

**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 30<sup>th</sup> 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

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

## Opinion

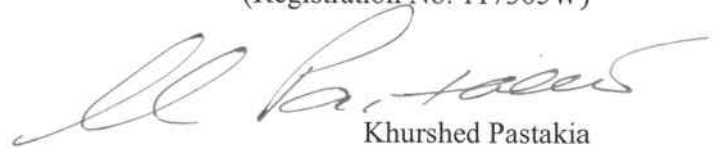
In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 30<sup>th</sup> 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)
<b>I. SOURCES OF FUNDS</b>			
Shareholders' funds:			
Capital	1	205.23	205.23
Reserves and surplus	2	5,003.10	5,036.48
		<u>5,208.33</u>	<u>5,241.71</u>
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
		<u>5,420.54</u>	<u>4,989.05</u>
Deferred tax liability (net) (refer note no. B(11) of schedule13)		27.06	22.26
<b>Total</b>		<u><b>10,655.93</b></u>	<u><b>10,253.02</b></u>
<b>II. APPLICATION OF FUNDS</b>			
Fixed assets:	5		
Gross block		5,590.87	5,222.01
Less: Depreciation		1,239.33	1,086.93
Net block		<u>4,351.54</u>	<u>4,135.08</u>
Capital work-in-progress (including capital advances) and expenditure during construction		1,551.18	1,500.64
		<u>5,902.72</u>	<u>5,635.72</u>
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
		<u>1,763.45</u>	<u>1,537.09</u>
Less: Current liabilities and provisions:	8		
Liabilities		645.56	568.29
Provisions		26.51	11.73
		<u>672.07</u>	<u>580.02</u>
<b>Net current assets</b>		<b>1,091.38</b>	<b>957.07</b>
Miscellaneous expenditure (to the extent not written off or adjusted)		3.42	1.82
<b>Total</b>		<u><b>10,655.93</b></u>	<u><b>10,253.02</b></u>
(*amount less than ₹ 1 lakh)			
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS</b>	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

  
Vikram Gupta  
Chief Financial Officer

Place: Mumbai  
Dated: 9th November, 2011

  
K. V. Krishnamurthy  
Director

  
Vinayak Joshi  
Company Secretary





**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)
<b>INCOME</b>			
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
		<u>1,280.11</u>	<u>1,342.80</u>
<b>EXPENDITURE</b>			
Operating expenses	10	959.33	939.94
Establishment and other expenses	11	58.18	65.87
Currency exchange loss, net		0.70	-
		<u>1,018.21</u>	<u>1,005.81</u>
<b>PROFIT BEFORE INTEREST, DEPRECIATION AND TAX</b>		<b>261.90</b>	<b>336.99</b>
Interest and finance expenses	12	155.42	139.37
<b>PROFIT BEFORE DEPRECIATION AND TAX</b>		<b>106.48</b>	<b>197.62</b>
Depreciation		167.72	162.23
<b>(LOSS) / PROFIT BEFORE TAX</b>		<b>(61.23)</b>	<b>35.39</b>
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)
		<u>(5.60)</u>	<u>(2.09)</u>
<b>(LOSS) / PROFIT FOR THE PERIOD AVAILABLE FOR APPROPRIATIONS</b>		<b>(66.83)</b>	<b>33.30</b>
Balance brought forward from previous year		88.07	-
<b>AMOUNT AVAILABLE FOR APPROPRIATION</b>		<b>21.23</b>	<b>33.30</b>
<b>APPROPRIATIONS</b>			
Less: Transferred to tonnage tax reserve		-	20.00
Less: Transferred to debenture redemption reserve		-	10.00
Balance carried to balance sheet		<u>21.23</u>	<u>3.30</u>
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
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS</b>		<b>13</b>	

