

Essar Shipping Limited

2nd Annual Report 2011-12



Essar Shipping Limited released its first Sustainability Report titled 'Sustainability – Our Propelling Force'

The report has been checked by Global Reporting Initiative (GRI) for adherence to its Generation 3.1 (Generation 3 Guidelines) Guidelines and has been awarded with an A+ Application Level against its Sustainability Reporting Framework, becoming the first Indian Shipping Company to be so awarded. An A+ Rating denotes that the report has been externally assured; Essar's Report was independently assured by international agency, DNV, using the AA1000 AccountAbility Principles Standard and DNV's Sustainability Verification Protocol – VeriSustain.

- Essar Shipping Limited is the first Indian shipping Company and among few in the international maritime sector to report as per the GRI Generation 3 Guidelines.
- The Company is among the few to report its alignment with the National Voluntary Guidelines of Social, Environmental and Economic Responsibilities of Business issued by the Ministry of Corporate Affairs.
- The company is also among the first in India, and the first in Essar, to report as per GRI G3.1 guidelines.



BOARD OF DIRECTORS

Anshuman Ruia
Director

R. N. Bansal
Independent Director

N. Srinivasan
Independent Director

K. V. Krishnamurthy
Independent Director

Deepak Kumar Varma
Independent Director

A. R. Ramakrishnan
Managing Director

Captain Anoop Kumar Sharma
Wholtime Director

Ankur Gupta
Director

COMPANY SECRETARY
Vinayak Joshi

AUDITORS
Deloitte Haskins & Sells, Ahmedabad
(Registration No. 117365W)

AUDIT COMMITTEE

Anshuman Ruia
R. N. Bansal
K. V. Krishnamurthy
N. Srinivasan

SHARE TRANSFER AND INVESTORS' GRIEVANCE COMMITTEE

Deepak Kumar Varma
A. R. Ramakrishnan
Captain Anoop Kumar Sharma
Ankur Gupta

COMPENSATION COMMITTEE

Anshuman Ruia
R. N. Bansal
N. Srinivasan
K. V. Krishnamurthy

REGISTERED OFFICE

Administrative Building
Essar Refinery Complex
Okha Highway (SH-25)
Taluka Khambalia
District Jamnagar, Gujarat - 361 305
Website: www.essar.com

REGISTRAR & SHARE TRANSFER AGENT

Data Software Research Company Private Limited
19, Pycroft Garden Road, Off Haddows Road
Nungambakkam
Chennai - 600 006
Tel: (044) 2821 3738, 2821 4487
Fax: (044) 2821 4636
E-mail: essar.shipping@dsr-cid.in

CORPORATE OFFICE

Essar House
11, K. K. Marg, Mahalaxmi
Mumbai - 400 034
Maharashtra, India

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NOTICE TO MEMBERS

Notice is hereby given that the Second Annual General Meeting of Essar Shipping Limited will be held at the Registered Office of the Company at Administrative Building, Essar Refinery Complex, Okha Highway (SH-25), Taluka Khambalia, District - Jamnagar, Gujarat - 361305 at 11:00 a.m. on Friday, August 24, 2012 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Profit and Loss Account for the year ended March 31, 2012 and the Audited Balance Sheet as on that date and the Reports of the Board of Directors and Auditors thereon;
2. To appoint a Director in place of Mr. Ankur Gupta who retires at the ensuing Annual General Meeting and being eligible offers himself for re-appointment;
3. To appoint a Director in place of Mr. R. N. Bansal who retires at the ensuing Annual General Meeting and being eligible offers himself for re-appointment;
4. To re-appoint M/s. Deloitte Haskins & Sells, Chartered Accountants, Ahmedabad (Firm Registration No.117365W) as the Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration;

SPECIAL BUSINESS

5. To consider and if thought fit, to pass with or without modification, the following Resolution as a Special Resolution:

“RESOLVED THAT pursuant to Sections 81, 81(1A) and all other applicable provisions of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force) and enabling provisions of the Memorandum and Articles of Association of the Company and the Listing Agreements entered into by the Company with the Stock Exchanges where the securities of the Company are listed and subject to any guidelines, regulations, approvals, consents, permissions or sanctions issued by Government of India (GOI), Reserve Bank of India (RBI), the Securities and Exchange Board of India (SEBI), the applicable provisions of Foreign Exchange Management Act, 1999 (“FEMA”), Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme, 1993, (FCCB Scheme), Securities and Exchange Board of India (Issue of

Capital and Disclosure Requirements) Regulations, 2009 and any other appropriate authorities, institutions or Bodies (hereinafter collectively referred to as “the appropriate authorities”), and subject to such conditions as may be prescribed by any of them while granting any such approvals, consents, permissions, and / or sanction (hereinafter referred to as “the requisite approvals”), which may be agreed to by the Board of Directors of the Company (hereinafter called “the Board” which term shall be deemed to include any Committee which the Board may have constituted or hereinafter constitute to exercise its powers including the power conferred by this Resolution), the Board be and is hereby authorised to issue, offer and allot, in international and/or domestic offerings any securities including equity shares, Global Depository Receipts and/or American Depository Receipts convertible into equity shares, preference shares whether Cumulative or Non-Cumulative/Redeemable/Convertible at the option of the Company and/or at the option of the holders of the security and/or securities linked to equity shares/preference shares and/or any instrument or securities representing convertible securities such as convertible debentures, bonds or warrants convertible into equity shares/preference shares or issuance through Institutional Placement Program in compliance with SEBI Guidelines or any combination of such securities aforesaid or Follow-on Public Offer in compliance with SEBI regulations (hereinafter referred to as “Securities”) to be subscribed by Indian/Foreign Investors/Institutions and/or Corporate Bodies, Mutual Funds, Banks, Insurance Companies, Trusts and/or individuals or otherwise, whether or not such persons/entities/investors are Members of the Company, whether in Indian currency or Foreign Currency aggregating to an amount not exceeding US\$500 Million (United States Dollar Five Hundred Million only) or in equivalent Indian Rupees or Euro or any other currency thereof to be issued and allot at such time or times in one or more tranche or tranches, at par or at such price or prices, and on such terms and conditions including with the differential rights as to dividend, voting or otherwise and in such manner as the Board may, in its absolute discretion think fit, in consultation with the Lead Managers, Underwriters, Advisors or other intermediaries.

RESOLVED FURTHER THAT without prejudice to the generality of the above, the aforesaid issue of Securities may have all or any terms or combination of such terms including as to conditions in relation to payment of interest, additional interest, premium on redemption discount, prepayment and any other debt service payments whatsoever, and all such matters as are provided in Securities offerings

of this nature including terms for issue of such Securities or variation of the conversion price of the Security during the tenure of the Securities and the Company is also entitled to enter into and execute all such arrangements as the case may be with any lead Managers, Managers, Underwriters, Bankers, Financial Institutions, Solicitors, Advisors, Guarantors, Depositories, Custodians and other Intermediaries in such offerings of Securities and to remunerate all such Intermediaries, agencies including the payment of commissions, brokerage, fees or payment of their remuneration for their services or the like, and also to seek the listing of such Securities on one or more Stock Exchanges including international Stock Exchanges, wherever permissible.

RESOLVED FURTHER THAT the Company may enter into any arrangement with any agency or body authorised by the Company for the issue of Securities in registered or bearer form with such features and attributes as are prevalent in capital markets for instruments of this nature and to provide for the tradability or free transferability thereof as per the international/Domestic practice and regulations, and under the forms and practices prevalent in the relevant securities markets.

RESOLVED FURTHER THAT the Board or any Committee thereof be and is hereby authorised to issue and allot such number of shares as may be required to be issued and allotted upon conversion of any Securities referred to in these Resolutions or as may be necessary in accordance with the terms of the offering, all such shares being *pari-passu* with the then existing shares of the Company in all respects.

RESOLVED FURTHER THAT such of these Securities to be issued as are not subscribed may be disposed of by the Board to such persons and in such manner and on such terms as the Board in its absolute discretion thinks fit in the best interest of the Company and as is permissible by law.

RESOLVED FURTHER THAT for the purpose of giving effect to any issue or allotment of Securities or instruments representing the same, as described in these Resolutions, the Board or any Committee thereof be and is hereby authorised on behalf of the Company to do all such acts, deeds, matters and things as it may at its discretion deem necessary or desirable for such purpose, including without limitation the entering into of underwriting, marketing and depository arrangement and institution/trustees/agents and similar agreements and to remunerate the Managers, underwriters and all other agencies/intermediaries by way of commission, brokerage, fees and the like as may be involved or connected in such offerings of securities, with power on behalf of the Company to settle any questions, difficulties or doubts that may

arise in regard to any such issue or allotment as it may in its absolute discretion deem fit.

RESOLVED FURTHER THAT for the purpose aforesaid, the Board be and is hereby authorised to settle all questions, difficulties or doubts that may arise in regard to the issue, offer or allotment of Securities and utilisation of the issue proceeds including but without limitation to the creation of such mortgage/charges under Section 293(1)(a) of the said Act in respect of the aforesaid Securities either on *pari-passu* basis or otherwise or in the borrowing of loans as it may in its absolute discretion deem fit without being required to seek any further consent or approval of the Members or otherwise to the end and intent that the Members shall be deemed to have given their approval thereto expressly by the authority of this Resolution.

RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers herein conferred to any Committee of Directors or and Managing Director or any Wholtime Director or any other Officer or Officers of the Company to give effect to the aforesaid Resolution."

By Order of the Board

Mumbai
May 17, 2012

Vinayak Joshi
Company Secretary

Registered Office:

Administrative Building
Essar Refinery Complex
Okha Highway (SH – 25)
Taluka Khambalia
District Jamnagar
Gujarat 361305

Notes:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF ON A POLL ONLY. THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
2. Proxy forms in order to be effective should be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for the meeting.
3. Members / Proxies should bring the attendance slip duly filled in for attending the meeting.
4. The Register of Members and Share Transfer Books of the Company shall remain closed from August 13, 2012 to August 24, 2012, both days inclusive.
5. All documents referred to in the accompanying Notice are open for inspection at the Registered Office of

- the Company on all working days, except Saturdays, Sundays and Bank holidays, between 11.00 a.m. and 1.00 p.m. upto the date of the Annual General Meeting.
6. The Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956 relating to the Special Business mentioned in Item No. 5.
 7. Members are informed that in case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
 8. Corporate Members are requested to send a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the Annual General Meeting.
 9. The information pertaining to the appointment/re-appointment of Directors at the ensuing Annual General Meeting in terms of Clause 49 of the Listing Agreement with the Stock Exchange is annexed hereto.
 10. Members desiring any information regarding the accounts are requested to write to the Company at "Essar House", 11, Keshavrao Khadye Marg, Mahalaxmi, Mumbai 400 034 at least 7 days before the date of the Meeting to enable the Company to keep the information ready.
 11. In accordance with Green initiative of the Ministry of Corporate Affairs in Corporate Governance, the Companies can now send various communications to Shareholders electronically to those who register their email addresses. In order to receive all communications including Annual Reports by e-mail:
 - a. Holders of shares in physical form are requested to fill up the pre-paid postage e-mail registration form setout at page no. 83 of Annual Report and send it to the Registrar & Share Transfer Agent Data Software Research Company Private Limited
 - b. Members holding shares in Demat Form, may register their e-mail IDs with the Company or the Depository Participant.

ANNEXURE TO NOTICE:

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956

Item No. 5

The Company requires funds for expanding its operations, acquisitions of various assets, to meet its CAPEX plans and investments in its business undertakings.

The Company, in order to enhance its global competitiveness, and increase the ability to compete with

the peer group in domestic and international markets, needs to strengthen its financial position by augmenting long term resources. To achieve the significant competitive advantages, through easy access to large amounts of international and domestic capital, with extended maturities, at optimal costs, the Company may need to issue equity shares or GDRs or any form of Securities in the international and/or domestic markets, as may be decided by the Board and found to be expedient and in the interest of the Company.

Also your Company is required to Comply provisions of Clause 40 of the Listing Agreement read with listing approval received from Securities and Exchange Board of India under Rule 19(2) of the Securities Contracts (Regulation) Rules, 1957, wherein Company requires to increase public shareholding to minimum of 25% of the paid up share capital of the Company on or before June 04, 2013.

The Public shareholding in your Company as on March 31, 2012 is 16.29%. Your Company is therefore required to increase its Public Shareholding to 25% by June 3, 2013 or such other time as may be specified by SEBI from time to time.

In order to meet the funding needs for the expansions plans mentioned above, including but not limited to meeting the equity needs of the Company for further organic and inorganic expansions, reducing the debt and to bring the public shareholding to 25%, your Company proposes for the issue of Securities, by issuance of either Equity Shares and/or Global Depository Receipts (GDRs), Foreign Currency Convertible Bonds (FCCBs), or any other security ("Securities") of the Company either by way of (including but not limited to) public issue, rights issue, offer for sale, private placement, Qualified Institutional Placement in accordance with Chapter VIII of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, Institutional Placement Programme (IPP), Follow-on Public Offer e.t.c., with the Offering Size to be upto US\$500,000,000 (United States Dollars Five Hundred Million only) or equivalent amount in Euro or Indian Currency or any other currency (inclusive of such premium or such discount as may be determined) as above may be made in one or more tranches, in the international and/or domestic market in one or more currency to be listed on such International and/or Indian Stock Exchanges as the Board may determine.

The detailed terms and conditions of the Issue as and when made will be determined by the Board of Directors in consultation with the Lead Merchant Bankers, Lead Managers, Advisors, Underwriters and other experts in accordance with the applicable provisions of law.

Section 81 of the Companies Act, 1956, provides, inter-alia, that where it is proposed to increase the subscribed share capital of the Company by allotment of further shares, such further shares shall be offered to the persons who

on the date of the offer are holders of the equity shares of the Company, in proportion to the capital paid up on those shares as of that date unless the Members decide otherwise. The Listing Agreements with the various Stock Exchanges also provide that the Company shall issue or offer in the first instance all Securities to the existing equity shareholders, unless the Members decide otherwise.

Accordingly, the consent of the members is being sought pursuant to the provisions of Section 81(1A) and all other applicable provisions of the Companies Act, 1956 and in terms of the provisions of the Listing Agreement(s) executed by the Company with the stock exchange(s), authorising the Board of Directors and/or a Committee thereof to issue the Securities, as stated in the Resolution, which would result in issuance of securities of the Company to persons other than the existing members of the Company.

None of the Directors of the Company is in any way concerned or interested in the proposed Resolution. The Board recommends the Special Resolution at Item No. 5 of the accompanying notice for approval by the members.

By Order of the Board

Mumbai
May 17, 2012

Vinayak Joshi
Company Secretary

Registered Office:

Administrative Building
Essar Refinery Complex
Okha Highway (SH – 25)
Taluka Khambalia
District Jamnagar
Gujarat 361305

ANNEXURE TO NOTICE:

Details of Directors seeking Appointment/Re-Appointment at the Second Annual General Meeting of the Company in pursuance of Clause 49 of the Listing Agreement

1) Mr. Ankur Gupta

Mr. Ankur Gupta has over 23 years of experience in the Oilfield Services industry. Prior to joining Essar, he was Regional Vice President (Asia Pacific) for Paradigm Geophysical, a Company specialising in providing geophysical software and services to oil and gas companies. Mr. Ankur Gupta has also held a variety of operations, technical and management positions with Schlumberger, the world's largest integrated oilfield services Company. He has worked in five countries across three continents. Mr. Ankur Gupta is also a Director on the Board of Essar Oilfield Services India Limited. Mr. Gupta does not hold any shares in the Company.

2) Mr. R. N. Bansal

Mr. R.N. Bansal is a Commerce Graduate and M.A. (Economics) and a Fellow Member of the Institute of Chartered Accountants of India, Associate Member of the Institute of Chartered Secretaries and Administrators, London and Associate Member of the Institute of Company Secretaries of India.

He joined the Department of Company Affairs in December 1956. He was the Registrar of Companies, Punjab, Tamilnadu and Maharashtra.

Mr. R. N. Bansal has served as a Government Nominee Director on all major Stock Exchanges of India. He was the Additional Director of Inspection & Investigation, Company Law Board, New Delhi, Regional Director (Southern and Western Regions), Director (Investment) and Additional Controller of Capital Issues and member of Company Law Board. He dealt with matters relating to Share Transfer Appeals, Company Law Boards Bench Petitions, Policy Rules and Amendment of the Companies/MRTP Acts e.t.c.,

Mr. R. N. Bansal visited USA in 1981 to attend the Meeting of the Expert Group of UN on Accounting Standards. Served as the National Treasurer of the All India Scouts & Guides. Mr. R. N. Bansal visited Japan as Indian representative in the World Congress in 1971. He is also a recipient of the Silver Elephant Award. Mr. R. N. Bansal presented papers on corporate law related matters in various publications. Mr. Bansal is serving as an Independent Professional Director on the Board of various Indian Public Limited companies viz., Chambal Fertilizer & Chemicals Limited, Orient Bell Limited, Essar Ports Limited, Vadinar Oil Terminal Limited, Essar Oilfield Services India Limited, Essar Logistics Limited, The Hindoostan Mills Limited, Pushpsons Industries Limited. Mr. R. N. Bansal is the Chairman of the Audit Committee of Orient Bell Limited, Essar Ports Limited and Pushpsons Industries Limited and also Member of the Audit Committee of Vadinar Oil Terminal Limited, The Hindoostan Mills Limited and Chambal Fertilizer & Chemicals Limited. Mr. R. N. Bansal does not hold any shares in the Company.

By Order of the Board

Mumbai
May 17, 2012

Vinayak Joshi
Company Secretary

Registered Office:

Administrative Building
Essar Refinery Complex
Okha Highway (SH – 25)
Taluka Khambalia
District Jamnagar
Gujarat 361305

DIRECTORS' REPORT

To the Members of Essar Shipping Limited

Your Directors take pleasure in presenting the Second Annual Report of your Company together with Audited Accounts for the Year Ended March 31, 2012.

FINANCIAL RESULTS:

The summary of the Standalone and Consolidated Financial Results of your Company for the year ended March 31, 2012 are furnished below:

(₹ in crore)

Particulars	Consolidated		Standalone	
	For the year ended 31-03-2012	For the period 16-04-2011 to 31-03-2011	For the year ended 31-03-2012	For the period 16-04-2011 to 31-03-2011
Total Income	2854.51	1,342.80	1304.86	546.95
Total Expenditure	2102.01	1,005.81	804.13	287.27
EBITDA	752.50	336.99	500.73	259.68
Less: Interest & Finance charges	329.43	139.37	266.90	123.11
Less: Provision for Depreciation	362.94	162.23	136.36	56.90
Profit before Tax	60.13	35.39	97.47	79.67
Less: Provision for Tax	(23.30)	(2.09)	(1.65)	1.50
Profit after Tax	36.83	33.30	95.82	78.17
Appropriations:				
Opening balance of Surplus	88.06	—	48.17	—
Add: Transfer on Demerger	—	84.76	—	—
Add: Profit of the current year	36.83	33.30	95.82	78.17
Less: Transfer to Debenture Redemption Reserve	(20.00)	(10.00)	(20.00)	(10.00)
Less: Transfer to Tonnage Tax Reserve	(45.00)	(20.00)	(45.00)	(20.00)
Surplus at the end of the year	59.89	88.06	78.99	48.17

DIVIDEND

Your Company engaged in of Sea Transportation, Oilfield Services and Logistics Business is currently expanding the capacities in these businesses through acquisition of suitable assets. These assets are highly capital intensive in nature and require substantial investment. This necessitates the operating profits to be ploughed back

into the business. With this view, your Directors have not recommended any dividend for the Financial Year Ended March 31, 2012.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(a) Overview of the World Economy

The global economy has been through a very difficult phase during the year which was marked by increased borrowing costs, inflationary pressures and plummeted investor confidence. The major concern of the countries is to stimulate growth with moderate inflation. Improved financial conditions, accommodative monetary policies and similar pace of fiscal tightening as in 2011 are expected to drive the growth in 2012. In major advanced economies a weak recovery is expected as compared to a modest growth in emerging economies like Asia and BRICS where the growth is expected to be led by robust domestic consumption and strong demand for oil and mineral resources.

The IMF predicts the global GDP to grow at 3.5% in 2012 lower than the growth of 4% registered in 2011. The advanced economies growth is projected at a meager 1.5%, mainly due to the fiscal uncertainty, weak internal demand and potential spillover of Europe crisis. The developing economies are expected to grow at a relatively strong 5.5-6%. The developing economies around the world fight rising domestic inflation and are taking steps to avoid overheating. In the MENA region the near term outlook is bit challenging as unrest has spread leading to heightened domestic uncertainty and difficult external conditions.

The Euro zone is still battling out the financial crisis and is now expected to go into a mild recession in 2012 as a result of the rise in sovereign yields, the effects of bank deleveraging on the real economy, and the impact of fiscal consolidation. In the Euro area the real GDP is forecasted to contract at 0.5% p.a. for the first half of 2012 and improve thereafter. The growth in the latter half of 2012 is expected to come from advanced economies in Europe which are seeing improved financial conditions, and external demand from other regions is likely to strengthen. Economic growth in Europe is expected to strengthen during the course of 2012 and the real GDP is expected to grow at 0.25% in 2012. The key concern for Euro area is despite the progress in strengthening the crisis management, a renewed escalation of Euro crisis remains a possibility as long as various underlying issues are not resolved.

The US economy is on the recovery path with growth improving in 2011 and the job market showing signs of improvement. The US economy is expected to grow at 2% in 2012, but the risk to overcome are uncertainty, weakness in the housing market, and potential spillovers from Euro area. The key focus areas for the high-income countries especially US going forward will be deficit reduction and employment generation.

(b) Overview of the Indian Economy

The Indian economy grew at an average annual GDP growth of over 9% during the period 2005 to 2008, before slowing down to 6.1% due to the global financial crisis. After growing at 10.4% in 2010, the real GDP had registered a growth of 6.9% in 2011, marking a significant gap as compared to the pre-crisis level. The RBI revised India's growth rate for 2012 downwards by 0.5 percentage points and expects it to grow at 7.5% this fiscal year. India's fiscal deficit is expected to fall in the coming years, though the major concerns to be addressed would be to curb inflation in longer run and capital outflows.

Inflation remains the biggest concern in the Indian economic industries as economists warn of high food and global oil prices. With global economic scenario expected to remain sluggish, internal demand and domestic consumption would be key drivers of growth.

BUSINESS PERFORMANCE, OPPORTUNITIES AND OUTLOOK

The business model adopted by your Company is unique in nature with no peer group comparison. The business is based on the intrinsic demand for transportation services, logistics & cargo handling infrastructure required by steel, power generation and refining industry. With focus on crude and dry bulk carriers, port to plant logistics and oilfield services, your Company continues to provide end-to-end logistics solutions to its customers in a very cost effective manner.

(a) Sea Transportation Business:

Shipping industry has been plagued by overcapacity and poor cash generation since 2009, and may only improve moderately as tonnage addition to the global fleet slows down. The Baltic Dry Index continues to be at historic lows indicating that it will take some time before the industry fully recovers.

