircraft-Gulfstream- taken on lease	83.72	-	0.76	82.96	19.24	2.18	-	21.42	61.54
Furniture,fixture,air conditioners,refrigertors and office equipments	7.72	0.59	0.01	8.30	4.64	0.47	0.01	5.10	3.20
Vehicles *C	36.42	10.78	0.21	46.99	11.80	3.16	0.20	14.76	32.23
Total tangible fixed assets	**5,087.41**	**234.26**	**99.66**	**5,222.01**	**988.75**	**162.23**	**64.05**	**1,086.93**	**4,135.08**
Capital work in progress (including Capital Advances)			-						1,500.64
Grand Total	**5,087.41**	**234.26**	**99.66**	**5,222.01**	**988.75**	**162.23**	**64.05**	**1,086.93**	**5,635.72**

*A Pursuant to the notification of Ministry of Company Affairs relating to the effects of changes in foreign exchange rates, the resultant gain of ₹ 23.80 crore arising on conversion/translation/settlement of long term foreign currency items has been adjusted in the current year deductions to fleet and an aircraft. (refer note no B (3) of schedule 13).

*B Gross block of plant and machinery includes ₹ 38.84 crore leased out. W D V on 1st October 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.

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

ESSAR SHIPPING LIMITED (Formerly known as Essar Ports & Terminals Limited)

SCHEDULES ATTACHED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2011

Particulars	As at As at 31.03.2011 (₹ in crore)
SCHEDULE 6	
INVESTMENTS	
CURRENT INVESTMENTS (non trade)	
-Unquoted	
4,590 equity shares of Rs.10/- each of Essar Bulk Terminal Paradip Limited*	0.00
	0.00

*Amount is less than ₹ 1 lakh

Particulars	As at As at 31.03.2011 (₹ in crore)
SCHEDULE 7	
CURRENT ASSETS, LOANS AND ADVANCES	
CURRENT ASSETS	
Inventories (at cost or net realisable value whichever is lower)	
Fuel, oil and lubes	
Stores and spares	
	133.50
Sundry debtors (unsecured)	
Debts outstanding for a period exceeding six months	
(a) Considered good	
(b) Considered doubtful	
Less: provision for doubtful debts	
Other debts - considered good	
	471.37
Cash and bank balances	
Cash on hand	0.02
Cheque on hand	0.11
Balance with scheduled banks	
In current accounts	
In deposits [including margin money)	
	222.68
Balance with other banks in current accounts	
With HSBC Middle East [maximum amount outstanding at any time during the period ₹ 2,009] *	
With HSH Nord Bank, Hamburg [maximum amount outstanding at any time during the period ₹ 0.19 crore]	
Berenberg Bank, Hamburg USD current account [maximum amount outstanding at any time during the period ₹.1.68 crore]	
Berenberg Bank, Hamburg Euro current account [maximum amount outstanding at any time during the period ₹.0.48 crore]	
Commercial Bank of Qatar [maximum amount outstanding at any time during the period ₹ 27.91 crore]	
	1.55
* Amount less than ₹ 1/- lakh	224.36
Other current assets	
Interest accrued on bank deposits	
Other receivable	
	13.75
TOTAL(A)	842.98
LOANS AND ADVANCES (unsecured, considered good)	
Advances and loan to subsidiaries/associates/affliates	-
Loans to body corporates	514.16
Advances recoverable in cash or in kind or for value to be received	25.36
Rental and other deposits	53.34
Cenvat receivables	19.15
Advance tax and tax deducted at source (net of provision for tax)	14.68
Prepaid expenses	59.40
Insurance claims receivable	8.02
TOTAL (B)	694.11
TOTAL (A)+(B)	1,537.09

DELOITTE HASKINS & SELLS AHMEDABAD Chartered Accountants

ESSAR SHIPPING LIMITED (Formerly known as Essar Ports & Terminals Limited)
SCHEDULES ATTACHED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2011

Particulars	As at As at 31.03.2011 (₹ in crore)
SCHEDULE 8	
CURRENT LIABILITIES AND PROVISIONS	
CURRENT LIABILITIES	
Sundry creditors.	
- Due to micro and small enterprises	-
- Others	474.51
- Sundry creditors (for capital goods)	22.49
Deferred profit on sale and lease back	5.65
Other liabilities	23.80
Interest accrued, but not due on loans	15.69
Freight / hire amount received in advance	10.92
Deposits including security deposit	15.23
	568.29
PROVISIONS	
Provision for income tax (net of advance tax paid)	1.22
Provision for gratuity	4.27
Provision for compensated absences	6.24
Proposed dividend on preference shares	-
	11.73
	580.02

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ESSAR SHIPPING LIMITED (Formerly known as Essar Ports & Terminals Limited)

SCHEDULES ATTACHED TO AND FORMING PART OF THE CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE PERIOD FROM 16TH APRIL 2010 TO 31ST MARCH 2011

Particulars	From 16.04.10 to 31.03.11 (₹ in crore)
SCHEDULE 9	
OTHER INCOME	
Interest income from banks [inclusive of tax deducted at source ₹ 0.73 crore]	4.53
Interest income from others [inclusive of tax deducted at source ₹ 1.27 crore]	9.87
Miscellaneous receipts	7.16
	21.56
SCHEDULE 10	
OPERATING EXPENSES	
Consumption of fuel, oil and water	75.94
Direct voyage / surface logistics services	718.29
Commission, brokerage and agency fees	1.53
Employee expenses on offshore staff	
- Salaries, wages and bonus	60.70
- Contribution to staff provident and other funds	0.69
- Staff welfare expenses	4.17
Consumption of stores and spares	37.73
Standing costs	25.38
Insurance, protection and indemnity club fees	15.51
	939.94
SCHEDULE 11	
ESTABLISHMENT AND OTHER EXPENSES	
Salaries, wages and bonus	23.81
Contribution to staff provident and other funds	1.73
Staff welfare expenses	1.88
Rent charges	7.05
Repairs and maintenance-buildings	0.10
Repairs and maintenance-others	0.64
Legal, professional fees and services charges	21.82
Travelling and conveyance	3.34
Auditors' remuneration	1.02
Miscellaneous expenses	4.48
	65.87
SCHEDULE 12	
INTEREST AND FINANCE EXPENSES	
Interest on secured loans	
To banks	38.64
To others	6.81
Interest on debentures	27.47
Interest on finance lease obligations	21.62
Interest on Foreign currency convertible bonds	9.27
Interest on others	15.00
Guarantee fees, processing and other charges	1.50
Loan arrangement expenses / prepayment charges	19.06
	139.37

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Chartered Accountants

ESSAR SHIPPING LIMITED
(Formerly known as Essar Ports & Terminals Limited)
SCHEDULE 13

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31st MARCH 2011

A. SIGNIFICANT ACCOUNTING POLICIES:

1. BASIS OF ACCOUNTING

These financial statements are prepared under the historical cost convention, except for the revaluation of fleet, on accrual basis of accounting and are in accordance with generally accepted accounting principles and in compliance with the applicable Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956.

2. USE OF ESTIMATES

The preparation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the reporting date and the reported amount of income and expenses during the reporting period. Differences between the actual results and estimates are recognised in the period in which the results are known /materialised.

3. BASIS OF CONSOLIDATION

a) The financial statements of Essar Shipping Limited (the Company) and its subsidiaries (together "Group") are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating all material intra-group balances and intra-group transactions in accordance with AS 21 "Consolidated Financial Statements".

b) The difference between the costs of investment in the subsidiaries, over the net assets at the time of acquisition of shares in the subsidiaries is recognised in the financial statements as goodwill or capital reserve, as the case may be.

c) The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and where divergent, appropriate adjustments are made.

d) The accounts of overseas subsidiaries denominated in U.S. dollars are converted as explained in A-16 below and regrouped.

4. FIXED ASSETS

a) Fixed assets are recorded at cost of acquisition net of revaluation less accumulated depreciation and impairment loss, if any.

Cost of acquisition of fleet includes brokerage, start up costs and cost of major improvements/ up gradation.
Cost of acquisition is inclusive of cost of construction including erection, installation and commissioning expenses, expenditure during construction, inseparable know–how costs, gains or losses earned /incurred during the trial run, non refundable duties and taxes, borrowing costs and other incidental costs, where applicable.

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b) Assets acquired on hire purchase, being in the nature of finance lease, are capitalised as fixed assets at lower of fair value at inception of the lease and the present value of minimum lease payments and corresponding liability is recognised. The lease rentals paid (excluding operating expenses) are bifurcated into principal and interest components by applying an implicit rate of return. The interest is charged against income as a period cost and the principal amount is adjusted against the liability recognised in respect of assets taken on finance lease.

c) Foreign exchange differences on conversion/translation/settlement in respect of long term monetary items used for acquisition of depreciable fixed assets are adjusted to the cost of fixed assets in terms of notification issued by Central Government under the Companies (Accounting Standard) Amendment Rules, 2009 dated 31st March 2009.

5. INTANGIBLE ASSETS

Intangible assets are recognised only when it is probable that future economic benefits attributable to the asset will flow to the Group and the cost of such assets can be measured reliably. Intangible assets are stated at cost less accumulated amortisation and impairment loss, if any. All costs relating to the acquisition are capitalised. Intangible assets are amortised over the useful life of the asset, subject to a rebuttable presumption that such useful lives will not exceed ten years.

6. CAPITAL WORK-IN-PROGRESS, EXPENDITURE DURING CONSTRUCTION AND CAPITAL ADVANCES

Direct expenditure on assets under construction in shown under capital work in progress.

Expenditure incidental to the assets that take substantial period of time to get ready for their intended use is accumulated as expenditure during construction pending allocation to fixed assets and other accounts, as applicable, on completion of construction.

Advances on capital account include progress/milestone based payments made under the contracts for projects/assets under construction and other capital advances until the same are allocated to fixed assets and other accounts, as applicable.

7. DEPRECIATION

Depreciation for fleet including second hand fleet and rigs are provided by using the straight-line method based on a technical evaluation of the economic useful life of respective assets or at the rates prescribed under the Schedule XIV to the Companies Act, 1956, whichever are higher as follows:

Class of assets	Method of depreciation	Estimated useful life
Fleet		
- tankers	SLM over balance useful life or 5% whichever is higher.	14-20 years
- bulk carriers		3- 26 years
- mini bulk carriers		20 years
- tugs and barges	SLM over balance useful life or 7% whichever is higher.	20 years
- dredgers		14 years
Rigs		
- semi submersible rig	SLM over balance useful life or 4.75% whichever is higher.	15 years
- land rig		10 years

a) Depreciation on water circulation treatment plant, aircraft, forklifts, cranes, impact hammer, turning plates, clamps, pipelines, vehicles (other than motor car and two wheelers), tankages and other heavy plant and machinery and building is provided on straight line method at the rate prescribed in Schedule XIV to the Companies Act, 1956.

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b) All other assets are depreciated by using the written down value method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956. Assets costing less than Rs.5,000/- are fully depreciated in the year of acquisition.

c) Depreciation on additions/deductions to fixed assets made during the year is provided on a pro-rata basis from/up to the date of such additions/ deductions, as the case may be.

8. IMPAIRMENT OF ASSETS

The Group assesses on each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. If such recoverable amount of the asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The amount so reduced is treated as an impairment loss and is recognised in the Statement of Profit and Loss, except in case of revalued assets, where it is first adjusted against the related balance in fixed assets revaluation reserve.

If at the balance sheet date, there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is carried at the recoverable amount subject to a maximum of depreciated historical cost, except for revalued assets which are subject to a maximum of depreciated revalued cost.

9. BORROWING COST

Borrowing costs that are directly attributable to the acquisition, construction/development of qualifying asset are amortised over the tenure of the loan and capitalized as a part of cost of such asset till such time that the asset is not capitalized; and is charged to the Statement of Profit and Loss thereafter. A qualifying asset is one that necessarily takes substantial period of time to get ready for the intended use.

Costs in connection with the borrowing of funds to the extent not directly related to the acquisition of fixed assets are amortised and charged to the Statement of Profit and Loss, over the tenure of the loan.

10. INVESTMENTS

a) Long term investments are carried at cost less provision for other than temporary diminution. in the fair/market value of these investments.

b) Current investments are carried at the lower of cost and fair/ market value.

11. INVENTORY

Inventory is valued at the lower of cost and net realisable value. Cost is determined on first-in first-out basis.

12. REVENUE RECOGNITION

a) Operating and chartering earnings represent the value of charter hire earnings, demurrage, freight earnings, fleet management fees, road freight income and stevedoring and lighterage earnings, and are accounted on accrual basis.
Freight earnings, stevedoring and lighterage are recognised on a pro-rata basis for voyages in progress at balance sheet date after loading /unloading of the cargo is completed; revenues and related expenses for voyages where cargo has not been loaded /unloaded as on the balance sheet date are deferred and recognised in the following year.

b) Interest income is recognised using the time proportion method based on the rates implicit in the transactions.

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c) Insurance claims are recorded based on reasonable certainty of their settlement.

d) Other income is recognised on accrual basis.

13. OPERATING EXPENSES

All expenses relating to road freight, interacting and the operation of fleet, including crewing, insurance, stores, bunkers, charter hire, special survey costs and other expenses are expensed under operating expenses on accrual basis.

Dry-docking expenses are recognised under operating expenses in the period to which it relates.

14. OPERATING LEASE

Rentals are expensed with reference to the terms of the lease agreement and other considerations in respect of operating leases.

15. EMPLOYEE BENEFITS

a) The Company (employer) and the employees contribute a specified percentage of eligible employees' salary- currently 12%, to the employer established provident fund "Essar Staff Provident Fund" set up as an irrevocable trust by the Company. The Company is generally liable for annual contributions and any shortfall in the fund assets based on government specified minimum rates of return – currently @ 9.5%, and recognises such provident fund liability, considering fund as the defined benefit plan, based on an independent actuarial valuation carried out at every statutory year end.

b) Provision for gratuity for floating staff is made as under:
   i) For officers on actuarial valuation.
   ii) For crew on accrual basis as per rules of the National Maritime Board and is charged to Statement of Profit and Loss.

   Contribution in respect of gratuity for onshore staff is made to Life Insurance Corporation of India based on demands made. The Company also accounts for gratuity liability based on an independent actuary valuation carried out at every statutory year end.

c) Contribution for superannuation, funded by payments to Life Insurance Corporation of India, is a fixed percentage of the salary of eligible employees under a defined contribution plan is charged to Statement of Profit and Loss /expenditure during construction as applicable.

d) Provision for accumulated compensated absences of eligible employees is made based on independent actuarial valuation

16. FOREIGN CURRENCY TRANSACTIONS

Transactions denominated in foreign currencies are recorded at standard exchange rates determined monthly which approximates the actual rate on the date of transaction. The difference between the standard rate and the actual rate of settlement is accounted in the Statement of Profit and Loss.

Monetary items denominated in foreign currency are translated at the rate prevailing at the end of the year. Gains/losses arising on conversion/translation/settlement of foreign currency transactions are recognised in the Statement of Profit and Loss, except gains/losses on conversion/translation/settlement of long term foreign currency monetary items related to acquisition of a depreciable fixed asset are adjusted to the carrying amount to those depreciable assets.

Gains/losses arising on conversion/translation/settlement of long term foreign currency items relates to other than an acquisition of depreciable assets are accumulated in a "Foreign Currency Monetary Item Translation Difference Account" and amortised over the balance period of such long term foreign currency item but not beyond 31st March, 2011.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates ruling on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. The resultant exchange differences are classified as foreign currency translation reserve under reserves and surplus.

The exchange difference arising on account of investments made during the year in foreign subsidiaries by holding company compared with related share capital of subsidiaries is adjusted in foreign currency translation reserve.

17. TAXATION

a) Income tax on income from qualifying fleet is provided on the basis of the Tonnage Tax Scheme whereas income tax on non-tonnage income and fringe benefit tax are provided as per the other provisions of the Income Tax Act, 1961. Taxes on income earned by foreign subsidiaries are provided based on tax laws of its domicile country.

b) The tax effect of timing differences relating to non-tonnage tax activities that occur between taxable income and accounting income and are capable of reversal in one or more subsequent periods are recorded as a deferred tax asset or deferred tax liability. They are measured using the substantively enacted tax rates and tax regulations as of the balance sheet date.

   Deferred tax assets arising on account of brought forward losses and unabsorbed depreciation under tax laws are recognised, only if there is a virtual certainty of realisation, supported by convincing evidence. Deferred tax assets on account of other timing differences are recognised to the extent there is reasonable certainty of realisation.

18. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognised for present obligations arising out of past events if it is probable that an outflow of economic resources, the amount of which can be reliably estimated, will be required to settle the obligation.

Contingent liabilities are disclosed in respect of possible obligations that arise from past events, the existence of which will be confirmed by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Group, or a present obligation that is not recognised because a reliable estimate of the liability cannot be made, or the likelihood of an outflow of economic resources is remote.

Contingent assets are neither recognised nor disclosed in the financial statements.

19. **SEGMENT ACCOUNTING POLICIES:**

a) **Segment assets and segment liabilities:**

Segment assets include all operating assets used by the segment and consist principally of fixed assets, inventories, sundry debtors, cash and bank balances. Segment assets and liabilities do not include share capital, reserves and surplus, income tax (both current and deferred) and un allocable assets and liabilities.

b) **Segment revenue and segment expenses:**

Segment revenue and expenses are directly attributable to segment. It does not include interest income on investments, inter-corporate deposits, interest expense and provision for taxes.

B. NOTES TO THE FINANCIAL STATEMENTS

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	Relationship	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) 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 arrangements**

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

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(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^{th} 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, 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 Rs. 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
Total	**205,227,768**

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.

4) **Fixed assets**

Pursuant to notification issued by the Central Government under Companies (Accounting Standard) Amendment Rules, 2009 dated 31^{st} March 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.

5) **Contingent liabilities:** (₹ 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	52.20

Madras	
Income tax appeals before ITAT	7.29
Bills discounted with banks	103.64

b) 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:**

(a) **Finance leases:**

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

	As on 31.03.2011		
Particulars	**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
Total	**1,046.15**	**218.85**	**827.30**

7) **Business segment and geographical segment:**

a) **Business segment**

(₹ in crore)

Particulars	**Period ended 31.03.2011**
Segment revenue	
Operating income	
Fleet operating and chartering	745.26
Surface transport services	448.11
Oilfields services	167.99
Unallocated	-
Total	**1,361.36**
Less: Inter segment revenue	(46.96)
Net income from operation	**1,314.40**
Other income	
Unallocated	63.72
Less Segment income	(35.32)
Net other income (B)	**28.40**
Total income (A+B)	**1,342.80**
Segment results	
Fleet operating and chartering	151.78
Surface transport services	-
Oilfields services	(5.42)
Unallocated	28.40
Profit from operation before interest and finance charges	174.76

Less: Un allocable Interest and finance expense	(139.37)
Profit before Tax	**35.39**
Less: Income tax	(2.09)
Profit after tax	**33.30**
Segment assets	
Fleet operating and chartering	2,444.24
Surface transport services	252.64
Oilfields services	3,781.83
Unallocated	694.11
Total assets	**7,172.82**
Segment liabilities	
Fleet operating and chartering	(145.80)
Surface transport services	(234.39)
Oilfields services	(199.83)
Unallocated	-
Total liabilities	**(580.02)**
Fixed assets acquired during the period	
Fleet operating and chartering	186.43
Surface transport services	10.78
Oilfields services	37.06
Total	**234.27**
Depreciation	
Fleet operating and chartering	74.05
Surface transport services	4.48
Oilfields services	83.70
Total	**162.23**

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
Total	1,275.95

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

8) **Earnings per share:**

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[1]
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

[1]: 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**

i) There were no forward/options contracts entered in to by the Group during the period to hedge against foreign currency exposures.

ii) 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:

	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:

	Particulars	(₹ in crore)		In million
i)	Import of goods and services	34.77	USD	7.77
			INR	
		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
		54.32	-	25.45

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ii)	Due to holding company	5.98	USD	1.34
iii)	Secured loans payable (including interest accrued)	1414.51	USD	318.01
iv)	Advance from customers	0.70	USD	0.16
v)	Lease loans obligation	587.68	USD	131.62

10) **Taxation**

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**

The components of net deferred tax liability are as follows: **(₹ in crore)**

Details	**As at 31st March 11**
Deferred tax liability	
Depreciation on fixed assets	29.77
(A)	**29.77**
Deferred tax assets	
Disallowance u/s 40(a)	0.55
Unabsorbed Depreciation	6.19
Employee benefits liability	0.77
(B)	**7.51**
Net deferred tax liability (A-B)	**22.26**

12) **Employee benefits:**

The Group has adopted Accounting Standard (AS) 15 (Revised) 'Employee benefits' as notified under the Companies (Accounting Standard) Rules, 2006, with effect from 1st April, 2007. The Group has classified the various benefits provided to employees as under:

I. Defined contribution plans

The Group has recognised the following amounts in the Statement of Profit and Loss during the year:

Particulars	**(₹ in crore)**
	31.03.11
a) Employer's contribution to gratuity fund (offshore crew staff)	0.09
b) Group accident policy premium (all employees)	0.07
c) Contribution to pension fund (offshore crew staff)	0.13
a) Employer's contribution to superannuation Fund	0.23
d) Employer's contribution to Provident Fund (offshore crew staff)	1.20

The above amounts are included in 'Contribution to staff provident and other funds' (Schedule 11).