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

Vikram Gupta  
Chief Financial Officer

Place: Mumbai  
Dated: 9th November, 2011

K. V. Krishnamurthy  
Director

Vinayak Joshi  
Company Secretary

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)
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
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)
<b>Operating profit before working capital changes</b>	<b>343.75</b>	<b>277.35</b>
Adjustments for:		
Trade and other receivables	(161.27)	(33.52)
Inventories	(10.00)	(4.51)
Trade and other payables	75.52	(13.16)
<b>Cash generated from operations</b>	<b>248.00</b>	<b>226.15</b>
Income tax paid	(17.21)	(12.63)
<b>Net cash flow from operating activities</b>	<b>230.79</b>	<b>213.52</b>
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>		
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
<b>Net cash used for investing activities</b>	<b>(174.89)</b>	<b>(735.24)</b>
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
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)
<b>Net cash flow from financing activities</b>	<b>(99.67)</b>	<b>254.85</b>
<b>INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(43.77)</b>	<b>(266.86)</b>
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)
<b>Cash and cash equivalents at end of the year</b>	<b>25.63</b>	<b>69.39</b>
<b>Notes :</b>		
<b>1 Cash and bank balances include :</b>		
Cash and cash equivalents	25.63	69.39
Balances in fixed deposits (maturity period of more than 3 months)	190.33	154.97
<b>CASH AND BANK BALANCES ( as per schedule 7)</b>	<b>215.95</b>	<b>224.36</b>




**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)
<b>2 Non cash transactions</b>		
i) Pursuant to the scheme, the EPL has transferred the following assets and liabilities at its book value as on 01.10.2010.		
<b>a) Assets:</b>		
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
		<b>6,515.99</b>
<b>b) Liabilities</b>		
Secured loans		2,495.89
Finance lease obligations		884.81
Unsecured loans		1,248.69
Current liabilities and provisions		605.46
		<b>5,234.85</b>
Net Assets		<b>1,281.14</b>
ii) Equity shares - pending allotment refer note no. B (2) of schedule 13)		205.23
<b>3</b> 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

  
**Vikram Gupta**  
Chief Financial Officer

Place: Mumbai  
Date: 9th November, 2011

  
**K.V. Krishnamurthy**  
Director

  
**Vinayak Joshi**  
Company Secretary

**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 31.03.2011 (₹ in crore)
<b>SCHEDULE 1</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
50,000 Equity shares of ₹ 10/- each	0.05	0.05
49,99,50,000 Increase of equity shares under the Scheme of arrangement	499.95	499.95
	<u>500.00</u>	<u>500.00</u>
<b>Issued, subscribed and paid up</b>		
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 (allotted 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 (allotted on May 21,2011) (refer note no.B (2) of Schedule 13)	205.23	-
	<u>205.23</u>	<u>205.23</u>
<b>SCHEDULE 2</b>		
<b>RESERVES AND SURPLUS</b>		
<b>Debenture redemption reserve</b>		
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
<b>Tonnage tax reserve</b>		
(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
<b>Hedging Reserve Account (refer note no B 4(b) of schedule 13)</b>		
	(17.70)	-
<b>General reserve</b>		
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
<b>Foreign currency translation reserve</b>		
	109.35	58.20
<b>Balance in Statement of Profit and Loss</b>		
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
	<u>21.23</u>	<u>88.06</u>
	<u>5,003.10</u>	<u>5,036.48</u>



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)
<b>SCHEDULE 3</b>		
<b>SECURED LOANS</b>		
<b>SHIPPING BUSINESS:</b>		
<b>Debentures</b>		
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.		
<b>Loans from banks</b>		
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	4.50
	678.20	
<b>Loan from financial institution</b>		
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	
<b>LOGISTICS BUSINESS:</b>		
<b>Loans from banks</b>		
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	-	0.26
	206.81	
<b>OIL FIELDS SERVICES BUSINESS:</b>		
<b>Loans from banks</b>		
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
<b>Loan from financial institution</b>		
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	64.81
	1,434.58	64.81
<b>TOTAL</b>	<b>3,190.25</b>	<b>2,904.25</b>
<b>SCHEDULE 4</b>		
<b>UNSECURED LOANS</b>		
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

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SCHEDULE ATTACHED TO AND FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 30<sup>th</sup> SEPTEMBER, 2011

