

CORPORATE GOVERNANCE REPORT FOR THE YEAR 2013-14

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 Member 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, 2014. 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 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, 2014 the Board consisted of Eight Members namely - Mr. N. Srinivasan, Mr. N. C. Singhal, Captain Bhupinder Singh Kumar, Mr. Michael P. Pinto, Mr. P. K. Srivastava, Mr. A. R. Ramakrishnan, Captain Anoop Kumar Sharma and Mr. Ankur Gupta.

Chairmanship and Membership held in other companies as on March 31, 2014 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. N. Srinivasan	Independent Non-Executive	13	4	3
Mr. N. C. Singhal #	Independent Non-Executive	10	5	4
Captain Bhupinder Singh Kumar #	Independent Non-Executive	4	-	-
Mr. Michael P. Pinto #	Independent Non-Executive	9	1	6
Mr. P.K. Srivastava	Non-Executive	9	-	-
Mr. A. R. Ramakrishnan	Managing Director	3	-	1
Captain Anoop Kumar Sharma	Wholesale Director	-	-	-
Mr. Ankur Gupta	Non-Executive	2	-	1
* Excludes foreign companies, private limited companies, section 25 companies and Alternate Directorships				
** Includes Membership of Audit Committee and Shareholders'/Investors' Grievance Committee only				
# Appointed on the Board with effect from August 7, 2013				

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.

None of the Directors on the Board is a Member of more than 10 Committees and Chairman of more than 3 (Three) 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.	May 28, 2013	8	6
2.	August 07, 2013	7	7
3.	September 25, 2013	8	6
4.	October 24, 2013	8	7
5.	December 20, 2013	8	7
6.	February 13, 2014	8	7

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. Deepak Kumar Varma §	2	No
3.	Mr. N. Srinivasan	4	No
4.	Mr. Michael P. Pinto @	4	Yes
5.	Captain Bhupinder Singh Kumar @	4	Yes
6.	Mr. N. C. Singhal @	3	No
7.	Mr. P.K. Srivastava	6	Yes
8.	Mr. A. R. Ramakrishnan	5	Yes
9.	Captain Anoop Kumar Sharma	6	Yes
10.	Mr. Ankur Gupta	5	Yes
§ Mr. R.N. Bansal and Mr. Deepak Kumar Varma resigned from the Board w.e.f. August 8, 2013.			
@ Mr. Michael P. Pinto, Captain Bhupinder Singh Kumar, Mr. N.C. Singhal were appointed on the Board w.e.f., August 7, 2013.			

3. **Audit Committee:**

Composition, Details of Audit Committee Meetings

The Audit Committee was re-constituted on August 7, 2013 on account of the resignation of Mr. R. N. Bansal and Mr. Deepak Kumar Varma as an Independent Director. The Reconstituted Audit Committee as on March 31, 2014, comprised of viz., Mr. Michael P. Pinto (Chairman), Mr. N. Srinivasan, and Captain Bhupinder Singh Kumar.

The Audit Committee of the Company is mandated to perform the functions specified under the Companies Act, 1956 / Companies Act, 2013 and Clause 49 of the Listing Agreement and has the Powers and Terms of Reference in compliance with the requirements provided therein.

The Managing Director, Wholetime Director, Chief Financial Officer, Head - Accounts, Statutory Auditors and Internal Auditors attend the Meetings. The Company Secretary acts as the Secretary to the Committee.

Details of Audit Committee Meetings held during the Year:

Sr. No.	Date	Committee Strength	No. of Members Present
1.	May 28, 2013	4	2
2.	August 07, 2013	3	3
3.	October 24, 2013	3	2
4.	February 13, 2014	3	3

Attendance at Audit Committee Meetings:

Director	No. of Meetings held	No. of Meetings Attended
Mr. N. Srinivasan	4	3
Mr. Michael P. Pinto*	4	2
Captain Bhupinder Singh Kumar*	4	2
* Mr. Michael P. Pinto and Captain Bhupinder Singh Kumar were appointed on the Board w.e.f. August 7, 2013.		