With broader market fundamentals in the Dry Bulk trade expected to remain under stress due to demand supply mismatch, increase in scrapping activities is required to offset the new building pressure. On back

of tough financing environment, order cancellations and slippages in deliveries are also likely to remain high easing some pressure on the supply side. On the demand side, global seaborne commodity movement is expected to improve as a result of increased imports into Asia. But a slowdown in China or prolonged recession in Europe could possibly result in downward revision of demand, which can have a significant negative impact on freight rates.

In the Wet Market, the freight rates remain volatile with crude spot rates being under pressure from decline of fixture activity of Middle East, West Africa and Mediterranean. The increased supply of super tankers competing for the limited cargoes of Persian Gulf crude has put pressure on the daily earnings of tankers. The risk of Iranian oil output coming off line supports higher freight rates disrupting supply with demand. However, the crude tanker freight market remains in downward momentum with investors seem to have more faith in the U.S. product demand. Analysts have raised forecast of shipping rates for very large crude oil tankers to \$25,000 per day during 2012 and to \$30,000 per day during 2013 up from the previous estimate.

A significant shift is being witnessed in the global sources of oil and minerals. With depleting coal supplies at home, China and India are now importing coal from as far as South America, and countries like Brazil and Russia are increasing their production of oil, this shift would lead to increase ton-miles and will necessitate newer sea routes and contracts.

Despite tough market conditions the Sea Transportation business had done well based on the strategy of deploying vessels on long-term contracts, which not only provides us visibility of revenues over a longer horizon but also hedges us from spot market volatility. Your Company is completely shielded against the current downturn in the shipping industry because of its long term employment contracts with Charters focused in Steel, Power and Oil & Gas industry.

(b) Oilfields Services Business:

This year has seen the drilling market forge towards the peak levels of 2008 with the revival in crude prices. Though the global macroeconomic environment gives cause for concern, at the current stage there are few signs of this affecting day rates. In addition, it is notable that historically the oil/drilling market has remained rather robust even during several years of significant economic turmoil.

As off-shore drilling stretches out to newer regions, older rigs will face a pressure to upgrade to newer

technologies or be phased out. Over the previous year, the supply of assets has waned with many cold stacked rigs being scrapped, especially in the shallow and mid water segments. In the jack-up segment alone, 20 older, cold stacked rigs have been scrapped in the past year, which is more than the previous 15 years combined. This signals that a very limited number of currently cold stacked assets will be adding to the working fleet.

Given that most additions to the current rig fleet will be new builds, availability will be severely limited till 2014. Day rates currently look to have stabilized at USD 300,000 per day for standard midwater floaters.

Global E&P spending in 2012 have seen an increase of 10% to \$598bn, versus \$544bn in 2011. By region, exploration and production spending is expected to rise most meaningfully in Latin America, Africa, Europe, the Middle East and Russia. Latin American E&P spending is projected to rise by 21% in 2012. Spending gains are expected to be led by significant pickups in activity in Brazil (Petrobras up 13%), Venezuela (PDVSA up 62%), Colombia (Ecopetrol up by 25%) and Mexico (a 17% increase slated for PEMEX). Following a disappointing 2011 where political instability in several countries, government overhauls and administrative issues resulted in significantly curtailed spending, Exploration and Production expenditures in Africa are expected to increase by 14% in 2012 to \$30bn from \$26bn in 2011. Spending by companies in India, Asia and Australia are expected to increase by 11% in 2012 led by a ramp up in expenditures by CNOOC, Petronas, and Inpex Corp. Petronas Carigali alone has slated expenditures of over \$1.5bn in the coming year, reflecting strengthening shallow water and deepwater activity in Malaysia.

During the 11th five year plan period, the total sedimentary basin area to be brought under exploration coverage is being targeted at 80%. Under NELP-VIII, the highest numbers of blocks were awarded for exploration, covering an area of 1.63 lakh sq. km. Further, the Government's Hydrocarbon Vision 2025 envisages a program for a comprehensive appraisal of all of India's basins by 2025, which augurs well for the offshore drilling industry. Hence strong domestic demand and relatively improved market conditions are likely to favor Indian rig owners going forward.

With an increase in demand for oil as envisaged, the demand-supply deficit is bound to increase. Thus, tightening of oil supply, combined with a long term growth in demand, imply stable to increasing oil prices.

The outlook for oilfields business is positive and your Company is well poised to cater to the growing opportunities. Going forward the oilfields business will contribute significantly to the profitability of your Company.

Your Company, through its wholly owned subsidiary, Essar Oilfield Services India Limited (EOSIL), has recently received LOA from NSOC Brunei and BG Shirke for LR#4 and LR#3 respectively. The semi-submersible rig, Essar Wildcat, is currently deployed with Conocophillips in Indonesia for an 18 month contract starting from October 2011.

(c) Logistics Business:

Road transportation dominates the logistics market as it enables point-to-point transportation, effective tracking of cargo and limited multiple handling of consignments. Indian trucking sector contributes about 4.5 - 5% of GDP and accounts for ~55% of freight transportation by volume. Moreover, improved road infrastructure and higher capacity trucks (multi axle vehicles) have reduced transit times, thereby further improving the competitiveness of road transportation for shorter lead distances (<500 kms). The outlook for the road freight transport sector heavily depends on the outlook for other sectors such as agriculture and industry. If the current share in GDP is maintained the growth in the sector is likely to be in the range of 1-1.5x the GDP growth. The overall cargo traffic is expected to grow at a CAGR of 14% between FY11 – 14, which will result in increased volumes to be handled, giving an opportunity to existing players to capitalize on scale and scope of operations.

The total share of organized players is estimated to be not more than 5-10% of the sector; hence it has enough scope for consolidation. While the industry has been growing at almost 10 percent in the past few years, the organized players have witnessed a much higher growth. Though infrastructure has witnessed slight improvement, there is still lot of scope for improvement in infrastructure and any favorable push from the Government towards construction of national highways and expressways will act as a strong impetus for growth with reduced costs. Further improved infrastructure would allow fleet owners to continue their drive to replace their fleets with newer and more powerful vehicles.

Your Company through its wholly owned subsidiary Essar Logistics Limited (ELL) provides project cargo, transshipment, lighterage and trucking services to steel mills, power plants and oil refineries.

RISK MANAGEMENT

Your Company has a Risk Management Policy that outlines the framework and procedures to assess and mitigate the impact of risks, and to update the Board and the senior management on a periodical basis on the risk assessed, actions taken for mitigation and efficacy of mitigation measures.

With efficient Risk Management Framework, your Company able to manage (a) Economic Risks by entering into long term contracts with reputed global majors in each of its divisions thereby ensuring long term profitability of the Company and assured cashflows (b) Interest Rate Risk by undertaking suitable hedging strategies to overcome any adverse interest rate risks. It has formulated internal target rates at which any open interest rate risk can be hedged.

INTERNAL CONTROL FRAMEWORK

Your Company has a well established framework of internal controls in operation, including suitable monitoring procedures. In addition to the external audit, the financial and operating controls of your Company at various locations are reviewed by Internal Auditors, who report their observations to the Audit Committee of the Board.

HUMAN RESOURCE

Your Company has introduced contemporary Human Resource practices to enhance technical and managerial competence of the employees and to further leverage their capabilities to enhance the performance. Further the Company has taken a series of initiatives to enhance emotional and intellectual engagement of employees.

AWARDS AND RECOGNITIONS

Your Company won the award for Bulk Operator of the year, at the Gateway Awards of Excellence: Ports and Shipping 2010-11, in New Delhi on January 19, 2012. Instituted in 2008 by leading Indian magazine Maritime Gateway, the Gateway Awards of Excellence felicitates the best industry players annually for outstanding performance in their respective fields. The award was presented to your Company for excellence in operations and in recognition of its proactive initiatives towards fleet expansion.

Your Company has also won the SHIPPING LINE OF THE YEAR (BULK) Award at Samudra Manthan Awards 2011. The award ceremony was part of International Maritime Offshore Logistics (IMOL 2011) Conference organized by Bhandarkar Shipping Events, in Mumbai, on December 7-8, 2011.

Your Company, in order to ensure highest standard of safety, has implemented and initiated various measures with respect to Quality, Safety and Environment

Management Systems. The initiatives by your Company have been rewarded with several recognitions. Some of the noticeable ones amongst the many are as follows:

- a) OHSAS 18001 certified by American Bureau of Shipping (ABS); first and only shipping Company in India to obtain this certification.
- b) ISO 9001:2000 and ISO 14001:2004 certification to the Sea Transportation business by ABS Quality Evaluations Inc.
- c) Essar Wildcat awarded by the International Association of Drilling Contractors (IADC) for achieving 3 years without LTI (Lost Time Incident).
- d) Essar Wildcat received positive recommendations on its external HSE audit conducted by ABS.
- e) Land Rig MR#1 recorded zero LTI since its inception in Schlumberger's India shale gas project.

SUSTAINABILITY REPORTING

Your Company has released its first Sustainability Report titled 'Sustainability – Our Propelling Force'.

Your Company is the first Indian shipping Company and among few in the international maritime sector to report as per the GRI Generation 3 guidelines.

Your Company is also among the few to report its alignment with the National Voluntary Guidelines of Social, Environmental and Economic Responsibilities of Business issued by the Ministry of Corporate Affairs.

With the world focussing on the many challenges facing the planet, companies across the globe are adopting a structured sustainable approach towards issues pertaining to Corporate Governance, People, Health & Safety, Environment, Product Responsibility and Community. Essar Shipping's report covers all these aspects and outlines the achievements, challenges and progress for the year ending March 31, 2011.

The report has been checked by Global Reporting Initiative (GRI) for adherence to its Generation 3.1 (G3.1) Guidelines and has been awarded with an A+ application level against its sustainability reporting framework, becoming the first Indian Shipping Company to be so awarded. An A+ rating denotes that the report has been externally assured; ESL's report was independently assured by international agency, DNV, using the AA1000 AccountAbility Principles Standard and DNV's Sustainability Verification Protocol – VeriSustain

EMPLOYEE STOCK OPTION SCHEME

The Company has implemented the "Essar Shipping Employees Stock Option Scheme-2011" ("Scheme") in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee

Stock Purchase Scheme) Guidelines, 1999 ("the SEBI Guidelines"). The Compensation Committee of the Board of Directors of the Company administer and monitors the Scheme. The applicable disclosures as stipulated under the SEBI Guidelines as at March 31, 2012 are provided in the Annexure to this Report.

INFORMATION TECHNOLOGY

Your Company has successfully implemented SAP in its financial and budget management systems. The Company is also exploring various methods of automation so as to have greater visibility and control over its assets and further improve the turnaround time thereby increasing asset utilisation and profitability. All the vessels are undergoing upgradation of systems in terms of hardware and software. Your Company has implemented a robust Document Management System thus improving the availability of critical information in e-mode thereby reducing the use of paper.

SUBSIDIARIES:

Following are the subsidiaries of your Company:

1. Essar Logistics Limited
2. Essar Oilfields Services Limited
3. Essar Oilfield Services India Limited
4. Energy Transportation International Limited
5. Energy II Limited

In accordance with the general circular issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, Profit & Loss Account and other documents of the subsidiary companies are not being attached with the Balance Sheet of the Company in view of the Company providing consolidated accounts. The Company will make available the Annual Accounts of the subsidiary companies and the related information to any member of the Company who may be interested in obtaining the same. The annual accounts of the subsidiary companies will also be kept for inspection at the Registered Office of the Company and that of the respective subsidiary companies. The Consolidated Financial Statements presented by the Company include the financial results of the subsidiary companies.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company Mr. Ankur Gupta and Mr. R. N. Bansal retire by rotation at the ensuing Annual General Meeting and being eligible offers themselves for re-appointment.

AUDITORS

Your Company's Statutory Auditors, M/s. Deloitte Haskins & Sells, Chartered Accountants, Ahmedabad (Registration

No. 117365W) retire at the ensuing Annual General Meeting and are eligible for reappointment. The Company has received consent letter from M/s Deloitte Haskins & Sells, Chartered Accountants, Ahmedabad (Registration No.117365W) to the effect that their appointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956 and that they are not disqualified for reappointment within the meaning of Section 226 of the Companies Act, 1956.

CORPORATE GOVERNANCE

The Company is committed to maintain the highest standard of Corporate Governance and comply to the Corporate Governance requirements as required under the Listing Agreement entered with the Stock Exchanges. The disclosures as required in Clause 49 of the Listing Agreement have been furnished in the Annexure to the Directors' Report under the head "Corporate Governance". The requisite Certificate from the Statutory Auditors of the Company confirming the compliances with the conditions of the Corporate Governance as stipulated in Clause 49 of the Listing Agreement entered with the Stock Exchanges, is attached and forming part of this Annual Report.

PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF THE BOARD OF DIRECTORS) RULES, 1988

Pursuant to Notification No. GSR 1029 dated 31.12.1988 your Company is not required to furnish prescribed information regarding conservation of energy and technology absorption, as Shipping Industry is not covered in the schedule to the said rules. The details of Foreign exchange earnings and outgo are summarised below:

Total Foreign Exchange:

- (1) Earned (including loan receipts, sale of ships, freight, charter hire earnings, interest income, etc.) : ₹ 750.90crore
- (2) Used (including cost of acquisition of ships, loan repayments, interest, operating expenses, etc.) : ₹ 867.91crore

PARTICULARS OF EMPLOYEES

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, is given in the Annexure forming part of this Report. However, as per the provisions of Section 219(1)(b)(iv) of the said Act, the Report and Accounts are being sent to all the shareholders of the Company excluding the statement of particulars of employees u/s 217 (2A) of the said Act. Any shareholder

interested in obtaining a copy of this statement may write to the Company Secretary for the same at the Registered Office of the Company.

STATEMENT OF DIRECTORS RESPONSIBILITIES

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956 the Board of Directors hereby state that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed and there have been no material departures;
- the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the Directors have prepared the annual accounts on a going concern basis.

FIXED DEPOSITS

Your Company has not accepted any public deposits under section 58A of the Companies Act, 1956, during the financial year under report.

APPRECIATION AND ACKNOWLEDGEMENTS

Your Directors express their appreciation of commendable teamwork of all employees.

Your Directors thank its bankers, Mercantile Marine Department, State Government and Central Government and other business associates for their continued support and co-operation during the year.

For and on behalf of the Board

A. R. Ramakrishnan **K. V. Krishnamurthy**
Managing Director Director

May 17, 2012
Mumbai

ANNEXURE TO DIRECTORS REPORT

The disclosures as stipulated under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("the SEBI Guidelines") and forming part of Director's Report for the period ended on March 31, 2012.

Sr. No.	Particulars	Details
(a)	Options Granted	4068819
(b)	Exercise price	₹ 22.30 per option
(c)	Options vested	NIL
(d)	Options exercised	NIL
(e)	The total number of shares arising as a result of exercise of option	Not applicable
(f)	Options lapsed	NIL
(g)	Variation of terms of options	NIL
(h)	Money realized by exercise of options	Not applicable
(i)	Total number of options in force	4068819
(j)	Employee wise details of options granted	<p>(i) Senior managerial personnel: Mr. A. R. Ramakrishnan - 674258; Captain Anoop Kumar Sharma - 551533; Mr. Ankur Gupta - 714717; Mr. Rajeev Nayyar - 309562; Mr. Ranjeet Singh - 269843</p> <p>(ii) Any other employee who receives a grant in any one year of option amounting to 5% or more of options granted during that year:</p> <p>(iii) Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant: NIL</p>
(k)	Diluted Earnings per share (EPS) pursuant to issue of shares on exercise of options calculated in accordance with Accounting Standard (AS)20 "Earning per share"	Not applicable since no options are yet vested.
(l)	Where the Company has calculated the employee compensation cost	The issuance of the equity shares upon exercise of option shall not affect the Profit & Loss Statements of the Company, as

Sr. No.	Particulars	Details
	using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits and on EPS of the Company shall also be disclosed.	the Pricing formula as approved by the Shareholders of the Company is the Market Price as per the SEBI Guidelines i.e. latest available closing price prior to the date of grant of options at the Stock Exchange where there is highest trading volume.
(m)	Weighted-average exercise prices and weighted-average fair values of options shall be disclosed separately for options whose exercise price	Not applicable

Sr. No.	Particulars	Details
	either equals or exceeds or is less than the market price of the stock	
(n)	A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information: (i) Risk-free interest rate (ii) Expected life (iii) Expected volatility (iv) Expected dividends and (v) The price of the underlying share in market at the time of option grant	Not applicable

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 Wholetime 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, 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.	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 Wholetime 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@dsr-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

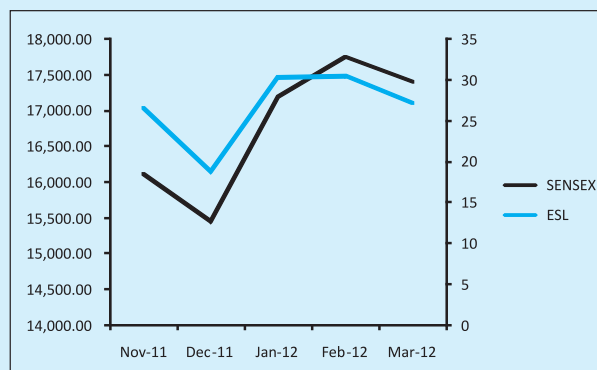
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 023.

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/ 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, 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

AUDITORS' REPORT TO THE MEMBERS OF ESSAR SHIPPING LIMITED

(Formerly ESSAR PORTS & TERMINALS LIMITED)

1. We have audited the attached Balance Sheet of Essar Shipping Limited (formerly Essar Ports & Terminals Limited) ("the Company") as at March 31, 2012, the Statement of Profit and Loss and Cash Flow Statement of the Company for the year ended March 31, 2012 both annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (iii) The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) In our opinion, the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956;
 - (v) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2012;
 - (b) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
 - (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
5. On the basis of written representations received from Directors as on 31st March, 2012 taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2012 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956.

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

Khurshed Pastakia
Partner
(Membership No.31544)

Mumbai,
May 17, 2012

ANNEXURE TO THE AUDITOR'S REPORT TO THE MEMBERS OF ESSAR SHIPPING LIMITED

(Referred to in paragraph 3 of our report of even date)

In our opinion and according to the information and explanations given to us, the nature of the Company's business/activities during the year are such that clauses (vi), (viii), (x),(xiii), (xiv), (xviii), and (xx) of para 4 of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

1. In respect of its fixed assets:

- a. The Company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets.
- b. The fixed assets of the Company are physically verified by the management according to a phased programme designed to cover all the items over a period of three years, which in our opinion, is largely reasonable having regard to the size of the Company and the nature of its assets. As per the information given to us by the management, no material discrepancies as compared to book records were noticed in respect of fixed assets verified during the year.
- c. In our opinion and according to the information and explanations given to us, the Company has not made substantial disposals of fixed assets during the year and the going concern status of the Company is not affected.

2. In respect of its inventories:

- a. As explained to us, inventories were physically verified during the year by the management at reasonable intervals.
- b. In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its business.
- c. According to the information and explanations given to us, the Company's inventories comprise fuel oil and lube oil on board the ships. Having regard to the nature of the Company's business and scale of operations, quantities are determined by physical count and it is not considered feasible to maintain records of movements of inventories of such items by the vessel in which they are carried. As quantities are determined by physical count and

records of movements are not maintained on board the ships, the question of discrepancies on physical verification thereof does not arise.

3. In our opinion and according to the information and explanations given to us, there are no companies, firms or parties required to be entered into the register maintained under section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii) (a) to (g) of the Order are not applicable to the Company.

4. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in such internal controls. The nature of the Company's business does not involve sale of goods.

5. In our opinion and according to the information and explanations given to us, there are no contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act 1956.

6. In our opinion, the internal audit system of the Company is commensurate with the size of the Company and nature of its business.

7. According to the information and explanations given to us in respect of statutory dues:

- a. The Company has been generally regular in depositing undisputed statutory dues, including Provident Fund, Service tax, Investor Education and Protection Fund, Income Tax, Sales Tax, Wealth Tax, Value Added Tax, Customs Duty, Excise Duty, Cess and any other material statutory dues, as applicable, with the appropriate authorities during the year. As informed to us Employees State Insurance Scheme is not applicable to the Company.

There are no undisputed amounts payable in respect of the above statutory dues that are outstanding as at 31st March, 2012 for a period exceeding six months from the date they became payable.

- b. The details of Income Tax and Sales Tax dues which have not been deposited as at March 31, 2012 on account of disputes pending, are given below:

Name of the statute	Nature of the disputed dues	Amount (₹ in crore)	Period to which the amount relates	Forum where dispute is pending
Income tax Act, 1961	Income Tax	7.29	Assessment Year from 1994-1995	Appellate Authority – Tribunal Level
Director General of Foreign Trade, Bangalore	Customs duty	27.40	F.Y 07 to 09	Bombay High court

According to the information and explanation given to us, there were no dues pending to be deposited on account of any dispute in respect of Wealth Tax, Service Tax, sales tax, Excise Duty and Cess as on 31st March, 2012.

8. In our opinion, on the basis of audit procedures and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks, financial institutions or debenture holders.
9. According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
10. In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has given guarantees for the loans taken by others from banks and financial institutions, are not, prima facie, prejudicial to the interests of the Company.
11. To the best of our knowledge and belief and according to the information and explanations given

to us, in our opinion, term loans availed by the Company were, prima facie, applied by the Company during the year for the purposes for which the loans were obtained, other than temporary deployment pending application.

12. According to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, we report that the funds raised on short-term basis have, prima facie, not been used during the year for long-term investment.
13. According to the information and explanations given to us, during the period covered by our audit report, in respect of the debentures outstanding the securities created fully cover the amount of debentures.
14. To the best of our knowledge and belief and according to the information and explanations given to us, no material fraud on or by the Company was noticed or reported during the year.

