

REPORT ON CORPORATE GOVERNANCE

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 does 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 from the Managing 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 4 (Four) are Independent Non-Executive Directors and 2 (Two) are Non-Executive Directors. The Composition of the Board is in conformity with Clause 49 of the Listing Agreement/s entered into with the Stock Exchange/s.

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

As at March 31, 2012 the Board consisted of 8 (Eight) Members namely Mr. Anshuman Ruia, Mr. R. N. Bansal, Mr. N. Srinivasan, Mr. K. V. Krishnamurthy, Mr. Deepak Kumar Varma, Mr. A. R. Ramakrishnan, Captain Anoop Kumar Sharma and Mr. Ankur Gupta.

Directorships held in other companies as of March 31, 2012 were as under:

Name of Director	Category of Director	*No of Directorships in other Indian Public Companies	**No. of Committee positions held in other Public Companies	
			Chairman	Member
Mr. Anshuman Ruia #	Non- Executive	2	--	1
Mr. R.N. Bansal #	Independent Non-Executive	8	4	4
Mr. N. Srinivasan#	Independent Non-Executive	12	5	4
Mr. K. V. Krishnamurthy #	Independent Non-Executive	9	3	5
Mr. Deepak Kumar Varma #	Independent Non-Executive	4	--	3
Mr. A.R. Ramakrishnan	Managing Director	4	--	1
Captain Anoop Kumar Sharma @	Wholetime Director	--	--	--
Mr. Ankur Gupta #	Non-Executive	1	--	1

* Excludes foreign companies, private limited companies, section 25 companies and Alternate Directorships.

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

@ Captain Anoop Kumar Sharma appointed as Whole-time Director w.e.f. May 9, 2011.

Appointed on the Board w.e.f. May 23, 2011.

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.	May 9, 2011	6	5
2.	May 21, 2011	6	2
3.	May 23, 2011	8	8
4.	July 4, 2011	8	8
5.	August 9, 2011	8	7
6.	November 9, 2011	8	6
7.	February 8, 2012	8	7

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

Sr. No.	Name of the Director	No. of Board Meetings Attended	Attendance at the last AGM
1.	Mr. Anshuman Ruia	3	No
2.	Mr. R. N. Bansal	4	Yes
3.	Mr. N. Srinivasan	5	Yes
4.	Mr. K. V. Krishnamurthy	5	No*
5.	Mr. Deepak Kumar Varma	4	No
6.	Mr. A. R. Ramakrishnan	7	Yes
7.	Captain Anoop Kumar Sharma	6	Yes
8.	Mr. Ankur Gupta	5	No

* The Chairman of the Audit Committee, Mr. K. V. Krishnamurthy could not attend the last Annual General Meeting due to illness on the date of the Annual General Meeting.

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, Whole-time Director, Chief Financial Officer, Head – Accounts, Statutory Auditors and Internal Auditors attend the meetings. The Company Secretary is the Secretary to the Committee.

Details of Audit Committee Meetings held during the year:

Sr. No.	Date	Committee Strength	No. of Members Present
1.	04.07.2011	4	3
2.	09.08.2011	4	2
3.	09.11.2011	4	3
4.	08.02.2012	4	3

Attendance at Audit Committee Meetings:

Director	No. of meetings held	No. of meetings attended
Mr. Anshuman Ruia	4	Nil
Mr. K.V. Krishnamurthy	4	4
Mr. R.N. Bansal	4	3
Mr. N. Srinivasan	4	4

4. Remuneration to Directors:

Details of Remuneration paid to the Managing Director and Whole-time Director for the year ended March 31, 2012 is as under:

(₹ in Crore)

Name of Director	Basic Salary	Allowances and other benefits	Perquisites	Contribution to Provident & Superannuation Fund	Total
Mr. A.R. Ramakrishnan (Managing Director)	0.41	1.17	0.05	0.05	1.67
Captain Anoop Kumar Sharma (CEO Sea Transportation Business)	0.59	0.78	Nil	0.07	1.43

During the year Mr. A. R. Ramakrishnan (Managing Director) was issued 6,74,258 stock options and Captain Anoop Kumar Sharma (CEO Sea Transportation Business) was issued 5,51,533 stock options as per Essar Shipping Employees Stock Option Scheme-2011.

The Members of the Company at their First Annual General Meeting held on September 9, 2011 approved implementation of "Essar Shipping Employees Stock Option Scheme-2011" (which has since been Amended by the Members through Postal Ballot) (the Scheme), to the Eligible Employees and Executive Directors of the Company and subsidiaries. The Company has granted Stock Options to the Executive Directors of the Company and Subsidiaries in accordance with the Amended Scheme. 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, 2012:

The Details of Sitting fees paid (Board and Committee Meetings) to the Non-executive Directors of the Company are given below:

Mr. Anshuman Ruia: ₹ 60,000, Mr. R. N. Bansal: ₹ 1,40,000, Mr. N. Srinivasan: ₹ 1,70,000, Mr. K. V. Krishnamurthy: ₹ 1,90,000, Mr. Deepak Kumar Varma: ₹ 1,10,000.

