

**Independent Auditor's Report on Annual Consolidated Financial Results of the Company pursuant to the Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

**To Board of Directors of Essar Shipping Limited**

1. We have audited the statement of consolidated financial results of Essar Shipping Limited ("the Company") for the quarter ended March 31, 2016 and the consolidated year to date results for the period April 1, 2015 to March 31, 2016, ("the statement") attached herewith, being submitted by the company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. This statement which is the responsibility of the company's management and approved by the Board of Directors, has been prepared on the basis of the related consolidated financial statements, which have been prepared in accordance with the recognition and measurement principles laid down in Accounting Standards prescribed, under Section 133 of the Companies Act, 2013 read with relevant rules issued thereunder, as applicable and other accounting principles generally accepted in India. Our responsibility is to express an opinion on the statement.
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 results are free of material misstatement.
3. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the statement. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement in the statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Company's preparation and fair presentation of the statement in order to design audit procedures that are appropriate in the circumstances. An audit includes assessing and examining, on a test basis, evidence supporting the amounts disclosed as financial results. An audit also includes assessing the accounting principles used and significant estimates made by management. We believe that our audit provides a reasonable basis for our opinion.
4. Attention is invited to Note 4 of the statement regarding management's ongoing assessment of possible impairment of Goodwill of Rs. 6062.56 crores related to Oilfields Services Business and that of certain Rigs of the said business having carrying amounts of Rs. 137.03 crores (including Capital work-in-progress of Rs. 79.04 crores) as at March 31, 2016 in terms of Accounting Standard (AS) 28- Impairment of Assets as notified pursuant section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014. We have been informed that the management has not yet concluded the process of validating various operational assumptions impacting the future cash flows from Oilfield Services Business and consequent effect on the recoverable amount of Goodwill and aforesaid Rigs. Pending conclusion of the said assessments, we are unable to comment on the extent of diminution, if any which may be required in respect of carrying amount of the aforesaid Rigs and the Goodwill.

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5. We did not audit the financial statements of 1 subsidiary included in the statement, whose financial statements reflect total assets of Rs. 3869.85 crores and total revenue of Rs. 49.16 crores for the year ended March 31, 2016. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us by the management and our opinion on the consolidated results included in the statement, in so far as it relates to the amounts and disclosures included in respect of this subsidiary is based solely on the report of the other auditor.
6. The Statement includes unaudited figures in respect of 2 associates which are as approved by their management, whose financial statement reflects total assets of Rs. 49.75 crores and total revenue of Rs. Nil for the year ended March 31, 2016. In our opinion and according to the information and explanation given to us by the Management, these financial statements are not material to this Statement.
7. Attention is invited to Note 8 of the Statement regarding figures for the quarter ended March 31, 2016, being balancing figures between the audited figures in respect of the full financial year and the published year to date figures up to the third quarter of the relevant financial year. Also the figures up to the end of the third quarter had only been reviewed and not subjected to audit.
8. In our opinion and to the best of our information and according to the explanations given to us, except for the possible effects of the matter discussed in para 4 above, the statement:
  - i. include the quarterly financial results and year to date of the following entities as annexed to this report;
  - ii. is presented in accordance with the requirements of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 in this regard; and
  - iii. give a true and fair view of the net loss and other financial information for the quarter ended March 31, 2016 as well as the year to date results for the period from April 1, 2015 to March 31, 2016.

For CNK & Associates LLP

Chartered Accountants

Firm Registration Number: 101961W

Himanshu Kishnadwala

Partner

Membership No. 37391

Place: Mumbai

Date: May 25, 2016



**List of Subsidiaries consolidated**

1. Arkay Logistics Limited
2. Essar Oilfield Services Limited ( Mauritius)
3. Essar Oilfield Services India Limited
4. Energy Transportation International Limited
5. Energy II Limited
6. Essar Shipping DMCC

**List of Associates Consolidated**

1. Varada Drilling One Pte Limited
2. Varada Drilling Two Pte Limited

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**ESSAR SHIPPING LIMITED**

Regd. Office: Administrative Bldg., Essar Refinery Complex, Okha Highway (SH-25), Taluka Khambalia, Dist. Jamnagar 361305  
 Email id: esl.secretarial@essar.com, website: www.essar.com, CIN:L61200GJ2010PLC060285