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

Khurshed Pastakia
Partner
(Membership No.31544)

Mumbai,
May 17, 2012

BALANCE SHEET AS AT 31ST MARCH, 2012

(₹ in crore)

Particulars	Note No.	As at 31 st March, 2012	As at 31 st March, 2011
I. EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	3	205.23	205.23
(b) Reserves and surplus	4	5,005.65	4,938.39
		5,210.88	5,143.62
2 Non-current liabilities			
(a) Long-term borrowings	5	3,212.10	2,856.78
(b) Other long term liabilities	6	13.50	13.50
(c) Long-term provisions	7	5.64	6.27
		3,231.24	2,876.55
3 Current liabilities			
(a) Short-term borrowings	8	233.75	185.98
(b) Trade payables	9	131.87	69.35
(c) Other current liabilities	10	224.87	144.98
(d) Short-term provisions	7	31.80	0.01
		622.29	400.32
TOTAL EQUITY AND LIABILITIES		9,064.41	8,420.49
II. ASSETS			
Non-current assets			
1 (a) Fixed assets			
Tangible assets	11	1,867.04	1,745.80
(b) Non-current investments	12	6,323.92	5,629.88
(c) Long-term loans and advances	13	471.53	485.03
(d) Other non-current assets	15(b)	15.89	16.25
		8,678.38	7,876.96
2 Current assets			
(a) Inventories	14	40.89	25.27
(b) Trade receivables	15(a)	119.34	114.05
(c) Cash and cash equivalents	16	19.94	19.31
(d) Short-term loans and advances	13	181.32	364.04
(e) Other current assets	15(b)	24.54	20.86
		386.03	543.53
TOTAL ASSETS		9,064.41	8,420.49
See accompanying notes forming part of financial statements	2		

In terms of our report attached

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

Khurshed Pastakia
Partner

Mumbai
17th May, 2012

For and on behalf of the Board

A. R. Ramakrishnan
Managing Director

Vikram Gupta
Chief Financial Officer

Mumbai
17th May, 2012

K.V. Krishnamurthy
Director

Vinayak Joshi
Company Secretary

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2012

(₹ in crore)

Particulars	Note No.	Year ended 31.03.2012	Period ended 16.04.10 to 31.03.11
1 Revenue from operations	17	1,245.35	514.66
2 Other income	18	59.51	32.29
Total Revenue		1,304.86	546.95
3 Expenses:			
Employee benefits	19	90.73	42.46
Operating expenses	20	688.02	230.18
Establishment and other expenses	21	25.38	14.63
Total		804.13	287.27
Profits before interest, depreciation and tax		500.73	259.68
4 Finance costs	22	266.90	123.11
Profits before depreciation and tax		233.83	136.58
5 Depreciation and amortization expense	11	136.36	56.91
Profit before tax		97.47	79.67
6 Tax expense:			
Current tax		(1.65)	(1.50)
Profit for the year		95.82	78.17
7 Earnings per equity share (face value of ₹ 10 each) :	28		
(1) Basic		4.67	—
(2) Diluted		4.67	3.71
See accompanying notes forming part of financial statements			

In terms of our report attached
For **Deloitte Haskins & Sells**
Chartered Accountants
(Registration No. 117365W)

Khurshed Pastakia
Partner

Mumbai
17th May, 2012

For and on behalf of the Board

A. R. Ramakrishnan
Managing Director

Vikram Gupta
Chief Financial Officer

Mumbai
17th May, 2012

K.V. Krishnamurthy
Director

Vinayak Joshi
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

(₹ in crore)

Particulars	Year ended 31.03.2012	Period ended 16.04.10 to 31.03.11
A CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	97.47	79.67
Adjustments for :		
Depreciation	136.36	56.90
Interest and finance expenses	266.90	123.11
Interest income	(55.51)	(27.72)
Profit on sale of vessels/ other assets	(0.39)	(37.97)
Surplus on extinguishment of finance lease liability cancelation	—	(20.02)
Provision for employee benefits	1.03	—
Miscellaneous expenditure written off	0.41	—
Amortisation of stock based employee compensation	0.07	—
Foreign exchange gain	5.56	(2.71)
Operating profit before working capital changes	451.90	171.26
Adjustments for:		
Inventories	(15.62)	(3.32)
Trade and other receivables	(54.55)	(61.48)
Trade and other payables	83.86	1.07
Cash generated from operations	465.59	107.53
Income taxes paid	(25.05)	(6.66)
Net cash flow from operating activities	440.54	100.87
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets including capital work in progress /advance	(92.06)	(196.21)
Proceeds from sale of fixed assets	0.23	62.31
Purchase of investments in subsidiaries	(255.50)	—
Fixed deposits placed for a period of more than three months,net	(15.02)	5.83
Loans and advances given to subsidiaries and other body corporate	(60.75)	(8.75)
Loans and advances repaid by subsidiaries and other body corporate	59.86	32.96
Interest received	38.43	22.92
Net cash used for investing activities	(324.81)	(80.94)
C CASH FLOW FROM FINANCING ACTIVITIES		
Interest and finance expenses paid	(262.80)	(122.97)
Proceeds from long term loans	215.63	228.95
Proceeds from short term loans	62.77	—
Proceeds from commercial papers	395.00	205.00
Proceeds from unsecured loans	—	26.17
Repayment of long term loans	(60.26)	(115.86)
Repayment of short term loans	(15.00)	—
Repayment of finance lease obligations	(68.35)	(38.19)
Repayment of commercial papers	(395.00)	(205.00)
Repayment of unsecured loan	—	(11.17)
Share issue expense	(2.05)	—
Net cash flow from financing activities	(130.06)	(33.07)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2012

(₹ in crore)

Particulars	Year ended 31.03.2012	Period ended 16.04.10 to 31.03.11
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(14.33)	(13.14)
Cash and cash equivalents received upon demerger	–	32.51
Unrealised foreign currency (loss) / gain on cash and cash equivalents	(0.03)	(0.07)
Cash and cash equivalents at the beginning of the year	19.30	–
Cash and cash equivalents at end of the year (refer note 16)	4.94	19.30

Notes :

1 Non cash transactions

- i) Pursuant to the scheme, the EPL has transferred the following assets and liabilities at its book value as on 01.10.2010.

a) Assets:

Fixed assets including capital advance	1,887.23
Investments	4,210.48
Inventories	21.95
Sundry debtors	128.31
Margin deposits with bank	5.81
Other current assets	0.05
Loans and advances	2,238.94
	8,492.77

b) Liabilities

Secured loans	1,214.77
Finance lease obligations	879.87
Unsecured loans	1,248.69
Current liabilities and provisions	116.50
	3,459.83

Net Assets

5,032.94

- ii) Equity shares – pending allotment (refer note no. 1 (B))
- iii) During the previous period the company has cancelled the finance lease obligation amounting to ₹ 248.70 crore against the net book value of the vessel M.T. Ashna ₹ 228.68 crore

- 2** 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
(Registration No. 117365W)

Khurshed Pastakia
Partner

Mumbai
17th May, 2012

For and on behalf of the Board

A. R. Ramakrishnan
Managing Director

Vikram Gupta
Chief Financial Officer

Mumbai
17th May, 2012

K.V. Krishnamurthy
Director

Vinayak Joshi
Company Secretary

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH, 2012

1. CORPORATE INFORMATION

A. GENERAL INFORMATION

Essar Shipping Limited ("the Company") was incorporated in the name of Essar Ports & Terminals Limited in the State of Gujarat on April 16, 2010. The name was subsequently changed to Essar Shipping Limited with effect from September 7, 2010. The Company received the Certificate of Commencement of Business on June 1, 2010. The main object of the Company on incorporation was to carry on the business inter alia of providing ports and terminals services. The main objects of the Company were expanded on August 25, 2010 to inter alia provide shipping & logistics and oilfields services business.

B. COMPOSITE SCHEME OF ARRANGEMENTS

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 (now EPL), 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 ESPL and the demerger of the Shipping & Logistics Business and the Oilfields Services Business into ESL.

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 ESPL with effect from October 1, 2010 being the Demerger Appointed Date, which are based on financial statements as on 30th September, 2010. The difference between the values of assets and liabilities transferred was first adjusted against share capital (₹ 205.23 crores), ₹ 25 crores 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 ESPL with effect from October 1, 2010.

Non Convertible Debentures aggregating to ₹ 700 crores and Foreign Currency Convertible Bonds aggregating to USD 240 million (out of USD 280 million) issued by ESPL 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 ESPL whose name were recorded in the register of members of ESPL as on May 19, 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 India Limited (subsidiary of Essar Global Limited)	1,273,610
Erstwhile other shareholders of ESPL	33,502,269
Total	205,227,768

Simultaneously, the original issued equity share capital i.e. 50,000 equity shares of ₹ 10/- each were cancelled in accordance with the Scheme.

2. SIGNIFICANT ACCOUNTING POLICIES:

A. 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 (AS) referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.

B. 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 amounts 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.

C. FIXED ASSETS

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 /upgradations.

Assets acquired under finance leases are capitalised as fixed assets at lower of fair value at inception of the lease and the present value of minimum lease payments and a 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.

Foreign exchange differences on conversion/ translation/ settlement in respect of long term monetary items used for acquisition of depreciable fixed assets are added to the cost of fixed assets.

D. DEPRECIATION

Depreciation on fleet, including second hand fleet, is provided by using the straight-line method based on a technical evaluation of the economic useful life of respective vessels or at the rates prescribed under the Schedule XIV to the Companies Act, 1956, whichever are higher as follows:

Fleet	Method of depreciation	Estimated useful life
Tankers	SLM over balance useful life or 5% whichever is higher	14-25 years
Bulk carriers		3-26 years
Mini bulk carriers		20 years
Tugs	SLM over balance useful life or 7% whichever is higher	20 years

Depreciation on water circulation treatment plant and aircraft is provided by using the straight-line method at the rates prescribed in Schedule XIV to the Companies Act, 1956.

All other assets are depreciated by using the written down value method at the rates prescribed in Schedule XIV to the Companies Act, 1956. Assets costing less than ₹ 5,000/- are fully depreciated in the year of acquisition.

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.

E. IMPAIRMENT OF ASSETS

The Company assesses on each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company 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.

F. BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction/development of a qualifying asset are capitalized as a part of cost of such asset. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use.

Costs in connection with 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.

G. 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 lower of cost and fair value.

H. INVENTORY

Inventory is valued at the lower of cost and net realisable value. Cost is determined on first-in-first-out basis.

I. FLEET OPERATING EARNINGS

Fleet operating earnings represent the value of charter hire earnings, demurrage, freight earnings, fleet management fees and lighterage earnings, and are accounted on accrual basis. Freight earnings are recognised on a pro-rata basis for

voyages in progress at balance sheet date after loading of the cargo is completed; revenues and related expenses for voyages where cargo has not been loaded as on the balance sheet date are deferred and recognised in the following year. Lighterage is recognised on the basis of unloading of entire cargo.

J. INTEREST INCOME

Interest income is recognised on an accrual basis.

K. INSURANCE CLAIMS

Insurance claims are recorded based on reasonable certainty of their settlement.

L. FLEET OPERATING EXPENSES

All expenses relating to the operation of the fleet including crewing, insurance, stores, bunkers, dry docking, charter hire and special survey costs, are expensed under fleet operating expenses on accrual basis.

M. OPERATING LEASES

Rentals are expensed with reference to the terms of the lease agreement and other considerations in respect of operating leases.

N. 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 (AS) 30 - Financial Instruments: Recognition and Measurement of the Institute of Chartered accountants of India

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 recognised 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 for the period.

O. 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 @ 8.6%, 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 using the Projected Unit Credit Method.
- 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 the Statement of Profit and Loss.

Contribution in respect of gratuity for on shore staff is made to Life Insurance Corporation of India based on demands made. The Company also accounts for gratuity liability based on an independent actuarial valuation carried out at every statutory year end using the Projected Unit Credit Method.

- c) Contribution towards 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, and is charged to the Statement of Profit and Loss.
- d) Provision for all compensated absences of eligible employees is based on an independent actuarial valuation.
- e) The Company has formulated Employee Stock Option Schemes (ESOSs) in accordance with Securities and Exchange Board of India (Employee Stock Option Scheme) Guidelines, 1999. The Schemes provide for grant of options to employees of the Group to acquire the equity shares of the Company that vest in a graded manner and that are to be exercised within a specified period.

In accordance with the SEBI Guidelines and the guidance note on "Accounting for Employee Share based payments" notified under the Companies (Accounting Standard) Rules, 2006, the excess, if any, of the market price of the share preceding the date of grant of the option under ESOSs over the exercise price of the option is amortised on a straight-line basis over the vesting period.

P. 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 on conversion/translation/settlement of foreign currency transactions are recognised in the Statement of Profit and Loss, except gains/ losses on conversion/ translation/settlement in respect of long term foreign currency monetary items related to acquisition of a depreciable asset is adjusted to the carrying amount to those depreciable assets.

Gains/losses on conversion/translation/settlement in respect of long term foreign currency items relating 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 31st March, 2020.

Q. TAXES ON INCOME

- a) Income tax on income from qualifying fleet is provided on the basis of the Tonnage Tax Scheme whereas income tax on other income is provided as per other provisions of the Income Tax Act, 1961.
- 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 at 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.

R. 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 Company, 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.

3. Share capital

(a)	As at 31 st March, 2012		As at 31 st March, 2011	
	Number	₹ in crore	Number	₹ in crore
Authorised				
Equity shares of ₹ 10/- each	500,000,000	500.00	50,000	0.05
Increase in equity share under the scheme of arrangement	—	—	499,950,000	499.95
	<u>500,000,000</u>	<u>500.00</u>	<u>500,000,000</u>	<u>500.00</u>
Issued, subscribed and fully paid up				
Equity shares of ₹ 10/- each	205,227,768	205.23	—	—
Equity shares of ₹ 10/- each, pending allotment (refer note no.1(B)) (allotted on May 21, 2011)	—	—	205,227,768	205.23
	<u>205,227,768</u>	<u>205.23</u>	<u>205,227,768</u>	<u>205.23</u>
(b) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period				
a) Equity shares of ₹ 10/- each				
At the beginning of the year	—	—	—	—
Add: Pending allotment of shares (refer note no 1(B))	—	—	205,227,768	205.23
Add: Issue of shares	205,227,768	205.23	50,000	0.05
Less: Extinguishment under the scheme of arrangement (refer note no 1(B))	—	—	(50,000)	(0.05)
Outstanding at the end of the year	<u>205,227,768</u>	<u>205.23</u>	<u>205,227,768</u>	<u>205.23</u>

(c) Terms / rights attached to equity shares

The Company has one class of equity shares having par value of ₹ 10/- each. Each shareholder of the equity shares is entitled to one vote per share but no right to fixed income by the way of dividend. In the event of liquidation of the company, the equity shareholders will be entitled to receive the remaining assets of the company, in proportion of equity share held, after distribution of all preferential amounts.

(d) Shares held by holding/ultimate holding company and/or their subsidiaries/associates and details of the shareholding more than 5% shares in the company

	31 st March, 2012		
	Number	₹ in crore	%
Equity shares of ₹ 10/- each			
a) Shares held by holding/ultimate holding company and/or their subsidiaries/associates			
Essar Shipping & Logistics Limited, the holding company	170,451,851	170.45	83.05
Essar Global Limited, the ultimate holding company	33	0.00	0.00
Teletech Investments (India) Limited, subsidiary of the ultimate holding company			
Essar Steel India Limited, subsidiary of the ultimate holding company	1,273,611	1.27	0.62
Imperial Consultants & Securities Pvt. Limited	68,082	0.07	0.03
b) Others (if holding shares more than 5%)	—	—	0.00
	<u>171,793,577</u>	<u>171.79</u>	<u>83.71</u>

(e) Aggregate number of bonus shares issued, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the date of the Balance Sheet.

	Year (Aggregate no. of shares)				
	2011-12	2010-11	2009-10	2008-09	2007-08
Equity Shares :					
Fully paid up pursuant to Scheme of arrangement (refer note no.1(B)) (allotted on May 21, 2011)	<u>205,227,768</u>	<u>—</u>	<u>N.A.</u>	<u>N.A.</u>	<u>N.A.</u>

(f) Share reserve for issue under options

- (i) For details of shares reserved for issue under the employee stock option (ESOP) plan of the company, refer note 32
(ii) 122,852,781 shares (as at March 31, 2011, 122,852,781 shares) of ₹ 91.70 each towards 5% Foreign currency convertible bonds, refer note no. 5.

4. Reserves and surplus

	As at 31 st March, 2012 ₹ in crore	As at 31 st March, 2011 ₹ in crore
a. Debenture redemption reserve		
Opening balance	35.00	—
Add: Transfer as per scheme of arrangement (refer note no 1(B))	—	25.00
Add: Current year transfer	20.00	10.00
Closing balance	55.00	35.00
b. Share options outstanding account		
Gross compensation for options granted during the year	1.82	—
Less: Deferred employee stock compensation	(1.75)	—
Closing balance	0.07	—
c. Tonnage Tax Reserve		
Opening balance	20.00	—
Add: Current year transfer/transfer as per scheme of arrangement (refer note no 1(B))	45.00	20.00
Closing balance	65.00	20.00
d. Cash Flow Hedging reserve account		
Opening balance	—	—
Add: Current year transfer (refer note 7 (b))	(31.59)	—
Closing balance	(31.59)	—
e. General Reserves		
Opening balance	4,835.22	—
Add: Transfer as per scheme of arrangement (refer note no 1(B))	—	4,835.22
Closing balance	4,835.22	4,835.22
f. Foreign currency Monetary Item difference account (FCMITDA)	2.96	—
g. Surplus in the Statement of Profit and Loss		
Opening balance	48.17	—
Add: Net profit for the current year	95.82	78.17
Less: Transfer to debenture redemption reserve	(20.00)	(10.00)
Less: Transfer to tonnage tax reserves	(45.00)	(20.00)
Net surplus in the statement of profit and loss	78.99	48.17
Total reserves and surplus	5,005.65	4,938.39

5. Long term borrowings

Particulars	Non current portion		Current maturities	
	As at 31 st March, 2012 ₹ in crore	As at 31 st March, 2011 ₹ in crore	As at 31 st March, 2012 ₹ in crore	As at 31 st March, 2011 ₹ in crore
Secured				
(a) Debentures				
11.35%, 7,000 secured non convertible debentures of ₹ 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	—	—

Particulars	Non current portion		Current maturities	
	As at 31 st March, 2012 ₹ in crore	As at 31 st March, 2011 ₹ in crore	As at 31 st March, 2012 ₹ in crore	As at 31 st March, 2011 ₹ in crore
(b) Term loans				
from banks				
Rupee term loans [converted into FCNR(B) facility] (secured by first charge on a very large crude carrier and its receivables.)	295.25	294.75	27.10	23.65
Foreign currency term loans (secured by first charge on five bulk carriers and its receivables.)	231.33	173.78	39.46	24.35
Rupee term loans (secured by extended charge on a bulk carrier and its receivables.)	150.00	—	—	—
Rupee term loan (secured by charge on a bulk carrier of the company.)	2.53	3.66	1.13	0.84
Rupee term loan (secured by first charge on a very large crude carrier and its receivables.)	15.11	—	—	—
from other parties				
Rupee term loan (secured by first charge on seven mini bulkers and four tugs of the company.)	74.38	96.25	21.88	3.75
Total secured loan	1,468.60	1,268.44	89.56	52.59
Unsecured				
(a) Foreign currency convertible bonds	1,227.76	1,071.52	—	—
Series-A ; US\$ 128,571,429, 5% interest bearing bonds due on 24th August 2015				
Series-B; US\$ 111,428,571,5% 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]				
(b) Long term maturities of finance lease obligations	515.74	516.82	77.10	63.81
Total unsecured loan	1,743.50	1,588.34	77.10	63.81
Total	3,212.10	2,856.78	166.66	116.40
Less: Amount disclosed under the head 'other current liabilities' (note10)	—	—	(166.66)	(116.40)
Long term borrowings	3,212.10	2,856.78	—	—

Note:-

1) Repayment terms:

- Secured debentures:** Of the total, 5000 debentures issued on 22.06.09 are redeemable on 22.06.19 with put and call option exercisable 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 exercisable after five years from the date of issue. Debentures carries interest of 11.35% per annum.
- Rupee term secured term loan from Banks and financial institutions:** The interest rates ranges from 13.00% to 15.00% (Previous year 12.00% to 13.75%) per annum with different installment payment as per loan agreement and installment schedule starting from October, 2010 to October, 2015.
- Foreign currency secured term loan from Banks and financial institutions:** The interest rates ranges from 2.74% to 9.49% (Previous year 2.46% to 5.96%) per annum with different installment payment as per loan agreement and installment schedule starting from March, 2006 to July, 2019.
- Unsecured finance lease:** The interest rates ranges from 6% to 7.85% per annum with different installment payment as per loan agreement and installment schedule starting from May, 2006 to September, 2018.

2) The Company does not have any continuing default in repayment of loans and interest as at the reporting date (previous year nil).

6. Other long term liabilities

Particulars	As at 31 st March, 2012 ₹ in crore	As at 31 st March, 2011 ₹ in crore
(a) Trade payables		
Dues to micro and small enterprises	—	—
Others	—	—
	—	—
(b) Others		
Deposits including security deposits	13.50	13.50
	13.50	13.50
Total	13.50	13.50

7. Provisions

Particulars	Long term provisions		Short term provisions	
	As at 31 st March, 2012 ₹ in crore	As at 31 st March, 2011 ₹ in crore	As at 31 st March, 2012 ₹ in crore	As at 31 st March, 2011 ₹ in crore
(a) Provision for employee benefits				
Superannuation	—	—	0.01	0.01
Gratuity	3.32	3.13	0.29	—
Compensated absences	2.32	3.14	1.37	—
(b) Others				
Provisions for mark to market losses on derivative contracts (refer note below)	—	—	30.13	—
Total	5.64	6.27	31.80	0.01

Note:-

Effective 1st July 2011, the Company has applied hedge accounting principles in respect of forward exchange contracts as set out in Accounting Standard (AS) 30 – Financial Instruments: Recognition and Measurement. Due to this, the valuation gains/losses 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 ₹ 31.59 crore arising on such contracts upto 31st March, 2012, has been recognised in the Hedging Reserve Account and the interest element of ₹ 6.09 crore for the period has been considered in the Statement of Profit and Loss.

8. Short term borrowings

Particulars	As at 31 st March, 2012 ₹ in crore	As at 31 st March, 2011 ₹ in crore
Secured		
(a) Loans repayable on demand from banks		
Cash credit facility from bank (Secured by first pari passu charge on a very large crude carrier of the company)	28.75	—
from others		
Rupee short term loan (secured by subservient charge on surplus cash flows of the company both present and future. The loan carries interest @ 13.5% p.a and is repayable in one instalment on 31 st March, 2012)	45.00	—
(A)	73.75	—

Particulars	As at 31 st March, 2012 ₹ in crore	As at 31 st March, 2011 ₹ in crore
Unsecured		
(a) Loans repayable on demand		
from banks	—	25.98
from others	—	
(b) Commercial paper	160.00	160.00
(B)	160.00	185.98
Total	(A+B) 233.75	185.98

9. Trade payables

Particulars	As at 31 st March, 2012 ₹ in crore	As at 31 st March, 2011 ₹ in crore
Trade payables -		
Due to Micro and small enterprises (refer note below)	0.02	—
Others	131.85	69.35
Total	131.87	69.35

Note: The Company has received intimation from the suppliers regarding their status under Micro, Small and Medium Enterprises Development Act, 2006 (the Act). There were no a) interest paid during the year; b) interest payable at the end of the accounting year; and c) interest accrued and unpaid at the end of the accounting year, in respect of such suppliers.