4. **Compensation Committee:**

As of March 31, 2014, the Compensation Committee has four Members viz., Mr. N. Srinivasan; Captain Bhupinder Singh Kumar; Mr. Michel P. Pinto and Mr. P. K. Srivastava. There were no meetings held during the year 2013-2014. Mr. N. Srinivasan, Independent Director is the Chairman of the Committee. 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, 2014 are 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	0.48	1.76	0.10	0.06	2.40
Captain Anoop Kumar Sharma Whole-time Director	0.65	0.87	Nil	0.08	1.60

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, 2014:

Mr. R. N. Bansal: ₹ 40,000; Mr. N. Srinivasan: ₹ 1,40,000; Mr. Deepak Kumar Varma : ₹ 90,000; Mr. Michael P. Pinto: ₹ 1,10,000 ; Captain Bhupinder Singh Kumar : ₹ 1,30,000 and Mr. N. C. Singhal: ₹ 70,000

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 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 Directors as of March 31, 2014 viz., Captain Bhupinder Singh Kumar, Mr. A. R. Ramakrishnan and Captain Anoop Kumar Sharma. Captain Bhupinder Singh Kumar, Independent Director, has been appointed as Chairman of the Shareholders'/Investors' Grievances Committee and 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 49 complaints were received during the Year Ended March 31, 2014, 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, 2014.

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, 2014.

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

During the year under review, the 4(four) meetings were held viz., on May 28, 2013, August 7, 2013, October 24, 2013 and February 13, 2014.

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 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 Wholtime 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 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 USD 500 million
2012-13	3 rd AGM on September 25, 2013 (2:30 P.M.)	Registered office of the Company, Jamnagar, Gujarat. No Special Resolutions were passed
Details of Extraordinary General Meetings held during last three years		
2010-11	August 9, 2010	Change of Registered Office
	August 25, 2010	Amendment to Memorandum of Association, Change of Name of the Company and borrowing limits and creation of charge
	November 30, 2010	Approving the composite scheme of arrangement and reduction of Share Capital
2011-12	May 6, 2011	Increase in the Authorised capital and Substitution of Articles of Association
2012-13	No EGM was held during the year.	N.A.

B Details of the Extraordinary General Meetings Held:

During the year 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 with its Promoters, Directors or Management, their relatives, its subsidiaries, e.t.c., 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. 33 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, 2014.

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:

- a) As of March 31, 2014, Mr. N. Srinivasan is representative of Essar Shipping Limited on the Board of material non-listed Indian subsidiary;
- 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 regularly 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 Members of the Company

10. General Shareholders information:**A. Annual General Meeting details:**

Date	September 26, 2014
Venue	Administrative Building Essar Refinery Complex Okha Highway (SH-25) Taluka Khambalia District Jamnagar Gujarat - 361 305
Time	10.00 a.m.
Book Closure Dates	September 12, 2014 to September 26, 2014 (both days inclusive)

B. Financial Calendar:

Financial Year of Company	April 1, 2014 to March 31, 2015
First Quarter Results	On or before August 14, 2014
Second Quarter Results	On or before November 15, 2014
Third Quarter Results	On or before February 14, 2015
Annual Results for the Year	On or before May 30, 2015

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:

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.

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E. Listing on Stock Exchanges:

The Ordinary Shares of the Company are listed and available for Trading on BSE Limited and the National Stock Exchange of India Limited. 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

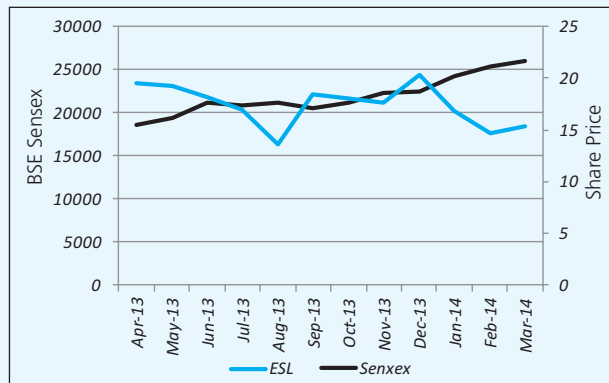
Phiroze Jeejeebhoy Towers
Dalal Street,
Mumbai - 400 023
Code : 533704