II. Defined benefit plans

a. Contribution to provident fund.

b. Contribution to gratuity fund.

b. Provision for compensated absences (CA)

In accordance with AS-15, relevant disclosures are as under:

A) Changes in present value of defined benefit obligation:

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(₹ in crore)

Particulars	Provident fund (funded) 31.03.11	Gratuity-shore officers (funded) 31.3.11	Gratuity-off shore officers (non-funded) 31.03.11	CA- paid leave (non- funded) 31.03.11
Present value of defined benefit obligation as at the beginning of the period	16.69	0.96	-	0.98
Current service cost	1.40	0.30	0.30	0.31
Current service contribution- employee	1.52	-	-	-
Interest cost	-	0.08	0.15	0.07
Transfer in *	0.87	1.57	1.95	1.33
Benefits paid	(2.62)	-	(0.10)	(0.03)
Actuarial (gain)/loss on obligations	0.80	0.30	0.22	0.27
Plan amendment	0.88	0.36	-	(0.08)
Present value of defined benefit obligation as at the end of the period	19.53	3.57	2.52	2.85

*on account of demerger and transfer of employees from EPL to ESL

(B) Changes in the fair value of plan assets (₹ in crore)

Particulars	Provident fund (funded) 31.03.11	Gratuity-shore officers (funded) 31.3.11	Gratuity-off shore officers (non-funded) 31.03.11	CA- paid leave (non- funded) 31.03.11
Fai value of plan assets at the beginning of the period	16.69	-	-	
Expected return on plan assets	-	0.06	-	-
Actual return on plan assets	1.67	1.03	-	-
Acquisitions/ Transfers	-	-	-	-
Contributions by the employer/ employees	3.79	0.08	0.10	0.07
Benefits paid	(2.62)	-	(0.10)	(0.07)
Fair value of plan assets as at the end of the period	19.53	1.90	-	-

* Amount is less than ₹1 lakh

(C) Amount recognised in balance sheet: (₹ in crore)

Particulars	Provident fund (funded) 31.3.11	Gratuity-shore officers (funded) 31.3.11	Gratuity-off shore officers (non-funded) 31.3.11	CA- paid leave (non- funded) 31.3.11
Present value of defined benefit obligation as at the end of the period	19.53	3.57	2.52	2.85
Past service cost	-	-	-	-
Fair value of plan assets as at end of the period	(19.53)	(1.90)	-	-
Liability/(asset) recognised in the Balance Sheet (included in current liabilities and provisions) (schedule 8)	-	1.67	2.52	2.85

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(D) Expenses recognised in the Statement of Profit and Loss: **(₹ in crore)**

Particulars	Provident fund (funded)	Gratuity-shore officers (funded)	Gratuity-off shore officers (non-funded)	CA- paid leave (non- funded)
	(in crore)			
	31.03.11	31.3.11	31.3.11	31.3.11
Current service cost	1.39	0.30	0.30	0.31
Interest cost	0.87	0.08	0.15	0.07
Expected return on plan assets	(0.87)	(0.07)	-	-
Net actuarial (gain)/loss recognised in the period	-	0.30	0.22	0.27
Past service cost	-	0.36	-	-
Total expenses recognised in the Statement of Profit and Loss (Included in Contribution to provident and other funds (Schedule 10)	1.39	0.97	0.67	0.65

(E) Experience history: **(₹ in crore)**

Particulars	Provident fund (funded)	Gratuity-shore officers (funded)	Gratuity-off shore officers (non-funded)	CA- paid leave (non- funded)
	31.03.11	31.3.11	31.3.11	31.3.11
Defined benefit obligation at the end of the period	-	(3.57)	(2.52)	2.85
Plan assets at the end of the period	-	1.90	-	-
Funded status	-	(1.67)	(2.52)	(2.85)
Experience gain /(loss) adjustments on plan liabilities	-	(0.28)	(0.25)	(0.21)
Experience gain /(loss) adjustments on plan assets	-	-	-	0.16
Actuarial gain/(loss) due to change on assumptions	-	0.03	0.03	0.02

(F) Category of plan assets:

Particulars	Provident fund (funded)	Gratuity-shore officers (funded)	Gratuity-off shore officers (non-funded)	CA- paid leave (non- funded)
	31.3.11	31.3.11	31.3.11	31.3.11
Administered by Life Insurance Corporation of India	-	100%	-	-
Government of India security	25%	-	-	-
Public sector bonds/ TDRs	60%	-	-	-
State government securities	15%	-	-	-

(G) Actuarial assumptions

In accordance with Accounting Standard (AS) 15 (Revised), actuarial valuation as at the year end was done in respect of the aforesaid defined benefit plans based on the following assumptions:

i) **General assumptions:**

Particulars	Provident fund (funded)	Gratuity-shore officers (funded)	Gratuity-off shore officers (non-funded)	CA- paid leave (non- funded)
	31.3.11	31.3.11	31.3.11	31.3.11
Discount rate (per annum)	7.80%	8.00%	8.00%	8.00%
Rate of return on plan assets (for funded scheme)	8.50%	8.50%	N.A	N.A
Expected retirement age of employees (years)	58	58	58	58
Separation rate of employees	-	5.00% - 12.00%	5.00%- 12.00%	5.00%-12.00%
Rate of increase in compensation	-	9.00%	9.00%	9.00%

ii) Mortality rates considered are as per the published rates in the Life Insurance Corporation (1994-96) Mortality table.

iii) **Leave policy:**

a) Sick leave balance as at the valuation date and each subsequent year following the valuation date will be availed by the employee against future sick leave; the sick leave balance is not available for encashment.

b) Leave balance as at the valuation date and each subsequent year following the valuation date to the extent not availed by the employee is available for encashment on separation from the Company up to a maximum of 120 days.

c) The contribution to be made by the Company for funding its liability for gratuity during the financial year 2010-11 will be made as per demand raised by the fund administrator Life Insurance Corporation of India.

13) **Related party transactions:**

(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 Oilfields 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: Essar Agrotech Limited

1. Essar Bulk Terminal Limited
2. Essar Bulk Terminal Salaya Limited
3. Essar Engineering Services Limited
4. Essar Exploration & Production India Limited
5. Essar House Limited
6. Essar Information Technology Limited
7. Essar Infrastructure Services Limited
8. Essar Investments Limited

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9. Essar Oil Limited
10. Essar Power Gujarat Limited
11. Essar Power Limited
12. Essar Power M.P. Limited
13. Essar Projects (India) Limited
14. Essar Shipping (Cyprus) Limited
15. Essar Shipping & Logistics (Panama) Inc.
16. Essar Steel Limited
17. Futura Travels Limited
18. India Securities Limited
19. Vadinar Oil Terminal Limited
20. Vadinar Power Company Limited

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
INCOME				
Fleet operating income				
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. Ltd	-	35.72	-	35.72
Essar Shipping & Logistics (Panama) Inc	-	0.16	-	0.16
Vadinar Power Company Ltd	-	2.13	-	2.13
Vadinar Oil Terminal Limited	-	0.12	-	0.12
Essar Power Ltd	-	0.30	-	0 30
Essar Bulk Terminal (Salaya) Ltd	-	5.14	-	5.14
Others	-	10.32	-	10.32
Total	-	**819.42**	-	**819.42**
Equipment lease rental income				
Essar Steel Limited	-	0.01	-	0.01
Interest income				
Essar Shipping & Logistics Limited	4.94	-	-	4.94
Essar Investments Limited	-	3.42	-	3.42
Total	4.94	3.42	-	8.36
Remuneration				
A.K Musaddy		-	0.52	0.52
Purchase of fuel oil				
Essar Oil Limited	-	249.27	-	249 27
Essar Bulk Terminal Limited	-	0.05	-	0.05
Total	-	**249.32**	-	**249.32**
Purchase of Stores & Spares				
Essar Project (India) Limited	-	0.01	-	0.01
Essar Steel Limited	-	2 56	-	2.56
	-	2.57	-	2.57
Direct Voyage Expenses				

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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 Bulk Terminal Limited	-	7.38	-	7.38
Essar Oil Limited	-	0.23	-	0.23
Total	**-**	**7.61**	**-**	**7.61**
Freight/Hire charges				
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
Total	**41.67**	**3.93**	**-**	**45.60**
Manning charges				
Essar Exploration & Production Limited	-	0.04	-	0.04
Essar Infrastructure Services Limited	-	0.08	-	0.08
Essar Information Technology Limited	-	0.14	-	0.14
Total	**-**	**0.16**	**-**	**0.16**
Rent charges				
Essar Infrastructure Services Limited	-	4.07	-	4.07
Essar House Limited	-	1.69	-	1.69
Essar Steel Limited	-	0.12	-	0.12
Total	**-**	**5.88**	**-**	**5.88**
Repair and maintenance				
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) Ltd	-	1.16	-	1.16
Essar Engineering Services Limited	-	0.01	-	0.01
Essar Bulk Terminal Limited	-	0.09	-	0.09
Total	**-**	**2.16**	**-**	**2.16**
Traveling expenses				
Futura Travels Limited	-	**5.14**	**-**	**5.14**
Management fees				
Essar Investment Ltd	-	**6.48**	**-**	**6.48**
Lodging& boarding				
Essar Steel Limited	-	0.02	-	0.02
Essar Investments Ltd	-	0.03	-	0.03
Total	-	0.05	-	**0.05**
Cargo Handling Expenses				
Essar Bulk Terminal Limited	-	**15.61**	**-**	**15.61**
Essar Project (India) Ltd	-	**12.19**	**-**	**12.19**
	-	27.80	-	27.80
Rent/ Business Centre fees				
Essar Infrastructure Services Ltd	-	**4.52**	**-**	**4.52**
Essar House Ltd	-	**1.35**	**-**	**1.35**
	-	5.87	-	5.87
Interest Expenses				
India Securities Limited	-	**0.19**	**-**	**0.19**

Nature of transactions	Holding companies	Other related parties	Key management personnel	Total
	31.03.2011	31.03.2011	31.03.2011	31.03.2011
Reimbursement of expenses				
Futura Travels Limited	-	4.64	-	4.64
Essar Exploration & Production Limited	-	0.04	-	0.04
Essar Steel Ltd	-	61.24	-	61.24
Essar Infrastructure Services Ltd	-	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. Ltd	-	0.28	-	0.28
Others	-	0.51	-	0.51
Total	-	**74.07**	-	**74.07**
Aircraft usage charges reimbursed				
Essar Oil Limited	-	23.60	-	23.60
Professional /Advisory fees / Agency Fees/survey	-	-	-	-
India Securities Limited	-	0.15	-	0.15
Essar Investment Limited	-	10.33	-	10.33
Aegis Limited	-	1.33	-	1.33
Essar Information Technology Limited	-	0.03	-	0.03
Essar Bulk Terminal Limited	-	0.20	-	0.20
Total	-	**12.04**	-	**12.04**
Interest on loan (ICD)				
Essar Shipping & logistics Ltd	0.91	-	-	0.91
Interest on lease loan				
Essar Shipping & Logistics Limited	16.63	-	-	16.63
Loans and advances given				
Essar Investments Limited	-	1.00	-	1.00
Essar Shipping & Logistics Limited	454.40	-	-	454.40
Total	**454.40**	**1.00**	-	**455.40**
Advance towards purchase of preference shares				
Essar Shipping & Logistics Limited	93.56	-	-	93.56
Security deposit received				
Essar Oil Limited	-	2.50	-	2.50
Unsecured loans				
Essar Investments Limited	-	11.54	-	11.54
Total	-	**11.54**	-	**11.54**

The outstanding balances as on 31.03.2011 (₹ in crore)

Nature of balances	Holding Company	Other related parties	Key management personnel	Total
	31.03.2011	31.03.2011	31.03.2011	31.03.2011
Sundry debtors				
Essar Steel Limited	-	143.41	-	143.41
Essar Shipping (Cyprus) Limited	-	1.05	-	1.05

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Nature of balances	Holding Company	Other related parties	Key management personnel	Total
	31.03.2011	31.03.2011	31.03.2011	31.03.2011
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
Total		**217.17**	-	**217.17**
Loans and advances (including interest accrued)				
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
Total	**434.18**	**24.12**	-	**458.30**
Deposits given				
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
Total	-	**102.51**	-	**102.51**
Loans and advances received (including interest accrued				
Essar Global limited	4.61	-	-	4.61
Essar Ports Limited	-	15.46	-	15.46
Total	**4.61**	**15.46**	-	**20.07**
Lease loan obligation				
Essar Shipping & Logistics Limited	533.99	-	-	**533.99**
Sundry creditors				
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

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Nature of balances	Holding Company	Other related parties	Key management personnel	Total
	31.03.2011	31.03.2011	31.03.2011	31.03.2011
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
Total	**5.98**	**51.24**	-	57.22
Security deposit received				
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
Total	-	**22.50**	-	**22.50**
Interest accrued on lease loan				
Essar Shipping & Logistics Limited	7.06	-	-	**7.06**

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

14) 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.

15) **Remuneration to Whole time Directors:**

Particulars	**Period ended 31.03.2011**
Basic Salary	0.22
Allowance and other benefits / perquisites	0.27
Contribution to provident fund	0.03
Total	**0.52**

16) 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.

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

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18) **Information pursuant to Section 212 (8)** (₹ in crore)

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

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
	Period ending	**31.03.11**	**31.03.11**	**31.03.11**	**31.03.11**	**31.03.11**
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	-	-	-	-	-

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

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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 : 4th July, 2011

ESSAR SHIPPING LIMITED

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(As per Schedule VI, part (iv) of the Companies Act, 1956)

I Registration Details

Registration No.	60285	State Code	04
Balance Sheet Date	31 03 2011		

II Capital Raised During the year (Amounts Rs in Thousands)

Public Issue	NIL	Right Isuue	NIL
Bonus Issue	NIL	Private Placement	NIL

III Position of Mobilisation and Deployment of Funds (Amount Rs. in Thousands))

Total Liabilities	8302776	Total Asset	8302776

Source of Funds

Paid- up Capital	2052278	Reserves & Surplus	49383823
Secured Loans	19016622	Unsecured loans	12575040

Application of Funds

Net Fixed Assets	17543422	Investments	56288781
Net Current Assets	9185560	Misc. Expenditure	- -
Accumulated Losses	NIL		

IV Performance of Company (Amount Rs. in Thousands)

Turnover	11328021	Total Expenditure	4672765
Profit/Loss Before Tax (+)	796642	Profit /Loss After Tax (+)	781642
Earning Per Share in Rs.	3.71	Dividend Rate %	NIL

V Generic Names of Three Principal Products/services of Company (as per monetary terms) Not applicable being Shipping Company

Item code No (ITC Code)	NA	Product Description	Ship Operation and Chartering, Logistics and Oilfields Services
Item code No (ITC Code)	NA	Product Description	NA
Item code No (ITC Code)	NA	Product Description	NA
Item code No (ITC Code)	NA	Product Description	NA

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

Place : Mumbai
Date : July 4, 2011

Deloitte Haskins & Sells

Chartered Accountants
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Near Gujarat Vidhyapith
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Ahmedabad - 380 014

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**INDEPENDENT AUDITOR'S REPORT
TO THE BOARD OF DIRECTORS OF
ESSAR SHIPPING LIMITED
(Formerly ESSAR PORTS & TERMINALS LIMITED)**

Report on the Financial Statements

We have audited the accompanying financial statements of **ESSAR SHIPPING LIMITED** (formerly Essar Ports & Terminal Limited, India ("the Company") and its subsidiaries (the Company and its subsidiaries constitute "the Group") which comprise the Consolidated Balance Sheet as at 30th September, 2011, and the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the period then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). The accompanying financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 25, Interim Financial Reporting, notified under Section 211 (3C) of the Companies Act, 1956, solely in connection with the submission of the Company's application to the Securities and Exchange Board of India for listing of the securities of the Company on the stock exchanges in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

DELOITTE HASKINS & SELLS
AHMEDABAD
Chartered Accountants

Deloitte
Haskins & Sells

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and 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 30th September, 2011;

(ii) in the case of the Consolidated Statement of Profit and Loss, of the loss 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.

Other matters

This report is furnished solely for the use set out in Management's Responsibility for the Financial Statements paragraph above and is not to be used for any other purpose or referred to in any document or distributed to anyone without our prior written consent.

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

Khurshed Pastakia
Partner
(Membership No.31544)

Mumbai, November 9, 2011

ESSAR SHIPPING LIMITED (Formerly known as Essar Ports & Terminals Limited)
CONSOLIDATED BALANCE SHEET AS AT 30TH SEPTEMBER 2011

Particulars	Schedule no.	As at 30.09.2011 (₹ in crore)	As at 31.03.2011 (₹ in crore)
I. SOURCES OF FUNDS			
Shareholders' funds:			
Capital	1	205.23	205.23
Reserves and surplus	2	5,003.10	5,036.48
		5,208.33	**5,241.71**
Loan funds:			
Secured loans	3	3,190.25	2,904.25
Finance lease obligations (refer note no.B (6) of schedule13)		859.59	827.30
Unsecured loans	4	1,370.70	1,257.50
		5,420.54	**4,989.05**
Deferred tax liability (net) (refer note no. B(11) of schedule13)		**27.06**	**22.26**
Total		10,655.93	10,253.02
II. APPLICATION OF FUNDS			
Fixed assets:	5		
Gross block		5,590.87	5,222.01
Less: Depreciation		1,239.33	1,086.93
Net block		4,351.54	4,135.08
Capital work-in-progress (including capital advances) and expenditure during construction		1,551.18	1,500.64
		5,902.72	**5,635.72**
Goodwill on consolidation		**3,658.41**	**3,658.41**
Investments *	6	**0.00**	**0.00**
Current assets, loans and advances:	7		
Inventories		143.50	133.50
Sundry debtors		459.50	471.37
Cash and bank balances		215.95	224.36
Other current assets		57.66	13.75
Loans and advances		886.84	694.11
		1,763.45	1,537.09
Less: Current liabilities and provisions:	8		
Liabilities		645.56	568.29
Provisions		26.51	11.73
		672.07	580.02
Net current assets		**1,091.38**	**957.07**
Miscellaneous expenditure (to the extent not written off or adjusted)		**3.42**	**1.82**
Total		10,655.93	10,253.02
(*amount less than ₹ 1 lakh)			
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS	13		

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

Khurshed Pastakia
Partner

Place: Mumbai
Dated: 9th November, 2011

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
Dated: 9th November, 2011

ESSAR SHIPPING LIMITED (Formerly known as Essar Ports & Terminals Limited)
CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE PERIOD ENDED 30TH SEPTEMBER 2011

Particulars	Schedule no.	For the period ended 30.09.2011 (₹ in crore)	16.04.2010 to 31.03.2011 (₹ in crore)
INCOME			
Fleet operating and chartering		593.48	659.84
Logistics services		551.96	448.11
Oilfields services		110.79	167.99
Profit on sale of fleet		5.17	38.47
Other income	9	18.71	21.56
Currency exchange gain, net		-	6.84
		1,280.11	**1,342.80**
EXPENDITURE			
Operating expenses	10	959.33	939.94
Establishment and other expenses	11	58.18	65.87
Currency exchange loss, net		0.70	-
		1,018.21	**1,005.81**
PROFIT BEFORE INTEREST, DEPRECIATION AND TAX		**261.90**	**336.99**
Interest and finance expenses	12	155.42	139.37
PROFIT BEFORE DEPRECIATION AND TAX		**106.48**	**197.62**
Depreciation		167.72	162.23
(LOSS) / PROFIT BEFORE TAX		**(61.23)**	**35.39**
Less: Provision for taxation			
- Current tax (including tonnage tax)		(3.34)	(3.56)
- Adjustment for MAT credit entitlement		2.54	-
- Deferred tax (charge) / credit		(4.80)	1.59
- Tax adjustments for earlier years		-	(0.12)
		(5.60)	(2.09)
(LOSS) / PROFIT FOR THE PERIOD AVAILABLE FOR APPROPRITIONS		**(66.83)**	**33.30**
Balance brought forward from previous year		88.07	-
AMOUNT AVAILABLE FOR APPROPRIATION		**21.23**	**33.30**
APPROPRIATIONS			
Less: Transferred to tonnage tax reserve		-	20.00
Less: Transferred to debenture redemption reserve		-	10.00
Balance carried to balance sheet		**21.23**	**3.30**
Basic earnings per share (₹) (face value of ₹10/-per share)		**(3.26)**	**-**
Diluted earnings per share (₹) (face value of ₹10/-per share) (Refer note no.B(8) of schedule 13)		**(3.26)**	**1.37**
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS	13		

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants

Khurshed Pastakia
Partner

Place: Mumbai
Dated: 9th November, 2011

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
Dated: 9th November, 2011

ESSAR SHIPPING LIMITED (Formerly known as Essar Ports & Terminals Limited) CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 30th SEPTEMBER, 2011		
Particulars	**Period ended 30.09.2011** (₹ in crore)	**16.04.10 to 31.03.11** (₹ in crore)
A CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	(61.23)	35.39
Adjustments for :		
Depreciation / impairment	167.72	162.23
Interest and finance expenses	155.42	139.37
Interest income	(17.66)	(14.40)
Loss /(Profit) on sale of assets	(5.17)	(38.47)
Profit on sale of investments	(0.08)	-
Foreign exchange difference loss / (gain)	104.75	(6.77)
Operating profit before working capital changes	**343.75**	**277.35**
Adjustments for:		
Trade and other receivables	(161.27)	(33.52)
Inventories	(10.00)	(4.51)
Trade and other payables	75.52	(13.16)
Cash generated from operations	**248.00**	**226.15**
Income tax paid	(17.21)	(12.63)
Net cash flow from operating activities	**230.79**	**213.52**
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets including capital work in progress /advance	(109.82)	(371.14)
Proceeds from sale of fixed assets	3.00	74.08
Purchase of current investments	(46.50)	-
Proceeds from sale of current investments	46.58	-
Fixed deposits (placed)/matured for a period of more than three months,net	(31.76)	(16.37)
Loans and advances given to body corporates	(132.10)	(450.43)
Loans and advances repaid by body corporates	79.25	18.84
Interest received	16.46	9.78
Net cash used for investing activities	**(174.89)**	**(735.24)**
C CASH FLOW FROM FINANCING ACTIVITIES		
Interest and finance expenses paid	(211.07)	(138.72)
Share issue expenses	(1.60)	-
Proceeds from term loans	227.79	1,262.27
Proceeds from commercial papers	210.00	205.05
Proceeds from unsecured loans	9.80	29.00
Repayment of term loans	(78.15)	(841.40)
Repayment of finance lease obligations	(43.42)	(45.17)
Repayment of commercial papers	(210.00)	(205.00)
Repayment of other unsecured loan	(3.01)	(11.17)
Net cash flow from financing activities	**(99.67)**	**254.85**
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**(43.77)**	**(266.86)**
Cash and cash equivalents at beginning of the year	69.39	-
Cash and cash equivalents received upon demerger	-	336.30
Unrealised foreign currency (loss) / gain on cash and cash equivalents	0.01	(0.04)
Cash and cash equivalents at end of the year	**25.63**	**69.39**
Notes :		
1 Cash and bank balances include :		
Cash and cash equivalents	**25.63**	**69.39**
Balances in fixed deposits (maturity period of more than 3 months)	**190.33**	**154.97**
CASH AND BANK BALANCES (as per schedule 7)	**215.95**	**224.36**

DELOITTE HASKINS & SELLS
AHMEDABAD
Chartered Accountants

ESSAR SHIPPING LIMITED (Formerly known as Essar Ports & Terminals Limited)