**Head Office: Essar House, 11, Keshavrao Khadye Marg, Mahalaxmi, Mumbai 400 034**

**Statement of Consolidated Audited Financial Results for the quarter and year ended 31st March, 2016**

		₹ In crore				
Sl.No.	Particulars	Quarter ended			Year ended	
		31.03.2016 (Refer note 8)	31.12.2015 (Unaudited)	31.03.2015 (refer note 8)	31.03.2016 (Audited)	31.03.2015 (Audited)
1	a) Income from operations					
	i) Fleet operating and chartering	143.71	191.88	174.60	752.35	800.05
	ii) Logistics services	274.24	214.88	194.45	858.17	796.31
	iii) Oilfields services	25.93	25.58	56.22	103.48	308.32
	b) Other operating income including profit on sale of fleet (net)	1.74	1.19	1.24	5.63	5.94
	<b>Total income from operations</b>	<b>445.62</b>	<b>433.53</b>	<b>426.51</b>	<b>1,719.63</b>	<b>1,910.62</b>
2	<b>Expenses</b>					
	a) Direct operating expenses	201.77	258.02	148.54	993.49	1,027.90
	b) Dry docking	1.76	5.97	2.11	14.23	24.08
	c) Standing cost	59.89	54.94	66.98	220.40	283.00
	d) Employee benefits expense	36.22	35.25	48.92	136.70	203.40
	e) Depreciation	115.32	115.32	91.08	458.25	424.06
	f) Other expenses (refer note 5)	58.46	11.74	67.35	114.29	145.22
	<b>Total expenses</b>	<b>473.42</b>	<b>481.24</b>	<b>424.98</b>	<b>1,937.36</b>	<b>2,107.66</b>
3	<b>(Loss) / Profit from operations before other income, finance costs and tax</b>	<b>(27.80)</b>	<b>(47.71)</b>	<b>1.53</b>	<b>(217.73)</b>	<b>(197.04)</b>
4	Other income	13.69	55.35	34.62	265.93	242.67
5	<b>(Loss)/ Profit before finance costs and tax</b>	<b>(14.11)</b>	<b>7.64</b>	<b>36.15</b>	<b>48.20</b>	<b>45.63</b>
6	Finance costs	131.42	111.94	192.91	479.32	477.13
7	<b>Loss before tax</b>	<b>(145.53)</b>	<b>(104.30)</b>	<b>(156.76)</b>	<b>(431.12)</b>	<b>(431.50)</b>
8	Tax expenses	6.13	5.31	2.89	21.94	27.38
9	<b>Loss for the period / year before share of loss of associates</b>	<b>(151.66)</b>	<b>(109.61)</b>	<b>(159.65)</b>	<b>(453.06)</b>	<b>(458.88)</b>
10	Share of loss of associates	(0.00)	(0.02)	(0.04)	(0.03)	(0.07)
11	<b>Loss for the period / year</b>	<b>(151.66)</b>	<b>(109.63)</b>	<b>(159.69)</b>	<b>(453.09)</b>	<b>(458.95)</b>
12	Paid-up equity share capital (face value of ₹10/- each)	206.98	205.23	205.23	206.98	205.23
13	Reserves				6,526.62	6,674.82
14	<b>Earnings per share (EPS) ( *not annualised)</b>					
	(a) Basic (in ₹)	*(7.38)	*(5.34)	*(7.78)	(22.05)	(22.36)
	(b) Diluted (in ₹)	*(7.38)	*(5.34)	*(7.78)	(22.05)	(22.36)
	See accompanying notes to the financial results					



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NOTES:			
1 Statement of consolidated assets and liabilities as at 31st March, 2016			
Particulars	As at 31.03.2016 (Audited)	As at 31.03.2015 (Audited)	
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
(a) Share capital	206.98	205.23	
(b) Reserves and surplus	6,526.62	6,674.82	
	<b>6,733.60</b>	<b>6,880.05</b>	
<b>Non-current liabilities</b>			
(a) Long-term borrowings	3,219.73	2,464.10	
(b) Deferred tax liabilities (Net)	15.49	17.40	
(c) Other long term liabilities	6.04	50.64	
(d) Long-term provisions	30.57	26.80	
	<b>3,271.83</b>	<b>2,558.94</b>	
<b>Current liabilities</b>			
(a) Short-term borrowings	511.41	241.58	
(b) Trade payables	753.17	763.80	
(c) Other current liabilities	2,261.09	2,873.99	
(d) Short-term provisions	130.55	133.89	
	<b>3,656.22</b>	<b>4,013.26</b>	
	<b>13,661.65</b>	<b>13,452.25</b>	
<b>TOTAL ASSETS</b>			
<b>Non-current assets</b>			
(a) Fixed assets			
(i) Tangible assets	3,689.52	4,088.00	
(ii) Capital work-in-progress	79.04	78.37	
(b) Goodwill on consolidation (refer note 4)	6,067.87	5,725.86	
(c) Non-current investments	62.51	62.48	
(d) Deferred tax assets (Net)	-	-	
(e) Long-term loans and advances	144.74	149.44	
(f) Other non-current assets	44.87	86.68	
	<b>10,088.55</b>	<b>10,190.83</b>	
<b>Current assets</b>			
(a) Current investments	-	0.10	
(b) Inventories	87.25	77.93	
(c) Trade receivables	267.96	301.08	
(d) Cash and bank balances	35.00	43.62	
(e) Short-term loans and advances	1,410.93	1,139.62	
(f) Other current assets	1,771.96	1,699.07	
	<b>3,573.10</b>	<b>3,261.42</b>	
	<b>13,661.65</b>	<b>13,452.25</b>	
2	The above financial results were reviewed by the Audit Committee and approved by the Board of Directors at the meeting held on 25th May, 2016.		
3	The Consolidated financial results include the results of two Indian subsidiaries, four overseas subsidiaries and two associate companies. The operations include fleet operating and chartering, logistics services and oilfields services.		
4	Goodwill of ₹ 6062.56 crore on consolidation in the financial statements of the group pertains to the Oilfields Services Business. The carrying amount of certain rigs (including capital work-in-progress of ₹ 79.04 crore) which have generally not been deployed for extended period of time of the said business is ₹ 137.02 crore as at 31st March, 2016. The Management is in the process of validating various operational assumptions impacting the estimated future cash flows from the operations of the rigs of the said subsidiary, and the consequent effect on the valuation of the subsidiary to determine whether there is any decline, other than temporary in the value of the aforesaid investment. Pending conclusion of the said assessment, the recoverable amounts of the goodwill and the rigs, are not yet estimated and accordingly, provision for impairment of the goodwill and the rigs, if any, has not been recognised as at 31st March, 2016 and the Statutory Auditors in their Audit Report have expressed their inability to comment on this matter.		
5	Other expenses during the current quarter and year includes provision for diminution in value of vessel held for sale amounting to ₹ 28.86 crore.		
6	The Company has received an award in its favour for an amount of US\$ 47.13 million on account of arbitration initiated by the Company against a charterer for illegally terminating a Contract of Affreightment (COA) entered between the Company and the charterer and no impact of the same has been considered in the above results.		
7	Tax expense for the period / year includes income tax, tonnage tax and deferred tax.		
8	The figures for the quarter ended 31st March, 2016 and 31st March, 2015 are the balancing figures between the audited figures in respect of the full financial year and the published year to date figures up to third quarter of the relevant financial year.		