SCHEDULE 5  
FIXED ASSETS

Particulars	GROSS BLOCK AT COST				DEPRECIATION			NET BLOCK	
	As at 01/04/2011	Additions	Sale/deductions	As at 30/09/2011	As at 01/04/2011	For the period	Deductions	As at 30/09/2011	As at 31/3/2011
	*A	*A				*A			
<b>Tangible Fixed Assets</b>									
Land-freehold	0.02	-	-	0.02	-	-	-	0.02	0.02
Buildings	6.53	-	-	6.53	2.77	0.19	-	3.57	3.76
Fleet-									
-Owned	1,631.96	165.50	5.82	1,791.84	415.56	53.75	0.46	1,322.79	1,216.40
-Leased *B	993.15	72.80	-	1,065.95	205.71	25.31	-	231.02	894.93
Plant and machinery *C	2,452.10	197.70	83.21	2,566.59	421.61	115.52	49.07	2,078.53	2,030.48
Aircraft-Gulfstream-taken on lease *B	82.96	4.20	-	87.16	21.42	2.32	-	63.42	61.54
Furniture, fixture, air conditioners, refrigerators and office equipments	8.30	0.72	-	9.02	5.10	0.57	-	3.35	3.20
Vehicles *D	46.99	16.97	-	63.96	14.76	4.27	-	44.93	32.23
<b>Total tangible fixed assets</b>	<b>5,222.01</b>	<b>457.89</b>	<b>89.03</b>	<b>5,590.87</b>	<b>1,086.93</b>	<b>201.92</b>	<b>49.53</b>	<b>1,239.33</b>	<b>4,135.08</b>
Capital work in progress (including Capital Advances)									
<b>Grand Total</b>	<b>5,222.01</b>	<b>457.89</b>	<b>89.03</b>	<b>5,590.87</b>	<b>1,086.93</b>	<b>201.92</b>	<b>49.53</b>	<b>1,239.33</b>	<b>4,135.08</b>
<b>As at 31.03.2011 *E</b>	<b>-</b>	<b>5,221.97</b>	<b>99.86</b>	<b>5,222.01</b>	<b>-</b>	<b>1,150.98</b>	<b>64.05</b>	<b>1,086.93</b>	<b>-</b>

\*A 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).

\*B Includes addition of ₹ 221.62 crore in gross block and ₹ 34.20 crore in depreciation for the period towards Foreign currency translation difference on consolidation of foreign subsidiaries.

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

\*D 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 Wilcat 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.

\*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).

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**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
<b>SCHEDULE 6</b>		
<b>INVESTMENTS</b>		
<b>CURRENT INVESTMENTS (non trade)</b>		
4,590 equity shares of Rs. 10/- each of Essar Bulk Terminal Paradip Limited*	0.00	0.00
	<u>0.00</u>	<u>0.00</u>
*Amount is less than ₹ 1 lakh		

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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)
<b>SCHEDULE 7</b>			
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
<b>CURRENT ASSETS</b>			
<b>Inventories (at cost or net realisable value whichever is lower)</b>			
Fuel, oil and lubes	38.09		26.74
Stores and spares	105.41		106.76
		143.50	133.50
<b>Sundry debtors (unsecured)</b>			
Debits 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
<b>Cash and bank balances</b>			
Cash on hand		0.03	0.02
Cheque on hand		-	0.11
<b>Balance with scheduled banks</b>			
In current accounts	24.82		58.85
In deposits (including margin money)	190.34		163.83
		215.17	222.68
<b>Balance with other banks in current accounts</b>			
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
<b>Other current assets</b>			
Interest accrued on bank deposits	4.78		3.59
Other receivables	52.88		10.16
		57.66	13.75
<b>TOTAL(A)</b>		<b>876.61</b>	<b>842.98</b>
<b>LOANS AND ADVANCES (unsecured, considered good)</b>			
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
<b>TOTAL (B)</b>		<b>886.84</b>	<b>694.11</b>
<b>TOTAL (A)+(B)</b>		<b>1,763.45</b>	<b>1,537.09</b>

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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)
<b>SCHEDULE 8</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
<b>CURRENT LIABILITIES</b>		
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
	<u>645.56</u>	<u>568.29</u>
<b>PROVISIONS</b>		
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	-
	<u>26.51</u>	<u>11.73</u>
	<u>672.07</u>	<u>580.02</u>

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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 ENDED 30TH SEPTEMBER 2011

Particulars	For the period ended 30.09.2011 (₹ in crore)	For the period ended 31.03.2011 (₹ in crore)
<b>SCHEDULE 9</b>		
<b>OTHER INCOME</b>		
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	9.67
Miscellaneous receipts	1.05	7.16
	<u>18.71</u>	<u>21.56</u>
<b>SCHEDULE 10</b>		
<b>OPERATING EXPENSES</b>		
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
	<u>959.33</u>	<u>939.94</u>
<b>SCHEDULE 11</b>		
<b>ESTABLISHMENT AND OTHER EXPENSES</b>		
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
	<u>58.18</u>	<u>65.87</u>
<b>SCHEDULE 12</b>		
<b>INTEREST AND FINANCE EXPENSES</b>		
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
	<u>155.42</u>	<u>139.37</u>

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**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 30<sup>TH</sup> 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 31<sup>st</sup> 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 is 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
<b>Fleet</b>		
- 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
<b>Rigs</b>		
- 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 31<sup>st</sup> 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.