10. Other current liabilities

Particulars	As at 31 st March, 2012 ₹ in crore	As at 31 st March, 2011 ₹ in crore
Unearned revenue on services	22.54	7.64
Current maturities of long-term borrowings (Refer note 5)	89.56	52.59
Current maturities of finance lease obligations (Refer note 5)	77.10	63.81
Interest accrued but not due on borrowings	18.40	15.45
Other liabilities		
Statutory and other related dues	17.27	5.50
Total	224.87	144.98

11. Tangible assets

₹ in crore

	Land	Buildings	Fleet	Fleet (leased)	Plant and equipments (refer note below)	Aircraft (leased)	Furniture & fixtures and office equipments	Vehicles	Total
Gross Block									
As at 1st April, 2010									
Transfer as per scheme of demerger (refer note 1(B))	0.02	6.53	1,312.29	1,025.45	39.00	83.72	4.70	4.29	2,476.00
Additions	—	—	187.67	—	—	—	0.25	—	187.92
Disposals	—	—	(66.90)	(346.68)	—	—	—	(0.21)	(413.79)
Exchange differences (refer note 23)	—	—	(6.83)	(11.58)	—	(0.76)	—	—	(19.17)
As at 31st March, 2011	0.02	6.53	1,426.23	667.19	39.00	82.96	4.95	4.08	2,230.96
Additions	—	—	100.55	—	—	—	0.05	—	100.60
Disposals	—	(0.09)	(5.83)	—	—	—	—	—	(5.92)

	Land	Buildings	Fleet	Fleet (leased)	Plant and equipments (refer note below)	Aircraft (leased)	Furniture & fixtures and office equipments	Vehicles	Total
Exchange differences (refer note 23)	—	—	81.84	74.24		6.32	—	—	162.40
As at 31st March, 2012	0.02	6.44	1,602.80	741.43	39.00	89.28	5.00	4.08	2,488.04
Accumulated depreciation									
As at 1st April, 2010									
Transfer as per scheme of demerger (refer note 1(B))	—	2.56	357.52	183.50	38.99	19.24	3.26	3.13	608.20
Charge for the year	—	0.21	35.21	18.92	0.00	2.18	0.22	0.17	56.91
Disposals	—	—	(61.75)	(118.00)	—	—	—	(0.20)	(179.95)
As at 31st March, 2011	—	2.77	330.98	84.42	38.99	21.42	3.48	3.10	485.16
Charge for the year	—	0.37	99.34	31.27	—	4.77	0.36	0.25	136.36
Disposals	—	(0.06)	(0.46)	—	—	—	—	—	(0.52)
As at 31st March, 2012	—	3.08	429.86	115.69	38.99	26.18	3.84	3.35	621.00
Net block									
As at 31st March, 2011	0.02	3.76	1,095.25	582.78	0.01	61.54	1.47	0.98	1,745.80
As at 31st March, 2012	0.02	3.36	1,172.93	625.74	0.01	63.10	1.16	0.73	1,867.04

Note:

A. Gross block of Plant & Machinery includes ₹ 38.84 crore leased out, W.D.V on 1st April, 2011 Nil.

12. Non current Investments

Particulars	As at 31 st March, 2012 ₹ in crore	As at 31 st March, 2011 ₹ in crore
Non trade investments (valued at cost unless otherwise stated)		
(a) Investments in equity shares (unquoted, fully paid up)		
of subsidiaries		
7,30,00,000 (Previous year 7,30,00,000) Equity shares of ₹ 10/- each of Essar Logistics Limited #	73.00	73.00
24,66,00,001 (Previous year 20,00,00,001) Equity shares of US\$1/- each of Essar Oilfields Services Limited	4,747.78	4,524.16
42,02,000 (Previous year 19,52,000) Equity shares of US\$ 1/- each of Energy Transportation International Limited	19.42	8.77
5,25,36,660 (Previous year 12,000) Equity shares of Energy II Limited of US\$ 1 each	235.99	0.05
	5,076.19	4,605.98
(b) Investments in preference shares (unquoted, fully paid up)		
of subsidiaries		
2,36,42,732 (Previous year 2,30,92,732), 7% cumulative non convertible redeemable preference shares of US\$ 10 each of Essar Oilfields Services Limited	1,209.48	1,023.90
8,50,000 (previous year nil), 7% cumulative convertible preference shares of US\$ 10 each of Essar Oilfields Services Limited	38.25	—
	1,247.73	1,023.90
Total	6,323.92	5,629.88
Aggregate amount of unquoted investments :	6,323.92	5,629.88

Negative lien undertaking of 51% in favour of lenders for loan availed by Essar Steel Limited, Mauritius (formerly know as Essar Steel Holdings Limited) and pledge of 49% shares in favour of IDBI Trusteeship Services Limited as security against NCD of ₹ 700 crore.

13. Loans and advances (unsecured and considered good, unless stated otherwise)

Particulars	Non current loans and advances		Current loans and advances	
	As at 31 st March, 2012 ₹ in crore	As at 31 st March, 2011 ₹ in crore	As at 31 st March, 2012 ₹ in crore	As at 31 st March, 2011 ₹ in crore
a. Capital advances	–	8.54	–	–
b. Security deposits	29.44	52.89	21.00	–
c. Loans and advances to related parties (refer note 31)	418.00	418.00	110.34	42.85
d. Advance recoverable in cash or kind or for value to be received	–	–	22.26	17.10
e. Other loans and advances				
Advance towards allotment of shares	–	–	–	282.26
Advance income-tax and Tax deducted at source (net of provision for taxation)	23.76	5.19	5.19	–
Prepaid expenses	0.33	0.41	7.75	11.14
Loans to employees	–	–	3.63	–
Cenvat receivable	–	–	11.15	10.69
Total	471.53	485.03	181.32	364.04
14. Inventories				
Fuel, oil and lubes			40.89	25.27
Total			40.89	25.27

Note:- Inventories has been valued at lower of cost and net realisable value.

15. Trade receivables and other assets

Particulars	Non current		Current	
	As at 31 st March, 2012 ₹ in crore	As at 31 st March, 2011 ₹ in crore	As at 31 st March, 2012 ₹ in crore	As at 31 st March, 2011 ₹ in crore
a. Trade receivables				
(i) outstanding for a period exceeding six months from the date they are due for payment				
Unsecured, considered good	–	–	3.58	35.39
(ii) Other trade receivables (unsecured and considered good)	–	–	115.75	78.66
	–	–	119.34	114.05
b. Others (unsecured and considered good, unless stated otherwise)				
Non current bank balances				
– Margin money deposit	0.02	–	–	–
Income receivables	–	–	6.10	–
Receivable on sale of fixed assets	–	–	5.85	–
Receivable on sale of investment	–	–	–	10.16
Unamortised upfront fee and other ancillary borrowing cost	14.64	16.25	3.73	3.28
Unamortised share issue expenses	1.23	–	0.41	–
Insurance claim receivable	–	–	8.02	7.39
Interest accrued on fixed deposits	–	–	0.43	0.03
Total Other non current assets	15.89	16.25	24.54	20.86

16. Cash and bank balances

Particulars	As at 31 st March, 2012 ₹ in crore	As at 31 st March, 2011 ₹ in crore
a. Cash and cash equivalents		
Balances with banks		
– On current accounts	4.92	17.70
– Deposits with original maturity of less than three months	–	1.60
Cash on hand	0.01	–
	4.93	19.30
b. Other bank balances		
Deposits with original maturity of more than 12 months	–	0.01
Margin money deposits	15.01	–
	15.01	0.01
Total Cash and bank balances	19.94	19.31

17. Revenue from operations

Particulars	For the year ended 31 st March, 2012 ₹ in crore	From 16.04.10 to 31.03.11 ₹ in crore
Sale of services		
Fleet operating and chartering earnings	1,231.92	456.67
Other operating services		
Supervision/ management fees	13.24	–
Profit on sale of vessels	0.19	57.99
Total	1,245.35	514.66

18. Other income

Interest income		
– from banks [inclusive of tax deducted at source ₹ 0.03 (previous period ₹ 0.02) crore]	1.36	0.23
– from others [inclusive of tax deducted at source ₹ 2.71 (previous period ₹ 0.42) crore]	54.15	27.49
Net gain on foreign currency translation and transaction	2.61	2.71
Other non operating income (net of expenses directly attributable to such income)	1.19	1.86
Profit on sale of other assets	0.20	–
Total	59.51	32.29

19. Employee benefits expense

Floating Staff		
Salaries, wages and bonus	55.33	25.31
Contribution to staff provident and other funds	1.86	0.69
Staff welfare expenses	7.98	3.87
Office Staff		
Salaries, wages and bonus	22.58	10.57
Contribution to staff provident and other funds	1.03	1.08
Staff welfare expenses	1.89	0.94
Employee stock option scheme	0.07	–
Total	90.73	42.46

20. Operating expenses

Particulars	For the year ended 31 st March, 2012 ₹ in crore	From 16.04.10 to 31.03.11 ₹ in crore
Consumption of stores and spares	12.25	5.12
Consumption of fuel, oil and water	217.14	74.14
Direct voyage expenses	414.41	131.63
Commission, brokerage and agency fees	1.99	1.60
Standing costs	16.20	10.89
Dry docking expenses	12.84	–
Insurance, protection and indemnity club fees	13.19	6.80
Total	688.02	230.18

21. Establishment and other expenses

Rent	3.69	3.22
Rates and taxes	0.05	–
Repairs and maintenance		
– buildings	0.17	0.10
– others	0.22	0.53
Legal and professional fees	13.24	6.49
Traveling and conveyance	3.51	1.97
Auditors' remuneration (refer note below)	0.90	0.48
Other establishment expenses	3.60	1.84
Total	25.38	14.63
Auditor's remunerations includes		
As auditor	0.55	0.22
For other assurance services	0.35	0.26
Total	0.90	0.48

22. Finance costs

Interest expense		
– on bank loans	41.67	11.45
– on loan from financial Institution	21.28	6.46
– on finance lease obligations	38.28	18.48
– on foreign currency convertible bonds	59.74	27.58
– on debentures	79.67	39.62
– on others	20.78	15.01
Other borrowing costs	5.48	4.51
Total	266.90	123.11

23. Deferral / capitalisation of exchange difference

Pursuant to Notification issued by the Central Government under Companies (Accounting Standards) Amendment Rules, 2009 dated 29th December, 2011; the exchange differences arising on conversion/translation/settlement of long-term foreign currency monetary items in so far as they relate to the acquisition of a depreciable capital asset, has been added to or deducted from the cost of the respective asset and has been depreciated over the remaining balance life of the asset. In case of exchange difference related to any other long-term foreign currency monetary item, the exchange difference has been deferred in the "Foreign Currency Monetary

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Item Difference Account", which has been amortised over the remaining period of the underlying monetary item. But not beyond 31st March, 2020. The following is the effect of the option exercised:-

Particulars	31 st March, 2012 ₹ in crore	31 st March, 2011 ₹ in crore
a) Exchange (gain)/loss (deducted)/capitalised to the cost of the fixed assets	162.40	(19.17)
b) Depreciation on the above exchange (gain)/loss for the year in which exchange difference has been deducted/capitalised	9.66	(1.39)
c) Exchange (gain)/loss transferred to Foreign Currency Monetary Item Difference Account (FCMITDA)	(3.39)	—
d) Amortisation on the above net exchange (gain)/loss for the year in which exchange difference has been transferred to FCMITDA	(0.43)	—

24. Details of Leasing arrangements

(a) Finance leases : Company as lessee

Future minimum lease payments (MLP) together with the present value of the MLP payable by the Company are as follows:

₹ in crore

Particulars	As at 31.03.2012			As at 31.03.2011		
	Minimum lease payments	Interest	Present value of minimum lease payments	Minimum lease payments	Interest	Present value of minimum lease payments
Future lease rental obligation payable by the company:						
– not later than one year	111.34	34.25	77.09	97.72	33.91	63.81
– later than one year but not later than five years	437.28	81.57	355.71	391.16	89.95	301.21
– later than five years	168.54	8.51	160.03	233.90	18.29	215.61
Present value of minimum lease payments	717.16	124.33	592.83	722.78	142.15	580.63

(b) Operating leases : Company as lessee

The company has entered into non-cancellable operating lease arrangements for vessels for a period of 13 years. The future minimum lease rental are as follows:-

₹ in crore

	Minimum lease payments	
	31 March 2012	31 March 2011
Future lease rental obligation payable by the company:		
– not later than one year	122.39	—
– later than one year but not later than five years	433.26	—
– later than five years	706.77	—
Total	1,262.42	—

25. Contingent liabilities

Particulars	As at 31 st March, 2012 ₹ in crore	As at 31 st March, 2011 ₹ in crore
i) Guarantees given by bank against disputed custom duty by DGFT	30.00	30.00
ii) Corporate guarantees on behalf of subsidiaries	1,461.74	1,386.24
iii) Corporate guarantees on behalf of others jointly and severally with Essar Ports Limited	410.00	—
iv) Bills discounted with bank	21.00	17.64
v) Disputed Sales tax demand	—	52.20
vi) Income tax appeals before ITAT	7.29	7.29

26. Capital commitments and other commitments

a) Capital commitment

Estimated amount of contract remaining to be executed on capital account and not provided for

b) Other commitments

For commitment relating to lease arrangement, please refer note 24

The Company entered into a operating lease arrangement for chartering of six vessels for a period of 13 years from the date of delivery of each vessel. Of six vessels, the company has inducted three vessels during the year.

27. Business segment and geographical segment

a) Business segment

The Company has only one reportable segment of fleet operating and chartering.

b) Geographical segment

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

Fleet operating and chartering earnings	Year ended 31 st March, 2012 ₹ in crore	Year ended 31 st March, 2011 ₹ in crore
India	1,039.15	370.54
China	140.07	17.35
Hongkong	9.82	55.10
Singapore	19.17	—
U.S.A	5.49	9.06
Germany	8.79	—
Cyprus	15.47	—
Liberia	—	37.95
Bermuda	—	20.04
Rest of the world	7.39	4.62
TOTAL	1,245.35	514.66

The main operating assets represent floating fleet, which are not identifiable to any geographical location.

28. Earnings per share:

The calculation of the basic and diluted earnings per share is based on the following data:

Particulars	Year ended 31 st March, 2012 ₹ in crore	Year ended 31 st March, 2011 ₹ in crore
Earnings for the purpose of basic earnings per share (net profit for the year) (₹ in crore)	95.82	78.17
Add: Adjustment on account of interest on foreign currency convertible bonds (net of income tax) (₹ in crore) (refer note below)	—	22.07
Net earnings for the purpose of diluted earnings per share (net profit for the period) (₹ in crore)	95.82	100.24
Equity shares to be issued on demerger- pending allotment (nos.)	—	205,227,768
Equity shares 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	—
Weighted average equity shares for the purpose of calculating diluted earnings per share (nos.)	205,227,768	279,276,019
Earnings per share-basic (face value of ₹ 10/- each) (₹)	4.67	—
Earnings per share-diluted (face value of ₹ 10/- each) (₹)	4.67	3.71

Note:

- In the current year, FFCB and ESOP have not been considered for the purpose of calculation of weighted average number of diluted equity shares, as they are anti-dilutive.
- The shares to be issued on demerger were pending allotment at 31st March, 2011 and hence have not been considered for calculation of basic earnings per share for the period ended 31st March, 2011.

29. Derivative instruments and unhedged foreign currency exposure :

A) Derivative contracts outstanding as at the Balance Sheet are as follows:

The company has entered into Derivative contracts for hedging currency related risks. The Principal only swap contract to sell ₹ 200 crores (previous year : nil) is outstanding as on the balance sheet date.(Refer note 7)

B) Unhedged foreign currency exposure

The outstanding 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	31 st March, 2012 ₹ in crore	31 st March, 2011 ₹ in crore	Currency	31 st March, 2012 In million	31 st March, 2011 In million
i) Export of goods and services	8.45	8.01	USD	1.65	1.43
ii) Advance to vendors	3.19	0.57	USD	0.80	0.13
	0.23	—	SGD	0.06	—
	0.04	—	DKK	0.05	—

Particulars	31 st March, 2012 ₹ in crore	31 st March, 2011 ₹ in crore	Currency	31 st March, 2012 In million	31 st March, 2011 In million
iii) Advance to holding company	24.76	—	USD	4.84	—
iv) Advance towards purchase of shares	—	46.32	USD	—	10.10
v) Bank balances	4.70	14.93	USD	0.92	3.34
vi) 7% Cumulative Non Convertible Preference Shares	1,209.48	1,023.90	USD	236.43	230.93
(b) Amount payable in foreign currency on account of the following:					
i) Import of goods and services	52.32	30.20	USD	10.22	6.75
	0.35	0.06	GBP	0.04	0.01
	1.55	0.80	EUR	0.23	0.13
	0.97	0.66	JPY	15.62	0.68
	2.91	1.48	SGD	0.72	0.42
	0.02	—	NOK	0.02	—
	0.26	—	DKK	0.28	—
	0.51	0.18	AED	0.37	0.15
	58.89	33.38	—	—	—
ii) Due to holding company	—	5.98	USD	—	1.34
iii) Secured and unsecured loans payable (including interest accrued but not due)	595.06	517.58	USD	116.32	117.13
iv) Foreign Currency Convertible Bond (including interest accrued but not due)	1,234.07	1,076.96	USD	241.23	240.16
v) Lease loans obligation (including interest accrued)	601.03	587.68	USD	117.49	131.62

30. Employee benefits :

The Company has classified the various benefits provided to employees as under:

I. Defined contribution plans:

The Company has recognised the following amounts in the Statement of Profit and Loss during the year under 'Contribution to staff provident and other funds'. Refer Note 19

Particulars	₹ in crore	
	Year ended 31 st March, 2012	Year ended 31 st March, 2011
a) Employer's contribution to gratuity fund (offshore crew staff)	0.21	0.09
b) Employer's contribution to pension fund (offshore crew staff)	0.28	0.13
c) Employer's contribution to superannuation fund	0.05	0.11
d) Employer's contribution to provident fund (offshore crew staff)	0.17	0.08
	0.72	0.42

II. Defined benefit plans

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

In accordance with AS-15, relevant disclosures are as under:

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

₹ in crore

Particulars	Provident fund (funded)		Gratuity-shore officers (funded)		Gratuity-off shore officers (non-funded)		CA- paid leave (non- funded)	
	31.03.12	31.03.11	31.03.12	31.03.11	31.03.12	31.03.11	31.03.12	31.03.11
Present value of defined benefit obligation as at the beginning of the year	19.53	16.69	1.64	—	2.52	—	1.43	—
Current service cost	1.73	1.39	0.13	0.07	0.44	0.30	0.14	0.10
Current service contribution- employee	1.95	1.52	—	—	—	—	—	—
Interest cost	1.64	—	0.13	—	0.20	0.15	0.11	—
Transfer in *	1.03	0.87	—	1.57	—	1.95	—	1.33
Benefits paid	(4.41)	(2.62)	(0.07)	—	(0.11)	(0.10)	(0.02)	—
Actuarial (gain)/loss on obligations	0.82	0.80	(0.03)	—	(0.08)	0.22	0.02	—
Plan amendment	—	0.88	—	—	—	—	—	—
Present value of defined benefit obligation as at the end of the year	22.29	19.53	1.80	1.64	2.97	2.52	1.68	1.43
* on account of demerger and transfer of employees from EPL to ESL								
(B) Changes in the fair value of plan assets:								
Fair value of plan assets at the beginning of the year	19.53	16.69	1.03	—	—	—	—	—
Expected return on plan assets	—	—	0.09	—	—	—	—	—
Actual return on plan assets	2.46	1.67	—	—	—	—	—	—
Acquisitions/Transfers	—	—	—	1.03	—	—	—	—
Contributions by the employer/employees	4.71	3.79	0.12	—	—	—	—	—
Benefits paid	(4.41)	(2.62)	(0.07)	—	—	—	—	—
Fair value of plan assets as at the end of the year/period	22.29	19.53	1.17	1.03	—	—	—	—
(C) Amount recognised in balance sheet:								
Present value of defined benefit obligation as at the end of the year	22.29	19.53	1.80	1.64	2.97	2.52	1.68	1.43
Fair value of plan assets as at end of the year/period	22.29	19.53	1.17	1.03	—	—	—	—
Liability/(asset) recognised in the Balance Sheet (included in provisions) (note 7)	—	—	(0.63)	0.61	2.97	2.52	1.68	1.43
(D) Expenses recognised in the Statement of Profit and Loss:								
Current service cost	1.73	1.39	0.13	0.07	0.44	0.30	0.13	0.10
Interest cost	1.64	0.87	0.13	—	0.20	0.15	0.11	—
Expected return on plan assets	(1.64)	(0.87)	(0.09)	—	—	—	—	—
Net actuarial (gain)/loss recognised in the period	—	—	(0.03)	—	(0.08)	0.22	0.02	—
Total expenses recognised in the Statement of Profit and Loss (Included in Contribution to provident and other funds (note no. 19))	1.73	1.39	0.14	0.07	0.56	0.67	0.26	0.10

Particulars	Provident fund (funded)		Gratuity-shore officers (funded)		Gratuity-off shore officers (non-funded)		CA- paid leave (non- funded)	
	31.03.12	31.03.11	31.03.12	31.03.11	31.03.12	31.03.11	31.03.12	31.03.11
(E) Experience history:								
Defined benefit obligation at the end of the year	—	—	(1.80)	(1.64)	(2.97)	(2.52)	(1.68)	(1.43)
Plan assets at the end of the period	—	—	1.17	1.03	—	0.10	—	—
Funded status	—	—	(0.63)	(0.61)	(2.97)	(2.42)	(1.68)	(1.43)
Experience gain /(loss) adjustments on plan liabilities	—	—	(0.01)	—	(0.03)	(0.25)	(0.06)	—
Experience gain /(loss) adjustments on plan assets	—	—	—	—	—	—	—	—
Actuarial gain/(loss) due to change on assumptions	—	—	0.04	—	0.11	0.03	0.04	—
(F) Category of plan assets:								
Administered by Life Insurance Corporation of India	—	—	100%	100%	N.A	N.A	N.A	N.A
Government of India security	25%	25%	—	—	N.A	N.A	N.A	N.A
Public sector bonds/ TDRs	60%	60%	—	—	N.A	N.A	N.A	N.A
State government securities	15%	15%	—	—	N.A	N.A	N.A	N.A
(G) Actuarial assumptions								
Actuarial valuations were done in respect of the aforesaid defined benefit plans based on the following assumptions:								
i) General assumptions:								
Discount rate (per annum)	8.50%	7.80%	8.50%	8.00%	8.50%	8.00%	8.50%	8.00%
Rate of return on plan assets (for funded scheme)	8.60%	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%	10.00%	7.00%	7.00%	10.00%	10.00%
Rate of increase in compensation	—	—	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%

i) Mortality rates considered are as per the published rates in the Life Insurance Corporation (1994-96) Mortality table.

ii) 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.

iii) The contribution to be made by the Company for funding its liability for gratuity during the financial year 2012 will be made as per demand raised by the fund administrator Life Insurance Corporation of India.

