

CORPORATE GOVERNANCE REPORT FOR THE YEAR 2012-13

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 the Board Members and the 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 Declaration of Compliance with the Code of Conduct from Directors and Senior Management Personnel. The Declaration by the Managing Director affirming compliance of the Board of Directors and Senior Management Personnel to the Code of Conduct is provided in this Report.

2. Board of Directors

Your Company has Optimum Combination of Executive and Non-Executive Independent Directors on the Board as on March 31, 2013. The Board comprises of 8 (Eight) Directors, out of which 3 (Three) are Independent Non-Executive Directors and 3 (Three) are Non-Executive Directors. 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, 2013 the Board consisted of Eight Members namely - Mr. R. N. Bansal, Mr. N. Srinivasan, Mr. Deepak Kumar Varma, Mr. Anshuman Ruia, Mr. P.K. Srivastava, Mr. A. R. Ramakrishnan, Captain Anoop Kumar Sharma and Mr. Ankur Gupta.

Directorships held in other companies as of March 31, 2013 was 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. R.N. Bansal	Independent Non-Executive	9	4	5
Mr. N. Srinivasan	Independent Non-Executive	13	5	3
Mr. Deepak Kumar Varma	Independent Non-Executive	4	-	4
Mr. Anshuman Ruia §	Non-Executive	1	-	1
Mr. P.K. Srivastava #	Non-Executive	6	-	-
Mr. A.R. Ramakrishnan	Managing Director	4	-	2
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 Committee and Shareholders'/ Investors' Grievance Committee only
 § Mr. Anshuman Ruia have resigned from the Board with effect from May 27, 2013
 # Appointed on the Board with effect from November 6, 2012

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", as provided 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 (Five) 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 received from the respective Directors.

B. Details of Board Meetings held during the Year:

Sr. No.	Date	Board Strength	No. of Directors Present
1.	April 2, 2012	8	6
2.	May 17, 2012	8	7
3.	August 6, 2012	8	6
4.	November 6, 2012	9	7
5.	January 30, 2013	8	6

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

Sr. No.	Name of the Director	No. of Board Meetings Attended	Attendance at the last AGM
1.	Mr. R. N. Bansal	1	No
2.	Mr. N. Srinivasan	5	No
3.	Late Mr. K. V. Krishnamurthy *	4	No*
4.	Mr. Deepak Kumar Varma	5	No
5.	Mr. Anshuman Ruia	-	No
6.	Mr. P.K. Srivastava @	2	No
7.	Mr. A. R. Ramakrishnan	5	Yes
8.	Captain Anoop Kumar Sharma	5	Yes
9.	Mr. Ankur Gupta	5	No
@	<i>Mr. P.K. Srivastava was appointed on the Board w.e.f. November 6, 2012</i>		
*	<i>The Chairman of the Audit Committee Late Mr. K.V. Krishnamurthy could not attend the previous year's AGM due to illness on the date of AGM. He expired on January 16, 2013</i>		

3. Audit Committee:

Composition, Details of Audit Committee Meetings

The Audit Committee was reconstituted on January 22, 2013 on account of the sad demise of Late. Mr. K.V. Krishnamurthy an Independent Director. The Reconstituted Audit Committee comprised of viz., Mr. N. Srinivasan, Mr. R.N. Bansal, Mr. Deepak Kumar Varma (Chairman) and Mr. Anshuman Ruia.

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.

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.

Details of Audit Committee Meetings held during the Year:

Sr. No.	Date	Committee Strength	No. of Members Present
1.	17.05.2012	4	3
2.	06.08.2012	4	2
3.	06.11.2012	4	2
4.	30.01.2013	4	2

Attendance at Audit Committee Meetings:

Director	No. of Meetings held	No. of Meetings Attended
Late Mr. K.V. Krishnamurthy *	4	3
Mr. R.N. Bansal	4	1
Mr. N. Srinivasan	4	4
Mr. Deepak Kumar Varma **	4	1
Mr. Anshuman Ruia	4	-
* <i>Late Mr. K.V. Krishnamurthy expired on January 16, 2013</i>		
** <i>Mr. Deepak Kumar Varma was appointed as a Member of the Audit Committee w.e.f. January 22, 2013</i>		