## 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 unallocable 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 31<sup>st</sup> 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 30<sup>th</sup> September, 2010. The difference between the values of assets and liabilities transferred was first adjusted against share capital (₹ 205.23 crore), ₹ 25 crore against Debenture Redemption Reserve and the balance to General Reserve 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
<b>Total</b>	<b>205,227,768</b>

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)

Particulars	As on 30.09.2011			As on 31.03.2011		
	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
<b>Total</b>	<b>1070.63</b>	<b>211.04</b>	<b>859.59</b>	<b>1,046.15</b>	<b>218.85</b>	<b>827.30</b>

7) Business segment and geographical segment:

a) Business segment

(₹ in crore)

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



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

**b) Geographical segment**

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

(₹ in crore)

Segment revenue	Period ended 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
<b>Total</b>	<b>1,256.23</b>	<b>1,275.95</b>

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 <sup>(1)</sup>
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

<sup>(1)</sup>: 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		In million		₹ in crore		In million	
	30.09.11	Currency	30.09.11	Currency	31.03.11	Currency	31.03.11	
i. Export of goods and services	19.73	USD	4.03	USD	157.72	USD	34.96	
ii. Advance to vendors	4.67	USD	1.01	USD	228.69	USD	51.21	
	-	AED	0.00	AED	0.02	AED	0.01	
	0.10	GBP	0.01	GBP	0.09	GBP	0.01	
	0.01	EUR	*0.00	EUR	0.21	EUR	0.03	
iii. Bank balances and fixed deposits including interest accrued thereon	2.12	USD	0.43	USD	40.27	USD	12.99	
iv. Advance to holding company	5.56	USD	1.14	USD	-	USD	-	



**(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
		<b>43.76</b>	-		<b>54.32</b>	-	
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 30 <sup>th</sup> September 11	As at 31 <sup>st</sup> March 11
<b>Deferred tax liability</b>		
Depreciation on fixed assets	35.15	29.77
(A)	<b>35.15</b>	<b>29.77</b>
<b>Deferred tax assets</b>		
Disallowance u/s 40(a)	0.49	0.55
Unabsorbed Depreciation	7.17	6.19
Employee benefits liability	0.43	0.77
(B)	<b>8.09</b>	<b>7.51</b>
<b>Net deferred tax liability (A-B)</b>	<b>27.06</b>	<b>22.26</b>

**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 1<sup>st</sup> 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)	(₹ in crore)
	30.09.11	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

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

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

#### A) Changes in present value of defined benefit obligation:

(₹ in crore)

Particulars	Provide nt 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	Provide nt fund (funded)	Gratuity-shore officers (funded)	Gratuity-off shore officers (non-funded)	CA-paid leave (non-funded)	Provide nt 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	-	-



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

Particulars	Provide nt fund (funded)	Gratuity- shore officers (funded)	Gratuity- off shore officers (non- funded)	CA- paid leave (non- funded)	Provide nt 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	Provide nt 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	Provide nt 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



**(F) Category of plan assets:**

Particulars	Provide nt 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**

Particulars	Gratuity (funded)		CA (non funded)	
	Period ended		Period ended	
	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.



**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



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
<b>INCOME</b>								
<b>Fleet operating/ charter Hire income</b>								
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
<b>Total</b>	-	-	<b>957.56</b>	<b>819.42</b>	-	-	<b>957.56</b>	<b>819.42</b>
<b>Equipment lease rental income</b>								
Essar Steel Limited	-	-	0.01	0.01	-	-	0.01	0.01
<b>Interest income</b>								
Essar Investment Limited	-	-	1.94	3.42	-	-	1.94	3.42
Essar shipping and Logistics Ltd	9.01	-	-	-	-	-	9.01	-
<b>Total</b>	<b>9.01</b>	-	<b>1.94</b>	<b>3.42</b>	-	-	<b>10.95</b>	<b>3.42</b>

