

CORPORATE GOVERNANCE REPORT

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

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

Code of Conduct for Board Members and Senior Management

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

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

2. Board of Directors

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

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

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

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

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

@ Capt Anoop Sharma appointed as Whole Time Director w.e.f., May 9, 2011
Appointed w.e.f., May 23, 2011.

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

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

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

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

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

B. Details of Board Meetings held during the year:

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

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

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

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

3. Audit Committee:

Composition, Details of Audit Committee Meetings

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

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

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

4. Remuneration to Directors:

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

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

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

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

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

5. Share Transfer & Shareholders' Grievance Committee:

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

Terms of reference of Shareholders Grievance Committee:

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

Composition:

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

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

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

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

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

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

6. General Body Meeting:

Details of General Meetings held in last three years:

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

Details of the Extraordinary General Meetings Held

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

7. Disclosures:

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

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

8. Subsidiary Monitoring Framework:

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

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

9. Means of Communication:

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

10. General Shareholders information:

A. Annual General Meeting details:

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

B. Financial Calendar:

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

C. Registrars and Share Transfer Agents:

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

D. Share Transfer System:

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

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

E. Listing on Stock Exchanges:

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

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

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

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

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

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

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

I. Compliance Officer : Mr. Vinayak Joshi
Company Secretary

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

K. Corporate Office : Essar House
11, K. K. Marg
Mahalaxmi
Mumbai - 400 034
Tel : (022) 6660 1100
Fax: (022) 2354 4312
Email: esl.secretarial@ essar.com

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

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

11. Nomination Facility:

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

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

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

13. Secretarial Audit:

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

14. Non-mandatory requirements:

1. Compensation Committee:

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

2. Shareholders right:

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

3. Audit qualifications:

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

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

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

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

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

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

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

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

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

Khurshed Pastakia
Partner
(Membership No. 31544)

Mumbai
July 4, 2011

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

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

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

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

A.R. Ramakrishnan
Managing Director

Mumbai
July 4, 2011

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

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

Companies Act, 1956 and covered by our report of even date to the members of the Company, which is attached hereto.

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

Khurshed Pastakia
Partner
(Membership No. 31544)

Mumbai
July 4, 2011