4. Compensation Committee:

As of March 31, 2013, the Compensation Committee has four Members viz., Mr. R. N. Bansal, Mr. N. Srinivasan, Mr. Anshuman S. Ruia and Mr. Deepak Kumar Varma. One meeting was held during the year 2012-2013. All of the Committee Members attended the Meeting, except Mr. Ashuman S. Ruai. Mr. N. Srinivasan generally chairs the meetings. The terms of reference of Compensation Committee includes inter-alia to formulate and recommend to the Board from time to time, the compensation structure for Managing Director, Whole-time Director and other Executive Directors if any and to administer and supervise the Employee Stock Option Scheme of the Company.

Remuneration to Directors:

Details of Remuneration paid to the Managing Director and Wholetime Director for the year ended March 31, 2013 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	0.48	1.76	0.06	0.06	2.36
Captain Anoop Kumar Sharma	0.65	0.97	Nil	0.08	1.70

During the year under review, no stock options were issued to the Managing Director or Wholetime Director.

Details of Sitting Fees paid to Non-Executive Directors for the Meetings held during the Year Ended March 31, 2013:

Mr. R. N. Bansal: ₹ 40,000; Mr. N. Srinivasan: ₹ 1,50,000; Late Mr. K. V. Krishnamurthy: ₹ 1,20,000; and Mr. Deepak Kumar Varma: ₹ 1,50,000

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, "Essar Shipping Employees Stock Option Scheme- 2011".

5. Shareholders'/Investors' Grievance Committee and Share Transfer Committee:

A The Share Transfer & Shareholders' Grievance Committee was split into Shareholders'/Investors' Grievance Committee and Share Transfer Committee respectively with effect from January 30, 2013.

The Shareholders'/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.

Terms of Reference of Shareholders'/Investors' 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 (R&STA) and ensure that the process of Share transfer, transmission and issue of duplicate Shares in effective and efficient.

Composition:

The Shareholders'/Investors' Grievances Committee comprises of three Independent Directors as of March 31, 2013' viz., Mr. N. Srinivasan, Mr. R.N. Bansal and Mr. Deepak Kumar Varma. Mr. Deepak Kumar Varma has been appointed as Chairman of the Shareholders'/Investors' Grievances Committee and Mr. Vinayak Joshi, Company Secretary is the Compliance Officer.

B The Share Transfer Committee comprises of Mr. A. R. Ramakrishnan, Captain Anoop Kumar Sharma and Mr. Ankur Gupta.

The Share Transfer Committee oversees the functioning of the Registrar & Share Transfer Agent and ensures the process of Share transfers, transmission and issue of duplicate Shares.

Details of Shareholders Complaints Received, Solved and Pending:

There were no Complaints pending at the beginning of the year. A total of 76 complaints were received during the year ended March 31, 2013, most of which being Non-Receipt of Annual Reports and Non-Receipt of Share Certificates. All the complaints were redressed and no complaints were outstanding as on March 31, 2013.

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, 2013.

Details of Shareholders'/Investors' Grievance Committee Meetings held during the Year:

During the year under review, the 4(four) meetings were held viz., on May 17, 2012, August 6, 2012 and November 6, 2012 and January 30, 2013.

6. General Body Meeting:

A Details of Annual General Meetings held in Last Three Years:

Financial Year	Meeting, Financial Year, Date and Time	Location and Nature of Transaction
2010-11	1 st AGM, 2010-11 held on September 9, 2011 (2.00 p.m.)	Registered office of the Company at Jamnagar, Gujarat. Special Resolutions passed in respect of following matters: - Appointment of Managing Director of the Company and the remuneration thereto - Appointment of Wholetime Director of the Company and the remuneration thereto - Approval of Employee Stock Option Scheme-2011 - Approval of extending benefit of Employee Stock Option Scheme-2011 to Executive Directors and employees of subsidiary company
2011-12	2 nd AGM, 2011-12 held on August 24, 2012 (11.00 a.m.)	Registered office of the Company, Jamnagar, Gujarat. Special Resolutions passed in the respect of following matters: - Approval to issue securities for an amount not exceeding USD500 million

Details of Extraordinary General Meetings held during last three years

Financial Year	Meeting, Financial Year and Date	Nature of Transaction
2010-11	EGM, 2010-11 held on August 9, 2010	Change of Registered Office
2010-11	EGM, 2010 held on August 25, 2010	Amendment to Memorandum of Association and borrowing limits and creation of charge
2010-11	EGM, 2010-11, held on November 20, 2010	Approving the composite scheme of arrangement
2011-12	EGM, 2011-12, held on May 6, 2011	Increase in the Authorised capital

B Details of the Extraordinary General Meetings Held during the Financial Year:

During the period under review no Extraordinary General Meeting was held.