31. Related party transactions:

a) Holding companies :

- i) Essar Global Limited, Cayman Island, ultimate holding company
- ii) Essar Shipping & Logistics Limited, Cyprus, immediate holding company

b) Subsidiaries:

- i) Essar Logistics Limited, India
- ii) Energy Transportation International Limited, Bermuda
- iii) Energy II Limited, Bermuda

- iv) Essar Oilfields Services Limited, Mauritius
- v) Essar Oilfield Services India Limited, India

c) Key management personnel

- i) Mr. A. R. Ramakrishnan
- ii) Capt. Anoop Kumar Sharma

d) Other related parties where there have been transactions:

Enterprises commonly controlled or influenced by major shareholders / directors / relatives of directors of the Company:

- | | |
|--|--|
| (i) Aegis Limited | (xii) Essar Shipping (Cyprus) Limited |
| (ii) Arkay Holdings Limited | (xiii) Essar Steel India Limited |
| (iii) Arkay Sea Logistics Limited | (xiv) Essar Service India Limited |
| (iv) Essar Agrotech Limited | (xv) Essar Power Gujarat Limited |
| (v) Essar Bulk Terminal Limited | (xvi) Futura Travels Limited |
| (vi) Essar House Limited | (xvii) India Securities Limited |
| (vii) Essar Information Technology Limited | (xviii) Imperial Consultant and Securities Private Limited |
| (viii) Essar Infrastructure Services Limited | (xix) Prajesh Marketing Limited |
| (ix) Essar Investments Limited | (xx) Vadinar Oil Terminal Limited |
| (x) Essar Oil Limited | (xxi) Vadinar Power Company Limited |
| (xi) Essar Ports Limited | (xxii) Essar Bulk Terminal Paradip Limited |

The details of transactions with related parties

₹ in crore

Nature of transactions	Holding and subsidiary companies		Other related parties		Total	
	31.03.12	31.03.11	31.03.12	31.03.11	31.03.12	31.03.11
INCOME						
Fleet operating income						
Essar Steel India Limited	—	—	887.10	290.24	887.10	290.24
Essar Shipping (Cyprus) Limited	—	—	14.45	0.62	14.45	0.62
Essar Power Gujarat Limited	—	—	19.26	—	19.26	—
Arkay Holdings Limited	—	—	2.23	—	2.23	—
Arkay Sea Logistics limited	—	—	0.73	—	0.73	—
Essar Logistics Limited	20.33	27.14	—	—	20.33	27.14
Essar Shipping & Logistics Limited	1.02	—	—	—	1.02	—
Essar Ports Limited	—	—	1.29	—	1.29	—
Essar Oil Limited	—	—	13.81	—	13.81	—
Vadinar Power Company Limited	—	—	4.45	—	4.45	—
Total	21.35	27.14	943.32	290.86	964.67	318.00
Equipment lease rental income						
Essar Steel India Limited	—	—	0.02	0.01	0.02	0.01
Interest income						
Essar Shipping & Logistics Limited	0.74	—	—	—	0.74	—
Essar Oilfield Services India Limited	53.33	25.84	—	—	53.33	25.84
Essar Oilfields Services Limited	0.01	1.10	—	—	0.01	1.10
Total	54.08	26.94	—	—	54.08	26.94
Remuneration						
A.R. Ramakrishnan	—	—	1.67	—	1.67	—
Anoop Sharma	—	—	1.43	—	1.43	—
Total	—	—	3.10	—	3.10	—

Nature of transactions	Holding and subsidiary companies		Other related parties		Total	
	31.03.12	31.03.11	31.03.12	31.03.11	31.03.12	31.03.11
Purchase of fuel oil						
Essar Oil Limited	–	–	92.81	12.73	92.81	12.73
Essar Shipping (Cyprus) Limited	–	–	7.09	–	7.09	–
Essar Bulk Terminal Limited	–	–	–	0.05	–	0.05
Total	–	–	99.90	12.78	99.90	12.78
Vessel hire charges						
Essar Shipping & Logistics Limited	54.73	41.67	–	–	54.73	41.67
Essar Shipping (Cyprus) Limited	–	–	18.65	–	18.65	–
Total	54.73	41.67	18.65	–	73.38	41.67
Manning charges						
Essar Infrastructure Services Limited	–	–	0.16	0.08	0.16	0.08
Direct voyage expenses						
Essar Bulk Terminal Limited	–	–	16.45	7.81	16.45	7.81
Vadinar Oil Terminal Limited	–	–	0.03	–	0.03	–
Total	–	–	16.48	7.81	16.48	7.81
Rent charges						
Essar House Limited	–	–	0.27	0.48	0.27	0.48
Essar Infrastructure Services Limited	–	–	1.03	1.56	1.03	1.56
Essar Information Technology Limited	–	–	2.17	–	2.17	–
Total	–	–	3.47	2.04	3.47	2.04
Repair and maintenance						
Essar Infrastructure Services Limited	–	–	–	0.18	–	0.18
Essar Agrotech Limited	–	–	–	0.01	–	0.01
Total	–	–	–	0.19	–	0.19
Traveling expenses						
Futura Travels Limited	–	–	3.48	1.33	3.48	1.33
Reimbursement of expenses						
Futura Travels Limited	–	–	10.43	4.64	10.43	4.64
Essar Logistics Limited	11.17	20.22	–	–	11.17	20.22
Essar Investments Limited	–	–	0.01	0.95	0.01	0.95
Arkay Holdings Limited	–	–	0.21	–	0.21	–
Total	11.17	20.22	10.65	5.59	21.82	25.81
Professional / Agency fee						
India Securities Limited	–	–	–	0.15	–	0.15
Essar Investments Limited	–	–	7.52	4.09	7.52	4.09
Essar Services India Limited	–	–	1.52	–	1.52	–
Aegis Limited	–	–	1.45	0.84	1.45	0.84
Essar Information Technology Limited	–	–	0.01	0.03	0.01	0.03
Essar Logistics Limited	0.39	0.20	–	–	0.39	0.20
Total	0.39	0.20	10.50	4.96	10.89	5.31

₹ in crore

Nature of transactions	Holding and subsidiary companies		Other related parties		Total	
	31.03.12	31.03.11	31.03.12	31.03.11	31.03.12	31.03.11
Aircraft usage charges reimbursed						
Essar Oil Limited	–	–	18.00	23.60	18.00	23.60
Interest on lease loan						
Essar Shipping & Logistics Limited	32.93	16.63	–	–	32.93	16.63
Application money for allotment of shares						
Essar Oilfields Services Limited	241.59	46.32	–	–	241.59	46.32
Energy Transportation International Limited	10.65	–	–	–	10.65	–
Total	252.24	46.32	–	–	252.24	46.32
Loans and advances given						
Essar Investments Limited	–	–	–	1.00	–	1.00
Essar Shipping & Logistics Limited	22.90	–	–	–	22.90	–
Essar Oilfield Services India Limited	60.75	16.46	–	–	60.75	16.46
Total	83.65	16.46	–	1.00	83.65	17.46
Sale of fixed asset						
Arkay Sea Logistics limited	–	–	5.57	–	5.57	–
Security Deposit received						
Essar Oil Limited	–	–	–	2.50	–	2.50
Guarantees given on behalf of others						
Essar Logistics Limited	43.00	13.50	–	–	43.00	13.50
Essar Oilfield Services India Limited	–	1,210.00	–	–	–	1,210.00
Essar Oilfields Services Limited	32.50	–	–	–	32.50	–
Essar Bulk Terminal Paradip Limited	–	–	410.00	–	410.00	–
Total	75.50	1,223.50	410.00	–	485.50	1,223.50

Outstanding balances as on March 31, 2012

₹ in crore

Nature of balances	Holding and subsidiary companies		Other related parties		Total	
	31.03.12	31.03.11	31.03.12	31.03.11	31.03.12	31.03.11
Sundry debtors						
Essar Steel India Limited	–	–	111.66	87.31	111.66	87.31
Essar Logistics Limited	–	13.23	–	–	–	13.23
Essar Shipping (Cyprus) Limited	–	–	–	1.05	–	1.05
Arkay Holdings Limited	–	–	2.15	–	2.15	–
Arkay Sea Logistics Limited	–	–	6.62	–	6.62	–
Essar Ports Limited	–	–	1.06	–	1.06	–
Total	–	13.23	121.49	88.36	121.49	101.59
Advance for purchase of shares						
Essar Oilfields Services Limited	–	46.32	–	–	–	46.32
Energy II Limited	–	235.99	–	–	–	235.99
Total	–	282.31	–	–	–	282.31

Nature of balances	Holding and subsidiary companies		Other related parties		Total	
	31.03.12	31.03.11	31.03.12	31.03.11	31.03.12	31.03.11
Loans and advances (including interest accrued) / Other receivables						
Essar Investments Limited	—	—	—	6.91	—	6.91
Aegis Limited	—	—	0.61	—	0.61	—
Essar Ports Limited	—	—	13.35	15.46	13.35	15.46
Essar Oilfield Services India Limited	479.10	453.93	—	—	479.10	453.93
Essar Shipping & Logistics Limited	24.76	—	—	—	24.76	—
Energy Transportation International Limited	0.51	—	—	—	0.51	—
Futura Travels Limited	—	—	4.72	6.46	4.72	6.46
Imperial Consultants and Services Private Limited	—	—	—	10.16	—	10.16
Total	504.37	453.93	18.68	38.99	523.05	492.92
Deposits given						
Futura Travels Limited	—	—	6.25	6.25	6.25	6.25
Arkay Holding Limited	—	—	3.10	3.10	3.10	3.10
Essar House Limited	—	—	28.35	31.00	28.35	31.00
Essar Investments Limited	—	—	0.06	0.06	0.06	0.06
Prajesh Marketing Limited	—	—	4.80	4.80	4.80	4.80
Essar Information Technology Limited	—	—	0.46	0.46	0.46	0.46
Total	—	—	43.02	45.67	43.02	45.67
Lease loan obligation						
Essar Shipping & Logistics Limited	547.30	533.99	—	—	547.30	533.99
Sundry creditors						
Essar Logistics Limited	5.96	0.63	—	—	5.96	0.63
Energy II Limited	—	0.10	—	—	—	0.10
Essar Shipping & Logistics Limited	—	5.98	—	—	—	5.98
Essar Bulk Terminal Limited	—	—	16.94	9.48	16.94	9.48
Essar Infrastructure Services Limited	—	—	0.12	0.01	0.12	0.01
India Securities Limited	—	—	—	0.05	—	0.05
Essar Investments Limited	—	—	0.44	0.83	0.44	0.83
Essar Services India Limited	—	—	1.51	—	1.51	—
Aegis Limited	—	—	—	0.63	—	0.63
Arkay Holdings Limited	—	—	—	0.02	—	0.02
Essar Shipping Cyprus Limited	—	—	2.71	—	2.71	—
Essar Agrotech Limited	—	—	—	0.01	—	0.01
Essar Information Technology Limited	—	—	0.36	0.09	0.36	0.09
Essar Oil Limited	—	—	20.97	2.07	20.97	2.07
Vadinar Oil Terminal Limited	—	—	0.03	—	0.03	—
Total	5.96	6.71	43.08	13.19	49.04	19.90
Interest accrued but not due						
Essar Shipping & Logistics Limited	8.09	7.05	—	—	8.09	7.05
Security deposit received						
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

₹ in crore

Nature of balances	Holding and subsidiary companies		Other related parties		Total	
	31.03.12	31.03.11	31.03.12	31.03.11	31.03.12	31.03.11
Essar Bulk Terminal Limited	–	–	1.50	1.50	1.50	1.50
Total	–	–	13.50	13.50	13.50	13.50
Guarantees given on behalf of others						
Essar Oilfield Services India Limited	1,310.00	1,310.00	–	–	1,310.00	1,310.00
Essar Logistics Limited	119.24	76.24	–	–	119.24	76.24
Essar Oilfields Services Limited	32.50	–	–	–	32.50	–
Essar Bulk Terminal Paradip Limited	–	–	410.00	–	410.00	–
Total	1,461.74	1,386.24	410.00	–	1,871.74	1,386.24

32. Employee Stock Option Scheme

- a) In the Annual general meeting held on September 9, 2011, the shareholders approved the issue of Employee Stock options under the Scheme titled “Essar Shipping Employee Stock options Scheme -2011” (hereafter named ESOP A).

The ESOP A allows the issue of options to employees and executive Directors of the Company and its subsidiaries (whether in India or abroad). Each option comprises one underlying equity share.

As per the Scheme, the Compensation Committee grants the options to the eligible employees. The exercise price of each option shall be determined by the Compensation committee as per the said scheme. The options granted vest in a graded manner over a period of 3 to 5 years Starting from the third year of grant date in proportions specified in the Scheme. Options may be exercised within 7 years from the date of vesting.

The difference between the fair price of the share underlying the options granted on the date of grant of option and the exercise price of the option (being the intrinsic value of the option) representing Stock compensation expense is expensed over the vesting period.

- b) Employee stock options details for ESOP A as on the Balance Sheet date are as follows:

Particulars	Year ended 31 st March, 2012		Year ended 31 st March, 2011	
	Options (Numbers)	Weighted average exercise price per option (₹)	Options (Numbers)	Weighted average exercise price per option (₹)
Option outstanding at the beginning of the year	–	–	–	–
Granted during the year	4,068,819	22.30	–	–
Options outstanding at the end of the year	4,068,819	22.30	–	–

- c) The impact on Statement of profit and loss and Earnings per Share if the ‘fair value’ of the options (on the date of the grant) were considered instead of the ‘intrinsic value’ is as under:

₹ in crore

Particulars	Year ended 31 st March, 2012	Year ended 31 st March, 2011
Net Profit / (loss) (as reported)	95.82	78.17
Add / (Less): stock based employee compensation (intrinsic value) (refer note 19)	0.07	–
Add / (Less): stock based compensation expenses determined under fair value method for the grants issued (See note (f) below)	(0.33)	–
Net Profit / (loss) (proforma)	95.56	78.17
Basic earnings per share (as reported) (refer note 27)	4.67	–
Basic earnings per share (proforma)	4.66	–
Diluted earnings per share (as reported) (refer note 27)	4.67	3.71
Diluted earnings per share (proforma)	4.66	–

- d) The fair value of the Options granted is estimated on the date of grant using Black Scholes options pricing model taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for calculating fair value:

Assumptions	31 st March, 2012	31 st March, 2011
Risk free interest rate	8.36%	NA
Expected life	58	NA
Expected annual volatility of shares	44.5% - 58.60%	NA
Expected dividend yield	0.00%	NA

33. In view of exemption granted by Central Government for shipping companies vide press note no.2/2011 dated 08.02.2011, certain information pertain to value of imports calculated on CIF basis, expenditure on foreign currency, value of all imported raw material, spare parts and components consumed, earnings in foreign currency during the year is not given.
34. The current year figures are not comparable with the previous year figures, as in the previous year, effective operation was for six months only, since the demerger of shipping, oilfield and logistics business from Essar Ports Limited (erstwhile Essar Shipping Ports & Logistics Limited) was effective from 1st October, 2010.
35. The previous year figures have been regrouped / rearranged wherever necessary to conform to the current year classification as per the requirement of the Revised schedule VI notified under the Companies Act, 1956.

For and behalf of the Board

A.R. Ramakrishnan
Managing Director

K.V. Krishnamurthy
Director

Vikram Gupta
Chief Financial Officer

Vinayak Joshi
Company Secretary

Mumbai
17th May, 2012

AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF ESSAR SHIPPING LIMITED

(Formerly ESSAR PORTS & TERMINALS LIMITED)

1. We have audited the attached Consolidated Balance Sheet of ESSAR SHIPPING LIMITED (formerly Essar Ports & Terminal Limited) ("the Company") and its subsidiaries (the Company and its subsidiaries constitute "the Group") as at 31st March, 2012, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement of the Group for the year ended on that date, both annexed thereto. These Consolidated financial statements are the responsibility of the Company's Management and have been prepared on the basis of the separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 (Consolidated Financial Statements), as notified under the Companies (Accounting Standards) Rules, 2006.
4. Based on our audit and on consideration of the separate audit reports on individual financial statements of the Company and its aforesaid subsidiaries and to the best of our information and according to the explanations given to us, in our opinion, the Consolidated Financial Statements, 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 31st March, 2012;
 - (ii) in the case of the Consolidated Statement of Profit and Loss, of the profit of the Group for the year ended on that date; and
 - (iii) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

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

Khurshed Pastakia
Partner
(Membership No. 31544)

Mumbai,
May 17, 2012

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2012

(₹ in crore)

Particulars	Note No.	As at 31 st March, 2012	As at 31 st March, 2011
I. EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	3	205.23	205.23
(b) Reserves and surplus	4	5,290.48	5,036.48
		5,495.71	5,241.71
2 Non-current liabilities			
(a) Long-term borrowings	5	4,829.86	4,552.81
(b) Deferred tax liabilities (Net)	6	27.30	22.26
(c) Other long term liabilities	7	20.06	15.23
(d) Long-term provisions	8	7.51	10.50
		4,884.73	4,600.80
3 Current liabilities			
(a) Short-term borrowings	9	293.62	189.00
(b) Trade payables	10	577.52	407.95
(c) Other current liabilities	11	647.31	325.81
(d) Short-term provisions	8	119.96	67.78
		1,638.41	990.54
TOTAL EQUITY AND LIABILITIES		12,018.85	10,833.05
II. ASSETS			
Non-current assets			
1 (a) Fixed assets			
(i) Tangible assets	12	4,434.17	4,135.08
(ii) Capital work-in-progress		593.53	358.34
(b) Goodwill on consolidation		3,658.41	3,658.41
(c) Non-current investments	13	—	—
(d) Long-term loans and advances	14	1,282.21	1,201.46
(e) Other non-current assets	16(b)	40.77	40.35
		10,009.09	9,393.64
2 Current assets			
(a) Inventories	15	150.25	133.50
(b) Trade receivables	16(a)	608.56	471.38
(c) Cash and bank balances	17	226.73	224.36
(d) Short-term loans and advances	14	914.63	581.10
(e) Other current assets	16(b)	109.59	29.07
		2,009.76	1,439.41
TOTAL ASSETS		12,018.85	10,833.05

See accompanying notes forming part of financial statements

In terms of our report attached
For **Deloitte Haskins & Sells**
Chartered Accountants
(Registration No. 117365W)

Khurshed Pastakia
Partner

Mumbai
17th May, 2012

For and on behalf of the Board

A. R. Ramakrishnan
Managing Director

Vikram Gupta
Chief Financial Officer

Mumbai
17th May, 2012

K.V. Krishnamurthy
Director

Vinayak Joshi
Company Secretary

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2012

(₹ in crore)

Particulars	Note No.	Year ended 31.03.2012	Period ended 16.04.10 to 31.03.11
1 Revenue from operations	18	2,801.58	1,318.76
2 Other income	19	52.93	24.04
Total Revenue		2,854.51	1,342.80
3 Expenses:			
Employee benefit expenses	20	189.89	92.98
Operating expenses	21	1,817.36	874.38
Establishment and other expenses	22	94.76	38.45
Total		2,102.01	1,005.81
Profit before interest, depreciation and tax		752.50	336.99
4 Finance costs	23	329.43	139.37
Profit before depreciation and tax		423.07	197.62
5 Depreciation	12	362.94	162.23
Profit before tax		60.13	35.39
6 Tax expense:			
Current tax		(21.35)	(3.68)
MAT credit entitlement/(utilized)		3.09	—
Deferred tax	6	(5.04)	1.59
Profit for the year		36.83	33.30
7 Earnings per equity share (face value of ₹ 10 each) :	28		
(1) Basic		1.79	—
(2) Diluted		1.79	1.37

See accompanying notes forming part of financial statements

In terms of our report attached
For **Deloitte Haskins & Sells**
Chartered Accountants
(Registration No. 117365W)

Khurshed Pastakia
Partner

Mumbai
17th May, 2012

For and on behalf of the Board

A. R. Ramakrishnan
Managing Director

Vikram Gupta
Chief Financial Officer

Mumbai
17th May, 2012

K.V. Krishnamurthy
Director

Vinayak Joshi
Company Secretary

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 2012

(₹ in crore)

Particulars	Year ended March 31, 2012	From 16.04.10 to 31.03.11
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	60.13	35.39
Adjustments for :		
Depreciation	362.94	162.23
Interest and finance expenses	329.43	139.37
Interest income	(40.47)	(14.40)
Profit on sale of tangible assets	(4.96)	(38.47)
Miscellaneous expenditure written off	0.90	—
Amortisation of stock based employee compensation	0.07	—
Profit on sale of investments	(0.08)	—
Foreign exchange (gain) / loss	8.69	(6.77)
Operating profit before working capital changes	716.65	277.35
Adjustments for:		
Inventories	(6.31)	(4.51)
Trade and other receivables	(260.97)	(33.52)
Trade and other payables	209.05	(13.16)
Cash generated from operations	658.42	226.15
Income taxes paid	(44.78)	(12.63)
Net cash flow from operating activities	613.64	213.52
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets including capital work in progress /advance	(230.65)	(371.14)
Proceeds from sale of fixed assets	7.23	74.08
Purchase of current investments	(46.50)	—
Proceeds from sale of current investments	46.58	—
Proceeds from sale of investments	10.16	—
Fixed deposits matured for a period of more than three months,net	9.96	—
Fixed deposits placed for a period of more than three months,net	(35.00)	(16.76)
Loans and advances given to body corporate	(289.20)	(450.43)
Loans and advances repaid by body corporate	132.06	18.84
Interest received	31.44	9.78
Net cash used for investing activities	(363.92)	(735.63)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Interest and finance expenses paid	(450.47)	(138.72)
Proceeds from long term loans	337.29	1,262.27
Proceeds from short term loans	95.95	—
Proceeds from commercial papers	395.00	205.05
Proceeds from unsecured loans	23.23	29.00
Repayment of long term loans	(175.77)	(841.40)

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 2012

(₹ in crore)

Particulars	Year ended March 31, 2012	From 16.04.10 to 31.03.11
Repayment of short term loans	(15.00)	–
Repayment of finance lease obligations	(93.58)	(45.17)
Repayment of commercial papers	(395.00)	(205.00)
Repayment of unsecured loan	(3.01)	(11.17)
Share issue expense	(2.05)	–
Net cash flow from financing activities	(283.41)	254.85
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(33.69)	(267.26)
Cash and cash equivalents received upon demerger	–	336.30
Cash and cash equivalents at the beginning of the year	69.04	–
Cash and cash equivalents at end of the year (refer note17)	35.35	69.04

Notes :

1. Non cash transactions

- i) Pursuant to the scheme, EPL transferred the following assets and liabilities at its book value as on 01.10.2010. (refer note 1 (B))

a) Assets:

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
	6,515.99

b) Liabilities

Secured loans	2,495.89
Finance lease obligations	884.81
Unsecured loans	1,248.69
Current liabilities and provisions	605.46
	5,234.85
	1,281.14

Net Assets

- ii) Equity shares - pending allotment (refer note 1 (B)) 205.23

- 2.** 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
(Registration No. 117365W)

Khurshed Pastakia
Partner

Mumbai
17th May, 2012

For and on behalf of the Board

A. R. Ramakrishnan
Managing Director

Vikram Gupta
Chief Financial Officer

Mumbai
17th May, 2012

K.V. Krishnamurthy
Director

Vinayak Joshi
Company Secretary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2012

1) CORPORATE INFORMATION

A. GENERAL INFORMATION

Essar Shipping Limited ("the Company") was incorporated in the name of Essar Ports & Terminals Limited in the State of Gujarat on April 16, 2010. The name was subsequently changed to Essar Shipping Limited with effect from September 7, 2010. The Company received the Certificate of Commencement of Business on June 1, 2010. The main object of the Company on incorporation was to carry on the business inter alia of providing ports and terminals services. The main objects of the Company were expanded on August 25, 2010 to inter alia provide shipping & logistics and oilfields services business.