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 30th SEPTEMBER, 2011

Particulars	Period ended 30.09.2011 (₹ in crore)	16.04.10 to 31.03.11 (₹ in crore)
2 Non cash transactions		
i) Pursuant to the scheme, the EPL has transferred the following assets and liabilities at its book value as on 01.10.2010.		
a) Assets:		
Fixed assets including capital advance		5,489.76
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		2,495.89
Finance lease obligations		884.81
Unsecured loans		1,248.69
Current liabilities and provisions		605.46
		5,234.85
Net Assets		1,281.14
ii) Equity shares - pending allotment refer note no. B (2) 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 : 9th November, 2011

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 : 9th November, 2011

ESSAR SHIPPING LIMITED (Formerly known as Essar Ports & Terminals Limited)
SCHEDULES ATTACHED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 30TH SEPTEMBER 2011

Particulars		As at As at 30.09.2011 (₹ In crore)	As at As at 31.03.2011 (₹ In crore)
SCHEDULE 1			
SHARE CAPITAL			
Authorised			
50,000 Equity shares of ₹ 10/- each		0.05	0.05
49,99,50,000 Increase of equity shares under the Scheme of arragement		499.95	499.95
		500.00	**500.00**
Issued, subscribed and paid up			
50,000 equity shares of ₹10/- each issued for cash		-	0.05
Less: Extinguishment under the Scheme of arrangement		-	0.05
		-	-
NIL (previous period 20,52,27,768) Equity shares of ₹10/- each , pending allotment (alloted on May 21,2011) (refer note no.B (2) of Schedule 13)		-	205.23
20,52,27,768 (previous period NIL) Equity shares of ₹10/- each , pending allotment (alloted on May 21,2011) (refer note no.B (2) of Schedule 13)		205.23	-
		205.23	**205.23**
SCHEDULE 2			
RESERVES AND SURPLUS			
Debenture redemption reserve			
As per last balance sheet	35.00		-
Transfer as per Scheme of arrangement (refer note no.B(2) of schedule13)	-		35.00
		35.00	35.00
Tonnage tax reserve			
(in terms of Section 115 VT of the Income Tax Act,1961)			
As per last balance sheet	20.00		-
Transferred from Statement of Profit and Loss	-		20.00
		20.00	20.00
Hedging Reserve Account (refer note no B 4(b) of schedule 13)		(17.70)	-
General reserve			
As per last balance sheet	4,835.22		-
Transfer as per Scheme of arrangement (refer note no.B(2) of schedule13)	-		4,835.22
		4,835.22	4,835.22
Foreign currency translation reserve		109.35	58.20
Balance in Statement of Profit and Loss			
As per last Balance sheet	88.06		-
Accumulated balances transferred on demerger (refer note no. B(2) of schedule 13)	-		84.76
Add : Profit / (loss) for the period	(66.83)		3.30
		21.23	88.06
		5,003.10	**5,036.48**

DELOITTE HASKINS & SELLS
AHMEDABAD
Chartered Accountants

ESSAR SHIPPING LIMITED (Formerly known as Essar Ports & Terminals Limited)

SCHEDULES ATTACHED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 30TH SEPTEMBER 2011

Particulars		As at 30.09.2011 (₹ in crore)	As at 31.03.2011 (₹ in crore)
SCHEDULE 3			
SECURED LOANS			
SHIPPING BUSINESS:			
Debentures			
11.35%, 7,000 secured non convertible debentures of Rs.10,00,000 each, secured by mortgage on immovable property, first charge on three bulk carriers, two tugs of the company and six land rigs of a subsidiary		700.00	700.00
Of the above,5000 debentures issued on 22.06.09 are redeemable on 22.06.19 with put and call option after five years from the date of issue, and 2000 debentures issued on 25.03.10 are redeemable on 25.03.20 with put and call option after five years from the date of issue.			
Loans from banks			
Rupee term loans [converted into FCNR(B) facility], secured by first charge on a very large crude carrier and its receivables	335.93		318.40
Foreign currency term loan secured by first charge on four bulk carriers and its receivables	211.05		198.14
Rupee term loans secured by extended charge on a bulk carrier and its receivables	127.00		-
Rupee term loan, secured by charge on a bulk carrier of the company	4.22	678.20	4.50
Loan from financial institution			
Rupee term loan, secured by first charge on seven mini bulkers and four tugs of the company	100.00		100.00
Foreign currency term loan, secured by first charge on a bulk carrier of the company	70.65	170.65	-
LOGISTICS BUSINESS:			
Loans from banks			
Foreign currency term loan secured by first charge on six tugs and two floating cranes	171.24		156.28
Rupee term loan [converted into FCNR(B) facility], secured by first charge on a barge unloader	2.90		3.70
Rupee term loan secured by first charge on cargo handling equipment	32.68		30.73
Cash credit facility from bank secured by first charge on current assets	-		3.01
Interest accrued and due on foreign currency loan	-	206.81	0.26
OIL FIELDS SERVICES BUSINESS:			
Loans from banks			
Foreign currency term loan secured by first charge on a rig and corporate guarantees by Essar Shipping & Logistics Limited	758.83		736.73
Rupee term loan secured by charge on six land rigs and receivable thereon and corporate guarantee by the Company.	58.75		62.50
Rupee term loan secured by charge on Jack up rigs and receivable thereon and corporate guarantee by the Company and Essar Oilfields Services Limited.	552.19		525.19
Loan from financial institution			
Rupee loan secured by charge on Jack Up rigs and receivable thereon and corporate guarantees by the Company and Essar Oilfields Services Limited.	64.81	1,434.58	64.81
TOTAL		3,190.25	2,904.25

Particulars	As at 30.09.2011 (₹ in crore)	As at 31.03.2011 (₹ in crore)
SCHEDULE 4		
UNSECURED LOANS		
5% Foreign currency convertible bonds	1,174.21	1,071.52
Series -A ; US$ 128,571,429, interest bearing bonds due on 24th August 2015 Series -B ; US$ 111,428,571, interest bearing bonds due on 24th August 2017.		
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]		
Short term loans from banks	27.02	25.98
Short term loans from others		
-Commercial paper [maximum balance ₹ 160 crore- repayable within one year]	160.00	160.00
-From others [maximum balance ₹ 9.47 crore- repayable within one year]	9.47	-
	1,370.70	1,257.50

DELOITTE HASKINS & SELLS
AHMEDABAD
Chartered Accountants

SCHEDULE ATTACHED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 30th SEPTEMBER,2011
SCHEDULE 5
FIXED ASSETS

(₹ In crore)

Particulars	GROSS BLOCK AT COST				DEPRECIATION				NET BLOCK	
	As at 01/04/2011	Additions *A	Sale/deductions	As at 30/09/2011	As at 01/04/2011	For the period *A	Deductions	As at 30/09/2011	As at 30/09/2011	As at 31/3/2011
Tangible Fixed Assets										
Land-freehold	0.02	-	-	0.02	-	-	-	-	0.02	0.02
Buildings	6.53	-	-	6.53	2.77	0.19	-	2.96	3.57	3.76
Fleet-										
-Owned	1,631.96	165.50	5.82	1,791.64	415.56	53.75	0.46	468.85	1,322.79	1,216.40
- Leased *B	993.15	72.80	-	1,065.95	205.71	25.31	-	231.02	834.93	787.45
Plant and machinery *C	2,452.10	197.70	83.21	2,566.59	421.61	115.52	49.07	488.06	2,078.53	2,030.48
Aircraft-Gulfstream- taken on lease *B	82.96	4.20	-	87.16	21.42	2.32		23.74	63.42	61.54
Furniture,fixture,air conditioners,refrigertors and office equipments	8.30	0.72	-	9.02	5.10	0.57	-	5.67	3.35	3.20
Vehicles *D	46.99	16.97	-	63.96	14.76	4.27	-	19.03	44.93	32.23
		-	-	-				-	-	
Total tangible fixed assets	**5,222.01**	**457.89**	**89.03**	**5,590.87**	**1,086.93**	**201.92**	**49.53**	**1,239.33**	**4,351.54**	**4,135.08**
Capital work in progress (including Capital Advances)			-						1,551.18	1,500.64
Grand Total	**5,222.01**	**457.89**	**89.03**	**5,590.87**	**1,086.93**	**201.92**	**49.53**	**1,239.33**	**5,902.72**	**5,635.72**
As at 31.03.2011 *E	**-**	**5,321.67**	**99.66**	**5,222.01**	**-**	**1,150.98**	**64.05**	**1,086.93**	**4,135.08**	**-**

*A i) Pursuant to the notification of Ministry of Company Affairs relating to the effects of changes in foreign exchange rates, the resultant loss of ₹ 119.04 (as on 31.03.11 gain of ₹ 23.80) crore arising on conversion/translation/settlement of long term foreign currency items has been adjusted in the current year additions to fleet and an aircraft. (refer note no B (3) of schedule 14).

ii) Includes addition of ₹ 221.62 crore in gross block and ₹ 34.20 crore in deprecaition for the period towards Foreign currency translation difference on consolidation of foreign subsidiries.

*B The Company has taken three vessels and one aircraft on finance lease

*C Gross block of plant and machinery includes ₹ 38.84 crore leased out, W.D.V on 1st April, 2011 ₹ nil. Plant and Machinery includes Essar Wildcat Rig having gross amount of ₹ 2,261.44 (as on 31.03.11 ₹ 2,063.82) crore is charged by the Company as security against the syndicated term loan of ₹ 710.38 (as on 31.03.11 ₹ 736.73) crore.

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

*E Pursuant to scheme of arrangement amount of ₹ 5,087.41 crore and ₹ 988.75 was included in the additions to gross block and accumulated depreciation for the period ended 31.03.2011 (refer note no.B (2) of schedule 13).

DELOITTE HASKINS & SELLS * Chartered Accountants * AHMEDABAD

ESSAR SHIPPING LIMITED (Formerly known as Essar Ports & Terminals Limited)
SCHEDULES ATTACHED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 30TH SEPTEMBER 2011

Particulars	As at 30.09.2011 (₹ in crore)	As at As at 31.03.2011
SCHEDULE 6		
INVESTMENTS		
CURRENT INVESTMENTS (non trade)		
4,590 equity shares of Rs.10/- each of Essar Bulk Terminal Paradip Limited*	0.00	0.00
	0.00	0.00

*Amount is less than ₹ 1 lakh

DELOITTE HASKINS & SELLS * Chartered Accountants * AHMEDABAD

ESSAR SHIPPING LIMITED (Formerly known as Essar Ports & Terminals Limited)

SCHEDULES ATTACHED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 30TH SEPTEMBER 2011

Particulars	As at 30.09.2011 (₹ In crore)	As at 30.09.2011 (₹ In crore)	As at As at 31.03.2011 (₹ In crore)
SCHEDULE 7			
CURRENT ASSETS, LOANS AND ADVANCES			
CURRENT ASSETS			
Inventories (at cost or net realisable value whichever is lower)			
Fuel, oil and lubes	38.09		26.74
Stores and spares	105.41		106.76
		143.50	133.50
Sundry debtors (unsecured)			
Debts outstanding for a period exceeding six months			
(a) Considered good	87.73		114.46
(b) Considered doubtful	0.51		0.51
	88.24		114.97
Less: provision for doubtful debts	(0.51)		(0.51)
	87.73		114.46
Other debts - considered good	371.77		356.91
		459.50	471.37
Cash and bank balances			
Cash on hand		0.03	0.02
Cheque on hand		-	0.11
Balance with scheduled banks			
In current accounts	24.82		58.85
In deposits [including margin money)	190.34		163.83
		215.17	222.68
Balance with other banks in current accounts			
With HSBC Middle East *	-		-
With HSH Nord Bank, Hamburg	0.01		0.01
Berenberg Bank, Hamburg USD current account	0.15		0.55
Berenberg Bank, Hamburg Euro current account	0.01		0.04
Commercial Bank of Qatar	0.58		0.95
		0.75	1.55
* Amount less than ₹ 1/- lakh		215.95	224.36
Other current assets			
Interest accrued on bank deposits	4.78		3.59
Other receivables	52.88		10.16
		57.66	13.75
TOTAL(A)		**876.61**	**842.98**
LOANS AND ADVANCES (unsecured, considered good)			
Loans to bodies corporate		676.23	514.16
Advances recoverable in cash or in kind or for value to be received		39.81	25.36
Rental and other deposits		53.50	53.34
Cenvat receivables		20.40	19.15
Advance tax and tax deducted at source (net of provision for tax)		28.54	14.68
MAT credit entitlement		2.54	-
Prepaid expenses		58.08	59.40
Insurance claims receivable		7.74	8.02
TOTAL (B)		**886.84**	**694.11**
TOTAL (A)+(B)		**1,763.45**	**1,537.09**

DELOITTE HASKINS & SELLS * Chartered Accountants * AHMEDABAD

ESSAR SHIPPING LIMITED (Formerly known as Essar Ports & Terminals Limited)
SCHEDULES ATTACHED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 30TH SEPTEMBER 2011

Particulars	As at 30.09.2011 (₹ in crore)	As at As at 31.03.2011 (₹ in crore)
SCHEDULE 8		
CURRENT LIABILITIES AND PROVISIONS		
CURRENT LIABILITIES		
Sundry creditors:		
- Others	539.19	474.51
- Sundry creditors (for capital goods)	22.49	22.49
Deferred profit on sale and lease back	5.15	5.65
Other liabilities	38.44	23.80
Interest accrued, but not due on loans	19.77	15.69
Freight / hire amount received in advance	5.42	10.92
Deposits including security deposit	15.10	15.23
	645.56	568.29
PROVISIONS		
Provision for income tax (net of advance tax paid)	1.17	1.22
Provision for gratuity	3.02	4.27
Provision for compensated absences	6.18	6.24
Provision for hedging instrument mark to market losses (refer note no B 4(b) of schedule 13)	16.14	-
	26.51	11.73
	672.07	580.02

DS.

Chartered Accountants ★ DELOITTE HASKINS & SELLS ★ AHMEDABAD

ESSAR SHIPPING LIMITED (Formerly known as Essar Ports & Terminals Limited)

SCHEDULES ATTACHED TO AND FORMING PART OF THE CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE PERIOD ENDED 30TH SEPTEMBER 2011

Particulars	For the period ended 30.09.2011 (₹ in crore)	For the period ended 31.03.2011 (₹ in crore)
SCHEDULE 9		
OTHER INCOME		
Interest income from banks [inclusive of tax deducted at source ₹ 0.71 (Previous period ₹ 0.73) crore]	6.04	4.53
Interest income from others [inclusive of tax deducted at source ₹ 0.85 (Previous period ₹ 1.27) crore]	11.62	9.87
Miscellaneous receipts	1.05	7.16
	18.71	21.56
SCHEDULE 10		
OPERATING EXPENSES		
Consumption of fuel, oil and water	110.56	75.94
Direct voyage / surface logistics services	709.01	718.29
Commission, brokerage and agency fees	3.31	1.53
Employee expenses on offshore staff		
- Salaries, wages and bonus	57.92	60.70
- Contribution to staff provident and other funds	0.91	0.69
- Staff welfare expenses	4.10	4.17
Consumption of stores and spares	27.47	37.73
Standing costs	31.84	25.38
Dry docking expenses	-	-
Insurance, protection and indemnity club fees	14.21	15.51
	959.33	939.94
SCHEDULE 11		
ESTABLISHMENT AND OTHER EXPENSES		
Salaries, wages and bonus	22.05	23.81
Contribution to staff provident and other funds	1.24	1.73
Staff welfare expenses	1.95	1.88
Rent charges	3.44	7.05
Rates and taxes	1.05	-
Repairs and maintenance-buildings	0.09	0.10
Repairs and maintenance-others	0.47	0.64
Legal, professional fees and services charges	21.20	21.82
Travelling and conveyance	3.06	3.34
Auditors' remuneration	0.47	1.02
Miscellaneous expenses	3.16	4.48
	58.18	65.87
SCHEDULE 12		
INTEREST AND FINANCE EXPENSES		
Interest on secured loans		
To banks	49.13	38.64
To others	9.16	6.81
Interest on debentures	39.83	27.47
Interest on finance lease obligations	27.65	21.62
Interest on Foreign currency convertible bonds	12.27	9.27
Interest on others	9.80	15.00
Guarantee fees, processing and other charges	4.13	1.50
Loan arrangement expenses / prepayment charges	3.45	19.06
	155.42	139.37

DELOITTE HASKINS & SELLS * Chartered Accountants * AHMEDABAD

ESSAR SHIPPING LIMITED
(Formerly known as Essar Ports & Terminals Limited)

SCHEDULE 13

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH SEPTEMBER 2011

A. SIGNIFICANT ACCOUNTING POLICIES:

1. BASIS OF ACCOUNTING

These financial statements are prepared under the historical cost convention on accrual basis of accounting and are in accordance with generally accepted accounting principles and in compliance with the applicable Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956.

2. USE OF ESTIMATES

The preparation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported balances of assets and liabilities and disclosures relating to contingent liabilities as at the reporting date and the reported amount of income and expenses during the reporting period. Differences between the actual results and estimates are recognised in the period in which the results are known /materialised.

3. BASIS OF CONSOLIDATION

a) The financial statements of Essar Shipping Limited (the Company) and its subsidiaries (together "Group") are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating all material intra-group balances and intra-group transactions in accordance with AS 21 "Consolidated Financial Statements".

b) The difference between the costs of investment in the subsidiaries, over the net assets at the time of acquisition of shares in the subsidiaries is recognised in the financial statements as goodwill or capital reserve, as the case may be.

c) The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and where divergent, appropriate adjustments are made.

d) The accounts of overseas subsidiaries denominated in U.S. dollars are converted as explained in A-16 below and regrouped.

4. FIXED ASSETS

a) Fixed assets are recorded at cost of acquisition net of revaluation less accumulated depreciation and impairment loss, if any.

Cost of acquisition of fleet includes brokerage, start up costs and cost of major improvements/ up gradation.

Cost of acquisition is inclusive of cost of construction including erection, installation and commissioning expenses, expenditure during construction, inseparable know-how costs, gains or losses earned /incurred during the trial run, non refundable duties and taxes, borrowing costs and other incidental costs, where applicable.

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b) Assets acquired on hire purchase, being in the nature of finance lease, are capitalised as fixed assets at lower of fair value at inception of the lease and the present value of minimum lease payments and corresponding liability is recognised. The lease rentals paid (excluding operating expenses) are bifurcated into principal and interest components by applying an implicit rate of return. The interest is charged against income as a period cost and the principal amount is adjusted against the liability recognised in respect of assets taken on finance lease.

c) Foreign exchange differences on conversion/translation/settlement in respect of long term monetary items used for acquisition of depreciable fixed assets are adjusted to the cost of fixed assets in terms of notification issued by Central Government under the Companies (Accounting Standard) Amendment Rules, 2009 dated 31st March 2009.

5. INTANGIBLE ASSETS

Intangible assets are recognised only when it is probable that future economic benefits attributable to the asset will flow to the Group and the cost of such assets can be measured reliably. Intangible assets are stated at cost less accumulated amortisation and impairment loss, if any. All costs relating to the acquisition are capitalised. Intangible assets are amortised over the useful life of the asset, subject to a rebuttable presumption that such useful lives will not exceed ten years.

6. CAPITAL WORK-IN-PROGRESS, EXPENDITURE DURING CONSTRUCTION AND CAPITAL ADVANCES

Direct expenditure on assets under construction in shown under capital work in progress.

Expenditure incidental to the assets that take substantial period of time to get ready for their intended use is accumulated as expenditure during construction pending allocation to fixed assets and other accounts, as applicable, on completion of construction.

Advances on capital account include progress/milestone based payments made under the contracts for projects/assets under construction and other capital advances until the same are allocated to fixed assets and other accounts, as applicable.

7. DEPRECIATION

Depreciation for fleet including second hand fleet and rigs are provided by using the straight-line method based on a technical evaluation of the economic useful life of respective assets or at the rates prescribed under the Schedule XIV to the Companies Act, 1956, whichever are higher as follows:

Class of assets	Method of depreciation	Estimated useful life
Fleet		
- tankers	SLM over balance useful life or 5% whichever is higher.	14-20 years
- bulk carriers		3- 26 years
- mini bulk carriers		20 years
- tugs and barges	SLM over balance useful life or 7% whichever is higher.	20 years
- dredgers		14 years
Rigs		
- semi submersible rig	SLM over balance useful life or 4.75% whichever is higher.	15 years
- land rig		10 years

a) Depreciation on water circulation treatment plant, aircraft, forklifts, cranes, impact hammer, turning plates, clamps, pipelines, vehicles (other than motor car and two wheelers), tankages and other heavy plant and machinery and building is provided on straight line method at the rate prescribed in Schedule XIV to the Companies Act, 1956.

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b) All other assets are depreciated by using the written down value method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956. Assets costing less than ₹ 5,000/- are fully depreciated in the year of acquisition.

c) Depreciation on additions/deductions to fixed assets made during the year is provided on a pro-rata basis from/up to the date of such additions/ deductions, as the case may be.

8. IMPAIRMENT OF ASSETS

The Group assesses on each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. If such recoverable amount of the asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The amount so reduced is treated as an impairment loss and is recognised in the Statement of Profit and Loss, except in case of revalued assets, where it is first adjusted against the related balance in fixed assets revaluation reserve.

If at the balance sheet date, there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is carried at the recoverable amount subject to a maximum of depreciated historical cost, except for revalued assets which are subject to a maximum of depreciated revalued cost.

9. BORROWING COST

Borrowing costs that are directly attributable to the acquisition, construction/development of qualifying asset are amortised over the tenure of the loan and capitalized as a part of cost of such asset till such time that the asset is not capitalized; and is charged to the Statement of Profit and Loss thereafter. A qualifying asset is one that necessarily takes substantial period of time to get ready for the intended use.

Costs in connection with the borrowing of funds to the extent not directly related to the acquisition of fixed assets are amortised and charged to the Statement of Profit and Loss, over the tenure of the loan.

10. INVESTMENTS

a) Long term investments are carried at cost less provision for other than temporary diminution, in the fair/market value of these investments.

b) Current investments are carried at the lower of cost and fair/ market value.

11. INVENTORY

Inventory is valued at the lower of cost and net realisable value. Cost is determined on first-in first-out basis.

12. REVENUE RECOGNITION

a) Operating and chartering earnings represent the value of charter hire earnings, demurrage, freight earnings, fleet management fees, road freight income and stevedoring and lighterage earnings, and are accounted on accrual basis.

Freight earnings, stevedoring and lighterage are recognised on a pro-rata basis for voyages in progress at balance sheet date after loading /unloading of the cargo is completed; revenues and related expenses for voyages where cargo has not been loaded /unloaded as on the balance sheet date are deferred and recognised in the following year.