No shares or convertible instruments are held by any members of the Board except the Stock Options

granted to the Executive Directors of the Company and its Subsidiaries pursuant to the "Amended Essar Shipping Employees Stock Option Scheme- 2011".

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.

The Share Transfer and Investors' Grievance Committee of the Company inter alia performs all the functions to redress grievances and complaints of the members on matters pertaining to their shareholding in the Company, also oversees the functioning of the Registrar & Share Transfer Agent and ensures the process of share transfers, transmission and issue of duplicate shares.

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 functions of the Registrar & Share Transfer Agent and ensure that the process of share transfer, transmission and issue of duplicate shares in effective and efficient.

Composition:

The Committee comprised of Mr. Deepak Kumar Varma, Mr. A. R. Ramakrishnan, Captain Anoop Kumar Sharma and Mr. Ankur Gupta.

Mr. Deepak Kumar Varma has been appointed as Chairman of the Committee and Mr. Vinayak Joshi, Company Secretary is the Compliance Officer.

The Board has further authorised Mr. A. R. Ramakrishnan, Managing Director, Captain Anoop Kumar Sharma, Executive Director and Mr. Vinayak Joshi, 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 Investors' Grievance Committee Meetings held during the Year:

During the year under review, the Committee met once on February 8, 2012 and all the Committee members had attended the Meeting.

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

There were no complaints pending at the beginning of the year. A total of 129 complaints were received during the year ended March 31, 2012, most of which being Non-Receipt of Dividend and Non-Receipt of Share Certificates. All the complaints were redressed under the supervision of the Committee and no complaints were outstanding as on March 31, 2012.

All valid share transfer requests received during the year were duly attended to and processed in time. There were no valid requests pending for share transfers as on March 31, 2012.

6. General Body Meeting:

A. Details of General Meetings held in last three years:

Year 2011 – 1st Annual General Meeting held on Friday, September 9, 2011 at the Registered Office of the Company at Administrative Building, Essar Refinery Complex, Okha Highway (SH-25), Taluka Khambalia, Jamnagar - 361 305, Gujarat, India the following Special Resolutions were passed at the Annual General Meeting:

1. Appointment of Mr. A. R. Ramakrishnan as the Managing Director of the Company;
2. Appointment of Captain Anoop Kumar Sharma as the Wholetime Director, and approving his remuneration;
3. Introduction and Implementation of Essar Shipping Employee Stocks Options Scheme – 2011 and authorising the Board to Implement the same and for Further Issue and Allotment of Shares thereunder to the Eligible Employees; and
4. Extending the benefit under the Essar Shipping Employee Stocks Options Scheme – 2011 to the permanent employed and/or Directors of any present and any future subsidiary companies and/or holding Company of Essar Shipping Limited

B. Details of the Extraordinary General Meetings Held:

During the period under review, Extraordinary General Meeting was held on May 6, 2011 to transact the business of increase in Authorised Share Capital.

C. Postal Ballot:

The Members of the Company through Postal Ballot Process on Thursday, February 2, 2012 have passed two Special Resolutions:

1. Amendment in Employee Stock Option Scheme-2011 pursuant to the provisions of Section 372A of the Companies Act, 1956;
2. Extending the benefit of amendment and modification to the permanent employed and / or Directors of any present and any future subsidiary companies and / or holding Company of Essar Shipping Limited

Captain Anoop Kumar Sharma, Wholetime Director and Mr. Vinayak Joshi, Company Secretary, were made responsible by the Board for conducting the

Postal Ballot Process, Mr. Bhavin Mehta, Senior Partner of M/s. MJP & Associates, Practicing Company Secretaries was appointed as the Scrutinizer for the Postal Ballot process. The Scrutinizer submitted his report to the Board, the result of which was declared on Thursday, February 2, 2012.

D. Procedure for Postal Ballot:

The procedure for Postal Ballot is as per the provisions contained in this behalf in the Companies Act, 1956 and rules made there under namely Companies Act, 1956 and rules made there under namely Companies (Passing of the Resolutions by Postal Ballot) Rules, 2001.

Thus, the Special Resolution(s) No. 1 and No. 2 respectively were approved by the Members with the Requisite Majority.