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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
<b>Sale of Stores and spares</b>								
Essar Ports Limited	-	-	2.00	-	-	-	2.00	-
Essar Shipping and Logistics Inc, Panama	-	-	0.82	-	-	-	0.82	-
<b>Total</b>	-	-	<b>2.82</b>	-	-	-	<b>2.82</b>	-
<b>Remuneration</b>								
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	-
<b>Total</b>	-	-	-	-	<b>4.29</b>	<b>0.52</b>	<b>4.29</b>	<b>0.52</b>
<b>Purchase of fuel oil</b>								
Essar Oil Limited	-	-	51.32	249.27	-	-	51.32	249.27
Essar Bulk Terminal Limited	-	-	-	0.05	-	-	-	0.05
<b>Total</b>	-	-	<b>51.32</b>	<b>249.32</b>	-	-	<b>51.32</b>	<b>249.32</b>
<b>Direct Voyage Expenses</b>								
Essar Bulk Terminal Limited	-	-	7.81	7.38	-	-	7.81	7.38
Essar Oil Limited	-	-	-	0.23	-	-	-	0.23
<b>Total</b>	-	-	<b>7.81</b>	<b>7.61</b>	-	-	<b>7.81</b>	<b>7.61</b>
<b>Purchase of stores and spares</b>								
Essar Projects India Limited	-	-	-	0.01	-	-	-	0.01
Essar Steel Limited	-	-	2.24	2.56	-	-	2.24	2.56
<b>Total</b>	-	-	<b>2.24</b>	<b>2.57</b>	-	-	<b>2.24</b>	<b>2.57</b>
<b>Freight/ Hire/ Demurrage charges</b>								
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
<b>Total</b>	<b>51.08</b>	<b>41.67</b>	<b>1.10</b>	<b>3.93</b>	-	-	<b>52.18</b>	<b>45.60</b>
<b>Manning charges</b>								
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
<b>Total</b>	-	-	<b>0.18</b>	<b>0.26</b>	-	-	<b>0.18</b>	<b>0.26</b>
<b>Rent charges</b>								
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



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	-
<b>Total</b>	-	-	<b>3.81</b>	<b>11.75</b>	-	-	<b>3.81</b>	<b>11.75</b>
<b>Travelling expenses</b>								
Futura Travels Limited	-	-	4.68	5.14	-	-	4.68	5.14
<b>Management fees</b>								
Essar Investment Limited	-	-	4.97	6.48	-	-	4.97	6.48
<b>Interest expenses</b>								
India Securities Limited	-	-	0.12	0.19	-	-	0.12	0.19
<b>Interest on Loan – ICD</b>								
Essar shipping and Logistics Ltd	-	0.91	-	-	-	-	-	0.91
<b>Cargo handling expenses</b>								
Essar Bulk Terminal Limited	-	-	7.42	15.61	-	-	7.42	15.61
Essar Projects India Limited	-	-	7.63	12.19	-	-	7.63	12.19
<b>Total</b>	-	-	<b>15.05</b>	<b>27.80</b>	-	-	<b>15.05</b>	<b>27.80</b>
<b>Lodging and boarding</b>								
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
<b>Total</b>	-	-	<b>0.04</b>	<b>0.05</b>	-	-	<b>0.04</b>	<b>0.05</b>
<b>Reimbursement of expenses</b>								
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
<b>Total</b>	-	-	<b>27.35</b>	<b>74.07</b>	-	-	<b>27.35</b>	<b>74.07</b>
<b>Aircraft usage charges reimbursed</b>								
Essar Oil Limited	-	-	9.00	23.60	-	-	9.00	23.60



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
<b>Repairs and Maintenance</b>								
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
<b>Total</b>	-	-	<b>2.89</b>	<b>2.16</b>	-	-	<b>2.89</b>	<b>2.16</b>
<b>Professional /Advisory fees / Agency Fees</b>								
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
<b>Total</b>	-	-	<b>19.30</b>	<b>12.04</b>	-	-	<b>19.30</b>	<b>12.04</b>
<b>Interest on lease loan</b>								
Essar Shipping & Logistics Limited	16.02	16.63	-	-	-	-	16.02	16.63
<b>Loans and advances given</b>								
Essar Investment Limited	-	-	-	1.00	-	-	-	1.00
Essar Bulk Terminal Limited	-	-	-	-	-	-	-	-
Essar Shipping & Logistics Limited	132.10	454.40	-	-	-	-	132.10	454.40
<b>Total</b>	132.10	454.40	-	1.00	-	-	132.10	455.40
<b>Loans and advances received</b>								
Essar shipping and Logistics Ltd	9.44	-	-	-	-	-	9.44	-
Essar Steel Limited (Indonesia)	-	-	0.01	-	-	-	0.01	-
<b>Advance towards purchase of Preference Shares</b>								
Essar Shipping and Logistics Ltd	-	93.56	-	-	-	-	-	93.56
<b>Sale of Fixed assets</b>								
Essar Ports Limited	-	-	41.50	-	-	-	41.50	-
Arkay Sea Logistics Ltd	-	-	5.57	-	-	-	5.57	-
<b>Total</b>	-	-	<b>47.07</b>	-	-	-	<b>47.07</b>	-
<b>Purchase of Assets</b>								
Essar Projects India Limited	-	-	4.07	-	-	-	4.07	-
Essar Telecom Retail Limited	-	-	0.01	-	-	-	0.01	-
<b>Total</b>	-	-	<b>4.08</b>	-	-	-	<b>4.08</b>	-
<b>Security deposit received</b>								
Essar Oil Limited	-	-	-	2.50	-	-	-	2.50