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b) Interest income is recognised using the time proportion method based on the rates implicit in the transactions.

c) Insurance claims are recorded based on reasonable certainty of their settlement.

d) Other income is recognised on accrual basis.

13. OPERATING EXPENSES

All expenses relating to road freight, interacting and the operation of fleet, including crewing, insurance, stores, bunkers, charter hire, special survey costs and other expenses are expensed under operating expenses on accrual basis.

Dry-docking expenses are recognised under operating expenses in the period to which it relates.

14. OPERATING LEASE

Rentals are expensed with reference to the terms of the lease agreement and other considerations in respect of operating leases.

15. HEDGE ACCOUNTING

The Company uses contracts to hedge risks associated with foreign currency fluctuations relating to highly probable forecast transactions. The Company designates such contracts in a cash flow hedging relationship by applying the hedge accounting principles set out in Accounting Standard 30- Financial Instruments: Recognition and Measurement.

These contracts are stated at fair value at each reporting date. Changes in the fair value of these contracts that are designated and effective as hedges of future cash flows are recognised directly in Hedging Reserve Account under Reserves and Surplus and the ineffective portion is recognized immediately in the statement of profit and loss.

Amounts accumulated in Hedging Reserve Account are reclassified to statement of profit and loss in the same period during which the forecasted transaction affects profit and loss.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. For forecasted transactions, any cumulative gain or loss on the hedging instrument recognised in Hedging Reserve Account is retained there until the forecasted transaction occurs.

If the forecasted transaction is no longer expected to occur, the net cumulative gain or loss recognised in Hedging Reserve Account is immediately transferred to the statement of profit and loss account for the period.

16. EMPLOYEE BENEFITS

a) The Company (employer) and the employees contribute a specified percentage of eligible employees' salary- currently 12%, to the employer established provident fund "Essar Staff Provident Fund" set up as an irrevocable trust by the Company. The Company is generally liable for annual contributions and any shortfall in the fund assets based on government specified minimum rates of return – currently @ 9.5%, and recognises such provident fund liability, considering fund as the defined benefit plan, based on an independent actuarial valuation carried out at every statutory year end.

b) Provision for gratuity for floating staff is made as under:
   i) For officers on actuarial valuation.
   ii) For crew on accrual basis as per rules of the National Maritime Board and is charged to Statement of Profit and Loss.

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Contribution in respect of gratuity for onshore staff is made to Life Insurance Corporation of India based on demands made. The Company also accounts for gratuity liability based on an independent actuary valuation carried out at every statutory year end.

c) Contribution for superannuation, funded by payments to Life Insurance Corporation of India, is a fixed percentage of the salary of eligible employees under a defined contribution plan is charged to Statement of Profit and Loss /expenditure during construction as applicable.

d) Provision for accumulated compensated absences of eligible employees is made based on independent actuarial valuation

17. FOREIGN CURRENCY TRANSACTIONS

Transactions denominated in foreign currencies are recorded at standard exchange rates determined monthly which approximates the actual rate on the date of transaction. The difference between the standard rate and the actual rate of settlement is accounted in the Statement of Profit and Loss.
Monetary items denominated in foreign currency are translated at the rate prevailing at the end of the year. Gains/losses arising on conversion/translation/settlement of foreign currency transactions are recognised in the Statement of Profit and Loss, except gains/losses on conversion/translation/settlement of long term foreign currency monetary items related to acquisition of a depreciable fixed asset are adjusted to the carrying amount to those depreciable assets.

Gains/losses arising on conversion/translation/settlement of long term foreign currency items relates to other than an acquisition of depreciable assets are accumulated in a "Foreign Currency Monetary Item Translation Difference Account" and amortised over the balance period of such long term foreign currency item but not beyond 31st March, 2011.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates ruling on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. The resultant exchange differences are classified as foreign currency translation reserve under reserves and surplus.

The exchange difference arising on account of investments made during the year in foreign subsidiaries by holding company compared with related share capital of subsidiaries is adjusted in foreign currency translation reserve.

18. TAXATION

a) Income tax on income from qualifying fleet is provided on the basis of the Tonnage Tax Scheme whereas income tax on non-tonnage income and fringe benefit tax are provided as per the other provisions of the Income Tax Act, 1961. Taxes on income earned by foreign subsidiaries are provided based on tax laws of its domicile country.

b) The tax effect of timing differences relating to non-tonnage tax activities that occur between taxable income and accounting income and are capable of reversal in one or more subsequent periods are recorded as a deferred tax asset or deferred tax liability. They are measured using the substantively enacted tax rates and tax regulations as of the balance sheet date.

Deferred tax assets arising on account of brought forward losses and unabsorbed depreciation under tax laws are recognised, only if there is a virtual certainty of realisation, supported by convincing evidence. Deferred tax assets on account of other timing differences are recognised to the extent there is reasonable certainty of realisation.

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19. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognised for present obligations arising out of past events if it is probable that an outflow of economic resources, the amount of which can be reliably estimated, will be required to settle the obligation.

Contingent liabilities are disclosed in respect of possible obligations that arise from past events, the existence of which will be confirmed by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Group, or a present obligation that is not recognised because a reliable estimate of the liability cannot be made, or the likelihood of an outflow of economic resources is remote.

Contingent assets are neither recognised nor disclosed in the financial statements.

20. SEGMENT ACCOUNTING POLICIES:

a) Segment assets and segment liabilities:

Segment assets include all operating assets used by the segment and consist principally of fixed assets, inventories, sundry debtors, cash and bank balances. Segment assets and liabilities do not include share capital, reserves and surplus, income tax (both current and deferred) and un allocable assets and liabilities.

b) Segment revenue and segment expenses:

Segment revenue and expenses are directly attributable to segment. It does not include interest income on investments, inter-corporate deposits, interest expense and provision for taxes.

B. NOTES TO THE FINANCIAL STATEMENTS

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	Relationship	Percent holding	
		2011		Sept 2011	Mar 2011
Essar Logistics Limited ("ELL")	India	ESL	Subsidiary	100%	100%
Essar Oilfields Services Limited ("EOSL")	Mauritius	ESL	Subsidiary	100%	100%
Essar Oilfield Services India Limited ("EOSIL")	India	EOSL	Subsidiary	100%	100%
Energy Transportation International Limited ("ETIL")	Bermuda	ESL	Subsidiary	100%	100%
Energy II Limited ("EII")	Bermuda	ESL	Subsidiary	100%	100%

2) Composite Scheme of arrangement

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.

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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 30th 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 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 ₹ 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 names were recorded in the 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)	170,451,856
Essar Global Limited	33
Essar Steel Limited (subsidiary of Essar Global Limited)	1,273,610
Erstwhile other shareholders of ESPLL	33,502,269
Total	**205,227,768**

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

3) The audited half yearly accounts of the Company have been prepared presently to comply with the regulations of the listing agreement for listing of the shares of the Company with the Stock exchanges. The Company has received relaxation of Rule 19(2)(b) of the Securities Contracts (Regulations) Rules, 1957 from the Securities and Exchange Board of India Limited on 19th October 2011.The Company is in the process of obtaining final listing approval from Stock Exchanges which is expected by third week of November 2011.

4) a) Pursuant to Notification issued by the Central Government under Companies (Accounting Standards) Amendment Rules, 2009 dated 31st March, 2009; the Company has chosen to adjust the gains/losses arising on conversion/translation/settlement of long term foreign currency items to 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 increase in the profit for the period by an amount of ₹ 115.60 (previous period ended 31.03.2011 decrease of ₹ 18.88) crore.

b) Effective 1st July 2011, the Group has applied hedge accounting principles in respect of forward exchange contracts as set out in Accounting Standard (AS) 30 – Financial Instruments: Recognition and Measurement of the Institute of Chartered Accountants of India. Due to this, the valuation gains/losses related to the effective portion of the hedges in respect of contracts entered into after that date that are designated as hedging instruments to hedge the foreign currency cash flow risk of highly probable forecasted transactions are directly recognized in the Hedging Reserve Account until the underlying forecasted transaction occurs, upon which, they are recognised in the Statement of Profit and Loss. Accordingly, the valuation loss of ₹ 17.70 crores arising on such contracts upto 30th September, 2011, has been recognised in the Hedging Reserve Account and the interest element of ₹ 1.56 crores for the period has been taken to the Statement of Profit and Loss.

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5) a) **Contingent liabilities:**

(₹ in crore)

Particulars	As on 30.09.2011	As on 31.03.2011
Guarantees given by banks	122.43	42.30
Disputed service tax demand	52.01	52.01
Corporate guarantee on behalf of others	410.00	-
Disputed sales tax demand under appeal with the honorable high court of Madras	-	52.20
Income tax appeals before ITAT	7.29	7.29
Bills discounted with banks	139.14	103.64

b) Estimated amount of contract remaining to be executed on capital account not provided for is ₹ 1,120.30 [As on 31.03.2011 ₹1,192.89 crore [(net of advances ₹ 4.91 (as on 31.03.2011 ₹1,142.29)]

6) **Finance lease obligations:**

Finance leases:

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

(₹ in crore)

	As on 30.09.2011			As on 31.03.2011		
Particulars	**Minimum lease payments**	**Interest**	**Present value of minimum lease payments**	**Minimum lease payments**	**Interest**	**Present value of minimum lease payments**
- Not later than one year	150.98	53.45	97.53	139.05	51.66	87.39
- Later than one year but not later than five years	586.42	141.89	444.53	542.24	142.40	399.84
- Later than five years	333.23	15.70	317.53	364.86	24.79	340.07
Total	**1070.63**	**211.04**	**859.59**	**1,046.15**	**218.85**	**827.30**

7) **Business segment and geographical segment:**

a) **Business segment**

(₹ in crore)

Particulars	Period ended 30.09.2011	Period ended 31.03.2011
Segment revenue		
Operating income		
Fleet operating and chartering	604.39	745.26
Surface transport services	556.63	448.11
Oilfields services	110.79	167.99
Unallocated	-	-
Total	**1,271.81**	**1,361.36**
Less: Inter segment revenue	(10.41)	(46.96)
Net income from operation (A)	**1,261.40**	**1,314.40**
Other income		
Unallocated	62.39	63.72
Less: Segment income	(43.68)	(35.32)
Net other income (B)	**18.71**	**28.40**
Total income (A+B)	**1,280.11**	**1,342.80**

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Particulars	Period ended 30.09.2011	Period ended 31.03.2011
Segment results		
Fleet operating and chartering	113.46	151.78
Surface transport services	20.63	-
Oilfields services	(58.61)	(5.42)
Unallocated	18.71	28.40
Profit from operation before interest and finance charges	**94.19**	**174.76**
Less: Un allocable Interest and finance expense	(155.42)	(139.37)
Profit before Tax	**(61.23)**	**35.39**
Less: Income tax	(5.60)	(2.09)
Profit after tax	**(66.83)**	**33.30**
Segment assets		
Fleet operating and chartering	2,272.48	2,444.24
Surface transport services	649.00	252.64
Oilfields services	3,857.84	3,781.83
Unallocated	886.85	694.11
Total assets	**7,666.16**	**7,172.82**
Segment liabilities		
Fleet operating and chartering	(144.67)	(145.80)
Surface transport services	(267.87)	(234.39)
Oilfields services	(259.54)	(199.83)
Unallocated	-	-
Total liabilities	**(672.07)**	**(580.02)**
Fixed assets acquired during the period		
Fleet operating and chartering	99.75	186.43
Surface transport services	20.36	10.78
Oilfields services	0.03	37.06
Total	**120.14**	**234.27**
Depreciation		
Fleet operating and chartering	71.94	74.05
Surface transport services	15.59	4.48
Oilfields services	80.19	83.70
Total	167.72	**162.23**

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 30.09.2011	Period ended 31.03.2011
India	1,059.23	1,027.31
Vietnam	100.14	150.65
Hong Kong	-	55.10
China	74.63	17.35
U.S.A	-	9.06
South Korea	11.50	9.11
Brazil	-	2.74
Singapore	5.87	-
Rest of the world	4.86	4.63
Total	**1,256.23**	**1,275.95**

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

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8) **Earnings per share:**

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

Particulars	Period ended 30.09.2011	Period ended 31.03.2011
Earnings for the purpose of basic earnings per share (net profit for the period (₹ in crore)	(66.83)	33.30
Add: Adjustment on account of interest on foreign currency convertible bonds (net of income tax) (₹ in crore)	12.26	3.77
Earnings for the purpose of diluted earnings per share (net profit for the period (₹ in crore)	(54.57)	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
Equity shares to be issued on demerger (nos.)	205,227,768	-
Equity shares at the end of the period (nos.)	205,227,768	
Weighted average equity shares for the purpose of calculating basic earnings per share (nos.)	205,227,768	NA[1]
Weighted average equity shares for the purpose of calculating diluted earnings per share (nos.)	328,080,549	279,276,019
Earnings per share-basic (face value of ₹10/- each) (₹)	**(3.26)**	-
Earnings per share-diluted (face value of ₹10/- each) (₹)	**(3.26)**	**1.37**

[1]: 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**

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:

	Particulars	₹ in crore 30.09.11	Currency	In million 30.09.11	₹ in crore 31.03.11	Currency	In million 31.03.11
i.	Export of goods and services	19.73	USD	4.03	157.72	USD	34.96
ii.	Advance to vendors	4.67	USD	1.01	228.69	USD	51.21
		-	AED	0.00	0.02	AED	0.01
		0.10	GBP	0.01	0.09	GBP	0.01
		0.01	EUR	*0.00	0.21	EUR	0.03
iii	Bank balances and fixed deposits including interest accrued thereon	2.12	USD	0.43	40.27	USD	12.99
iv	Advance to holding company	5.56	USD	1.14	-	USD	-

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

	Particulars	₹ in crore		In million	₹ in crore		In million
i)	Import of goods and services	36.14	USD	7.72	34.77	USD	7.77
		0.04	GBP	*0.00	0.39	GBP	0.02
		1.09	EUR	0.16	1.24	EUR	0.14
		0.93	JPY	14.52	1.32	JPY	12.94
		0.02	OMR	*0.00	7.34	OMR	1.62
		1.88	SGD	0.47	6.33	SGD	1.51
		0.07	SAR	0.06	-	SAR	-
		*0.00	ZAR	-	-	ZAR	-
		3.60	AED	2.71	2.86	AED	1.40
		43.76	-		**54.32**	-	
ii)	Due to holding company	-	USD	-	**5.98**	USD	**1.34**
iii)	Secured loans payable (including interest accrued)	**794.28**	USD	**162.35**	**322.32**	USD	**73.40**
iv)	Foreign Currency Convertible Bonds (including interest accrued but not due)	**1180.40**	USD	**241.27**	**1092.19**	USD	**244.61**
v)	Advance from customers	**0.55**	USD	**0.11**	**0.70**	USD	**0.16**
vi)	Lease loans obligation	**610.25**	USD	**124.73**	**587.68**	USD	**131.62**

* Amount less than ₹ 1 lakh.

10) Taxation

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 their domicile countries.

11) Deferred tax liability

The components of net deferred tax liability are as follows: **(₹ in crore)**

Details		As at 30th September 11	As at 31st March 11
Deferred tax liability			
Depreciation on fixed assets		35.15	29.77
	(A)	**35.15**	**29.77**
Deferred tax assets			
Disallowance u/s 40(a)		0.49	0.55
Unabsorbed Depreciation		7.17	6.19
Employee benefits liability		0.43	0.77
	(B)	**8.09**	**7.51**
Net deferred tax liability (A-B)		**27.06**	**22.26**

12) Employee benefits:

The Group has adopted Accounting Standard (AS) 15 (Revised) 'Employee benefits' as notified under the Companies (Accounting Standard) Rules, 2006, with effect from 1st April, 2007. The Group has classified the various benefits provided to employees as under:

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I. Defined contribution plans

The Group has recognised the following amounts in the Statement of Profit and Loss during the year:

Particulars	(₹ in crore) 30.09.11	(₹ in crore) 31.03.11
a) Employer's contribution to gratuity fund (offshore crew staff)	0.11	0.09
b) Group accident policy premium (all employees)	0.01	0.07
c) Contribution to pension fund (offshore crew staff)	0.13	0.13
d) Employer's contribution to superannuation Fund	0.07	0.23
e) Employer's contribution to Provident Fund (offshore crew staff)	0.70	1.20

The above amounts are included in 'Contribution to staff provident and other funds' (Schedule 11).

II. Defined benefit plans

a. Contribution to provident fund.
b. Contribution to gratuity fund.
b. Provision for compensated absences (CA)

In view of these being interim financial statements, figures of provident fund disclosures for 30th September, 2011 are the same as for 31st March, 2011 as the valuations are done only at the year end.

A) Changes in present value of defined benefit obligation: (₹ in crore)

Particulars	Provident fund (funded)	Gratuity-shore officers (funded)	Gratuity-off shore officers (non-funded)	CA-paid leave (non-funded)	Provident fund (funded)	Gratuity-shore officers (funded)	Gratuity-off shore officers (non-funded)	CA- paid leave (non-funded)
	30.09.11	30.09.11	30.09.11	30.09.11	31.03.11	31.3.11	31.03.11	31.03.11
Present value of defined benefit obligation as at the beginning of the period	16.69	3.56	2.52	2.84	16.69	0.96	-	0.98
Current service cost	1.39	0.20	0.22	0.19	1.40	0.30	0.30	0.31
Current service contribution- employee	1.52	-	-	-	1.52	-	-	-
Interest cost	-	0.14	0.10	0.11	-	0.08	0.15	0.07
Transfer in *	0.87	(0.10)	-	-	0.87	1.57	1.95	1.33
Benefits paid	(2.62)	(0.08)	(0.07)	(0.03)	(2.62)	-	(0.10)	(0.03)
Actuarial (gain)/loss on obligations	0.80	0.00	(0.10)	0.09	0.80	0.30	0.22	0.27
Plan amendment	0.88	-	-	-	0.88	0.36	-	(0.08)
Present value of defined benefit obligation as at the end of the period	**19.53**	**3.72**	**2.67**	**3.20**	**19.53**	**3.57**	**2.52**	**2.85**

*on account of demerger and transfer of employees from EPL to ESL

(B) Changes in the fair value of plan assets (₹ in crore)

Particulars	Provident fund (funded)	Gratuity-shore officers (funded)	Gratuity-off shore officers (non-funded)	CA-paid leave (non-funded)	Provident fund (funded)	Gratuity-shore officers (funded)	Gratuity-off shore officers (non-funded)	CA-paid leave (non-funded)
	30.09.11	30.09.11	30.09.11	30.09.11	31.03.11	31.3.11	31.03.11	31.03.11
Fair value of plan assets at the beginning of the period	16.69	1.90			16.69	-	-	
Expected return on plan assets	-	0.11			-	0.06	-	-
Actual return on plan assets	1.67		0.07		1.67	1.03	-	-
Acquisitions/ Transfers	-				-	-	-	-
Contributions by the employer/ employees	3.79	1.47		0.03	3.79	0.08	0.10	0.07
Benefits paid	(2.62)	(0.08)	(0.07)	(0.03)	(2.62)	-	(0.10)	(0.07)
Fair value of plan assets as at the end of the period	**19.53**	**3.40**	-	-	**19.53**	**1.90**	-	-

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(C) Amount recognised in balance sheet: (₹ in crore)

Particulars	Provident fund (funded)	Gratuity-shore officers (funded)	Gratuity-off shore officers (non-funded)	CA-paid leave (non-funded)	Provident fund (funded)	Gratuity-shore officers (funded)	Gratuity-off shore officers (non-funded)	CA-paid leave (non-funded)
	30.09.11	**30.09.11**	**30.09.11**	**30.09.11**	**31.3.11**	**31.3.11**	**31.3.11**	**31.3.11**
Present value of defined benefit obligation as at the end of the period	19.53	3.72	2.67	3.01	19.53	3.57	2.52	2.85
Past service cost		0.00			-	-	-	-
Fair value of plan assets as at end of the period	(19.53)	3.40			(19.53)	(1.90)	-	-
Funded status		0.02		(0.41)				
Liability/(asset) recognised in the Balance Sheet (included in current liabilities and provisions) (schedule 8)	-	**0.36**	**2.67**	**2.19**	-	**1.67**	**2.52**	**2.85**

(D) Expenses recognised in the Statement of Profit and Loss: (₹ in crore)

Particulars	Provident fund (funded)	Gratuity-shore officers (funded)	Gratuity-off shore officers (non-funded)	CA-paid leave (non-funded)	Provident fund (funded)	Gratuity-shore officers (funded)	Gratuity-off shore officers (non-funded)	CA-paid leave (non-funded)
	30.09.11	**30.09.11**	**30.09.11**	**30.09.11**	**31.03.11**	**31.3.11**	**31.3.11**	**31.3.11**
Current service cost	1.39	0.20	0.22	0.19	1.39	0.30	0.30	0.31
Interest cost	0.87	0.14	0.10	0.11	0.87	0.08	0.15	0.07
Expected return on plan assets	(0.87)	(0.11)	-	-	(0.87)	(0.07)	-	-
Net actuarial (gain)/loss recognised in the period		0.00	(0.10)	0.08	-	0.30	0.22	0.27
Past service cost		0.00			-	0.36	-	-
Total expenses recognised in the Statement of Profit and Loss (Included in Contribution to provident and other funds (Schedule 10)	**1.39**	**0.24**	**0.22**	**0.39**	**1.39**	**0.97**	**0.67**	**0.65**

(E) Experience history: (₹ in crore)

Particulars	Provident fund (funded)	Gratuity-shore officers (funded)	Gratuity-off shore officers (non-funded)	CA-paid leave (non-funded)	Provident fund (funded)	Gratuity-shore officers (funded)	Gratuity-off shore officers (non-funded)	CA-paid leave (non-funded)
	30.09.11	**30.09.11**	**30.09.11**	**30.09.11**	**31.03.11**	**31.3.11**	**31.3.11**	**31.3.11**
Defined benefit obligation at the end of the period		(3.72)	(2.67)	(3.21)	-	(3.57)	(2.52)	2.85
Plan assets at the end of the period		3.40	-	-	-	1.90	-	-
Funded status		(0.32)	(2.67)	(3.21)	-	(1.67)	(2.52)	(2.85)
Experience gain /(loss) adjustments on plan liabilities		(0.07)	0.05	(0.16)	-	(0.28)	(0.25)	(0.21)
Experience gain /(loss) adjustments on plan assets			-	-	-	-	-	0.16
Actuarial gain/(loss) due to change on assumptions		**0.07**	**0.06**	**0.07**	-	**0.03**	**0.03**	**0.02**

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(F) Category of plan assets:

Particulars	Provident fund (funded)	Gratuity-shore officers (funded)	Gratuity -off shore officers (non-funded)	CA-paid leave (non-funded)	Provident fund (funded)	Gratuity-shore officers (funded)	Gratuity-off shore officers (non-funded)	CA-paid leave (non-funded)
	30.09.11	30.09.11	30.09.11	30.09.11	31.3.11	31.3.11	31.3.11	31.3.11
Administered by Life Insurance Corporation of India	-	-	100%	100%	-	100%	-	-
Government of India security	25%	25%	-	-	25%	-	-	-
Public sector bonds/ TDRs	60%	60%	-	-	60%	-	-	-
State government securities	15%	15%	-	-	15%	-	-	-

G) Actuarial assumptions

In accordance with Accounting Standard (AS) 15 (Revised), actuarial valuation as at the year end was done in respect of the aforesaid defined benefit plans based on the following assumptions:

i) General assumptions:

Essar Shipping Limited

Particulars	Provident fund (funded)		Gratuity-shore officers (funded)		Gratuity-off shore officers (non-funded)		CA- paid leave (non- funded)	
	30.9.11	31.03.11	30.9.11	31.03.11	30.9.11	31.03.11	30.9.11	31.03.11
Discount rate (per annum)	7.80%	7.80%	8.30%	8.00%	8.30%	8.00%	8.30%	8.00%
Rate of return on plan assets (for funded scheme)	8.50%	8.50%	8.50%	8.50%	N.A	N.A	N.A	N.A
Expected retirement age of employees (years)	58	58	58	58	58	58	58	58
Separation rate of employees	-	-	10.00%	5%-12%	7.00%	5%-12%	10.00%	5%-12%
Rate of increase in compensation	-	-	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%

Essar Logistics Limited

	Gratuity (funded)		CA (non funded)	
	Period ended		Period ended	
Particulars	30.09.2011	31.03.11	30.09.2011	31.03.11
Discount rate (per annum)	8.30%	8.00%	8.30%	8.00%
Rate of return on plan assets (for funded scheme)	8.50%	8.50%	N.A.	N.A.
Expected retirement age of employees (years)	58	58	58	58
Withdrawal rate of employees	5.00%	5.00%	5.00%	5.00%
Rate of increase in compensation.	9.00%	9.00%	9.00%	9.00%

Essar Oilfields Services Limited

Particulars	Gratuity (non funded)		CA (non funded)	
	30.09.2011	31.03.2011	30.09.2011	31.03.2011
Discount rate (per annum)	8.30%	8.00%	8.30%	8.00%
Rate of return on plan assets (for funded scheme)	8.50%	N/A	N/A	N/A
Expected retirement age of employees (years)	58 years	58 years	58 years	58 years
Withdrawal rate of employees	12%	12%	12%	12%
Rate of increase in compensation.	9%	9%	9%	9%

ii) Mortality rates considered are as per the published rates in the Life Insurance Corporation (1994-96) Mortality table.