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

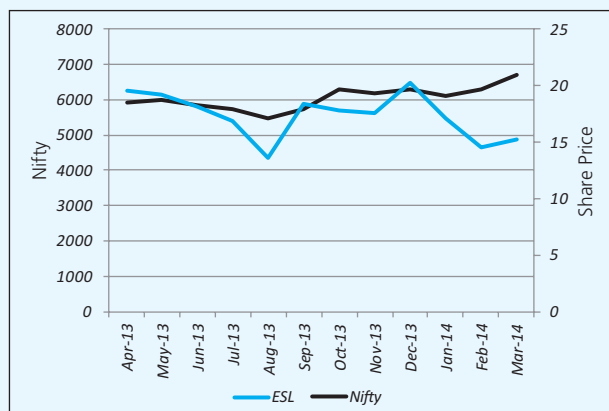
F. Market price data (High/Low) during each month in the Year 2013-14 on the BSE Limited and National Stock Exchange of India Limited.

BSE Limited			The National Stock Exchange of India Limited		
Month	Highest	Lowest	Month	Highest	Lowest
April 2013	21.80	17.50	April 2013	23.50	17.30
May 2013	24.80	19.00	May 2013	24.90	18.70
June 2013	19.80	14.50	June 2013	19.65	16.65
July 2013	19.70	16.65	July 2013	19.50	16.35
August 2013	16.80	13.00	August 2013	17.00	12.80
September 2013	20.88	13.15	September 2013	21.90	13.05
October 2013	19.65	15.25	October 2013	19.45	16.10
November 2013	18.80	16.25	November 2013	19.00	16.00
December 2013	20.65	17.60	December 2013	20.50	17.00
January 2014	20.90	16.00	January 2014	21.00	15.50
February 2014	18.35	14.35	February 2014	17.95	14.25
March 2014	17.00	14.11	March 2014	17.20	14.10
Scrip Code: 533704			Scrip Code: ESSARSHPNG		

Performance of share price in comparison to BSE Sensex



Performance of share price in comparison to Nifty



G. Shareholding Pattern as on March 31, 2014

Shareholding By	No. of Shares	%
Promoters	15,39,20,826	75.00
Financial Institutions/Mutual Funds/Banks/Insurance Companies	1,64,335	0.08
Other Corporate Bodies	1,47,56,906	7.19
Foreign Institutional Investors	1,87,97,756	9.16
Non-Resident Individuals	5,97,796	0.29
Resident Individuals	1,69,90,149	8.28
TOTAL	20,52,27,768	100.00

H. Distribution of Shareholding as on March 31, 2014

No. of Equity Shareholders	No of Shareholders	% of Shareholders	Total No of Shares	% of Holding
Upto 5000	99300	99.68	9692104	4.72
5001 to 10000	137	0.14	953602	0.46
10001 to 20000	87	0.09	1224392	0.60
20001 to 30000	25	0.03	593093	0.29
30001 to 40000	17	0.02	601207	0.29
40001 to 50000	7	0.01	324305	0.16
50001 to 100000	16	0.02	1180452	0.58
100001 and above	32	0.03	190658613	92.90
Total	99,621	100.00	20,52,27,768	100.00

- I. **Compliance Officer** : Company Secretary
Designated Email ID for Investors/ Members 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, 2014**

Mode	No. of Shares	No. of Folio	%
Physical	26,94,052	52,605	1.31
Demat	20,25,33,716	47,016	98.69
TOTAL	20,52,27,768	99,621	100.00

11. **Nomination Facility:**
 Pursuant to section 72 of the Companies Act, 2013, members holding shares in physical form are advised to file nomination in the prescribed Form SH-13 with the Company's share transfer agent. In respect of shares held in electronic/demat form, the members may please contact their respective depository participant.
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, 2014, the total outstanding Foreign Currency Convertible Bonds (FCCB) were 2800, 5% FCCBs (Series A and Series B) aggregating to US\$ 240,000,000. Series A FCCBs due on August 24, 2015 and Series B FCCBs due on August 24, 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. Members' Rights:

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

3. Audit qualifications:

Please see the Directors Report for the response given by the Board of Directors for audit qualifications in the Auditor's Report on the Financial Statements to the Members of the Company.

Cautionary Statement

Statements in this Report, particularly those which relate to Management Discussion and Analysis, describing the Company's objectives, projections, estimates and expectations, may constitute forward looking statement within the meaning of applicable laws and regulations and actual results may differ.