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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
<b>Unsecured Loans</b>								
Essar Investment Limited	-	-	-	11.54	-	-	-	11.54
<b>Refund of Loan and advances</b>								
Essar shipping and Logistics Ltd	9.89	-	-	-	-	-	9.89	-
<b>Guarantees given on behalf of others</b>								
Essar Bulk Terminal Paradip Limited	-	-	410.00	-	-	-	410.00	-
<b>Total</b>	-	-	<b>410.00</b>	-	-	-	<b>410.00</b>	-

**Outstanding balances as on 30<sup>th</sup> 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
<b>Sundry debtors</b>								
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
<b>Total</b>	-	-	<b>273.51</b>	<b>217.17</b>	-	-	<b>273.51</b>	<b>217.17</b>
<b>Loans and advances (including interest accrued)</b>								
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
<b>Total</b>	<b>605.93</b>	<b>434.18</b>	<b>0.15</b>	<b>39.58</b>	-	-	<b>606.08</b>	<b>434.18</b>



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
<b>Advance recoverable in cash or in kind</b>								
Essar Shipping & Logistics Limited	5.56	-	-	-	-	-	5.56	-
Essar Ports Limited	-	-	11.12	-	-	-	11.12	-
Futura Travels Limited	-	-	5.94	-	-	-	5.94	-
<b>Total</b>	<b>5.56</b>	<b>-</b>	<b>17.06</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22.62</b>	<b>-</b>
<b>Deposits given</b>								
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
<b>Total</b>	<b>-</b>	<b>-</b>	<b>45.77</b>	<b>102.51</b>	<b>-</b>	<b>-</b>	<b>45.77</b>	<b>102.51</b>
<b>Loans and advances received</b>								
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	-
<b>Total</b>	<b>5.45</b>	<b>4.61</b>	<b>1.96</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7.41</b>	<b>4.61</b>
<b>Lease loan obligation</b>								
Essar Shipping & Logistics Limited	554.74	533.99	-	-	-	-	554.74	533.99
<b>Sundry creditors</b>								
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



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
<b>Total</b>	-	<b>5.98</b>	<b>558.47</b>	<b>51.24</b>	-	-	<b>558.47</b>	<b>57.22</b>
<b>Security deposit received</b>								
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
<b>Total</b>	-	-	<b>13.50</b>	<b>22.50</b>	-	-	<b>13.50</b>	<b>22.50</b>
<b>Interest accrued on lease loan</b>								
Essar Shipping & Logistics Limited	7.07	7.06	-	-	-	-	7.07	7.06
<b>Guarantees given on behalf of others</b>								
Essar Bulk Terminal Paradip Limited	-	-	410.00	-	-	-	410.00	-
<b>Total</b>	-	-	<b>410.00</b>	-	-	-	<b>410.00</b>	-

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	-
<b>Total</b>	<b>2.07</b>	<b>0.52</b>

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

(₹ in crore)

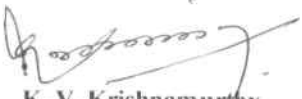
Details of Subsidiary Companies pursuant to exemption granted U/S.212 ( 8 )						
Sr. No.	Particulars	Essar Logistics Limited, Mumbai	Energy Transportation International Limited, Bermuda	Energy II Limited, Bermuda	Essar Oilfields Services Limited, Mauritius	Essar Oilfield Services India Limited, Mumbai
	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 : 9<sup>th</sup> November, 2011