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iii) **Leave policy:**

a) Sick leave balance as at the valuation date and each subsequent year following the valuation date will be availed by the employee against future sick leave; the sick leave balance is not available for encashment.

b) Leave balance as at the valuation date and each subsequent year following the valuation date to the extent not availed by the employee is available for encashment on separation from the Company up to a maximum of 120 days.

c) The contribution to be made by the Company for funding its liability for gratuity during the financial year 2011-12 will be made as per demand raised by the fund administrator Life Insurance Corporation of India.

13) **Related party transactions:**

(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)
v) Mr. Rahul Himatsingka, Director and CEO (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 Aegis Limited
2 Arkay Holdings Limited
3 Arkay Sea Logistics Limited
4 Asia Motor Works Limited
5 Essar Agrotech Limited
6 Essar Bulk Terminal (Salaya) Limited
7 Essar Bulk Terminal Limited
8 Essar Bulk Terminal Paradip Limited
9 Essar Engineering Services Limited
10 Essar Exploration & Production India Limited
11 Essar Global Limited
12 Essar House Limited
13 Essar Information Technology Limited
14 Essar Infrastructure Services Limited
15 Essar Investments Limited
16 Essar Offshore Subsea Limited
17 Essar Oil Limited
18 Essar Ports Limited
19 Essar Power Gujarat Limited
20 Essar Power Jharkhand Limited
21 Essar Power Limited
22 Essar Power M.P Limited
23 Essar Projects (India) Limited
24 Essar Shipping (Cyprus) Limited

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25 Essar Shipping and Logistics Inc, Panama
26 Essar Shipping Cyprus Limited
27 Essar Steel Holding Limited
28 Essar Steel Limited
29 Essar Steel Limited (Indonesia)
30 Essar Telecom Retail Limited
31 Futura Travels Limited
32 Imperial Consultants & Services Limited
33 India Securities Limited
34 Prajesh Marketing Limited
35 The Mobile Stores Limited
36 Vadinar Oil Terminal Limited
37 Vadinar Ports & Terminals Limited
38 Vadinar Power Company Limited

The details of transactions with related parties (₹ in crore)

Nature of transactions	Holding and subsidiary companies		Other related parties		Key management personnel		Total	
	30.09.11	31.03.11	30.09.11	31.03.11	30.09.11	31.03.11	30.09.11	31.03.11
INCOME								
Fleet operating/ charter Hire income								
Essar Steel Limited	-	-	761.28	510.82	-	-	761.28	510.82
Essar Shipping Cyprus Limited	-	-	0.59	0.62	-	-	0.59	0.62
Essar Power Gujarat Limited	-	-	31.38	21.68	-	-	31.38	21.68
Arkay Holdings Limited	-	-	1.86	-	-	-	1.86	-
Essar Bulk Terminal Limited	-	-	2.41	17.87	-	-	2.41	17.87
Essar Offshore Subsea Limited	-	-	2.53		-	-	2.53	-
Essar Projects India Limited	-	-	31.89	51.26	-	-	31.89	51.26
Essar Power Jharkhand Limited	-	-	33.28		-	-	33.28	-
Essar Power M.P Limited	-	-	9.72	35.72	-	-	9.72	35.72
Essar Shipping and logistics Inc, Panama	-	-	-	0.16	-	-	-	0.16
Vadinar Oil Terminal Limited	-	-	0.06	0.12	-	-	0.06	0.12
Vadinar Ports and Terminals Limited	-	-	0.07		-	-	0.07	-
Essar Power Limited	-	-	0.28	0.30	-	-	0.28	0.30
Essar Bulk Terminal (Salaya) Limited	-	-	7.08	5.14	-	-	7.08	5.14
Essar Ports Limited	-	-	0.48	-	-	-	0.48	-
Essar Oil Limited	-	-	63.42	163.28	-	-	63.42	163.28
Vadinar Power Company Limited	-	-	11.21	2.13	-	-	11.21	2.13
Others	-	-	0.02	10.32	-	-	0.02	10.32
Total	-	-	**957.56**	**819.42**	-	-	**957.56**	**819.42**
Equipment lease rental income								
Essar Steel Limited	-	-	0.01	0.01	-	-	0.01	0.01
Interest income	-	-			-	-		-
Essar Investment Limited	-	-	1.94	3.42	-	-	1.94	3.42
Essar shipping and Logistics Ltd	9.01	-	-	-	-	-	9.01	-
Total	**9.01**	-	**1.94**	**3.42**	-	-	**10.95**	**3.42**

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Nature of transactions	Holding and subsidiary companies		Other related parties		Key management personnel		Total	
	30.09.11	31.03.11	30.09.11	31.03.11	30.09.11	31.03.11	30.09.11	31.03.11
Sale of Stores and spares								
Essar Ports Limited	-	-	2.00	-	-	-	2.00	-
Essar Shipping and Logistics Inc, Panama	-	-	0.82	-	-	-	0.82	-
Total	-	-	**2.82**	-	-	-	**2.82**	-
Remuneration								
A. R. Ramakrishnan	-	-	-	-	1.02	-	1.02	-
Capt. Anoop Sharma	-	-	-	-	1.01	-	1.01	-
Rahul Himatsingka	-	-	-	-	0.32	-	0.32	-
A.K. Musaddy	-	-	-	-	0.72	0.52	0.72	0.52
Ankur Gupta	-	-	-	-	1.22	-	1.22	-
Total	-	-	-	-	**4.29**	**0.52**	**4.29**	**0.52**
Purchase of fuel oil								-
Essar Oil Limited	-	-	51.32	249.27	-	-	51.32	249.27
Essar Bulk Terminal Limited	-	-	-	0.05	-	-	-	0.05
Total	-	-	**51.32**	**249.32**	-	-	**51.32**	**249.32**
Direct Voyage Expenses								-
Essar Bulk Terminal Limited	-	-	7.81	7.38	-	-	7.81	7.38
Essar Oil Limited	-	-	-	0.23	-	-		0.23
Total	-	-	**7.81**	**7.61**	-	-	**7.81**	**7.61**
Purchase of stores and spares								
Essar Projects India Limited	-	-	-	0.01	-	-	-	0.01
Essar Steel Limited	-	-	2.24	2.56	-	-	2.24	2.56
Total	-	-	**2.24**	**2.57**	-	-	**2.24**	**2.57**
Freight/ Hire/ Demurrage charges								-
Essar Shipping & Logistics Limited	51.08	41.67	-		-	-	51.08	41.67
Essar Projects India Limited	-	-	0.52	0.81	-	-	0.52	0.81
Futura Travels Limited	-	-	0.58	0.60	-	-	0.58	0.60
Essar Bulk Terminal Limited	-	-	-	0.36	-	-	-	0.36
Essar Shipping and logistics Inc, Panama	-	-	-	2.16	-	-	-	2.16
Total	**51.08**	**41.67**	**1.10**	**3.93**	-	-	**52.18**	**45.60**
Manning charges								-
Essar Infrastructure Services Ltd	-	-	0.08	0.08	-	-	0.08	0.08
Essar Exploration and Production Limited	-	-	-	0.04	-	-	-	0.04
Essar Information Technology Limited	-	-	0.10	0.14	-	-	0.10	0.14
Total	-	-	**0.18**	**0.26**	-	-	**0.18**	**0.26**
Rent charges								-
Essar Infrastructure Services Limited	-	-	2.13	8.59	-	-	2.13	8.59
Essar Agrotech Limited	-	-	0.03	-	-	-	0.03	-
Essar House Limited	-	-	0.41	3.04	-	-	0.41	3.04
Essar Steel Limited	-	-	0.15	0.12	-	-	0.15	0.12

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Nature of transactions	Holding and subsidiary companies		Other related parties		Key management personnel		Total	
	30.09.11	31.03.11	30.09.11	31.03.11	30.09.11	31.03.11	30.09.11	31.03.11
Essar Information Technology Limited	-	-	1.09		-	-	1.09	-
Total	-	-	**3.81**	**11.75**	-	-	**3.81**	**11.75**
Travelling expenses								
Futura Travels Limited	-	-	4.68	5.14	-	-	4.68	5.14
Management fees								
Essar Investment Limited	-	-	4.97	6.48	-	-	4.97	6.48
Interest expenses								
India Securities Limited	-	-	0.12	0.19	-	-	0.12	0.19
Interest on Loan – ICD								
Essar shipping and Logistics Ltd	-	0.91	-		-	-	-	0.91
Cargo handling expenses								
Essar Bulk Terminal Limited	-	-	7.42	15.61	-	-	7.42	15.61
Essar Projects India Limited	-	-	7.63	12.19	-	-	7.63	12.19
Total	-	-	**15.05**	**27.80**	-	-	**15.05**	**27.80**
Lodging and boarding								
Essar Steel Limited	-	-	-	0.02	-	-	-	0.02
Arkay Holdings Limited	-	-	0.01	-	-	-	0.01	-
Essar Infrastructure Services Limited	-	-	0.02	-	-	-	0.02	-
Essar Investment Limited	-	-	0.01	0.03	-	-	0.01	0.03
Total	-	-	**0.04**	**0.05**	-	-	**0.04**	**0.05**
Reimbursement of expenses								
Essar Infrastructure Services Limited	-	-	-	0.01	-	-	-	0.01
Essar Steel Limited	-	-	19.33	61.24	-	-	19.33	61.24
Futura Travels Limited	-	-	3.56	4.64	-	-	3.56	4.64
Essar Exploration and Production Limited	-	-	-	0.04	-	-	-	0.04
Essar Oil Limited	-	-	1.38	3.16	-	-	1.38	3.16
Essar Offshore Subsea Limited	-	-	0.10		-	-	0.10	-
Essar Bulk Terminal Limited	-	-	0.40	1.86	-	-	0.40	1.86
Essar Shipping and logistics Inc, Panama	-	-	0.18		-	-	0.18	-
Essar Projects India Limited	-	-	0.46		-	-	0.46	-
Essar Power Gujarat Limited	-	-	0.72	1.38	-	-	0.72	1.38
Vadinar Power Company Limited	-	-	0.19		-	-	0.19	-
Essar Power M.P Limited	-	-	0.03	0.28	-	-	0.03	0.28
Essar Power Limited	-	-	0.00		-	-	0.00	-
Essar Power Jharkhand Limited	-	-	0.31		-	-	0.31	-
Essar Bulk Terminal (Salaya) Limited	-	-	0.35		-	-	0.35	-
Essar Investments Limited	-	-	0.01	0.95	-	-	0.01	0.95
Arkay Holdings Limited	-	-	0.33		-	-	0.33	-
Others	-	-	0.00	0.51	-	-	0.00	0.51
Total	-	-	27.35	74.07	-	-	27.35	74.07
Aircraft usage charges reimbursed								
Essar Oil Limited	-	-	9.00	23.60	-	-	9.00	23.60

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Nature of transactions	Holding and subsidiary companies		Other related parties		Key management personnel		Total	
	30.09.11	31.03.11	30.09.11	31.03.11	30.09.11	31.03.11	30.09.11	31.03.11
Repairs and Maintenance								
Essar Projects (India) Limited	-	-	2.84	1.16	-	-	2.84	1.16
Essar Information Technology Limited	-	-	0.01	0.67	-	-	0.01	0.67
Essar Agrotech Limited	-	-	-	0.01	-	-	-	0.01
Essar Infrastructure Services Limited	-	-	-	0.18	-	-	-	0.18
Essar Oil Limited	-	-	0.02	-	-	-	0.02	-
Essar Steel Limited	-	-	-	0.04	-	-	-	0.04
Essar Engineering Services Limited	-	-	0.02	0.01	-	-	0.02	0.01
Essar Bulk Terminal Limited	-	-	-	0.09	-	-	-	0.09
Total	-	-	**2.89**	**2.16**	-	-	**2.89**	**2.16**
Professional /Advisory fees / Agency Fees								-
Essar Investment Limited	-	-	17.18	10.33	-	-	17.18	10.33
India Securities Limited	-	-	-	0.15	-	-	-	0.15
Essar Bulk Terminal Limited	-	-	-	0.20	-	-	-	0.20
Essar Infrastructure Services Limited	-	-	0.51		-	-	0.51	-
Aegis Limited	-	-	1.60	1.33	-	-	1.60	1.33
Essar Information Technology Limited	-	-	0.01	0.03	-	-	0.01	0.03
Total	-	-	**19.30**	**12.04**	-	-	**19.30**	**12.04**
Interest on lease loan								
Essar Shipping & Logistics Limited	16.02	16.63	-		-	-	16.02	16.63
Loans and advances given								
Essar Investment Limited	-	-	-	1.00	-	-	-	1.00
Essar Bulk Terminal Limited	-	-	-		-	-	-	-
Essar Shipping & Logistics Limited	132.10	454.40	-		-	-	132.10	454.40
Total	132.10	454.40	-	1.00	-	-	132.10	455.40
Loans and advances received								-
Essar shipping and Logistics Ltd	9.44	-	-		-	-	9.44	-
Essar Steel Limited (Indonesia)	-	-	0.01		-	-	0.01	-
Advance towards purchase of Preference Shares								
Essar Shipping and Logistics Ltd	-	93.56	-		-	-	-	93.56
Sale of Fixed assets						-		-
Essar Ports Limited	-	-	41.50		-	-	41.50	-
Arkay Sea Logistics Ltd	-	-	5.57		-	-	5.57	-
Total	-	-	**47.07**	-	-	-	**47.07**	-
Purchase of Assets								
Essar Projects India Limited	-	-	4.07		-	-	4.07	-
Essar Telecom Retail Limited	-	-	0.01		-	-	0.01	-
Total	-	-	**4.08**	-	-	-	**4.08**	-
Security deposit received								
Essar Oil Limited	-	-	-	2.50	-	-	-	2.50

DELOITTE HASKINS & SELLS AHMEDABAD Chartered Accountants

Nature of transactions	Holding and subsidiary companies		Other related parties		Key management personnel		Total	
	30.09.11	31.03.11	30.09.11	31.03.11	30.09.11	31.03.11	30.09.11	31.03.11
Unsecured Loans								
Essar Investment Limited	-	-	-	11.54	-	-	-	11.54
Refund of Loan and advances								-
Essar shipping and Logistics Ltd	9.89	-	-		-	-	9.89	-
Guarantees given on behalf of others								-
Essar Bulk Terminal Paradip Limited	-	-	410.00		-	-	410.00	-
Total	-	-	**410.00**	-	-	-	**410.00**	-

Outstanding balances as on 30th September 2011

Nature of balances	Holding and subsidiary companies		Other related parties		Key management personnel		Total	
	30.09.11	31.03.11	30.09.11	31.03.11	30.09.11	31.03.11	30.09.11	31.03.11
Sundry debtors								
Essar Steel Limited	-	-	164.49	143.41	-	-	164.49	143.41
Essar Shipping (Cyprus) Limited	-	-	1.40	1.05	-	-	1.40	1.05
Essar Projects India Limited	-	-	14.09	27.45	-	-	14.09	27.45
Essar Bulk Terminal Limited	-	-	0.63	9.57	-	-	0.63	9.57
Vadinar Oil Terminal Limited	-	-	-	0.08	-	-	-	0.08
Essar Bulk Terminal (Salaya) limited	-	-	5.05	0.33	-	-	5.05	0.33
Essar Power Gujarat Limited	-	-	4.07	7.51	-	-	4.07	7.51
Essar Offshore Subsea Limited	-	-	1.95	0.74	-	-	1.95	0.74
Essar Shipping and Logistics Inc, Panama	-	-	2.89	1.36	-	-	2.89	1.36
Essar Power Jharkhand Limited	-	-	4.04	1.74	-	-	4.04	1.74
Essar Power M.P Limited	-	-	5.39	6.59	-	-	5.39	6.59
Arkay Holdings Limited	-	-	2.00		-	-	2.00	-
Essar Ports Limited	-	-	47.47		-	-	47.47	-
Essar Oil Limited	-	-	7.77	17.05	-	-	7.77	17.05
Essar Investment Limited	-	-	0.45		-	-	0.45	-
The Mobile Stores Limited	-	-	0.00		-	-	0.00	-
Essar Power Limited	-	-	0.14		-	-	0.14	-
Arkay Sea Logistics Limited	-	-	5.85		-	-	5.85	-
Vadinar Power Company Limited	-	-	3.09	0.26	-	-	3.09	0.26
Essar Power Gujarat Limited	-	-	2.66		-	-	2.66	-
Others	-	-	0.08	0.03	-	-	0.08	0.03
Total	-	-	**273.51**	**217.17**	-	-	**273.51**	**217.17**
Loans and advances (including interest accrued)								
Essar Steel Holding Limited	-	-	0.15		-	-	0.15	-
Essar Investments Limited	-	-	-	7.50	-	-	-	7.50
Futura Travels Limited	-	-	-	6.46	-	-	-	6.46
Imperial Consultants & Services Limited	-	-	-	10.16	-	-	-	10.16
Essar Ports Limited	-	-	-	15.46	-	-	-	15.46
Essar Shipping and Logistics Ltd	605.93	434.18	-		-	-	605.93	434.18
Total	**605.93**	**434.18**	**0.15**	**39.58**	-	-	**606.08**	**434.18**

DELOITTE HASKINS & SELLS
AHMEDABAD
Chartered Accountants

Nature of balances	Holding and subsidiary companies		Other related parties		Key management personnel		Total	
	30.09.11	31.03.11	30.09.11	31.03.11	30.09.11	31.03.11	30.09.11	31.03.11
Advance recoverable in cash or in kind								
Essar Shipping & Logistics Limited	5.56	-	-		-	-	5.56	-
Essar Ports Limited	-	-	11.12		-	-	11.12	-
Futura Travels Limited	-	-	5.94		-	-	5.94	-
Total	**5.56**	-	**17.06**	-	-	-	**22.62**	-
Deposits given								
Futura Travels Limited	-	-	6.25	6.25	-	-	6.25	6.25
Arkay Holdings Limited	-	-	3.10	-	-	-	3.10	-
Essar House Limited	-	-	31.00	31.00	-	-	31.00	31.00
Prajesh Marketing Limited	-	-	4.80	-	-	-	4.80	-
Essar Steel Limited	-	-	-	4.80	-	-	-	4.80
Essar Telecom Retail Limited	-	-	0.00	-	-	-	0.00	-
Asia Motor Works Limited	-	-	-	4.91	-	-	-	4.91
Essar Investments Limited	-	-	0.16	55.09	-	-	0.16	55.09
Essar Information Technology Limited	-	-	0.46	0.46	-	-	0.46	0.46
Total	-	-	**45.77**	**102.51**	-	-	**45.77**	**102.51**
Loans and advances received								
Essar Global Limited	5.05	4.61	-		-	-	5.05	4.61
India Securities Limited	-	-	1.96		-	-	1.96	-
Essar Shipping and Logistics Limited	0.40		-		-	-	0.40	-
Total	5.45	4.61	1.96	-	-	-	7.41	4.61
Lease loan obligation								-
Essar Shipping & Logistics Limited	554.74	533.99	-		-	-	554.74	533.99
Sundry creditors								-
Essar Infrastructure Services Limited	-	-	0.58	1.58	-	-	0.58	1.58
Essar Bulk Terminal Limited	-	-	12.61	9.48	-	-	12.61	9.48
Essar Exploration & Prod. India Ltd	-	-	6.42		-	-	6.42	-
Essar Engineering Services Limited	-	-	0.54		-	-	0.54	-
Essar Projects India Limited	-	-	4.93	17.24	-	-	4.93	17.24
Essar Steel Limited (Indonesia)	-	-	0.01		-	-	0.01	-
Aegis Limited	-	-	0.49	1.07	-	-	0.49	1.07
Arkay Holdings Limited	-	-	0.01	0.02	-	-	0.01	0.02
Futura Travels Limited	-	-	1.37	2.82	-	-	1.37	2.82
India Securities Limited	-	-	-	0.05	-	-	-	0.05
Essar Shipping and Logistics Limited	-	5.98	-		-	-	-	5.98
Essar Engineering Services Limited	-	-	-	0.48	-	-	-	0.48
Essar Exploration & Production India Limited	-	-	-	5.86	-	-	-	5.86
Essar Steel Limited	-	-	-	0.00	-	-	-	0.00
Essar House Limited	-	-	-	0.00	-	-	-	0.00

DELOITTE HASKINS & SELLS AHMEDABAD Chartered Accountants

Nature of balances	Holding and subsidiary companies		Other related parties		Key management personnel		Total	
	30.09.11	31.03.11	30.09.11	31.03.11	30.09.11	31.03.11	30.09.11	31.03.11
Asia Motor Works Limited	-	-	-	5.20	-	-	-	5.20
Essar Agrotech Limited	-	-	-	0.01	-	-	-	0.01
Essar Investments Limited	-	-	515.64	4.81	-	-	515.64	4.81
Essar Information Technology Limited	-	-	-	0.31	-	-	-	0.31
Essar Oil Limited	-	-	15.87	2.12	-	-	15.87	2.12
Vadinar Oil Terminal Limited	-	-	0.00		-	-	0.00	-
Others		-		0.19		-		0.19
Total	-	**5.98**	**558.47**	**51.24**	-	-	**558.47**	**57.22**
Security deposit received								
Essar Steel Limited	-	-	0.00	5.00	-	-	0.00	5.00
Essar Oil Limited	-	-	9.00	9.00	-	-	9.00	9.00
Vadinar Oil Terminal Limited	-	-	1.50	1.50	-	-	1.50	1.50
Vadinar Ports & Terminals Limited	-	-	1.50	1.50	-	-	1.50	1.50
India Securities Limited	-	-	-	4.00	-	-	-	4.00
Essar Bulk Terminals Limited	-	-	1.50	1.50	-	-	1.50	1.50
Total	-	-	**13.50**	**22.50**	-	-	**13.50**	**22.50**
Interest accrued on lease loan								
Essar Shipping & Logistics Limited	7.07	7.06	-		-	-	7.07	7.06
Guarantees given on behalf of others								
Essar Bulk Terminal Paradip Limited	-	-	410.00		-	-	410.00	-
Total	-	-	**410.00**	-	-	-	**410.00**	-

14) 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 ₹ 2.89 (previous year: 1.36) and ₹ 1.40 (previous year: 1.05) respectively.