B. 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 (now EPL), 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 ESPL and the demerger of the Shipping & Logistics Business and the Oilfields Services Business into ESL.

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 ESPL with effect from October 1, 2010 being the Demerger Appointed Date, which are based on financial statements as on 30th 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 ESPL 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 ESPL 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 ESPL whose names were recorded

in the register of members of ESPL 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 India Limited (subsidiary of Essar Global Limited)	1,273,610
Erstwhile other shareholders of ESPL	33,502,269
Total	205,227,768

Simultaneously, the original issued equity shares capital i.e. 50,000 equity shares of ₹ 10/- each were cancelled in accordance with the Scheme.

C. Subsidiaries

The reporting date of all the subsidiaries is 31st March 2012. 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	
				Mar 2012	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) SIGNIFICANT ACCOUNTING POLICIES:

A. 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.

B. 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.

C. BASIS OF CONSOLIDATION

- 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".
- 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.
- 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.
- The accounts of overseas subsidiaries denominated in U.S. dollars are converted as explained in note 1(q) below and regrouped.

D. FIXED ASSETS

- 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/ upgradation.

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.

- 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.
- 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 31st March 2009.

E. 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.

F. 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.

G. 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
Fleet		
- 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
Rigs		
- semi submersible rig	SLM over balance useful life or 4.75% whichever is higher.	15 years
- land rig		10 years

- 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.
- 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.
- 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.

H. 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.

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.

I. 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.

J. 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.

K. INVENTORY

Inventory is valued at the lower of cost and net realisable value. Cost is determined on first-in first-out basis.

L. 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.

- 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.

M. 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.

N. OPERATING LEASE

Rentals are expensed with reference to the terms of the lease agreement and other considerations in respect of operating leases.

O. 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 of the Institute of Chartered Accountants of India.

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.

P. 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 @ 8.6%, 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.

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 using the Projected Unit Credit Method.

- 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.
- e) The Company has formulated Employee Stock Option Schemes (ESOSs) in accordance with Securities and Exchange Board of India (Employee Stock Option Scheme) Guidelines, 1999. The Schemes provide for grant of options to employees of the Group to acquire the equity shares of the Company that vest in a graded manner and that are to be exercised within a specified period.

In accordance with the SEBI Guidelines and the guidance note on "Accounting for Employee Share based payments" notified under the Companies (Accounting Standard) Rules, 2006, the excess, if any, of the market price of the share preceding the date of grant of the option under ESOSs over the exercise price of the option is amortised on a straight-line basis over the vesting period.

Q. 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 31st March, 2020.

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.

R. 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.

S. 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.

T. 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 un allocable 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.

3. Share capital

(a) Particulars	As at 31 st March, 2012		As at 31 st March, 2011	
	Number	₹ in crore	Number	₹ in crore
Authorised				
Equity shares of ₹ 10/- each	500,000,000	500.00	50,000	0.05
Increase in equity share under the scheme of arrangement	—	—	499,950,000	499.95
	<u>500,000,000</u>	<u>500.00</u>	<u>500,000,000</u>	<u>500.00</u>
Issued, subscribed and fully paid up				
Equity shares of ₹ 10/- each	205,227,768	205.23	—	—
Equity shares of ₹ 10/- each, pending allotment (refer note 1 (B)) (allotted on May 21, 2011)	—	—	205,227,768	205.23
	<u>205,227,768</u>	<u>205.23</u>	<u>205,227,768</u>	<u>205.23</u>
(b) Reconciliation of shares outstanding at the beginning and at the end of the reporting period				
a) Equity shares of ₹ 10/- each				
At the beginning of the year	205,227,768	205.23	—	—
Add: Pending allotment of shares (refer note 1(B))	—	—	205,227,768	205.23
Add: Issue of shares	—	—	50,000	0.05
Less: Extinguishment under the scheme of arrangement (refer note no 1(B))	—	—	(50,000)	(0.05)
At the end of the year	<u>205,227,768</u>	<u>205.23</u>	<u>205,227,768</u>	<u>205.23</u>

(c) Terms / rights attached to equity shares

The Company has one class of equity shares having par value of ₹ 10/- each. Each shareholder of the equity shares is entitled to one vote per share but no right to fixed income by the way of dividend. In the event of liquidation of the company, the equity shareholders will be entitled to receive the remaining assets of the company, in proportion of equity share held, after distribution of all preferential amounts.

(d) Shares held by holding/ultimate holding companies and/or their subsidiaries/associates and details of the shareholding more than 5% shares in the company

	31 st March, 2012		
	Number	₹ in crore	%
a) Equity shares of ₹ 10/- each			
Shares held by holding/ultimate holding companies and/or their subsidiaries/associates			
Essar Shipping & Logistics Limited, the holding company	170,451,851	170.45	83.05
Essar Global Limited, the ultimate holding company	33	0.00	0.00
Essar Steel India Limited, subsidiary of the ultimate holding company	1,273,611	1.27	0.62
Imperial Consultants & Securities Pvt. Limited	68,082	0.07	0.03
Others (if holding shares more than 5%)	—	—	—
	<u>171,793,577</u>	<u>171.79</u>	<u>83.71</u>

(e) Aggregate number of bonus shares issued, shares issued for consideration other than cash and shares bought back during the period of five years immediately preceding the date of the Balance Sheet.

	Year (Aggregate no. of shares)				
	2011-12	2010-11	2009-10	2008-09	2007-08
Equity Shares :					
Fully paid up pursuant to Scheme of arrangement (refer note no.1(B)) (allotted on May 21, 2011)	<u>205,227,768</u>	<u>—</u>	<u>N.A.</u>	<u>N.A.</u>	<u>N.A.</u>

(f) Share reserve for issue under options

- For details of shares reserved for issue under the employee stock option (ESOP) plan of the company, refer note 32
- 122,852,781 shares (as at March, 2011, 122,852,781 shares) of ₹ 91.70 each towards 5% Foreign currency convertible bonds, refer note 5

4. Reserves and surplus

	As at 31 st March, 2012 ₹ in crore	As at 31 st March, 2011 ₹ in crore
a. Debenture redemption reserve		
Opening balance	35.00	—
Add: Transfer as per scheme of arrangement (refer note no 1(B))	—	25.00
Add: Current year transfer	20.00	10.00
Closing balance	55.00	35.00
b. Share options outstanding account		
Gross compensation for options granted during the year	1.82	—
Less: Deferred employee stock compensation	(1.75)	—
Closing balance	0.07	—
c. Tonnage tax reserve		
Opening balance	20.00	—
Add: Current year transfer/transfer as per scheme of arrangement (refer note no 1(B))	45.00	20.00
Closing balance	65.00	20.00
d. Cash flow hedging reserve account		
Opening balance	—	—
Add: Current year transfer (refer note 8 (b))	(31.59)	—
Closing balance	(31.59)	—
e. General reserves		
Opening balance	4,835.22	—
Add: Transfer as per scheme of arrangement (refer note no 1(B))	—	4,835.22
Closing balance	4,835.22	4,835.22
f. Foreign currency translation reserve		
Opening balance	58.20	—
Add: Current year transfer/transfer as per scheme of arrangement (refer note no 1(B))	248.69	58.20
Closing balance	306.89	58.20
g. Statement of Profit and Loss		
Opening balance	88.06	—
Add: Accumulated balances transferred on demerger (refer note no. 1(B))	—	84.76
Add: Profit for the current year	36.83	33.30
Less: Transfer to debenture redemption reserve	(20.00)	(10.00)
Less: Transfer to tonnage tax reserves	(45.00)	(20.00)
Net surplus in the statement of profit and loss	59.89	88.06
Total reserves and surplus	5,290.48	5,036.48

5 Long term borrowings

Particulars	As at 31 st March, 2012 ₹ in crore	As at 31 st March, 2011 ₹ in crore	Current maturities	
			As at 31 st March, 2012 ₹ in crore	As at 31 st March, 2011 ₹ in crore
I. Secured loans				
SHIPPING BUSINESS :				
(a) Debentures				
11.35%, 7,000 secured non convertible debentures of ₹ 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	—	—

Particulars	As at 31 st March, 2012 ₹ in crore	As at 31 st March, 2011 ₹ in crore	Current maturities	
			As at 31 st March, 2012 ₹ in crore	As at 31 st March, 2011 ₹ in crore
(b) Term loans				
from banks				
Rupee term loans [converted into FCNR(B) facility] (secured by first charge on a very large crude carrier and its receivables.)	295.25	294.75	27.10	23.65
Foreign currency term loans (secured by first charge on five bulk carriers and its receivables.)	231.33	173.79	39.46	24.35
Rupee term loans (secured by extended charge on a bulk carrier and its receivables.)	150.00	—	—	—
Rupee term loan (secured by charge on a bulk carrier of the company.)	2.53	3.66	1.13	0.85
Rupee term loan (secured by charge on a very large crude carrier and its receivables.)	15.11	—	—	—
from other parties				
Rupee term loan (secured by first charge on seven mini bulkers and four tugs of the company.)	74.38	96.25	21.88	3.75
	1,468.60	1,268.45	89.57	52.59
LOGISTICS BUSINESS:				
Term loans from banks				
Rupee term loan [converted into FCNR(B) facility] (secured by first charge on a barge unloader)	—	1.59	2.42	2.11
Foreign currency term loan (secured by first charge on six tugs and two floating cranes)	—	156.27	179.05	—
Rupee term loan (secured by first charge on cargo handling equipment)	40.60	21.75	16.29	8.98
	40.60	179.61	197.76	11.09
OIL FIELDS SERVICES BUSINESS:				
Term loans from banks				
Foreign currency term loan (secured by first charge on a rig and corporate guarantees by Essar Shipping & Logistics Limited.)	641.50	648.32	101.29	88.41
Rupee term loan (secured by charge on six land rigs and receivable thereon and corporate guarantee by the Company.)	46.65	55.00	7.50	7.50
Rupee term loan (secured by charge on Jack up rigs and receivable thereon and corporate guarantee by the Company)	597.50	525.19	12.19	—
Term loans from financial institution				
Rupee term loan (secured by charge on Jack Up rigs and receivable thereon and corporate guarantee by the Company)	63.51	64.81	1.30	—
	1,349.16	1,293.32	122.28	95.91
Total secured loan	2,858.36	2,741.38	409.61	159.60
II. Unsecured loans				
(a) Foreign currency convertible bonds	1,227.76	1,071.52	—	—
5% Foreign currency convertible bonds Series -A ; US\$ 128,571,429, 5% interest bearing bonds due on 24th August 2015 Series - B; US\$ 111,428,571, 5% 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]				

Particulars	As at 31 st March, 2012 ₹ in crore	As at 31 st March, 2011 ₹ in crore	Current maturities	
			As at 31 st March, 2012 ₹ in crore	As at 31 st March, 2011 ₹ in crore
(b) Finance lease obligations	743.74	739.91	104.49	87.39
Total unsecured loan	1,971.50	1,811.43	104.49	87.39
Total	4,829.86	4,552.81	514.10	246.99
Less: Amount disclosed under the head 'other current liabilities' (note11)	—	—	(514.10)	(246.99)
Long term borrowings	4,829.86	4,552.81	—	—

Note:-

1) Repayment terms:

- Secured debentures: Of the total, 5000 debentures issued on 22.06.09 are redeemable on 22.06.19 with put and call option exercisable 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 exercisable after five years from the date of issue. Debentures carry interest of 11.35% per annum.
- Rupee term secured term loan from banks and financials institution: The interest rates ranges from 13.00% to 15.00% (Previous year 12.00% to 13.75%) per annum with different installment payment as per loan agreement and installment schedule starting from October, 2010 to October, 2015.
- Foreign currency secured term loan from banks and financials institution: The interest rates ranges from 2.74% to 9.49% (Previous year 2.46% to 5.96%) per annum with different installment payment as per loan agreement and installment schedule starting from March, 2006 to July, 2019.
- Unsecured finance lease: The interest rates ranges from 6% to 7.85% per annum with different installment payment as per loan agreement and installment schedule starting from May, 2006 to September, 2018.

2) The Group has not committed any continuing default in repayment of loans and interest as at the reporting date (previous year nil).

6. Deferred tax liability (net)

The components of net deferred tax liability/assets are as follows:-

Particulars	As at 31 st March, 2012 ₹ in crore	As at 31 st March, 2011 ₹ in crore
Deferred tax liability		
Depreciation on fixed assets	35.62	29.77
	35.62	29.77
Deferred tax assets		
Disallowance u/s 40(a)	0.14	0.55
Unabsorbed Depreciation	7.74	6.19
Employee benefits liability	0.44	0.77
	8.32	7.51
Deferred tax liability (net)	27.30	22.26
7. Other long term liabilities		
(a) Trade payables		
Dues to micro and small enterprises	—	—
Others	—	—
	—	—
(b) Others		
Deposits including security deposits	20.06	15.23
	20.06	15.23
Total	20.06	15.23

8. Provisions

Particulars	Long term provisions		Short term provisions	
	As at 31 st March, 2012 ₹ in crore	As at 31 st March, 2011 ₹ in crore	As at 31 st March, 2012 ₹ in crore	As at 31 st March, 2011 ₹ in crore
(a) Provision for employee benefits				
Superannuation	–	–	0.01	–
Gratuity	3.37	4.27	0.29	–
Compensated absences	4.14	6.24	2.14	–
(b) Others				
Provisions for taxation (net of advance tax)	–	–	11.14	1.23
Provisions for mark to market losses on derivative contracts (refer note below)	–	–	30.13	–
Other provisions	–	–	76.25	66.55
Total	7.51	10.51	119.96	67.78

Note:-

Effective 1st July 2011, the Company has applied hedge accounting principles in respect of forward exchange contracts as set out in Accounting Standard (AS) 30 – Financial Instruments: Recognition and Measurement. Due to this, the valuation gains/losses 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 ₹ 31.59 crore arising on such contracts upto 31st March, 2012, has been recognised in the Cash flow hedging Reserve Account and the interest element of ₹ 6.09 crore for the period has been considered in the Statement of Profit and Loss.

9. Short term borrowings

Particulars	As at 31 st March, 2012 ₹ in crore	As at 31 st March, 2011 ₹ in crore
<u>Secured</u>		
(a) Loans repayable on demand		
from banks	28.76	3.01
Cash credit facility from bank (secured by first parri passu charge on a very large crude carrier of the Company)		
from others		
Rupee short term loan (secured by subservient charge on surplus cash flows of the company both present and future. The loan carries interest @ 13.5% p.a and is repayable in one instalment on 31st March, 12)	45.00	–
	73.76	3.01
<u>Unsecured</u>		
(a) Loans repayable on demand		
from banks	38.37	25.99
(b) Loans and advances from related parties	21.49	–
(c) Commercial paper	160.00	160.00
	219.86	185.99
Total	293.62	189.00
10. Trade payables		
Trade payables -		
Due to Micro and small enterprises (refer note below)	0.02	–
Others	577.50	407.95
Total	577.52	407.95

Note: The Company has received intimation from the suppliers regarding their status under Micro, Small and Medium Enterprises Development Act, 2006 (the Act). There were no a) interest paid during the year; b) interest payable at the end of the accounting year; and c) interest accrued and unpaid at the end of the accounting year, in respect of such suppliers.

11. Other current liabilities

Particulars	As at 31 st March, 2012 ₹ in crore	As at 31 st March, 2011 ₹ in crore
Payable in respect of capital goods	33.26	22.49
Deferred profit on sale and lease back	4.64	5.65
Unearned revenue on services	37.58	10.92
Advance from customers	2.98	—
Current maturities of long-term borrowings (Refer note 5)	409.61	159.60
Current maturities of finance lease obligations (Refer note 5)	104.49	87.39
Interest accrued but not due on borrowings	29.40	15.69
Interest accrued and due on borrowings	—	0.26
Other liabilities		
Statutory and other related dues	25.35	23.80
Total	647.31	325.81

12. Tangible assets

₹ in crore

	Land (freehold)	Buildings	Fleet	Fleet (leased)	Plant and equipments (refer note below)	Aircraft (leased)	Furniture & fixtures and office equipments	Vehicles	Total
Gross Block									
As at 1st April, 2010									
Transfer as per scheme of demerger (refer note 1(B))	0.02	6.53	1,519.87	1,005.61	2,427.52	83.72	7.72	36.42	5,087.41
Additions	—	—	185.83	—	38.27	—	0.59	10.78	235.47
Disposals	—	—	(63.50)	(0.88)	—	—	—	(0.21)	(64.59)
Exchange differences (refer note 24)	—	—	(10.24)	(11.58)	(1.21)	(0.76)	—	—	(23.79)
Foreign currency translation reserve	—	—	—	—	(12.48)	—	(0.01)	—	(12.49)
As at 31st March, 2011	0.02	6.53	1,631.96	993.15	2,452.10	82.96	8.30	46.99	5,222.01
Additions	—	—	100.55	—	58.25	—	0.81	17.79	177.40
Disposals	—	(0.09)	(5.83)	—	(94.79)	—	—	—	(100.72)
Exchange differences (refer note 24)	—	—	98.95	74.24	67.99	6.32	—	—	247.50
Foreign currency translation reserve	—	—	—	36.11	304.01	—	0.29	—	340.41
As at 31st March, 2012	0.02	6.44	1,825.64	1,103.50	2,787.56	89.28	9.40	64.78	5,886.60
Accumulated depreciation									
As at 1st April, 2010									
Transfer as per scheme of demerger (refer note 1(B))	—	2.56	433.71	183.50	333.30	19.24	4.64	11.80	988.75
Charge for the year	—	0.21	43.60	22.20	90.41	2.18	0.47	3.16	162.23
Foreign currency translation reserve	—	—	—	—	(2.09)	—	—	—	(2.09)
Disposals	—	—	(61.75)	—	—	—	(0.01)	(0.20)	(61.96)
As at 31st March, 2011	—	2.77	415.56	205.70	421.62	21.42	5.10	14.76	1,086.93
Charge for the year	—	0.37	118.35	50.86	178.35	4.77	1.07	9.17	362.94
Foreign currency translation reserve	—	—	—	1.80	51.55	—	0.15	—	53.50
Disposals	—	(0.06)	(0.46)	—	(50.42)	—	—	—	(50.94)
As at 31st March, 2012	—	3.08	533.45	258.35	601.10	26.19	6.32	23.93	1,452.43
Net block									
As at 31st March, 2011	0.02	3.76	1,216.40	787.45	2,030.48	61.54	3.20	32.23	4,135.08
As at 31st March, 2012	0.02	3.35	1,292.18	845.14	2,186.45	63.09	3.08	40.85	4,434.17

Note:

- A. Gross block of Plant & Machinery includes ₹ 38.84 crore leased out, W.D.V on 1st April, 2011 ₹ Nil.
- B. Vehicles with gross book value of ₹ 7.11 crore (previous year ₹ 7.11 crore) have been taken under hire purchase agreement from India Securities Limited and are hypothecated to it.