C Postal Ballot:

No Resolutions are proposed to be passed at the ensuing Annual General Meeting which require approval of Members through Postal Ballot.

7. Disclosures:

- ✓ There are no materially significant related party transactions made by the Company 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.
- ✓ The Company has a Risk Management Policy Framework for risk identification, assessment and control to effectively manage risks associated with the business of the Company.
- ✓ The Managing Director and the Chief Financial Officer have certified to the Board of full compliance as per clause 49(V) of the Listing Agreement for the financial year ended March 31, 2013

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: As of March 31, 2013, Mr. R. N. Bansal was representative of Essar Shipping Limited on the Board of material non-listed Indian subsidiaries.

- a) As of March 31, 2013, Mr. R. N. Bansal was representative of Essar Shipping Limited on the Board of material non-listed Indian subsidiaries;
- b) 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;
- c) A statement containing all significant transactions and arrangements entered into by the unlisted subsidiary Companies is placed before the Company's Board;

- d) Financial Results summary 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 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	September 25, 2013
Venue	Administrative Building Essar Refinery Complex Okha Highway (SH-25) Taluka Khambalia District Jamnagar Gujarat - 361 305
Time	02:30 p.m.
Book Closure Dates	September 16, 2013 to September 25, 2013 (both days inclusive)

B. Financial Calendar:

Financial Year of Company	April 1, 2013 to March 31, 2014
First Quarter Results	On or before August 14, 2013
Second Quarter Results	On or before November 15, 2013
Third Quarter Results	On or before February 14, 2014
Annual Results for the Year	On or before May 30, 2014

C. Registrars and Share Transfer Agents:

Data Software Research Company Private Limited
19, Pycrofts 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, e.t.c., the Board of your Company

has delegated these powers to the Share Transfer Committee.

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 (INE282A07039 and INE282A07047). The details of stock exchange and securities listed are provided below:

The National Stock Exchange of India Ltd.

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

Code: ESSARSHPNG

BSE Limited

Phiroze Jeejeebhoy Towers
Dalal Street,
Mumbai – 400 023.

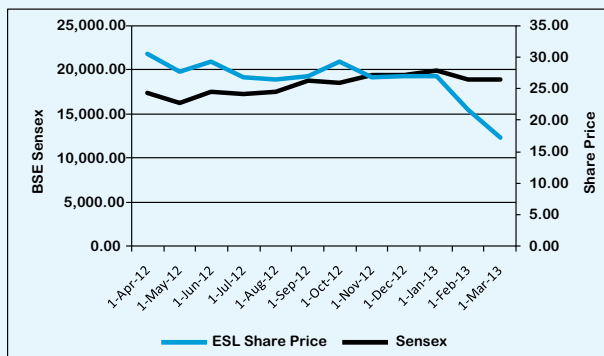
Code : 533704

The applicable listing fees have been paid to respective stock exchanges.

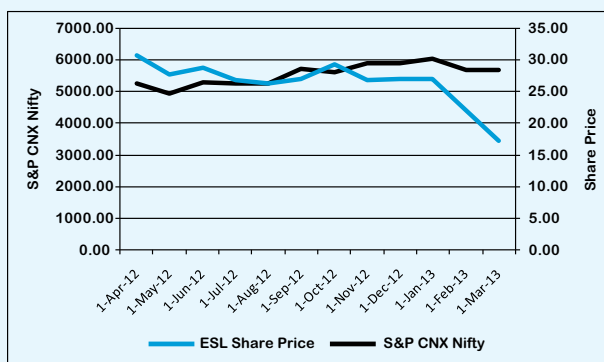
F. Market price data (High/Low) during each month in the Year 2012-2013 on the BSE Limited and National Stock Exchange of India Limited and Share Price performance in comparison to BSE Sensex:

BSE Limited			The National Stock Exchange of India Limited		
Month	High	Low	Month	High	Low
April 2012	32.50	25.00	April 2012	32.35	24.10
May 2012	33.90	26.60	May 2012	36.50	26.50
June 2012	30.80	26.25	June 2012	31.00	22.50
July 2012	32.50	25.20	July 2012	32.50	25.30
August 2012	35.40	26.10	August 2012	34.90	25.85
September 2012	28.90	25.60	September 2012	28.90	25.75
October 2012	31.65	23.75	October 2012	31.80	26.45
November 2012	31.25	25.95	November 2012	31.20	25.90
December 2012	28.50	25.00	December 2012	28.60	26.20
January 2013	30.80	26.60	January 2013	31.00	25.20
February 2013	27.75	20.65	February 2013	27.70	20.65
March 2013	22.35	16.50	March 2013	22.00	16.80
Scrip Code: 533704			Scrip Code: ESSARSHPNG		

Performance of Share Price in comparison to BSE Sensex



Performance of Share Price in comparison to S&P CNX Nifty



G. Shareholding Pattern as on March 31, 2013

Shareholding By	No. of Shares	%
Promoters	17,17,93,577	83.71
Financial Institutions/Mutual Funds/Banks/Insurance Companies	1,64,368	0.08
Other Corporate Bodies	31,53,461	1.54
Foreign Institutional Investors	1,66,59,288	8.12
Non-Resident Individuals	4,76,703	0.23
Resident Individuals	1,29,80,371	6.32
Public	12980371	6.32
TOTAL	20,52,27,768	100.00

H. Distribution of Shareholding as on March 31, 2013

No. of Equity Shareholders	No. of Shareholders	% of Shareholders	Total No. of Shares	% of Holding
Upto 5000	1,02,627	99.697	98,32,032	4.79
5001 to 10000	137	0.133	9,45,207	0.46
10001 to 20000	92	0.089	12,91,530	0.62
20001 to 30000	25	0.024	6,04,208	0.29
30001 to 40000	15	0.015	5,33,181	0.26
40001 to 50000	8	0.008	3,72,496	0.18
50001 to 100000	13	0.013	9,53,534	0.46
100001 and above	22	0.021	19,06,95,580	92.21
Total	1,02,935	100.00	20,52,27,768	100.00

- I. Compliance Officer :** Mr. Vinayak Joshi
Company Secretary
Designated Email ID for Investors/ Shareholders : esl.secretarial@essar.com
- 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, 2013

Mode	No. of Shares	No. of Folio	%
Physical	27,82,745	53,834	1.36
Demat	20,24,45,023	49,105	98.64
TOTAL	20,52,27,768	1,02,939	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:

Foreign Currency Convertible Bonds(FCCBs) : As on March 31, 2013, the total outstanding Foreign Currency

Convertible Bonds (FCCB) were 2800, 5% FCCBs (Series A and Series B) aggregating to USD 240,000,000. Series A FCCBs due on 24th August, 2015 and Series B FCCBs due on 24th August, 2017. These FCCBs are convertible into 122,852,787 equity shares of ₹ 10 each of the Company at a conversion rate of ₹ 91.70 per equity share at a fixed exchange rate of ₹ 46.94.

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 acting as the Secretary of the Compensation Committee of the Board of Directors of the Company (the Committee). The Committee is inter-alia 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' Rights:

Quarterly Financial Results are available on the website of the Company i.e., www.essar.com. No separate Quarterly 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.

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To The Members of
Essar Shipping Limited

We have examined the compliance of conditions of Corporate Governance by Essar Shipping Limited ("the Company"), for the year ended on March 31, 2013, as stipulated in clause 49 of Listing Agreement entered into by the Company with the Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to 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
(Firm Registration No. 117365W)

Samir R. Shah
Partner
Membership No. 101708

Mumbai
28th May, 2013

DECLARATION ON COMPLIANCE OF THE COMPANY'S CODE OF CONDUCT TO THE MEMBERS OF THE 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 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, 2013.

A.R. Ramakrishnan
Managing Director

Mumbai
28th May, 2013