15) **Remuneration to Whole time Directors:**

Particulars	Period ended 30.09.2011	Period ended 31.03.2011
Basic Salary	0.53	0.22
Allowance and other benefits / perquisites	0.94	0.27
Contribution to provident fund	0.07	0.03
Others	0.53	-
Total	**2.07**	**0 .52**

16) **Details of subsidiary companies pursuant to exemption granted u/s 212(8):**

(₹ in crore)

Details of Subsidiary Companies pursuant to exemption granted U/S.212 (8)						
Sr. No.	**Particulars**	**Essar Logistics Limited, Mumbai**	**Energy Transportation International Limited, Bermuda**	**Energy II Limited, Bermuda**	**Essar Oilfields Services Limited, Mauritius**	**Essar Oilfield Services India Limited, Mumbai**
	Period ending	**30.09.2011**	**30.09.2011**	**30.09.2011**	**30.09.2011**	**30.09.2011**
1	Capital	73.00	9.55	0.06	978.51	679.64
2	Reserves	129.44	(17.75)	10.40	(33.53)	(139.02)
3	Total Assets	438.27	262.61	268.44	3,015.14	1,688.50
4	Total liabilities	438.27	262.61	268.44	3,015.14	1,688.50
5	Details of investments (excluding investments in subsidiaries)	-	-	-	-	-
6	Turnover	565.82	21.16	5.23	104.41	27.26
7	Profit before taxation	12.72	(17.23)	4.87	(60.94)	(53.83)
8	Provision for taxation	4.80	-	-	-	-
9	Profit after taxation	7.92	(17.23)	4.87	(60.94)	(53.83)
10	Proposed dividend	-	-	-	-	-

17) Transfers to tonnage tax reserve and debenture redemption reserve are not made as these are made at the year end.

18) The figures for the previous period have been regrouped / rearranged wherever necessary to conform to the classification of the current period.

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 : 9TH November, 2011

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XIII	Outstanding Litigations, Defaults and Material Developments

All suits, actions and proceedings of whatever nature by or against the Company pending and/or arising on or before the Effective Date of the Scheme shall not abate, or be discontinued or be in any way prejudicially affected by reason of the transfer of the demerged undertakings pursuant to the Scheme but be continued, prosecuted and enforced by or against the Resulting Company, viz., Essar Shipping Limited as effectually as if the same had been pending and/or arising against the Demerged Company.

Save as stated herein, there are no outstanding or pending material litigation, suit, criminal or civil prosecution, proceeding initiated for offence (irrespective of whether specified in paragraph (I) of Part 1 of Schedule XIII of the Companies Act) or litigation for tax liabilities against the Company, its Promoters, Directors or Promoter Group companies and there are no material defaults, non payments or overdue of statutory dues, institutional or bank dues or dues towards holders of debentures, bonds and fixed deposits and arrears of preference shares, other than unclaimed liabilities of the Company, its Promoters or Promoter Group Companies.

LEGAL PROCEEDINGS

The following is a brief summary of the legal proceedings that the Company is involved in. Except as mentioned below, the Company is not involved in any material legal proceedings, and no proceedings are threatened, which may have, or have had, a material adverse effect on the business, properties, financial condition or operations of the Company. The Company believes that the number of proceedings in which the Company is involved in is not unusual for a Company of its size in the context of doing business in India.

CASES FILED AGAINST ESL

Sr. No.	PARTIES	FORUM	BRIEF DESCRIPTION	FINANCIAL STAKE
1.	Mrs. Sashikala Nair [Ex employee at Mangalore]	Karnataka High Court	In dispute regarding wrongful termination, the Labour Court had upheld that ex-employee had to be reinstated. The High Court confirmed the order of the Labour Court. ESL had subsequently reinstated the ex-employee and posted her in Vadinar. Subsequently the Labour Commissioner passed an Order stating that ESL had not complied with the High Court's order. The High Court has passed an order and the matter has been remanded back to the Labour Commissioner.	
2.	MV Maria	Arbitration in London	ESL had chartered the vessel mv Maria from Agile Holding Corporation. MSTC is the sub-charterer and Essar Steel was the receiver of cargo. There was damage to the cargo by fire and the liability of parties is in dispute. The matter is the arbitration in UK ESL is of the view that the fault is of the ship and not of ESL and hence the liability will not devolve on ESL.	Rs.153 million

CASES FILED BY ESL

Sr. No.	PARTIES	FORUM	BRIEF DESCRIPTION	FINANCIAL STAKE
1.	Ministry of Commerce, Government of India	High Court of Bombay	The Director General of Foreign Trade (DGFT) issued Duty Free License under the Foreign Trade Policy in 2007. Subsequently, in 2008, the DGFT issued a policy circular restricting the scope of the Scheme under which the License had been issued. DGFT has raised a demand for payment of Customs Duty on the basis of the above circular. ESL is contesting that circular has to be applied prospectively and not retrospectively for the License which has already been utilised and expired.	Rs. 274 milion
2.	Essar Shipping vs Shipping Master and DG Shipping Union has been joined as one of the respondents	High Court of Bombay	Shipping Master had passed an Order in May 2010 u/s 132 of the MS Act ordering Essar to pay the redundancy compensation for crews served in the Mini Bulk Carriers. Essar is contesting the Shipping Master does not have jurisdiction to adjudicate this matter u/s 132 and instead must be adjudicated u/s 150 of MS Act by a Tribunal duly formed by the Govt. Also, we contest that crew were employed by the manning agent and not by Essar and also crew were not in the permanent roster of the company.	

The foregoing charts do not include any tax related litigations to which the Company is a party. The follow is a brief summary of the tax litigation that Company is involved in.

Status of legal cases filed against ESL as of date of this Information Memorandum

Sr. No.	Particulars	Status
3.	Assessment Year – 1994-95 Before the Bombay High Court Financial stake involved – Rs 72.9 million	Date of hearing has not been fixed

XIV	Articles of Association

The Articles of Association of the Company encompass the clauses as per the requirements of the Listing Agreement.

Main provisions of the Articles of Association are as under:

#ARTICLES OF ASSOCIATION
OF
ESSAR SHIPPING LIMITED

CONSTITUTION OF THE COMPANY

1. The Regulations contained in Table 'A' in the First Schedule to the Companies Act, 1956, so far as the same may be applicable to a Public Company as defined in the Act shall apply to this Company in the same manner as if all such Regulations of Table 'A' are specifically contained in these Articles, subject to the modifications herein contained.

INTERPRETATION

2. The marginal notes hereto shall not affect the construction hereof. In Interpretations of these presents the following words and expressions shall have the following meaning unless excluded by the subject or context.

    a) The Act means the Companies Act, 1956 and every statutory modifications or re-enactments thereof and every relevant Companies Act for the time being in force.

    b) 'The Company' and 'This Company', when used with reference to this Company shall mean ESSAR SHIPPING LIMITED.

    c) The 'Common Seal' shall mean the Common Seal of the Company approved by the Board of Directors from time to time.

    d) 'The Board' or 'The Board of Directors' means the Board of Directors of the Company.

    e) 'Financial Year' means in relation to the Company, the period in respect of which any profit and loss account of the Company laid before it in Annual General Meeting is made up, whether that period is a year or not, provided the period shall not exceed fifteen months.

    f) 'In writing' includes printing, lithography, typewriting and any other usual substitutes for writing.

    g) 'Member' shall mean member of the Company holding a share or shares in the Capital of the Company.

    h) 'Month' shall mean a Calendar Month.

    i) 'Paid-up' shall include credited as paid up.

    j) 'Person' shall include any Association, Corporation, Company as well as individual.

Substituted with a new set of Articles of Association *vide* Special Resolution passed by the Members at the Extraordinary General Meeting held on May 6, 2011

k) Special Resolution: A resolution shall be a Special Resolution when

(i) the intention to propose the resolution as a special resolution has been duly specified in the Notice calling the General Meeting;

(ii) the Notice required under these Articles has been duly given of the General Meeting; and

(iii) the votes cast in favour of the resolution (whether on a show of hands or on a poll, as the case may be) by members who, being entitled to do so, vote in person, or by proxy, are not less than three times the votes, if any, cast against the resolution by members so entitled and voting.

l) 'These Presents' or 'Regulations' means these Articles of Association or as they may stand altered from time to time and includes the Memorandum where the context so required.

m) Words importing the singular shall include the plural and words importing the plural shall include the singular.

n) Words importing the masculine gender shall include the feminine gender and vice versa.

o) 'Alter' and 'Alteration' shall include the making of additions and omissions.

p) 'Office' means the Registered Office for the time being of the Company.

q) 'Variation' shall include abrogation and 'vary' shall include abrogate.

r) 'Depositories Act' shall mean Depositories Act, 1996 or any statutory modification or re-enactment thereof.

s) 'Beneficial Owner' shall have the meaning assigned thereto by Section 2 of the Depositories Act.

t) 'Depository', shall have the meaning assigned thereto by the Depositories Act.

Prohibition of investment of the funds of Company in Company's own shares.

3. Except as provided by Section 77 of the Act, no part of the funds shall be employed in the purchase of or loans on the security of the shares of the Company.

4. Notwithstanding anything contained in the Article 3, but subject to the provisions of the Act and all other applicable provisions of law, as may be in force at any time and from time to time, the Company may acquire, purchase, hold, resell any of its own fully/partly paid shares/debentures and may make payment out of funds at its disposal of and in respect of such acquisition/purchase on such terms and conditions and at such times as the Board may in its discretion decide and deem fit, provided that in respect of the shares and securities held by the Depository on behalf of beneficial owner as defined in the Depositories Act, 1996 Sections 153B, 187B, 187C and 372 of the Act shall not apply.

Redeemable Cumulative Preferences shares

5. a) The Redeemable Cumulative Preference shares shall carry a right to redemption out of profits or out of the proceeds of the fresh issue of shares made for the purpose of such redemption and the Board of Directors, may, subject to the provisions of the Act and the Articles of Association, exercise such powers in such manner as the Board may think if and proper including the power to purchase such Preference Shares in the open market and redeem them earlier than the due date fixed for their redemption out of the 'Capital Redemption Reserve Account' to be created out of the profits of the Company for the purpose.

b) The said Redeemable Cumulative Preference Shares shall confer the right on the registered holders thereof to a cumulative dividend as may be decided by the Board, subject to deduction of tax at the prescribed rates to be paid out of any profits that may, at any time, be determined to be distributed among members.

c) The Redeemable Cumulative Preference Shares shall also confer the right on the holders thereof in a winding up to payment of capital and any arrears of cumulative dividend set out in the preceding clause (ii) above, whether earned, declared or not up to the date of commencement of the winding up in preference to the Equity Shares but shall not confer any further right to participate in the profits or to the surplus assets of the Company.

d) The Redeemable Cumulative Preference Shares shall rank for dividend from the date of allotment of such shares.

e) The Redeemable Cumulative Preference Shares shall be liable to be redeemed at par either in whole or in part at the discretion of the Board of Directors.

6. Allotment of shares: Subject to the provisions of the Act and these presents, the shares in the Capital of the Company shall be under the control of the Board who may allot or otherwise dispose of the same at such times and to such person and in such manner and upon such terms as they may think proper. The Company shall have the power to increase or reduce the capital for the time being of the Company and to divide the share in the capital into several classes with rights, privileges or conditions as may be determined. The Company may issue preference shares which shall, or at the option of the Company shall be, liable to be redeemed.

7. In the event it is permitted by the law to issue shares without voting rights attached to them, the Directors may issue such shares upon such terms and conditions and with such rights and privileges annexed thereto, as thought fit and as may be permitted by the law.

Variation of Rights

8. The rights attached to any class of shares (unless otherwise provided by the terms of the issue of that class) may, subject to provisions of Sections 106 and 107 of the Act be varied with the consent in writing of the holders of three/fourth of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting the provisions of these Articles relating to meetings shall *mutatis-mutandis* apply, but so that the necessary Quorum shall be two persons at least holding or representing by proxy one/third of the issued shares of that class in question.

Commission for Placing Shares

9. The Company may at any time pay a commission to any person for subscribing or agreeing to subscribe (whether absolutely or conditionally) for any shares, debentures or debenture stock of the Company or procuring or agreeing to procure subscription (whether absolute or conditional) for shares, debenture or debenture stock of the Company but so that if the commission in respect of shares shall be paid the provisions of Sections 76 and 79 and other statutory requirements shall be observed and complied with and the amount or rate of commission shall not exceed 5 percent of the issue price of shares and 2.5% of the issue price of debenture or debenture stock in each case subscribed or to be subscribed.

Liability of Joint holders of Shares

10. The joint holders of a share shall severally as well as jointly be liable for the payment of installments and calls due in respect of such shares.

Issue and Return of allotments

11. The Board may issue and allot shares in the Capital of the Company as payment or part payment for any property sold or goods transferred, machinery or appliances supplied, for cash or for services rendered or to be rendered to the Company; as regards all allotments from time to time made, the Board shall duly comply with Section 75 of the Act.

Acceptance of Shares

12. An application signed by or on behalf of the applicant for shares in the Company followed by an allotment of any shares therein shall be acceptance of shares within the meaning of these Articles and every person who thus or otherwise accepts any shares within the meaning of these Articles and whose name is on the Register shall for the purpose of these Articles be a shareholder.

Members' Right to Shares

13. a) Every person whose name is entered as a member in the Register of Members shall without payment, be entitled to a Certificate under the Common Seal specifying the share or shares held by him and the amount paid thereon provided that in respect of a share or shares held jointly by several persons, the Company shall not be bound to issue more than one Certificate and the delivery of Certificate for the share to one of several joint holders shall be sufficient delivery to all.

Issue of new certificate in place of one defaced, lost or destroyed

14. If a Share Certificate be defaced, lost or destroyed, a fresh one may be issued in its stead in accordance with the issue of Share Certificate Rules and on payment of such fee, if any, as may be determined by the Board in consultation with the Stock Exchanges on such terms as to evidence and indemnity and the payment of out-of-pocket expenses incurred by the Company in investigating the evidence as the Board may think fit, but the purchase of any share sold by the Company in exercise of its powers on forfeiture of lien on shares shall not be required to pay any fee for the fresh certificate that may have to be issued by the Board in default of the original holder of such share returning the certificate to the Company. No fee shall however be charged for the issue of Certificates in replacement of those which are old, decrepit or worn out or where the cages on the reverse for recording transfers have been fully utilised.

Company's lien on shares

15. The Company shall have a first and paramount lien upon all the shares (not being fully paid shares) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares and such lien shall extend to all

dividends from time to time declared in respect of such shares. The Board may, however, at any time declare any share to be wholly or partly exempt from the provisions of this Article. Unless otherwise agreed, the Registration of Transfer of shares shall operate as a waiver of the Company's lien if any, on such shares.

As to enforcing lien by sale

16. The Company may sell in such manner as the Board thinks fit any shares on which the Company has a lien but no sale shall be made until the expiration of fourteen days after a notice in writing, stating and demanding payment of such amount in respect of which the lien exists has been given to the registered holder for the time being of the share or to the person entitled to the share by reason of his death or insolvency. The Board may appoint a person to effect the sale and transfer.

Application of proceeds of sale

17. The net proceeds of the sale shall be applied in or towards payment of such part of the amount, in respect of which the lien exists, as is presently payable. The residue, if any, shall, subject to a like lien for sums not presently payable as existed upon the shares before the sale, be paid to the person entitled to the shares so sold. The purchaser shall be registered as the holder of the shares and he shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.

Calls

18. The Board may on a uniform basis on all shares falling under the same class from time to time, make such calls as they think fit upon the members in respect of all money unpaid on the shares held by them respectively and not by the condition of allotment thereof, made payable at fixed times and each member shall pay the amount of every call so made on him to the persons and at the time and places appointed by the Board. A call may be made payable by installment.

Explanation :

For the purpose of this clause, shares of the same value on which different amounts have been paid up shall not be deemed to fall under the same class.

When interest on calls payable

19. If a sum called in respect of the shares is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest upon the sum at the rate fixed by the Board from time to time from the day appointed for the payment thereof to the time of actual payment but the Board shall be at liberty to waive payment of that interest wholly or in part.

Sums payable at fixed time to be treated as calls payable

20. The provisions of the above Article as to the payment of interest shall apply in the case of nonpayment of any sum which by the terms of issue of a share, become payable at a fixed time, whether on account of the amount of the share or by way of premium, as if the same had become payable by virtue of a call duly made and notified.

Payment of calls in advance

21. The Board may, if it thinks fit, receive from any member willing to advance the same all or any part of the moneys uncalled and unpaid upon any shares held by him and upon all or any of the money so advanced may (until the same would, but for such advance become presently payable) pay interest at such rate (not exceeding without the sanction of the Company in General Meeting 12 percent per annum) as may be agreed upon between the member paying the sum in advance and the Board.

Moneys paid in advance of calls shall not confer in respect thereof a right of dividend or to participate in profits.

Partial payment not to preclude forfeiture

22. Neither a judgment or a decree in favour of the Company for calls or other moneys due in respect of any share nor any part payment or satisfaction thereunder nor the receipt by the Company of a portion of any money which shall from time to time be due from any member in respect of any share either by way of principal or interest nor any indulgence granted by the Company in respect of the payment of any such moneys shall preclude the Company from thereafter proceedings to enforce a forfeiture of such shares as hereinafter provided.

TRANSFER & TRANSMISSION OF SHARES

Transfer

23. The instrument of transfer of any share in the Company shall be in writing executed both by the transferor and transferee and the transferor shall be deemed to remain holder of the shares until the name of the transferee is entered in the Register of Members in respect thereof. The instrument of transfer shall be presented in the manner prescribed under Section 108 of the Act or any statutory modification thereof.

Form of Transfer

24. The instrument of transfer shall be in Form No. 7-B prescribed under the Companies (Central Government's) General Rules and Forms 1956 or in such other Form as may be prescribed under the Act from time to time.

Board's right to refuse to register

25. The Board may, subject to the right of appeal conferred by Section 111 of the Act, at any time in their absolute discretion and without assigning any reason, decline to register any proposed transfer of shares, whether fully paid up or not and whether the transferee is a member of the Company or not and may also decline to register any transfer of shares on which the Company has a lien. Registration of a transfer shall, however, not be refused on the grounds of the transferor being, either alone or jointly with any other person or persons indebted to the Company or any account whatsoever except a lien on shares. No instrument of transfer shall be recognised by the Board unless:

a) The instrument of transfer duly stamped is accompanied by the certificate of the shares to which it relates and such other evidence as the Board may reasonably require to provide the title of the transferor or his right to transfer the same, and

b) The instrument of transfer is in respect of one class of shares only. Notwithstanding anything contained in these Articles, the Board may, in its absolute and uncontrolled discretion and without assigning any reason, decline to register or acknowledge any transfer of shares in particular and without prejudice to the generality of the above powers, the Board may, subject to the provisions of the Companies Act, so decline to register in exceptional circumstances when it is felt that the transferee is not a desirable person from the larger point of view of the interests of the Company as a whole.

Provided no fee shall be charged for registration of transfers, probate, letters of administration, power of attorney or other similar documents or for transmission of shares.

26. Notwithstanding anything contained in these Articles, the Company may in accordance with the provisions of the Depositories Act, dematerialise its Shares, Debentures and other marketable securities and to offer its shares, debentures and other marketable securities for subscription in a dematerialised form. Thereupon the Company shall maintain a Register of Members with the details of Members holding shares both in material and dematerialised form in electronic or any other media as permitted by law either in respect of the existing shares and or any future issue, provided that the provisions set forth in Articles 23 to 31 shall not apply to shares which have been dematerialised in so far as they are repugnant to the provisions of the Depositories Act and the Rules, if any, made thereunder as amended from time to time.