13. Non current Investments

Particulars	As at 31 st March, 2012 ₹ in crore	As at 31 st March, 2011 ₹ in crore
Non trade investments (valued at cost unless otherwise stated)		
(a) Investments in equity shares (unquoted, fully paid up)		
4,590 (Previous year 4,590) equity shares of ₹ 10/- each of Essar Bulk Terminal Paradip Limited*	0.00	0.00
Total	0.00	0.00
Note :		
Aggregate amount of quoted investments	—	—
Aggregate amount of unquoted investments	0.00	0.00
* Amount is less than ₹ 1 lakh		

14. Loans and advances (unsecured and considered good, unless stated otherwise)

Particulars	Non current loans and advances		Current loans and advances	
	As at 31 st March, 2012 ₹ in crore	As at 31 st March, 2011 ₹ in crore	As at 31 st March, 2012 ₹ in crore	As at 31 st March, 2011 ₹ in crore
a. Capital advances	1,201.89	1,142.30	—	—
b. Security deposits	34.45	52.89	21.89	0.45
Unsecured, considered good				
c. Loans and advances to related parties	—	—	788.50	514.16
Unsecured, considered good				
d. Advance recoverable in cash or kind or for value to be received	0.21	—	65.37	25.36
Unsecured, considered good				
e. Other loans and advances (unsecured and considered good, unless stated otherwise)				
Advance income-tax and Tax deducted at source (net of provision for taxation)	42.25	5.86	5.19	8.82
MAT credit available	3.09	—	—	—
Prepaid expenses	0.33	0.41	9.42	13.16
Loans to employees	—	—	3.64	—
Cenvat receivable	—	—	20.62	19.15
	45.67	6.27	38.87	41.13
Total	1,282.21	1,201.46	914.63	581.10

15. Inventories

Particulars	As at 31 st March, 2012 ₹ in crore	As at 31 st March, 2011 ₹ in crore
Stores and spares	104.15	26.74
Fuel, oil and lubes	46.10	106.76
Total	150.25	133.50

Note:- Inventories are valued at lower of cost and net realisable value

16. Trade receivables and other assets

Particulars	Non current		Current	
	As at 31 st March, 2012 ₹ in crore	As at 31 st March, 2011 ₹ in crore	As at 31 st March, 2012 ₹ in crore	As at 31 st March, 2011 ₹ in crore
a. Trade receivables				
(i) Outstanding for a period exceeding six months from the date they are due for payment				
Unsecured, considered good	–	–	126.12	114.46
Doubtful	–	–	0.51	0.51
Less: Provision for doubtful debts	–	–	(0.51)	(0.51)
	–	–	126.12	114.46
(ii) Other trade receivables (unsecured and considered good)	–	–	482.44	356.92
Total trade receivables	<u>–</u>	<u>–</u>	<u>608.56</u>	<u>471.38</u>
b. Other assets (unsecured and considered good, unless stated otherwise)				
Non current bank balances (Margin deposit)	0.83	–	–	–
Income receivables	–	–	30.64	–
Receivable on sale of fixed assets	–	–	51.52	–
Receivable on sale of investment	–	–	–	10.16
Unamortised upfront fee and other ancillary borrowing cost	37.87	39.02	7.69	6.81
Unamortised share issue expenses	2.07	1.33	0.90	0.49
Insurance claim receivable	–	–	8.02	8.02
Interest accrued on fixed deposits	–	–	6.69	3.59
Interest accrued on Inter corporate deposits	–	–	4.12	–
Total Other assets	<u>40.77</u>	<u>40.35</u>	<u>109.59</u>	<u>29.07</u>
17. Cash and bank balances				
a. Cash and cash equivalents				
Balances with banks				
– On current accounts			35.32	60.40
– Deposits with original maturity of less than three months			–	8.51
Cheques/ drafts on hand			–	0.11
Cash on hand			0.03	0.02
			<u>35.35</u>	<u>69.04</u>
b. Other bank balances				
Deposits with original maturity of more than 3 months but less than 12 months			–	119.24
Deposits with original maturity of more than 12 months			77.97	0.01
Margin money deposits			113.41	36.07
			<u>191.38</u>	<u>155.32</u>
Total Cash and bank balances			<u>226.73</u>	<u>224.36</u>

18. Revenue from operations

Particulars	For the year ended 31 st March, 2012 ₹ in crore	From 16.04.10 to 31.03.11 ₹ in crore
Sale of services		
Fleet operating and chartering earnings	1,253.65	659.84
Surface logistics services	1,131.25	448.11
Rig operating and chartering earnings	397.13	167.99
	2,782.02	1,275.94
Other operating services		
Profit on sale of vessels	1.20	38.47
Supervision/ Management fees	13.88	—
Others	4.48	4.35
	19.55	42.82
Total	2,801.58	1,318.76

19. Other income

Interest income		
— from banks [inclusive of tax deducted at source ₹ 1.19 (previous year ₹ 0.73) crore]	13.69	4.53
— from others [inclusive of tax deducted at source ₹ 0.54 (previous year ₹ 1.27) crore]	26.78	9.87
Net gain on sale of investments	0.08	0.03
Net gain on foreign currency translation and transaction	4.02	6.83
Other non operating income (net of expenses directly attributable to such income)	3.70	2.79
Profit on sale of other assets	4.66	—
Total	52.93	24.04

20. Employee benefits expense

Floating Staff		
Salaries, wages and bonus	127.77	60.70
Contribution to staff provident and other funds	1.95	0.69
Staff welfare expenses	10.55	4.17
Office Staff		
Salaries, wages and bonus	42.64	23.81
Contribution to staff provident and other funds	2.89	1.73
Staff welfare expenses	4.02	1.88
Employee stock option scheme	0.07	—
Total	189.89	92.98

21. Operating expenses

Consumption of stores and spares	50.48	37.73
Consumption of fuel, oil and water	240.50	75.94
Direct voyage expenses / surface logistics services	1,403.83	718.29
Commission, brokerage and agency fees	11.90	1.53
Standing costs	63.22	25.38
Dry docking expenses	13.17	—
Insurance, protection and indemnity club fees	34.26	15.51
Total	1,817.36	874.38

22. Establishment and other expenses

Particulars	For the year ended 31 st March, 2012 ₹ in crore	From 16.04.10 to 31.03.11 ₹ in crore
Rent	8.61	7.05
Rates and taxes	0.80	–
Repairs and maintenance		
– buildings	1.25	0.10
– others	5.32	0.64
Legal and professional fees	52.88	21.82
Traveling and conveyance	6.85	3.34
Auditors' remuneration (refer note below)	1.27	1.02
Net loss on foreign currency translation and transaction	1.52	–
Net loss on sale of other assets	7.29	–
Other establishment expenses	8.97	4.48
Total	94.76	38.45
Auditor's remunerations includes		
As auditor	0.90	0.76
For other assurance services	0.35	0.25
For reimbursement of expenses	0.02	0.01
Total	1.27	1.02

23. Finance costs

Interest expense		
– on bank loans	111.40	38.64
– on loan from financial Institution	21.50	6.81
– on finance lease obligations	57.07	21.62
– on foreign currency convertible bonds	26.01	9.27
– on debentures	70.83	27.47
– on others	23.03	15.00
Other borrowing costs	13.48	20.56
Applicable net loss on foreign currency translations and transactions	6.11	–
Total	329.43	139.37

24. Deferral / capitalisation of exchange difference

Pursuant to Notification issued by the Central Government under Companies (Accounting Standards) Amendment Rules, 2009 dated 31st March, 2009; the exchange differences arising on conversion/translation/settlement of long-term foreign currency monetary items in so far as they relate to the acquisition of a depreciable capital asset, has been added to or deducted from the cost of the respective asset and has been depreciated over the remaining balance life of the asset. In case of exchange difference related to any other long-term foreign currency monetary item, the exchange difference has been deferred in the "Foreign Currency Monetary Item Difference Account", which has been amortised over the remaining period of the underlying monetary item but not beyond 31st March, 2020. The following is the effect of the option exercised:-

	₹ in crore	
	As at 31 st March, 2012	As at 31 st March, 2011
a) Net exchange (gain)/ loss (deducted)/capitalised to the cost of the fixed assets/ CWIP	179.51	(23.80)
b) Depreciation on the above net exchange (gain)/loss for the year in which exchange difference has been capitalised/deducted	11.94	(4.92)

25. Details of leasing arrangements

a) Finance leases : Company as lessee

Future minimum lease payments (MLP) together with the present value of the MLP payable by the Company are as follows:

₹ in crore

Particulars	As at 31.03.2012			As at 31.03.2011		
	Minimum lease payments	Interest	Present value of minimum lease payments	Minimum lease payments	Interest	Present value of minimum lease payments
Future lease rental obligation payable by the company:						
– not later than one year	156.96	52.48	104.48	139.05	51.66	87.39
– later than one year but not later than five years	714.60	130.88	583.72	542.24	142.40	399.84
– later than five years	168.54	8.51	160.03	364.86	24.79	340.07
Present value of minimum lease payments	<u>1,040.10</u>	<u>191.87</u>	<u>848.23</u>	<u>1,046.15</u>	<u>218.85</u>	<u>827.30</u>

b) Operating leases: Company as lessee

The company has entered into non-cancellable operating lease arrangements for vessels for a period of 13 years. The future minimum lease rental are as follows:-

₹ in crore

Particulars	Minimum lease payments	Minimum lease payments
Future lease rental obligation payable by the company:		
– not later than one year	122.39	–
– later than one year but not later than five years	433.26	–
– later than five years	706.77	–
Total	<u>1,262.42</u>	<u>–</u>

26. (A) Contingent liabilities

₹ in crore

Particulars	As at 31 st March, 2012	As at 31 st March, 2011
i) Guarantees given by bank against disputed custom duty by DGFT	97.39	42.30
ii) Guarantee on behalf of others jointly and severally with Essar Ports Limited	410.00	–
iii) Bills discounted with bank	118.00	103.64
iv) Disputed services tax demand	61.30	52.01
v) Disputed Sales tax demand under appeal in the Honourable High Court of Madras	–	52.20
vi) Income tax appeals before ITAT	7.29	7.29

(B) Capital commitments and other commitments

a) Capital commitment

Estimated amount of contract remaining to be executed on capital account and not provided for

1,231.27 1,192.89

b) Other commitments

For commitment relating to lease arrangement, refer note 25

₹ in crore

Particulars	As at 31 st March, 2012	As at 31 st March, 2011
-------------	------------------------------------	------------------------------------

27. Segment Reporting

a) Business segment

Segment revenue

Operating Income

Fleet operating and chartering

1,288.24 523.76

₹ in crore

Particulars	As at 31 st March, 2012	As at 31 st March, 2011
Logistics services	1,131.29	669.61
Oilfields services	401.75	172.34
Total	2,821.28	1,365.71
Less : Inter segment revenue	(19.70)	(46.95)
Net operating income (A)	2,801.58	1,318.76
Other income		
Unallocated	146.02	59.37
Less: Inter segment income	(93.09)	(35.33)
Net other income (B)	52.93	24.04
Total income (A + B)	2,854.51	1,342.80
Segment results		
Fleet operating and chartering	267.56	126.68
Logistic services (including surface transport services)	29.07	25.10
Oilfields services	40.00	(1.06)
Unallocated	52.93	24.04
Profit from operation before interest and finance charges	389.56	174.76
Less: Unallocable interest and finance expense	(329.43)	(139.37)
Profit before tax	60.13	35.39
Less: Income tax	(23.30)	(2.09)
Profit after tax	36.83	33.30
Segment assets		
Fleet operating and chartering	2,779.59	2,824.57
Surface transport services	772.20	334.49
Oilfields services	4,808.70	4,013.76
Total assets	8,360.49	7,172.82
Segment liabilities		
Fleet operating and chartering	254.36	145.80
Surface transport services	354.19	234.39
Oilfields services	249.72	199.83
Total liabilities	858.27	580.02
Fixed assets acquired during the year		
Fleet operating and chartering	100.60	186.43
Surface transport services	21.46	11.98
Oilfields services	55.34	37.06
Total	177.40	235.47
Depreciation		
Fleet operating and chartering	155.95	60.20
Surface transport services	32.44	18.33
Oilfields services	174.55	83.70
Total	362.94	162.23

b) Geographical segment

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

₹ in crore

	Year ended 31 st March, 2012	Year ended 31 st March, 2011
Fleet operating and chartering earnings		
India	2,202.27	1,031.66
Vietnam	106.08	150.65
Indonesia	268.56	—
Hongkong	9.82	55.10
China	140.07	17.35
U.S.A	5.49	9.06
South Korea	12.18	9.11
Brazil	—	2.74
Singapore	19.17	—
Germany	8.79	—
Cyprus	15.47	—
Liberia	—	37.96
Rest of the world	13.67	5.13
TOTAL	2,801.58	1,318.76

The main operating assets represent floating fleet, which are not identifiable to any geographical location.

28. Earnings per share:

The calculation of the basic and diluted earnings per share is based on the following data:

₹ in crore

Particulars	Year ended 31 st March, 2012	Year ended 31 st March, 2011
Earnings for the purpose of basic earnings per share (net profit for the period) (₹ in crore)	36.83	33.30
Add: Adjustment on account of interest on foreign currency convertible bonds (net of income tax) (₹ in crore) (refer note below)	—	3.77
Net earnings for the purpose of diluted earnings per share (net profit for the period) (₹ in crore)	36.83	37.07
Equity shares to be issued on demerger- pending allotment (nos.)	—	20,52,27,768
Equity shares issued on demerger (nos.)	20,52,27,768	—
Equity shares at the end of the year (nos.)	20,52,27,768	—
Weighted average equity shares for the purpose of calculating basic earnings per share (nos.)	20,52,27,768	—
Weighted average equity shares for the purpose of calculating diluted earnings per share (nos.)	20,52,27,768	27,02,79,739
Earnings per share-basic (face value of ₹ 10/- each) (₹)	1.79	—
Earnings per share-diluted (face value of ₹ 10/- each) (₹)	1.79	1.37

Note:

- In the current year, FFCB and ESOP have not been considered for the purpose of calculation of weighted average number of diluted equity shares, as they are anti-dilutive.
- The shares to be issued on demerger were pending allotment at 31st March, 2011 and hence have not been considered for calculation of basic earnings per share for the period ended 31st March, 2011.

29. Derivative instruments and unhedged foreign currency exposure :

A) Derivative contracts outstanding as at the Balance Sheet are as follows:

The company has entered into Derivative contracts for hedging currency related risks. The Principal Only Swap contract to sell ₹ 200 crores (previous year : nil) is outstanding as on the balance sheet date (refer note no. 8).

B) Unhedged foreign currency exposure

The outstanding 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	31 st March, 2012 ₹ in crore	31 st March, 2011 ₹ in crore	Currency	31 st March, 2012 In million	31 st March, 2011 In million
i) Export of goods and services	18.77	157.72	USD	2.59	34.96
	0.03		AED	0.00	
ii) Advance to vendors	6.34	228.69	USD	0.74	51.21
	0.23	—	SGD	0.06	—
	0.04	—	DKK	0.05	—
	0.03	0.02	AED	0.01	0.01
	0.03	0.09	GBP	—	0.01
	0.07	0.21	EUR	0.01	0.03
iii) Advance to holding company	24.76	—	USD	4.84	—
iv) Bank balances	4.70	40.27	USD	0.92	12.99

(b) Amount payable in foreign currency on account of the following:

i) Import of goods and services	57.04	34.77	USD	11.00	7.77
	1.41	0.39	GBP	0.06	0.02
	1.67	1.24	EUR	0.23	0.14
	0.97	1.32	JPY	15.65	12.94
	7.88	7.34	OMR	0.06	1.62
	7.34	6.33	SGD	0.82	1.51
	0.08	0.07	ZAR	0.06	0.06
	0.02	—	NOK	0.02	—
	0.26	—	DKK	0.28	—
	4.19	2.86	AED	0.99	1.40
	80.86	54.32			
ii) Due to holding company	—	5.98	USD	—	1.34
iii) Secured and unsecured loans payable (including interest accrued but not due)	776.77	1,414.51	USD	151.85	318.01
Advance received from customers	0.48	0.70	USD	0.09	0.16
Foreign Currency Convertible Bond (including interest accrued)	1,234.07	1,071.52	USD	241.23	240.16
iv) Lease loans obligation	601.03	587.68	USD	117.49	131.62

30. Employee benefits :

The Company has classified the various benefits provided to employees as under:

I. Defined contribution plans:

The Company has recognised the following amounts in the Statement of Profit and Loss during the year under 'Contribution to staff provident and other funds'. Refer note 20.

₹ in crore		
Particulars	Year ended 31 st March, 2012	Year ended 31 st March, 2011
a) Employer's contribution to gratuity fund (offshore crew staff)	0.21	0.09
b) Group accident policy premium (all employees)	0.03	0.07
c) Employer's Contribution to pension fund (offshore crew staff)	0.28	0.13
d) Employer's Contribution to Superannuation Fund	0.09	0.23
e) Employer's Contribution to Provident Fund (offshore crew staff)	1.43	1.20
	2.04	1.72

II. Defined benefit plans

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

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In accordance with AS-15, relevant disclosures are as under:

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

₹ in crore

Particulars	Provident fund (funded)		Gratuity-shore officers (funded)		Gratuity-off shore officers (non-funded)		CA- paid leave (non- funded)	
	31.03.12	31.03.11	31.03.12	31.03.11	31.03.12	31.03.11	31.03.12	31.03.11
Present value of defined benefit obligation as at the beginning of the year	19.53	16.69	3.57	0.96	2.52	—	2.84	0.98
Current service cost	1.73	1.40	0.39	0.30	0.44	0.30	0.39	0.31
Current service contribution- employee	1.95	1.52	0.02	—	—	—	—	—
Interest cost	1.64	—	0.26	0.08	0.20	0.15	0.22	0.07
Transfer in *	1.03	0.87	(0.10)	1.57	—	1.95	—	1.33
Benefits paid	(4.41)	(2.62)	(0.12)	—	(0.11)	(0.10)	(0.06)	(0.03)
Actuarial (gain)/loss on obligations	0.82	0.80	(0.41)	0.30	(0.08)	0.22	(0.24)	0.27
Plan amendment	—	0.88	0.01	0.36	—	—	(0.05)	(0.08)
Present value of defined benefit obligation as at the end of the year	22.29	19.53	3.62	3.57	2.97	2.52	3.10	2.85
* on account of demerger and transfer of employees from EPL to ESL								
(B) Changes in the fair value of plan assets:								
Fair value of plan assets at the beginning of the year	19.53	16.69	1.90	—	—	—	—	—
Expected return on plan assets	—	—	0.20	0.06	—	—	—	—
Actual return on plan assets	2.46	1.67	—	1.03	—	—	—	—
Acquisitions/ Transfers	—	—	—	—	—	—	—	—
Contributions by the employer/employees	4.71	3.79	1.15	0.08	—	—	—	0.07
Benefits paid	(4.41)	(2.62)	(0.12)	—	—	—	—	(0.07)
Actuarial Gain / (loss)	—	—	0.01	0.73	—	—	—	—
Fair value of plan assets as at the end of the year	22.29	19.53	3.14	1.90	—	—	—	—
* Amount is less than ₹ 1 lakh								
(C) Amount recognised in balance sheet:								
Present value of defined benefit obligation as at the beginning of the year	22.29	19.53	3.62	3.57	2.97	2.52	3.10	2.85
Fair value of plan assets as at end of the period	22.29	19.53	3.14	1.90	—	—	—	—
Liability/(asset) recognised in the Balance Sheet (included in provisions) (note 8)	—	—	0.48	1.67	2.97	2.52	3.10	2.85
(D) Expenses recognised in the Statement of Profit and Loss:								
Current service cost	1.73	1.39	0.39	0.30	0.44	0.30	0.38	0.31
Interest cost	1.64	0.87	0.28	0.08	0.20	0.15	0.22	0.07
Expected return on plan assets	(1.64)	(0.87)	(0.20)	(0.07)	—	—	—	—
Past service cost	—	—	—	0.36	—	—	—	—
Net actuarial (gain)/loss recognised in the period	—	—	(0.41)	0.30	(0.08)	0.22	(0.24)	0.27
Total expenses recognised in the Statement of Profit and Loss (Included in Contribution to provident and other funds) (note 20)	1.73	1.39	0.06	0.97	0.56	0.67	0.36	0.65

(E) Experience history:

₹ in crore

Particulars	Provident fund (funded)		Gratuity-shore officers (funded)		Gratuity-off shore officers (non-funded)		CA- paid leave (non- funded)	
	31.03.12	31.03.11	31.03.12	31.03.11	31.03.12	31.03.11	31.03.12	31.03.11
Defined benefit obligation at the end of the year	—	—	(3.62)	(3.57)	(2.97)	(2.52)	(3.10)	(2.85)
Plan assets at the end of the period	—	—	3.14	1.90	—	—	—	—
Funded status	—	—	(0.48)	(1.67)	(2.97)	(2.52)	(3.10)	(2.85)
Experience gain /(loss) adjustments on plan liabilities	—	—	0.29	(0.28)	(0.03)	(0.25)	0.07	(0.21)
Experience gain /(loss) adjustments on plan assets	—	—	0.01	—	—	—	—	0.16
Actuarial gain/(loss) due to change on assumptions	—	—	0.07	0.03	—	0.03	0.06	0.02
(F) Category of plan assets:								
Administered by Life Insurance Corporation of India	—	—	100%	100%	—	—	—	—
SBI Life Insurance	—	—	100%	—	—	—	—	—
Government of India security	25%	25%	—	—	—	—	—	—
Public sector bonds/ TDRs	60%	60%	—	—	—	—	—	—
State government securities	15%	15%	—	—	—	—	—	—
(G) Actuarial assumptions								
Actuarial valuations were done in respect of the aforesaid defined benefit plans based on the following assumptions:								
i) General assumptions:								
Discount rate (per annum)	8.50%	7.80%	8.50%	8.00%	8.50%	8.00%	8.50%	8.00%
Rate of return on plan assets (for funded scheme)	8.60%	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% to 12%	7.00%	5% to 12%	10.00%	5% to 12%
Rate of increase in compensation	—	—	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%

i) Mortality rates considered are as per the published rates in the Life Insurance Corporation (1994-96) Mortality table.

ii) Leave policy:

- 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.
- 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.

iii) The contribution to be made by the Company for funding its liability for gratuity during the financial year 2012 will be made as per demand raised by the fund administrator Life Insurance Corporation of India.

31. Related party transactions:

a) Holding companies :

- Essar Global Limited, Cayman Island, ultimate holding company
- Essar Shipping & Logistics Limited, Cyprus, immediate holding company

b) Subsidiaries:

- Essar Logistics Limited, India
- Energy Transportation International Limited, Bermuda

- iii) Energy II Limited, Bermuda
- iv) Essar Oilfields Services Limited, Mauritius
- v) Essar Oilfield Services India Limited , India

c) Key management personnel

- i) Mr. A. R. Ramakrishnan
- ii) Capt. Anoop Kumar Sharma
- iii) Mr. Ankur Gupta
- iv) Mr. A. K. Mussady
- v) Mr. Rahul Himatsingka

d) Other related parties where there have been transactions:

Enterprises commonly controlled or influenced by major shareholders / directors / relatives of directors of the Company:

- | | |
|--|---|
| (i) Aegis Limited | (xvii) Essar Power Gujarat Limited |
| (ii) Arkay Holdings Limited | (xix) Essar Power Jharkand Limited |
| (iii) Arkay Sea Logistics Limited | (xx) Essar Power Limited |
| (iv) Asia Motor Works Limited | (xxi) Essar Power M.P. Limited |
| (v) Essar Agrotech Limited | (xxii) Essar Projects (India) Limited |
| (vi) Essar Bulk Terminal (Salaya) Limited | (xxiii) Essar Services India Limited |
| (vii) Essar Bulk Terminal Limited | (xxiv) Essar Shipping & Logistics (Panama) Limited |
| (viii) Essar Bulk Terminal Paradip Limited | (xxv) Essar Shipping (Cyprus) Limited |
| (ix) Essar Engineering Services Limited | (xxvi) Essar Steel India Limited |
| (x) Essar Exploration and Production Limited | (xxvii) Essar Steel Limited (Indonesia) |
| (xi) Essar House Limited | (xxviii) Essar Steel Minnesota LLC. |
| (xii) Essar Information Technology Limited | (xxix) Futura Travels Limited |
| (xiii) Essar Infrastructure Services Limited | (xxx) Imperial Consultants & Securities Private Limited |
| (xiv) Essar Investments Limited | (xxxi) India Securities Limited |
| (xv) Essar Offshore Subsea Limited | (xxxii) Prajesh Marketing Limited |
| (xvi) Essar Oil Limited | (xxxiii) Vadinar Oil Terminal Limited |
| (xvii) Essar Ports Limited | (xxxiv) Vadinar Power Company Limited |

The details of transactions with related parties

₹ in crore

Nature of transactions	Holding companies		Other related parties		Total	
	31.03.12	31.03.11	31.03.12	31.03.11	31.03.12	31.03.11
INCOME						
Operating income						
Essar Steel India Limited	—	—	1,709.17	510.82	1,709.17	510.82
Essar Shipping (Cyprus) Limited	—	—	14.45	0.62	14.45	0.62
Essar Power Gujarat Limited	—	—	38.07	21.68	38.07	21.68
Essar Power M.P. Limited	—	—	15.58	35.72	15.58	35.72
Essar Power Limited	—	—	0.50	0.30	0.50	0.30
Essar Power Jharkand Limited	—	—	95.87	—	95.87	—
Essar Shipping & Logistics Limited	1.02	—	—	—	1.02	—
Essar Shipping & Logistics (Panama) Limited	—	—	—	0.16	—	0.16
Essar Bulk Terminal (Salaya) Limited	—	—	8.39	5.14	8.39	5.14
Arkay Holdings Limited	—	—	2.23	—	2.23	—
Arkay Sealogistics Limited	—	—	0.73	—	0.73	—
Essar Ports Limited	—	—	1.29	—	1.29	—
Essar Oil Limited	—	—	108.23	163.28	108.23	163.28