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. 31 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 managed by their Board of Directors 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 were 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:

Annual General Meeting details:

Date	August 24, 2012
Venue	Administrative Building Essar Refinery Complex Okha Highway (SH-25) Taluka Khambalia District Jamnagar Gujarat - 361 305
Time	11.00 a.m.
Book Closure Dates	August 13, 2012 to August 24, 2012 (both days inclusive)

B. Financial Calendar:

Financial Year of Company	April 1, 2012 to March 31, 2013
First Quarter Results	On or before August 14, 2012
Second Quarter Results	On or before November 15, 2012
Third Quarter Results	On or before February 14, 2013
Annual Results for the Year	On or before May 30, 2013

C. Registrar & Share Transfer Agent:

Data Software Research Company Private Limited
19, Pycroft Garden Road, Off Haddows Road
Nungambakkam, Chennai - 600 006
Ph.No.+91-44-28213738 / 28214487
Fax No.+91-44-28214636
E-mail: essar.shipping@dsrc-cid.in

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 Ordinary Shares of the Company was admitted for listing and Trading on BSE Limited and the National Stock Exchange of India Limited with effect from November 14, 2011. The Secured Non-convertible Debentures of the Company are listed on wholesale Debt Segment of The National Stock Exchange Of India Limited. The details of Stock Exchange and Securities listed are given below:

The National Stock Exchange of India Limited

Exchange Plaza,
Bandra Kurla Complex, Bandra East
Mumbai – 400 051

Code: ESSARSHPNG

BSE Limited

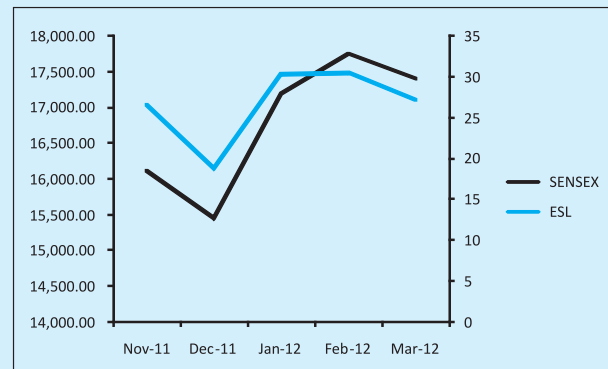
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 023.

Code : 533704

F. Market price data (High/Low) during each month in the year 2011-2012 on the BSE Limited and National Stock Exchange of India Limited and Share Price performance in comparison to BSE Sensex:

The Ordinary Shares of the Company was admitted for listing and Trading on BSE Limited and the National Stock Exchange of India Limited with effect from November 14, 2011

BSE Limited			The National Stock Exchange of India Limited		
Month	Highest	Lowest	Month	Highest	Lowest
Nov-2011	95.00	20.70	Nov-2011	40.00	20.30
Dec-2011	27.50	16.20	Dec-2011	27.55	14.25
Jan-2012	31.85	18.00	Jan-2012	31.90	18.00
Feb-2012	35.60	26.30	Feb-2012	36	28.40
Mar-2012	31.45	25.05	Mar-2012	31.75	22.65
Scrip Code: 533704			Scrip Code: ESSARSHPNG		



G. Shareholding Pattern as on March 31, 2012

Shareholding By	No. of Shares	%
Promoters	171793577	83.71
Financial Institutions/Mutual Funds/Banks/Insurance Companies	296833	0.14
Other Corporate Bodies	3846639	1.87
Non-Domestic Companies/ Foreign Banks	–	–
Foreign Institutional Investors	16750348	8.16
Non-Resident Individuals	416558	0.21
Public	12123813	5.91
TOTAL	205227768	100.00

H. Distribution of Shareholding as on March 31, 2012

No. of equity shareholders	No of shareholders	% of shareholders	Total no of shares	% of holding
Upto 5000	106745	99.750	9630047	4.692
5001 to 0000	117	0.109	808198	0.393
10001 to 20000	70	0.066	1017841	0.496
20001 to 30000	22	0.020	538729	0.262
30001 to 40000	19	0.018	692503	0.338
40001 to 50000	3	0.003	150000	0.073
50001 to 100000	9	0.008	568142	0.277
100001 and above	27	0.025	191822308	93.469
TOTAL	107012	100.00	205227768	100.000

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 March 31, 2012

Mode	No. of Shares	No. of Folio	%
Physical	29,26,954	55832	1.43
Demat	20,23,00,814	51176	98.57
TOTAL	20,52,27,768	107008	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&ST 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 may be converted into Equity Shares of the Company at a conversion price of ₹ 91.70 per share.

13. Secretarial Audit:

A Qualified Practising Company Secretary carries out Secretarial Audit to reconcile the Total Admitted Capital

with National Securities Depository Limited. (NSDL) and Central Depository Services 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 four 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/ Whole-time 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, 2012, 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
May 17, 2012

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, 2012.

Mumbai
May 17, 2012

A.R. Ramakrishnan
Managing Director