Register of Transfer and closure

27. a) The Company shall keep a book to be called the Register of Transfer wherein shall be entered the particulars of every transfer or

transmission of any shares and all other particulars of shares required by the Act to be entered in such Register.

b) The Transfer Books and Register of Members may be closed during such time as the Board thinks fit not exceeding in the whole forty five days in each year, but not exceeding thirty days at a time after giving not less than seven days previous notice by advertisement in some newspaper circulating in the State where the registered office of the Company is situated.

Transmission of registered shares

28. The executors or administrators of a deceased member (not being one of several joint holders) shall be the only persons recognised by the Company as having any title to the shares registered in the name of such member and in the case of death of anyone or more of the joint-holders of any registered shares the survivors shall be the only persons recognised in such shares. Provided that if the member is a member of a Joint Hindu family, the Board may recognise the survivors or the karta thereof as having title to the shares registered in the name of such member.

Provided further, that in any case it shall be lawful for the Board in their absolute discretion to dispense with the production of probate or letters of administration or other legal representation upon such terms as to indemnify or otherwise as the Board may deem just.

As to transfer of shares of deceased or bankrupt members

29. Any person becoming entitled to shares in consequence of death or bankruptcy of any member or by any lawful means other than by a transfer in accordance with these presents, upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article or of his title as the Board thinks sufficient, may, with the consent of the Board (which it shall not be under any obligation to give) be registered as a member in respect of such shares or may, subject to the Articles as to the transfer hereinbefore contained, transfer such shares.

Rights of successors

30. Any person becoming entitled to a share by reason of the death or insolvency of the holder or by any other lawful means shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share, except that he shall not before being registered as a member in respect of the share be entitled in respect of it to exercise any right conferred by membership in regard to the meetings of the Company.

Applications for Transfer

31. a) An application for the registration of the transfer of shares may be made either by the transferor or the transferee provided that where such application is made by the transferor no registration shall, in the case of partly paid shares be effected unless the Company gives notice of the application to the transferee and subject to the provisions of sub-clause (d) the Company shall unless objection is made by the transferee within two weeks from the date of receipt of the notice, enter in the Register of Members the name of the transferee in the same manner and subject to the same conditions as the application for registration was made by the transferee.

b) For the purpose of sub-clause (a) notice to the transferee shall be deemed to have been duly given if sent by prepaid registered post to the transferee at the address given in the instrument of transfer and shall be deemed to have been delivered in the ordinary course of post.

c) It shall not be lawful for the Company to register the transfer of any shares unless the proper instrument of transfer duly stamped and executed by the transferor and the transferee specifying the name, address and occupation, if any, of the transferee has been delivered to the Company along with the certificate and if no such certificate is in existence along with the letter of allotment.

Provided that where, on any application in writing made to the Company by the transferee and bearing the stamp required for an instrument of transfer, is proved to the satisfaction of the Board that the instrument of transfer signed by or on behalf of the transferor and by or on behalf of the transferee has been lost, the Company may register the transfer on such terms as to indemnify as the Board may think fit.

d) If the Company refuses to register the transfer of any shares, the Company shall, within one month from the date on which the instrument of transfer is lodged with the Company, send to the transferee and the transferor notice of refusal.

e) Neither in sub-clause (a) shall prejudice any power of the Company to refuse to register the transfer of any shares, but in no case the Company shall effect transfer of the shares in favour of a minor or a person of unsound mind.

f) Nothing contained in the Articles 23 to 32 shall apply to transfer of shares, debentures or other marketable securities effected by the transferor and the transferee, both of whom, are entered as beneficial owners in the records of a Depository, in so far as they are repugnant to the provisions of the Depositories Act and the Rules, if any, made thereunder as amended from time to time.

g) In the case of transfer of shares, debentures or other marketable securities where the Company has not issued any Certificates and where shares and securities are being held in an electronic and fungible form, the provisions of the Depositories Act, shall apply.

Company's right to register transfer to apparent legal owner

32. The Company shall incur no liability or responsibility whatsoever in consequence of their registering or giving effect to any transfer of shares made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the Register of Members) to the prejudice of persons having or claiming any equitable right title or interest to or in the same shares notwithstanding that the Company may have had notice of such equitable right, title or notice prohibiting registration of transfer and may have entered such notice or referred thereto in any book of the Company and the Company shall not be bound by or required to regard or attend to or give effect to any notice which may be given to it of any equitable right or title or interest or be under any liability whatsoever for refusing or neglecting so to do though it may have been entered or referred to in the books of the Company, but the Company shall, nevertheless, be at liberty to have regard to and attend to any such notice and give effect thereto if the Board shall think fit.

FORFEITURE OF SHARES

If call or installment not paid, notice may be given

33. If a member fails to pay any call or installment of a call or any other sum or sums on the shares on the day appointed for the payment thereof, the Board may at any time thereafter during such time as any part of such call or installment or sums remains unpaid, serve a notice on him requiring payment of so much of the amount as is unpaid together with any interest which may have accrued thereon. The Board may accept in the name of and for the benefit of the Company and upon such terms and conditions as may be agreed, the surrender of any shares liable to forfeiture and in so far as the law permits of any other shares.

Form of Notice

34. The notice shall name the place or places on and at which, and a further day (not earlier than the expiration of fourteen days from the date of the notice) on or before which the payment required by the notice is to be made. The notice shall detail the amount which is due and payable on the shares and shall state that in the event of non-payment at or before the time appointed the shares will be liable to be forfeited.

If notice not complied with shares may be forfeited

35. If requirements of any such notice as aforementioned are not complied with, any share in respect of which the notice has been given may at any time thereafter before the payment required by that notice has been made be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before forfeiture.

Sale of forfeited shares

36. A forfeited or surrendered share may be sold or otherwise disposed of on such terms and in such manner as the Board may think fit and at any time before a sale or disposition, the forfeiture may be cancelled on such terms as the Board may think fit.

Liability after forfeiture

37. A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares, but shall, notwithstanding the forfeiture remain liable to pay the Company all moneys which at the date of forfeiture were presently owing by him to the Company in respect of such shares, but his liability shall cease if and when the Company receives payment in full of the nominal amount of shares.

Declaration of forfeiture

38. A duly verified declaration in writing that the declarant is a Director of the Company and that a share in the Company has been duly forfeited on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share and that declaration and the receipts of the Company for consideration if any given for the shares on the sale or disposal thereof, shall constitute a good title to the share and the person to whom the share is sold or disposed of shall be registered as the holder of the share and shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the share.

Non-Payment of sums payable at fixed times

39. The provisions of these presents as to forfeiture shall apply in the case of non-payment of any sum which by the terms of issue of a share became payable at a fixed time whether on account of the amount of the share or by way of premium or otherwise as if the same had been payable by virtue of a call duly made and notified.

Power to increase capital

40. The Board may with the sanction of the Company by a special resolution in General Meeting increase the authorised share capital by such sums to be divided into shares of such amount as the resolution shall prescribe.

New Shares to be offered to members

41. a) Where at any time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of share in that Company made for the first after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further shares, then:

b)

(i) such further share shall be offered to the persons who at the date of the offer, are holders of the equity shares of the Company, in proportion as nearly as circumstances admit, to the Capital paid up on those shares at that date.

(ii) the said offer above shall be made by notice specifying the number of shares offered and limited to a time not being less than four weeks from the date of the offer within which the offer, if not accepted, will be deemed to have been declined.

(iii) after the expiry of the time specified in the notice aforesaid or on receipt to earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose of them in such manner as they think most beneficial to the Company.

c) Notwithstanding anything contained in Clause (a) above, the further share aforesaid may be offered to any persons (whether or not those persons include the persons referred to in sub-clause (i) of Clause (a) above) in any manner whatsoever if a special resolution to that effect is passed by the Company in general meeting.

On what conditions new shares may be issued

42. The new shares shall be subject to the same provisions with reference to the payment of calls, lien, transfer, transmission, forfeiture and otherwise as the shares in the original share capital.

Division and sub-division of shares

43. The Company may by ordinary resolution:

a) Consolidate and divide all or any of its share capital into shares of larger amount than its existing shares.

b) Subdivide the whole or any part of its share capital into shares of smaller amount than is fixed by the Memorandum of Association subject nevertheless to the provisions of Clauses (d) of Sub-section (1) of Section 94 of the Act.

c) Cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person.

Reduction of capital

44. The Company may, by Special Resolution, reduce its Share Capital or Capital Redemption Fund or Share Premium Account in any manner and subject to any incident authorised and consent required by law.

Transfer and forfeiture of debentures

45. The provisions relating to transfer of Shares and forfeiture of Shares shall *mutatis-mutandis* apply to transfer of debentures and forfeiture of debentures.

46. If permitted by law, Directors shall be entitled to purchase or otherwise acquire the shares and/or the securities of the Company at such price and on such terms and conditions as the Directors may deem fit.

GENERAL MEETINGS

When and where General Meetings to be held

47. a) The statutory meeting of the Company shall, as required by Section 165 of the Act be held within the period of not less than one month and not more than six months from the date on which the Company shall be entitled to commence business and at such place as the Directors may determine and the Directors shall comply with the other requirements of the Act as to the Report to be submitted and otherwise.

City, Town or Village

b) The Annual General Meeting shall be in accordance with Section 166 of the Act and shall be called for a time during business hours, on a day that is not a Public Holiday and shall be held either at the Registered Office of the Company or at some other place within the city, town or village of the Registered office as the Board of Directors may determine and the notices calling the meeting shall specify it as the Annual General Meeting.

Distinction between Annual General Meeting and Extraordinary General Meeting

48. All General Meetings other than Annual General Meetings shall be called Extraordinary General Meetings.

When an Extraordinary General Meetings to be called

49. The Board may, whenever it thinks fit, call an Extraordinary General Meeting and an Extraordinary General Meeting shall be held on such requisition or in default may be called by such requisition or in default may be called by such requisitionists as provided by Section 169 of the Act.

PROCEEDINGS AT GENERAL MEETINGS

Notice of General Meeting

50. All General Meetings shall be convened by giving not less than 21 days notice (exclusive of the day on which the notice is served or deemed to be served and of the day for which the notice is given) specifying the place and the hour of meeting and in case of special business the general nature of that business shall be given in the manner mentioned in Section 173 of the Act. Notice shall be given to all the shareholders and to such persons as are, under the Act or these Articles, entitled to receive such notice from the Company, but the accidental commission to give notice to or the non-receipt of the notice by any member shall not invalidate the proceedings at any general meeting.

Waiver of Notice

51. A General Meeting may be called by giving a notice shorter than 21 days if consent thereto is accorded in the case of the Annual General Meeting by all the members entitled to vote thereat and in the case of any other meeting by members of the Company holding not less than 95% of such part of the Paid-up Share Capital which gives the right to vote on the matters to be considered at such meeting.

Special Business

52. All business shall be deemed special that is transacted at an Extraordinary General Meeting and also that is transacted in an Annual General Meeting with the exception of sanctioning a dividend, the consideration of the Accounts, Balance Sheet and the Report of the Board and of Auditors, the election of Directors in the place of those retiring and the appointment of and fixing up of the remuneration of Auditors.

Quorum

53. Five members entitled to be and personally present shall be the quorum for a General Meeting and no business shall be transacted at any General Meeting unless the requisite quorum is present at the commencement of the business.

If quorum is not present, when meeting to be dissolved and when to be adjourned

54. If within half an hour from the time appointed for the meeting quorum is not present at the meeting, if called upon by the requisition of members, shall be dissolved and in any other case, it shall stand adjourned to the same day in the next week at the same time and place and if at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting, the members present shall be the quorum.

Chairman of the General Meeting

55. Chairman

a) The Directors may elect a Chairman of their meetings and determine the period for which he is to hold office.

b) The Chairman, if any, of the Board of Directors shall preside as Chairman at every General Meeting of the Company.

When Chairman absent election of another Chairman

56. When Chairman is not present:

If there is no such Chairman, or if at any meeting he is not present within fifteen minutes after the time appointed for holding the meeting or is unwilling to act as Chairman, the Directors may elect a Chairman for such meeting

Adjourned Meeting

57. The Chairman may with the consent of any meeting at which a quorum is present (and shall, if so directed by the meetings) adjourn that meeting from

time to time and from place to place but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as nearly as may be in the case of an original meeting. Save as aforesaid it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

Question at General Meeting how decided

58. At any General Meeting resolution put to the vote of the Meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands) demanded in accordance with the provisions of Section 17 of the Act unless poll is so demanded a declaration by the Chairman that a resolution has, on a show of hands, been carried unanimously or by a particular majority or lost and an entry to that in the book of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against that resolution.

Poll

59. If a poll is duly demanded, it shall be taken in such manner as the Chairman directs and the result of the poll shall be deemed to be the decision of the meeting on the resolution on the meeting at which the poll was demanded.

Casting Vote

60. In the case of equality of votes whether on a show of hands or on a poll, the Chairman of the Meeting at which show of hands takes place or at which the poll is demanded shall be entitled to a second or a casting vote.
A demand for a poll shall not prevent the continuance of meeting for the transaction of any business other than that on which poll has being demanded. The demand for poll may be withdrawn at any time.

In what cases poll taken without adjournment

61. A poll demanded on election of Chairman or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall taken at such time not being later than 48 hours from the time of demand as the Chairman of the meeting directs.

Business may be proceeded with notwithstanding demand for poll

62. A demand for a poll shall not prevent the continuance of the meeting for the transaction of any business other than that on which poll has being demanded. The demand for poll may be withdrawn at any time.

VOTES OF MEMBERS

Votes of Members

63. a) (i) On a show of hands every member holding equity shares present in person shall have one vote.

(ii) On a poll every member holding an equity share either present in person or by proxy shall have voting right in proportion to his share of the paid-up equity share capital.

b) A member holding preference share capital shall not be entitled to vote on any resolution unless:

(i) the dividend due on such capital or any part of such dividend (whether declared or not) has remained unpaid in respect of an aggregate period of not less than two years preceding the date of commencements of the meeting; or

(ii) such a resolution directly affects the rights attached to preference shares; or

(iii) such a resolution is for winding up of the Company on a poll, his voting right, when he is entitled, to, will be in the same proportion as the amount paid up in respect of preference shares held by him bears to total paid-up equity capital of the Company.

Joint holder

64. In the case of joint-holders, the vote of the first named of such joint-holders who tenders a vote whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint-holders.

Member of unsound mind

65. A member of unsound mind, or in respect of whom an order has been made by any Court having jurisdiction in lunacy may vote, whether on a show of hands or on a poll, by his committee or other legal guardian and any such committee or guardian, on a poll, may vote by proxy.

No member shall be entitled to vote while call due to the Company

66. No member shall be entitled to vote at any general meeting unless all calls or other sums personally payable by him in respect of his shares in the Company have been paid.

Proxies permitted on polls

67. On a poll votes may be given either personally or by proxy.

Instrument of proxy

68. The Instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or if the appointer is a corporation either under its common seal or under the hands of its attorney duly authorised in writing. Any person whether or not he is a member of the Company may be appointed as proxy.

Proxy to be deposited at the office

69. The Instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of authority shall be deposited at the Registered Office of the Company not less than forty-eight hours before the time for holding the meeting at which the person named in the instrument proposes to vote and in default the instrument or proxy shall not be treated as valid.

Form of proxy

70. An Instrument appointing a proxy may be in any one of the forms prescribed under Schedule IX of the Act or in any other form as near thereto as circumstances admit.

Form of proxy Corporation acting by representative at meeting

71. Any corporation which is a member of the Company may by resolution of its Board of Directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could have exercised if it were an individual member of the Company.

BOARD OF DIRECTORS

Number of Directors

72. a) The Company shall have not less than three and not more than twelve Directors.

b) The first Directors or the Company shall be the following:

(i) Mr. A. R. Ramakrishnan

(ii) Mr. V. Ashok; and

(iii) Mr. K. K. Sinha

Qualification of Directors

73. No share qualification shall be required of any Director and any person, whether a shareholder or not, may be appointed and continued as a Director without acquiring any share qualifications.

Nominated Directors

74. Notwithstanding anything to the contrary contained in these Articles so long as any monies/liabilities in relation to any of the Facilities remain owing by the Company to the Lenders, the Lenders shall have a right, by a notice in writing addressed to the Company, duly signed by an authorised officer of any of the Lenders, to appoint from time to time, any person or persons, as Director or Directors (such directors hereinafter referred to as the "Lenders' Nominee Director(s)") on the Board of Directors of the Company and to remove from such office any person or persons so appointed and on a vacancy being caused in such office from any cause whether by resignation, death, removal or otherwise, of any such persons so appointed, to appoint any person to fill such vacancy. A Director so appointed by the Lenders shall neither be liable to retire by rotation nor be bound to hold any qualification shares. A Director so appointed by the interested person/s shall neither be liable to retire by rotation nor be bound to hold any qualification shares.

The Lenders' Nominee Director(s) so appointed shall hold the said office only so long as any monies/liabilities in relation to the Facilities remain owning by the Company to the Lenders.

Additional Directors

75. The Board shall have power to appoint one or more individuals as Additional Directors provided that the total number of Directors including Additional Directors so appointed shall not at any time, exceed 12.

Alternate Directors

76. The Board of Directors may appoint any individual to be an Alternate Director during the absence of a Director from the State in which the meetings of the Board are ordinarily held provided such absence shall not be for a lesser period than three months.

Such appointee while he holds office as an Alternate Director shall be entitled to notice of all the meetings of the Board and to attend and vote thereat and on all resolutions proposed by circulation.

Sitting Fees

77. The Directors for the time being of the Company shall each be paid sitting fee of such amount as may be fixed by any authority for the time

being in force for every meeting of the Board or of a Committee of the Board attended by them in addition to all travelling expenses by rail or air or road as the case may be and such other allowances as the Board may decide from time to time in respect of halting and other expenses incurred by them in attending and retuning from such meeting of the Board or of General Meetings of the Company.

Remuneration of Directors

78. a) If any Director shall be appointed to advise the Board as an expert or be called upon to perform extra services or make special exertions for any of the purposes of the Company, the Board may confer such designations to such Directors and may, subject to and in accordance with the provisions of the Act, and in particular Sections 309 and 314 of the Act, pay to such Director/s such special remunerations as they may think fit and the remunerations may be in the form of either salary or commission or percentage of profits and may either be in addition to or in substitution of the remuneration specified in the last preceding article.

b) The non-Wholetime Directors may be paid such remuneration as may be determined by the Board under Section 309 (4) of the Act.

Retirement of Directors

79. Not less than two-thirds of the total numbers of Directors for the time being shall be persons whose period of office is liable to determination by retirement by rotation and in every Annual General Meeting one-third of the number of Directors liable to retire by rotation, shall retire or if their number is not three or a multiple of three, then the number nearest to one-third shall retire from office. The Directors to retire in such cases shall be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

80. A retiring Director shall be eligible for re-election.

Re-Election of persons other than Retiring Directors

81. a) The Company at the Annual General Meeting at which a Director retires in the manner aforesaid may fill the vacated office by electing another individual thereto, if he or some member intending to propose him has, not less than fourteen days before the meeting, left at the office of the Company a notice in writing under his hand signifying his candidature for the office of Director or the intention of such member to propose for such person as a candidate for that office as a case may be.

b) The Company shall inform its members of the candidature of the person for the office of the Director or the intention of the member to propose such person as candidate for that office by serving individual notices on the members not less than seven days before the meeting.

Provided that it shall not be necessary for the Company to serve individual notices upon the members as aforesaid if the Company advertises such candidature or intention, not less than seven days before the meeting in atleast two news papers circulating in the place where the Registered Office of the Company is located of which one is published in English and the other in Vernacular.

On failure of election Retiring Directors to continue

82. If, at any Annual General Meeting at which an election of Directors ought to take place, the place of any retiring Director is not filled up and the meeting has not expressly resolved not to fill up the vacancy the meeting shall stand adjourned till the same day in the next week at the same time and place or if that day is a public holiday, till the next succeeding day which is not a public holiday at same time and place and if at the adjourned meeting also the place of retiring Director is not filled up and that meeting has also not expressly resolved not to fill up the vacancy, he shall, if willing, be deemed to have been reappointed, unless the resolution for such reappointment has been put to vote and lost, either at the adjourned meeting or at the previous meeting.

Increase or reduction in the number of Directors

83. The Company may from time to time, in the General Meeting increase or reduce the number of Directors subject to approval by the Central Government in the case of an increase over the limit prescribed by Section 259 of the Act.

Removal of Directors

84. Any Director other than the Directors appointed under Article 75 hereof and a Director appointed by Central Government in pursuance of Section 408 of the Act may, by ordinary resolution, be removed before the expiry of his period. Special Notice shall be required of any resolution to remove any such Director. Any vacancy so created may be filled by the appointment of another individual in his stead at the meeting at which he is removed provided special notice of the intended appointment at the meeting has been given.

Disqualification of a Director

85. The office of a Director shall become vacant in the circumstances mentioned in Section 283 of the Act. Any Director who submits his resignation from the directorship in writing shall be deemed to have vacated his office immediately from the date of his letter of resignation.

Directors and their contract with the Company

86. a) Subject to the provisions of the Act, the Directors shall not be disqualified by reason of their office as such from contracting with the Company either as vendor, purchaser, lender, agent, broker or otherwise nor shall any such contract or arrangement entered into by/on behalf of the Company with any Director or with the Company or partnership firm in which any Director shall be a Director, member or a partner, or otherwise interested be avoided nor shall any Director so contracting or being so interested in any contract or arrangement be liable to account to the Company for any profit realised on such contract or arrangement by reason only or such Director holding that office or of the fiduciary relation thereby established, but the nature of the interest must be disclosed by him at the meeting of the Board at which the contract or arrangement is determined. If the interest then exists or in any other case at the first meeting of the Board after the acquisition of the interest provided nevertheless that no Director shall vote as a Director in respect of any contract or arrangements in which he is so interested as aforesaid, and if he does so, his vote shall not be counted but he shall be entitled to be present at the meeting during the transaction of the business in relation to which he is precluded from voting although he shall not be counted for the purpose of ascertaining whether there is quorum of Directors present. This restriction shall not apply to any contract by or on behalf of the Company to give to the Directors any security by way of indemnity against any loss which they or any of them may suffer by becoming or being sureties for the Company. A General Notice that any Director is a Director or a partner of any specified company or is a member of any specified firm and is to be regarded as interested in any subsequent transaction with such company or firm shall as regards any such transactions be sufficient disclosure under this Article and after such General Notice it shall not be necessary to give notice (special) relating to any particular transaction with such Company or firm.

b) Nothing in sub-clause (a) shall apply to any contract or arrangement entered into between this Company and any other company where any of the Directors of this Company or two or more of them together holds or hold not more than 2 percent of the paid-up share capital in the other company.