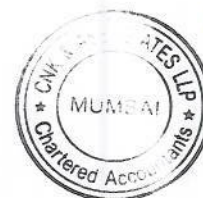
For and on behalf of the Board



Anoop Kumar Sharma  
Managing Director

Place: Mumbai

Date: 25th May, 2016



**Audited consolidated segment wise Revenue, Results and Capital employed for the quarter and year ended 31st March, 2016**

Particulars	₹ in crore				
	Quarter ended			Year ended	
	31.03.2016 (refer note 6)	31.12.2015 (Unaudited)	31.03.2015 (refer note 6)	31.03.2016 (Audited)	31.03.2015 (Audited)
<b>Segment revenue</b>					
<b>Operating Income</b>					
Fleet operating and chartering	217.90	201.31	188.42	855.90	841.51
Logistics services	274.94	215.07	194.75	859.64	798.39
Oilfields services	26.51	26.18	73.31	105.83	366.66
<b>Total</b>	<b>519.35</b>	<b>442.56</b>	<b>456.48</b>	<b>1,821.37</b>	<b>2,006.56</b>
Less : Inter segment revenue	(73.73)	(9.03)	(29.97)	(101.74)	(95.94)
<b>Total income from operations</b>	<b>445.63</b>	<b>433.53</b>	<b>426.51</b>	<b>1,719.63</b>	<b>1,910.62</b>
<b>Segment results</b>					
Fleet operating and chartering	66.57	0.58	40.72	42.41	(72.42)
Logistics services	28.01	18.97	29.64	85.60	68.85
Oilfields services	(122.37)	(67.26)	(68.83)	(345.73)	(193.47)
<b>Loss / Profit before other income and finance costs</b>	<b>(27.79)</b>	<b>(47.71)</b>	<b>1.53</b>	<b>(217.72)</b>	<b>(197.04)</b>
Add: Other income	13.69	55.35	34.62	265.93	242.67
Less: Unallocated interest and finance costs	(131.42)	(111.94)	(192.91)	(479.32)	(477.13)
<b>Loss before tax</b>	<b>(145.52)</b>	<b>(104.30)</b>	<b>(156.76)</b>	<b>(431.11)</b>	<b>(431.50)</b>
Less: Tax expense	(6.13)	(5.31)	(2.89)	(21.94)	(27.38)
<b>Loss for the period / year before share of loss of associates</b>	<b>(151.66)</b>	<b>(109.61)</b>	<b>(159.65)</b>	<b>(453.06)</b>	<b>(458.88)</b>
Share of (loss) / profit of associates	(0.00)	(0.02)	(0.04)	(0.03)	(0.07)
<b>Loss for the period / year</b>	<b>(151.66)</b>	<b>(109.63)</b>	<b>(159.69)</b>	<b>(453.09)</b>	<b>(458.95)</b>
<b>Capital employed (segment assets - segment liabilities)</b>					
Fleet operating and chartering	1,426.07	1,446.39	1,598.92	1,426.07	1,598.92
Logistics services	61.91	(26.02)	(37.88)	61.91	(37.88)
Oilfields services	9,624.13	9,793.79	9,623.91	9,624.13	9,623.91
Unallocated	944.26	771.21	857.93	944.26	857.93
<b>Total</b>	<b>12,056.37</b>	<b>11,985.37</b>	<b>12,042.88</b>	<b>12,056.37</b>	<b>12,042.88</b>

For and on behalf of the Board



**Anoop Kumar Sharma**  
Managing Director

Place: Mumbai

Date: 25th May, 2016



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