When Director appointed Director of subsidiary Company

87. A Director of this Company may be or become a Director of any other company, promoted by this Company or in which this Company may be interested as vendor, shareholder or otherwise and no such Director shall be accountable to the Company for any benefits he may have derived as a Director or member of such company.

POWER AND DUTIES OF BOARD OF DIRECTORS

General Powers

88. The business of the Company shall be managed by the Board who may exercise all such powers of the Company as are not, by the Act or any statutory modification thereof for the time being in force or by these Articles, required to be exercised by the Company in General Meeting subject nevertheless to any regulations of these Articles or to the provisions, of the said Act, and to such regulations being not inconsistent with the aforesaid regulations or provisions as may be prescribed by the Company in General Meetings, but no regulations made by the Company in General Meetings shall invalidate any prior act of the Board which would have been valid if that regulation had not been made.

Commencement of Business

89. Any branch or kind of business which by the Memorandum of Association of the Company or these presents is expressly or by implication authorised to be undertaken by the Company may be undertaken by the Board at such time or times as they shall think fit and further may be suffered by them to be in abeyance whether such branch or kind of business may have been actually commenced or not so long as the Board may deem it expedient not to commence or
proceed with such branch or kind of business.

Delegation of Power

90. Subject to Section 292 of the Act, the Board may delegate all or any of its powers to any Director, jointly or severely or to any one Director at their discretion.

Power of Attorney

91. The Board may appoint at any time and from time to time by power of attorney under the Company's seal, any person to be the attorney of the Company for such purposes and with such authorities and discretions not exceeding those vested in or exercisable by the Board in these Articles and for such period and subject to such conditions as the Board may from time to time think fit, and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with such attorney as the Board may think fit.

Borrowing

92. The Board of Directors, may from time to time at their discretion, raise any money or borrow or secure payment of or themselves lend any money or sums of money for the purpose of the Company provided that the moneys to be borrowed together with the moneys already borrowed by the Company apart from temporary loans obtained from the Company's banker in the ordinary course of business shall not without the sanction of the Company at a general meeting exceed the aggregate of the paid-up capital of the Company and its free reserves that is to say reserves not set apart for any specific purpose and in particular, the Board may from time to time, and at their discretion raise or borrow or secure the payment of any sum or sums of moneys for the purpose of the Company, by the issue of debentures convertible into share of this or any other company or perpetual annuities, and in Security of any such money so borrowed, raised or received of mortgage, pledge or charge the whole or any part of the property, assets or revenue of the Company, present or future, including its uncalled capital by a special assignment or otherwise or to transfer or convey the same absolutely or in trust and to give the lenders powers of sale and other powers as may, seem expedient; and to purchase, redeem or payoff any such securities.

Assignability of securities

93. a) Subject to the provisions of the Act, debentures or other securities may be made assignable free from any equities between the

Company and the Person to whom the same may be issued any debentures or other securities may be issued at discount, premium or otherwise and with any special privileges as to redemption, surrender, drawings, allotment of shares, appointment of Directors and otherwise.

b) Any Trust Deed for securing debentures or debenture stock may, if so arranged, provide for the appointment from time to time by the trustees thereof or by the holders of the debentures or debenture-stock of some person to be a Director of the Company and may empower such trustees or holder of debenture or debenture-stock from time to time to remove any Director so appointed. A Director appointed under this article is herein referred to as a "Debenture Director" and the term "Debenture Director" means a Director for the time being in office under this Article. A Debenture Director shall not be bound to hold any qualification shares and shall not be liable to retire by rotation or be removed by the Company. The trust deed may contain such ancillary provisions as may be arranged between the Company and the trustees and all such provisions shall have effect notwithstanding any of the other provisions herein contained.

Duty to maintain registers, e.t.c.,

94. The Board shall duly comply the provisions of the Act and in particular with the provisions in regard to the registration of the particulars of the mortgage and charges affecting the properties of the Company or created by it and to keeping Register of Directors and notice of any consolidation or increase of share capital or conversion of shares into stock and copies of special resolutions and other resolutions of the Board as are required to be filed with the Registrar under Section 192 of the Act and a copy of the Register of Directors and notifications of any changes therein.

Minutes

95. a) The Board shall cause minutes to be made in the books provided for the purpose:

(i) of all appointments of officers made by the Board in a meeting;

(ii) of all names of Directors present at each meeting of the Director and of any Committee of the Directors;

(iii) of all resolutions and proceedings at all meetings of the Company and of the Directors and of Committee of Directors;

(iv) In the case of each resolution passed at the meeting of the Board of Director if any, dissenting from or concurring with the resolution.

b) The Chairman of the Meeting may exclude at his absolute discretion such of the matters as are or could reasonably be regarded as defamatory of any person, irrelevant or immaterial of the proceedings or detrimental to the interest of the Company.

c) The Minutes of the proceedings of the General Meetings and the Board Meetings (including any proceedings of the Committee of the Board) shall be written in the books kept for that purpose within 30 days of the conclusion of every such meeting with every page consecutively numbered. Each page of such books shall be initialed or signed and the last page of the record of proceedings of each meeting in such books shall be dated and signed:

(i) In the case of minutes of proceedings of a meeting of the Board or of a Committee thereof by the Chairman of the said meeting or the Chairman of the next succeeding meeting;

(ii) In the case of the minutes of proceeding, of a General Meeting by the Chairman of the same meeting within the aforesaid period of 30 days or in the event of death or inability of that Chairman within the period by a Director duly authorised by the Board for that purpose.

SECRETARY

Secretary of the Company

96. A Secretary may be appointed by the Board for such term, on such remuneration and upon such conditions as it may think fit. Any Secretary so appointed may be removed by the Board.

SEAL

Common Seal of the Company

97. a) The Board shall provide a seal for the purpose of the Company and shall have power from time to time to destroy the same and substitute a new seal in lieu thereof and the Board shall provide for the safe custody of the seal for the time being.

b) The seal of the Company shall not be affixed to any instrument except by the authority of a resolution of the Board or of a Committee of the Board authorised by it in that behalf, and except in the presence of at least one Director or Secretary or such other person as the Board may appoint for the purpose and the Director or Secretary or other person aforesaid shall sign on every instrument to which the seal of the Company is so affixed in his presence, subject to the provisions of Article 14 hereof, in respect of share certificates. The Company may exercise the powers conferred by Section 50 with regard to having an official Seal for use abroad, and such powers shall be vested in the Board.

PROCEEDING OF THE BOARD OF DIRECTORS

Proceedings of the Board

98. The Board may meet together for the despatch of business, adjourn and otherwise regulate their meetings, as they think fit. Questions arising at any meeting shall be decided by a majority of votes in case of equality of votes, the Chairman shall have a second or casting vote. A Director may and the Managing Director, on the requisition of a Director shall at any time summon a meeting of the Board.

Meeting and quorum

99. All meetings of the Board of Directors of the Company shall ordinarily be held at the Registered Office. The quorum for a Board Meeting shall be one-third of the total strength (any fraction contained in that one-third being rounded off as one) or two Directors whichever is higher.

Provided that where at anytime the number of interested Directors exceed or is equal to two third of the total strength, the number of the remaining Directors that is to say, the number of Directors who are not interested and present at the meeting being not less than two shall be the quorum during such time. The Board shall meet at least once in every three months in accordance with Section 285 of the Act.

Power of continuing Directors

100. The continuing Directors may act notwithstanding any vacancy in their body but if and so long as their number is reduced below the number fixed by the Articles as the necessary quorum, the continuing Directors

may act for the purpose of increasing the number of Directors to that number or of summoning a General Meeting of the Company but for no other purpose.

Committee

101. The Board may, subject to the provisions of the Act, delegate its powers to Committee or Committees consisting of such number of members of its body as it thinks fit. A Committee so formed shall in the exercise or the powers so delegated conform to any regulation that may be imposed on it by the Board.

Chairman of Committee

102. A Committee may elect Chairman of its meeting. If no such Chairman is elected or if at any meeting the Chairman is not present within 5 minutes after the time appointed for holding the meeting, the members present may choose one of their members to be Chairman of the Meeting.

Proceedings of Committee

103. A Committee may meet and adjourn as it thinks proper. Questions arising at any meeting of a Committee shall be determined by a majority of votes of the members present and in case of an equality of votes the Chairman shall have a second or casting vote.

Act of Board e.t.c., valid in spite of defective appointment of Directors

104. All acts done at any meetings of the Board or of a Committee thereof or by any person acting as a Director shall notwithstanding that it may afterwards be discovered that there was some defect in the appointment of anyone or more of such Directors or of any person acting as aforesaid or that any of them were disqualified be as valid as if every such Director or such person had been duly appointed and was qualified to be a Director.

Resolution in writing without meeting valid

105. A resolution shall be deemed to have been duly passed by the Board or by a Committee thereof by circulation if the resolution has been circulated in draft, together with the necessary papers, if any, to all the Directors or to all the members of the Committee then in India (not being less in number for quorum fixed for a meeting of the Board or Committee) as the case may be and to all other Directors or members at their usual address in India and has been approved by such of the Directors as are then in India or by a majority of such of them as are entitled to vote on the resolution.

MANAGING DIRECTOR

Managing Director

106. Subject to the provisions of the Act and approval of the Central Government the Directors may from time to time, appoint one or more of their body to be Managing Director(s) or Wholetime Director(s) with any designation as the case may be of the Company for a fixed period not exceeding five years at a time for which he or they is / are to hold office and may from time to time (subject to the provisions of any contract between him or them and the Company) remove or dismiss him or them from office and appoint another or others in his or their places. A retiring Managing Director or Wholetime Director as the case may be, shall not while he or they continues or continue to hold that office be subject to retirement by rotation and shall not be reckoned as Directors to retire by rotation. But he or they shall ipso facto cease to be Managing Director or Whole-time Director(s) as the case may be, if he or they cease to hold the office of Director(s) from any cause.

REMUNERATION OF MANAGING DIRECTORS

Remuneration of Managing Director

107. a) Subject to the provisions of Sections 198 and 309 of the Act and subject to such sanction of the Company Law Board as may be necessary, the Board of Directors may determine the remuneration payable to the Managing Director or the Joint Managing Directors as the case may be in any manner they may deem fit. The remuneration may be in the form of a monthly salary or a commission based on profits or partly in one way and partly in another.

b) The Director may, in addition to the remuneration referred to in the preceding clause provide to the Managing Director or Joint Managing Directors as the case may be such allowances, amenities, benefits and facilities as they may deem fit from time to time with such sanction as may be necessary.

c) The Managing Director or the Joint Managing Directors as the case may be shall be entitled to be reimbursed all his or their out-of-pocket expenses incurred by him or them in connection with the business of the Company.

POWERS AND DUTIES OF THE MANAGING DIRECTORS

Powers and duties of Managing Director

108. Subject to the provisions of the Act, the Directors may from time to time entrust to and confer upon the Managing Director or Joint Managing Directors as the case may be for the time being such of the powers exercisable under these presents by the Board of Directors as they may think fit and may confer such powers for such time and to be exercised for such object and purposes and upon such terms and conditions and with such restrictions as they may think expedient and they may confer such powers either collaterally with or to the exclusion of and in substitution for all or any of the powers of the Board of Directors in that behalf and may from time to time revoke, withdraw, alter or vary all or any of such powers. The Joint Managing Directors may exercise all the powers entrusted to them by the Board of Directors jointly and severally in any manner as they may deem fit.

DIVIDENDS AND RESERVES

Dividends

109. The Company in General Meeting may declare dividends but no dividend shall exceed the amount recommended by the Board.

Interim Dividends

110. The Board may from time to time pay to the members such interim dividends as appear to it to be justified by the profits of the Company.

Reserve Fund

111. a) The Board may, before recommending any dividend, set aside out of the profits of the Company, such sums as it thinks proper as reserves which shall at the discretion of the Board be applicable for any purpose for which the profits of the Company may be properly applied, including provisions for meeting contingencies or for equalising dividends: and pending such application may at the like discretion either be employed in the business of the Company or be invested in investment, (other than share of the Company) as the Board may, from time to time, think fit.

b) The Board may also carry forward any profits which it may think prudent not to divide, without setting them aside as a reserve.

Dividend how calculated

112. a) Subject to the rights of persons if any, entitled to shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid or credited as paid upon the shares in respect whereof the dividend is paid, but if and so long as nothing is paid upon any of the share in the Company, dividends may be declared and paid according to the nominal amounts of the shares.

b) No amount paid or credited as paid on a share in advance of calls shall be treated for the purposes of this Article as paid on the share.

c) All dividends shall be apportioned and paid proportionately to the amount paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms providing that it shall rank for dividend as from a particular date such share shall rank for dividend accordingly.

113. Notwithstanding anything to the contrary herein contained in the case of partly paid shares where allotment money and/or call money are paid from time to time the same shall be deemed to have been paid on the last date on which the same was required to be paid by the Company for the purpose of computing the amount of dividend payable on such shares. Where such allotment and/or call money are paid after the last date on which it was required to be paid the same shall be ignored for the purposes of calculating the amount of dividend to be paid.

Appropriation of Dividends towards calls-in-arrears

114. The Board may deduct from any dividend payable to any member all sums of money if any presently payable by him to the Company on account of calls or otherwise in relation to the shares of the Company.

Dividends

115. a) Any General Meeting declaring a dividend or bonus may direct payment of such dividend or bonus wholly or partly by the distribution of specific assets and the Board shall give effect to the resolution of the Meeting.

b) Where any difficulty arises in regard to such distribution the Board may settle the same as it thinks expedient and in particular may issue fractional certificates and fix and value for the distribution, of which specific assets or any part thereof and may determine that cash payments shall be made to any members upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such specific assets in trustees as may seem expedient to the Board.

Dividends how paid

116. a) Any dividend, interest or other moneys payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the holders or in the case of joint holders who is first named on the Register of Members or to such persons and to such address as the holder or joint-holders may in writing direct.

b) Every such cheque or warrant shall be made payable to the order of the person to whom it is sent.

c) No unclaimed dividend shall be forfeited by the Board and the Company shall comply with the provisions of Section 205 (a) of the Act in respect of such dividend.

Joint Holders

117. Any one or two more joint-holders of a share may give effectual receipts for any dividends, bonus or other moneys payable in respect of such share.

Notice of Declaration of Dividend

118. Notice of any dividend that may have been declared shall be given to the person entitled to share therein in the manner mentioned in the Act.

ACCOUNTS

Accounts

120. a) The Board shall, in accordance with Section 209 of the Act, cause proper books of account to be kept with respect to:

(i) All sums of money received and expended by the Company and the matters in respect of which the receipt and expenditure take place.

(ii) All sales and purchase of goods by the Company.

(iii) Assets and liabilities of the Company.

Proper books shall not be deemed to be kept if there are not kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to explain transactions.

b) The books of accounts shall be kept at the Registered Office of the Company or at such other place or places in India as the Board thinks fit and shall always be open to the inspection of the Directors during business hours.

Inspection of books by member other than Directors

121. The Board shall, from time to time determine whether and to what extent and at what time and place and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of members not being Directors and no member (not being a Director) shall have any right of inspecting any account or books or documents of the Company except as conferred by statute or authorised by the Board or by the Company in General Meetings.

Balance Sheet and Profit and Loss Account

122. The Board shall in accordance with Sections 210, 216 and 217 of the Act, cause to be prepared and to be laid before the Company in General Meeting such Profit and Loss Account, Balance Sheet and other documents and reports as referred to in these sections. The Company shall comply with the provisions of Section 219 of the Companies Act, 1956.

CAPITALISATION OF PROFITS

Resolution to capitalise

123. a) The Company in General Meeting may, upon the recommendation of the Board resolve:

(i) that if desirable to capitalise any part of the amount for the time being standing to the credit of any of the Company's Reserve Accounts or to the credit of the Profit and Loss Account or otherwise available for distribution; and

(ii) that such sum be accordingly set free for distribution in the manner specified in Clause (b) amongst the members, who would have been entitled thereto, if distributed by way of dividend and in the same proportions.

b) The sums aforesaid shall not be paid in cash, but shall be applied subject to the provisions contained in Clause (c) either in or towards:

(i) paying up any amounts for the time being unpaid on any shares held by such members respectively;

(ii) paying up in full, unissued shares or debentures of the Company to be allotted and distributed, credited as fully paid up to and amongst such members in the proportions aforesaid; or

(iii) partly in the way specified in sub-clause (i) and partly specified in sub-clause (ii).

c) A Share Premium Account and a Capital Redemption Reserve Fund may, for the purpose of this Article only be applied in paying up of unissued shares to be issued to members of the Company as fully paid bonus shares.

d) The Board shall give effect to the resolution passed by the Company in pursuance of this Article.

Capitalisation

124. a) Whenever such a resolution as aforesaid shall have been passed, the Board shall:

(i) make all appropriations and applications of the undivided profits resolved to be capitalised thereby and all allotments/issues of fully paid shares or debentures, if any; and

(ii) generally do all act and things required to give effect thereto.

b) The Board shall have full power:

(i) to make such provision, by the issue of fractional certificates or by payment in cash or otherwise as it thinks fit, in case of shares or debentures becoming distributable infractions and also;

(ii) to authorise any person to enter on behalf of all the members entitled thereto, into an agreement with the Company providing for the allotment to them respectively credited as fully paid up of any further shares or debentures to which they may be entitled upon such capitalization (as the case may require) for the payment of by the Company on their behalf by the application thereto of their respective proportions of the profits resolved to be capitalised, for the amounts or any part of the amount, remaining unpaid on their existing shares.

c) Any agreement made under such authority shall be effective and binding on all such members.

SERVICE OF DOCUMENTS AND NOTICE

Service of document on Company

125. A document must be served on the Company or an officer thereof by sending it to the Company by post under a certificate of posting or by registered post or by leaving it at the Registered office.

Service on members by the Company

126. a) Documents may be served by the Company on any member either personally or by sending it by post to him or to his registered address or (if he has no registered address in India) to the address, if any, within India supplied by him to the Company for the giving of notices to him.

b) Where a document is sent by post, service thereof shall deemed to be effected by properly addressing, prepaying and posting a letter containing the document provided that where a member has intimated to the Company in advance that documents should be sent to him under a certificate of posting or by registered post with or without acknowledgement and has deposited with the Company a sum sufficient to defray the expenses for doing so, service shall not be deemed to be effected unless it is sent in the manner intimated by the members and unless the contrary is proved such service shall be deemed to have been effected.

(i) in the case of a notice of a meeting at the expiration of 48 hours after the letter containing the same is posted; and

(ii) in any other case at the time at which the letter would be delivered in the ordinary course of post.

Members with no registered address in India

127. If a member has no registered address in India and has not supplied to the Company any address within India for the giving of notices to him a document advertised in a newspaper circulating in the neighborhood of the Registered Office of the Company shall be deemed to b duly served on him on the day on which the advertisement appears.

Notice to joint-holder

128. A notice may be given by the Company to joint-holders of a share by giving notice to the joint-holder named first in the Register in respect of the share.

Notice to deceased or Bankrupt Members

129. A document may be served by the Company on the persons entitled to a share in consequence of the death or insolvency of member by sending it through the post in a prepaid letter addressed to them by name or by the title of representative of the deceased or assignee of the insolvent or by any like description at the address if any in India supplied for the purpose by the person claiming to be so entitled or until such an address has been so supplied by serving the document in any manner in which the same might have been served if the death or bankruptcy had not occurred.

Notice to Auditor

130. The Auditor of the Company shall be served with a notice of the Annual General Meeting at which the accounts audited by him are to be adopted.

WINDING UP

131. If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Act divide amongst the members in specie or in kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose set such values he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction vest the whole or any part of such asset in Trustees upon such trusts for the benefit of the contributories as the liquidator with the like sanction, shall think fit, but so that no member shall be compelled to accept any shares or other securities whereon there is any liability.

INDEMNITY

132. Every officer or agent for the time being of the Company shall be indemnified out of the assets of the Company against any liability incurred by him in defending any proceedings, whether civil or criminal in which judgment is given in his favour or in which he is acquitted or in connection with any application under Section 633 of the Act in which relief is granted to him by Court.

SECRECY

133. No member shall be entitled to inspect the Company's books without the permission of the Board or require discovery of any matter which is or may be in the nature of trade secret, mystery of trade or secret process, which may relate of the conduct of the business of the Company and which in the option of the Board it will not be expedient in the interest of the members of the Company to communicate to the Public.

XV	Documents for Inspection

The following contracts (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of this Information Memorandum) which are or may be deemed material have been entered or to be entered into by our Company.

Copies of following documents are available at our Registered office at Administrative Building, Essar Refinery Complex, Okha Highway (SH-25), Taluka Khambalia, Jamnagar, Gujarat, India – 361 305, for inspection on any working day (i.e., Monday to Friday and not being a bank holiday) from 2.00 p.m. to 5.00 p.m.

1. Memorandum and Articles of Association of the Company along with Certificate of Incorporation issued by Registrar of Companies, Gujarat, Ahmedabad;

2. The Order of Hon'ble High Court of Gujarat at Ahmedabad dated March 1, 2011sanctioning the Composite Scheme of Amalgamation and Arrangement;

3. Copy of Tripartite Agreement with National Securities Depository Limited and Central Depository Services (India) Limited;

4. Memorandum of Understanding with the Registrar and Share Transfer Agent;

5. Resolution for appointment of Managing Director and Whole-time Director of the Company;

6. Board Resolution dated May 21, 2011 for allotment of shares pursuant to the Composite Scheme along with Return of Allotment;

7. In-Principle approval from NSE *vide* their Letter No. NSE/LIST/168164 dated June 20, 2011;

8. In-Principle approval from BSE *vide* their Letter No. DCS/AMAL/NTP/IP/376/2011-12 dated September 6, 2011; and

9. SEBI Letter No. CFD/DIL/SK/PN/OW/32820/2011 dated October 19, 2011 granting relaxation from the applicability of Rule 19(2)(b) of the Securities Contract Regulation (Rules) 1975 for listing of Shares of the Company.

XVI Declaration

No statement made in this Information Memorandum contravenes any of the provisions of the Companies Act, 1956 and the rules made thereunder. All the legal requirements connected with the said issue as also the guidelines, instructions etc., issued by SEBI, Government and any other competent authority in this behalf have been duly complied with.

All the information contained in this document is true and correct.

On behalf of the Board of Directors of
Essar Shipping Limited

Vinayak Joshi
Company Secretary &
Compliance Officer
Mumbai
November 9, 2011