Nature of transactions	Holding companies		Other related parties		Total	
	31.03.12	31.03.11	31.03.12	31.03.11	31.03.12	31.03.11
Essar Bulk Terminal Limited	–	–	4.61	17.87	4.61	17.87
Essar Projects (India) Limited	–	–	64.84	51.26	64.84	51.26
Vadinar Power Company Limited	–	–	20.77	2.13	20.77	2.13
Vadinar Oil Terminal Limited	–	–	0.11	0.12	0.11	0.12
Essar Steel Minnesota LLC	–	–	13.08	–	13.08	–
Essar Offshore Subsea Limited	–	–	4.94	–	4.94	–
Others	–	–	0.05	10.32	0.05	10.32
Total	1.02	–	2,102.91	819.42	2,103.93	819.42
Equipment lease rental income						
Essar Steel India Limited	–	–	0.02	0.01	0.02	0.01
Interest income						
Essar Shipping & Logistics Limited	21.02	4.94	–	–	21.02	4.94
Essar Ports Limited	–	–	2.81	–	2.81	–
Essar Global Limited	0.62	–	–	–	0.62	–
Essar Investments Limited	–	–	1.94	3.42	1.94	3.42
Total	21.64	4.94	4.75	3.42	26.39	8.36
Remuneration						
A. R. Ramakrishnan	–	–	1.67	–	1.67	–
Anoop Sharma	–	–	1.43	–	1.43	–
Ankur Gupta	–	–	2.22	–	2.22	–
A. K. Musaddy	–	–	1.17	0.52	1.17	0.52
Rahul Himatsingka	–	–	0.55	–	0.55	–
Total	–	–	7.04	0.52	7.04	0.52
Purchase of fuel oil						
Essar Oil Limited	–	–	97.38	249.27	97.38	249.27
Essar Shipping Cyprus Limited	–	–	7.09	–	7.09	–
Essar Bulk Terminal Limited	–	–	–	0.05	–	0.05
Total	–	–	104.47	249.32	104.47	249.32
Purchase of stores and spares						
Essar Projects (India) Limited	–	–	–	0.01	–	0.01
Essar Oil Limited	–	–	0.25	–	0.25	–
Essar Steel India Limited	–	–	2.24	2.56	2.24	2.56
Total	–	–	2.49	2.57	2.49	2.57
Direct Voyage expenses						
Essar Bulk Terminal Limited	–	–	16.45	7.38	16.45	7.38
Essar Oil Limited	–	–	–	0.23	–	0.23
Total	–	–	16.45	7.61	16.45	7.61
Freight/ hire charges						
Essar Shipping & Logistics Limited	54.73	41.67	–	–	54.73	41.67
Essar Projects (India) Limited	–	–	0.52	0.81	0.52	0.81
Essar Bulk Terminal Limited	–	–	–	0.36	–	0.36
Essar Shipping & Logistics (Panama) Limited	–	–	–	2.16	–	2.16
Essar Shipping Cyprus Limited	–	–	18.65	–	18.65	–
Total	54.73	41.67	19.17	3.33	73.91	45.00

Nature of transactions	Holding companies		Other related parties		Total	
	31.03.12	31.03.11	31.03.12	31.03.11	31.03.12	31.03.11
Manning charges						
Essar Infrastructure Services Limited	–	–	0.16	0.08	0.16	0.08
Essar Exploration and Production Limited	–	–	–	0.04	–	0.04
Essar Information Technology Limited	–	–	0.27	0.14	0.27	0.14
Total	–	–	0.43	0.26	0.43	0.26
Rent charges						
Essar House Limited	–	–	0.83	1.69	0.83	1.69
Essar Infrastructure Services Limited	–	–	3.15	4.07	3.15	4.07
Essar Agrotech Limited	–	–	0.03	–	0.03	–
Essar Services India Limited	–	–	0.16	–	0.16	–
Essar Information Technology Limited	–	–	4.34	–	4.34	–
Essar Steel India Limited	–	–	0.23	0.12	0.23	0.12
Total	–	–	8.74	5.88	8.74	5.88
Repair and maintenance						
Aegis Limited	–	–	0.09	–	0.09	–
Essar Information Technology Limited	–	–	0.01	0.67	0.01	0.67
Essar Agrotech Limited	–	–	–	0.01	–	0.01
Essar Infrastructure Services Limited	–	–	0.02	0.18	0.02	0.18
Essar Steel Limited	–	–	0.05	0.04	0.05	0.04
Essar Oil Limited	–	–	0.02	–	0.02	–
Essar Investments Limited	–	–	1.70	–	1.70	–
Essar Projects India Limited	–	–	5.03	1.16	5.03	1.16
Essar Engineering Services Limited	–	–	–	0.01	–	0.01
Essar Bulk Terminal Limited	–	–	–	0.09	–	0.09
Total	–	–	6.92	2.16	6.92	2.16
Cargo Handling expenses						
Essar Bulk Terminal Limited	–	–	22.96	4.52	22.96	4.52
Essar Project (India) Limited	–	–	9.25	1.35	9.25	1.35
Total	–	–	32.21	5.87	32.21	5.87
Traveling expenses						
Futura Travels Limited	–	–	9.44	5.14	9.44	5.14
Reimbursement of expenses						
Futura Travels Limited	–	–	11.82	4.64	11.82	4.64
Arkay Holdings Limited	–	–	0.26	–	0.26	–
Essar Exploration and Production Limited	–	–	–	0.04	–	0.04
Essar Steel Limited	–	–	0.03	61.24	0.03	61.24
Essar Infrastructure Services Limited	–	–	0.61	0.01	0.61	0.01
Essar Oil Limited	–	–	1.22	3.16	1.22	3.16
Essar Bulk Terminal Limited	–	–	–	1.86	–	1.86
Essar Investments Limited	–	–	0.11	0.95	0.11	0.95
Essar Power Gujarat Limited	–	–	–	1.38	–	1.38
Essar Power M.P. Limited	–	–	–	0.28	–	0.28
Others	–	–	–	0.51	–	0.51
Total	–	–	14.05	74.07	14.05	74.07

Nature of transactions	Holding companies		Other related parties		Total	
	31.03.12	31.03.11	31.03.12	31.03.11	31.03.12	31.03.11
Professional / Agency / Management fees						
India Securities Limited	–	–	–	0.15	–	0.15
Essar Investments Limited	–	–	21.30	16.81	21.30	16.81
Essar Services India Limited	–	–	5.54	–	5.54	–
Aegis Limited	–	–	3.60	1.33	3.60	1.33
Essar Information Technology Limited	–	–	0.01	0.03	0.01	0.03
Essar Bulk Terminal Limited	–	–	–	0.20	–	0.20
Total	–	–	30.45	18.52	30.45	18.52
Aircraft usage charges reimbursed						
Essar Oil Limited	–	–	18.00	23.60	18.00	23.60
Interest on loan (ICD)						
Essar Shipping & Logistics Limited	0.38	0.91	–	–	0.38	0.91
India Securities Limited	–	–	0.23	–	0.23	–
Total	0.38	0.91	0.23	–	0.61	0.91
Interest on lease loan						
Essar Shipping & Logistics Limited	32.93	16.63	–	–	32.93	16.63
Advance towards purchase of preference shares						
Essar Shipping & Logistics Limited	–	93.56	–	–	–	93.56
Loans and advances given						
Essar Investments Limited	–	–	–	1.00	–	1.00
Essar Global Limited	46.19	–	–	–	46.19	–
Essar Shipping & Logistics Limited	282.27	454.40	–	–	282.27	454.40
Total	328.46	454.40	–	1.00	328.46	455.40
Loans and advances received						
Essar Shipping & Logistics Limited	21.84	–	–	–	21.84	–
Essar Steel Limited (Indonesia)	–	–	0.01	–	0.01	–
Total	21.84	–	0.01	–	21.85	–
Assignment payable						
Essar Exploration & Production India Limited	–	–	6.72	–	6.72	–
Sale of fixed asset						
Essar Ports Limited	–	–	41.50	–	41.50	–
Arkay Sea Logistics limited	–	–	5.57	–	5.57	–
Total	–	–	47.07	–	47.07	–
Purchase of Fixed assets						
Essar Projects India Limited	–	–	2.61	–	2.61	–
Security Deposit received						
Essar Oil Limited	–	–	–	2.50	–	2.50
Unsecured loans						
Essar Investments Limited	–	–	–	11.54	–	11.54
Repayment of loans and advances given						
Essar Shipping & Logistics Limited	10.34	–	–	–	10.34	–
Guarantees given on behalf of others						
Essar Bulk Terminal Paradip Limited	–	–	410.00	–	410.00	–
Total	–	–	–	–	–	–

Outstanding balances as on 31 March, 2012

₹ in crore

Nature of balances	Holding companies		Other related parties		Total	
	31.03.12	31.03.11	31.03.12	31.03.11	31.03.12	31.03.11
Sundry debtors						
Essar Steel India Limited	–	–	332.12	143.41	332.12	143.41
Essar Oil Limited	–	–	14.65	17.05	14.65	17.05
Essar Steel Minnesota LLC	–	–	4.18	–	4.18	–
Essar Shipping (Cyprus) Limited	–	–	–	1.05	–	1.05
Essar Projects India Limited	–	–	26.81	27.45	26.81	27.45
Essar Bulk Terminal Limited	–	–	–	9.57	–	9.57
Vadinar Oil Terminal Limited	–	–	0.01	0.08	0.01	0.08
Essar Bulk Terminal (Salaya) Limited	–	–	5.96	0.33	5.96	0.33
Essar Offshore Subsea Limited	–	–	1.68	0.74	1.68	0.74
Vadinar Power Company Limited	–	–	0.07	0.26	0.07	0.26
Essar Shipping & Logistics (Panama) Limited	–	–	–	1.36	–	1.36
Arkay Holdings Limited	–	–	2.15	–	2.15	–
Arkay Sea Logistics Limited	–	–	6.62	–	6.62	–
Essar Ports Limited	–	–	46.73	–	46.73	–
Essar Power Jharkand Limited	–	–	4.23	1.74	4.23	1.74
Essar Power Gujarat Limited	–	–	3.97	7.51	3.97	7.51
Essar Power M. P. Limited	–	–	3.59	6.59	3.59	6.59
Others	–	–	–	0.03	–	0.03
Total	–	–	452.77	217.17	452.77	217.17
Loans and advances (including interest accrued) / Other receivables						
Aegis Limited	–	–	0.61	–	0.61	–
Essar Ports Limited	–	–	13.35	–	13.35	15.46
Futura Travels Limited	–	–	4.72	6.46	4.72	6.46
Essar Investments Limited	–	–	–	7.50	–	7.50
Essar Global Limited	39.14	–	–	–	39.14	–
Essar Shipping & Logistics Limited	725.36	434.18	–	–	725.36	434.18
Essar Shipping & Logistics (Panama) Limited	–	–	2.89	–	2.89	–
Imperial Consultants & Securities Private Limited	–	–	–	10.16	–	10.16
Total	764.50	434.18	21.57	24.12	768.07	473.76
Deposits given						
Futura Travels Limited	–	–	6.25	6.25	6.25	6.25
Arkay Holdings Limited	–	–	3.10	3.10	3.10	3.10
Essar House Limited	–	–	28.35	31.00	28.35	31.00
Essar Investments Limited	–	–	0.06	55.09	0.06	55.09
Prajesh Marketing Limited	–	–	4.80	4.80	4.80	4.80
Asia Motor Works Limited	–	–	–	4.91	–	4.91
Essar Information Technology Limited	–	–	0.46	0.46	0.46	0.46
Total	–	–	43.02	105.61	43.02	105.61
Loans and advances received (including interest accrued)						
Essar Global Limited	–	4.61	–	–	–	4.61

Nature of balances	Holding companies		Other related parties		Total	
	31.03.12	31.03.11	31.03.12	31.03.11	31.03.12	31.03.11
Essar Shipping & Logistics Limited	22.24	–	–	–	22.24	–
Essar Ports Limited	–	–	–	15.46	–	15.46
Total	22.24	4.61	–	15.46	22.24	20.07
Lease loan obligation						
Essar Shipping & Logistics Limited	547.30	533.99	–	–	547.30	533.99
Trade payables						
Futura Travels Limited	–	–	2.56	2.82	2.56	2.82
Essar Shipping & Logistics Limited	–	5.98	–	–	–	5.98
Essar Bulk Terminal Limited	–	–	22.00	9.48	22.00	9.48
Essar Infrastructure Services Limited	–	–	0.56	1.58	0.56	1.58
Essar House Limited	–	–	0.02	–	0.02	–
India Securities Limited	–	–	–	0.05	–	0.05
Essar Investments Limited	–	–	1.33	4.81	1.33	4.81
Essar Services India Limited	–	–	3.82	–	3.82	–
Aegis Limited	–	–	0.20	1.07	0.20	1.07
Arkay Holdings Limited	–	–	0.01	0.02	0.01	0.02
Essar Agrotech Limited	–	–	0.01	0.01	0.01	0.01
Essar Information Technology Limited	–	–	0.74	0.31	0.74	0.31
Essar Projects (India) Limited	–	–	1.94	14.25	1.94	14.25
Essar Constructions Limited	–	–	17.18	2.99	17.18	2.99
Essar Engineering Services Limited	–	–	0.55	0.48	0.55	0.48
Essar Exploration and Production (India) Limited	–	–	–	5.86	–	5.86
Asia Motor Works Limited	–	–	–	5.20	–	5.20
Essar Oil Limited	–	–	22.81	2.12	22.81	2.12
Essar Shipping Cyprus Limited	–	–	2.71	–	2.71	–
Vadinar Oil Terminal Limited	–	–	0.03	–	0.03	–
Others	–	–	–	0.19	–	0.19
Total	–	5.98	76.47	51.24	76.47	57.22
Interest accrued on lease loan						
Essar Shipping & Logistics Limited	8.09	7.06	–	–	8.09	7.06
Security deposit received						
Essar Shipping & Logistics Limited	–	–	–	–	–	–
Essar Oil Limited	–	–	9.00	9.00	9.00	9.00
Essar Steel Limited	–	–	5.00	5.00	5.00	5.00
Vadinar Oil Terminal Limited	–	–	1.50	1.50	1.50	1.50
Vadinar Ports & Terminals Limited	–	–	1.50	1.50	1.50	1.50
Essar Bulk Terminal Limited	–	–	1.50	1.50	1.50	1.50
India Securities Limited	–	–	1.39	4.00	1.39	4.00
Total	–	–	19.89	22.50	19.89	22.50
Guarantees given on behalf of others						
Essar Bulk Terminal Paradip Limited	–	–	410.00	–	410.00	–

32. Employee Stock Option Scheme

- a) In the Annual general meeting held on September 9, 2011, the shareholders approved the issue of Employee Stock options under the Scheme titled "Essar Shipping Employee Stock options Scheme -2011" (hereafter named ESOP A).

The ESOP A allows the issue of options to employees of the Company and its subsidiaries (whether in India or abroad). Each option comprises one underlying equity share.

As per the Scheme, the Compensation Committee grants the options to the eligible employees. The exercise price of each option shall be determined by the compensation committee as per the said scheme. The options granted vest in a graded manner over a period of 3 to 5 years starting from the third year after the grant date in proportions specified in the Scheme.

Options may be exercised within 7 years from the date of vesting.

The difference between the fair price of the share underlying the options granted on the date of grant of option and the exercise price of the option (being the intrinsic value of the option) representing Stock compensation expense is expensed over the vesting period.

b) Employee stock options details for ESOP A as on the Balance Sheet date are as follows:

Particulars	Year ended 31 st March, 2012		Year ended 31 st March, 2011	
	Options (Numbers)	Weighted average exercise price per option ₹ in crore	Options (Numbers)	Weighted average exercise price per option (₹) ₹ in crore
Option outstanding at the beginning of the year	—	—	—	—
Granted during the year	4,068,819	22.30	—	—
Options outstanding at the end of the year	4,068,819	22.30	—	—

c) The impact on Statement of profit and loss and Earnings per Share if the 'fair value' of the options (on the date of the grant) were considered instead of the 'intrinsic value' is as under:

Particulars	Year ended 31 st March, 2012	Year ended 31 st March, 2011
Net Profit / (loss) (as reported)	36.83	—
Add / (Less): stock based employee compensation (intrinsic value) (refer note 20)	0.07	—
Add / (Less): stock based compensation expenses determined under fair value method for the grants issued (See note (d) below)	0.33	—
Net Profit / (loss) (proforma)	36.57	—
Basic earnings per share (as reported) (refer note 28)	1.79	1.37
Basic earnings per share (proforma)	1.78	—
Diluted earnings per share (as reported) (refer note 28)	1.79	1.37
Diluted earnings per share (proforma)	1.78	—

d) The fair value of the Options granted is estimated on the date of grant using Black Scholes options pricing model taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for calculating fair value:

₹ in crore		
Assumptions	31 st March, 2012	31 st March, 2011
Risk free interest rate	8.36%	—
Expected life	58	—
Expected annual volatility of shares	44.5% - 58.60%	—
Expected dividend yield	0.00%	—

33. 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 the other provisions of Income Tax Act, 1961. Taxes on income earned by foreign subsidiaries are provided based on tax laws of its domicile country.
34. In view of exemption granted by Central Government for shipping companies vide press note no.2/2011 dated 08.02.2011, certain information pertain to value of imports calculated on CIF basis, expenditure in foreign currency, value of all imported raw material, spare parts and components consumed, earnings in foreign currency during the year is not given.
35. The current year figures are not comparable with the previous year figures, as in the previous year, effective operation was for six months only, since the demerger of shipping, oilfield and logistics business from Essar Ports Limited (erstwhile Essar Shipping Ports & Logistics Limited) was effective from 1st October, 2010.
36. The Group has received intimations from certain suppliers regarding status under the Micro, Small and Medium Enterprises Development Act, 2006 (the Act). Amounts due to such suppliers at the end of the accounting year have been given in Schedule 9 under sundry creditors. There were no: a) interest paid during the year; b) interest payable at the end of the accounting year; and c) interest accrued and unpaid at the end of the accounting year, in respect of such suppliers.
37. The previous year figures have been regrouped / rearranged wherever necessary to conform to the current year classification as per the requirements of revised Schedule VI notified under the Companies Act 1956.

38. Information pursuant to Section 212 (8)

₹ in crore

Particulars	Essar Logistics Limited, India	Energy Transportation International Limited, Bermuda	Energy II Limited, Bermuda	Essar Oilfields Services Limited, Mauritius	Essar Oilfield Services India Limited, India
For the ending as on	31 March, 2012	31 March, 2012	31 March, 2012	31 March, 2012	31 March, 2012
Capital	73.00	21.50	268.76	1,261.52	770.08
Reserves	132.14	(39.13)	16.37	(35.33)	(166.65)
Total Assets	826.40	270.84	287.70	3,577.79	1,903.21
Total Liabilities	826.40	270.84	287.70	3,577.79	1,903.21
Details of investments (including investments in subsidiaries)	–	–	–	837.67	–
Turnover	1,157.79	44.98	11.82	389.93	61.50
Profit before taxation	15.45	(40.05)	10.99	25.80	(81.46)
Provision for taxation	4.82	–	–	16.82	–
Profit after taxation	10.63	(40.05)	10.99	8.98	(81.46)
Dividend paid	–	–	–	–	–

For and behalf of the Board

A.R. Ramakrishnan
Managing Director

K.V. Krishnamurthy
Director

Vikram Gupta
Chief Financial Officer

Vinayak Joshi
Company Secretary

Mumbai
17th May, 2012

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

PARTICULARS	Essar Logistics Limited India	Energy Transportation International Limited Bermuda	Energy II Limited Bermuda	Essar Oilfields Services Limited Mauritius	Essar Oilfield Services India Limited India
1 The relevant financial year of the subsidiary ended on	31.03.12	31.03.12	31.03.12	31.03.12	31.03.12
2 No of shares in the subsidiary company held by Essar Shipping Limited as on 31st March, 2012	73,000,000	4,202,000	52,536,660	246,600,001	770,079,327
3 Extent of holding by Essar Shipping Ltd. as at the end of the financial period	100%	100%	100%	100%	100%
4 The net aggregate amount of the Subsidiary Companies Profit / (Loss) so far as it concerns the members of the Holding Company.					
a) Not dealt with in the Holding Company's Accounts :					
i) For the financial year ended 31st March, 2012	₹ 10.63 crore	(\$ 7.828) million	\$ 2,149 million	\$ 1.873 million	(₹ 81.46) crore
ii) For the previous Financial years of the Subsidiary Companies since they became the Holding Company's subsidiaries	₹ 3.33 crore	\$ 0.119 million	\$ 1,068 million	(\$ 137.528) million	(₹ 39.36) crore
b) Dealt with in Holding Company's accounts:					
i) For the financial period ended 31st March, 2012	NIL	NIL	NIL	NIL	NIL
ii) For the previous Financial years of the Subsidiary Companies since they became the Holding Company's subsidiaries	NIL	NIL	NIL	NIL	NIL
5 Change of interest of Essar Shipping in the subsidiary between the end of the financial year of subsidiary and that of Essar shipping Limited	NIL	NIL	NIL	NIL	NIL
6 Material changes between the end of the financial year of the subsidiary and the end of the financial year to Essar Shipping Limited in respect of subsidiary's fixed assets, investments, monies lent and borrowed					
a) Fixed Assets	NIL	NIL	NIL	NIL	NIL
b) Investments	NIL	NIL	NIL	NIL	NIL
c) Money lent by the subsidiary	NIL	NIL	NIL	NIL	NIL
d) Money borrowed by the subsidiary company other than for meeting current Liabilities (Net)	NIL	NIL	NIL	NIL	NIL

For and behalf of the Board

A.R. Ramakrishnan
Managing Director

K.V. Krishnamurthy
Director

Vikram Gupta
Chief Financial Officer

Vinayak Joshi
Company Secretary

Mumbai
17th May, 2012

The Ministry of Corporate Affairs has taken a Green Initiative in Corporate Governance by allowing paperless compliance by companies. Accordingly, companies can now send various documents electronically to those shareholders who register their email addresses. To receive all communications including Annual Reports by e-mail:

- Holders of shares in physical form are requested to fill up the postage pre-paid e-mail registration form setout below and send it to the share transfer agents, M/s. Data Software Research Company Private Limited.
- Members holding shares in demat form may register their e-mail IDs with the Company or their Depository Participant.

E-MAIL REGISTRATION

To

Data Software Research Company Private Limited

Unit: ESSAR SHIPPING LIMITED

19, Pycroft Garden Road,

Off Haddows Road

Nungambakkam, Chennai - 600 006

Dear Sir/s,

Re: Registration of e-mail ID for receiving communications in electronic form

I am a shareholder of the Company. I want to receive all communications from the Company including AGM and other General Meeting notices and explanatory statement(s) thereto, Balance Sheets, Directors' Reports, Auditor's Reports etc. through e-mail. Please register my e-mail ID, set-out below, in your records for sending communication through e-mail:

Folio No* :

Name of 1st Registered Holder* :

Name of Joint Holder(s) :

Address :

Pin Code :

E-mail ID (to be registered) :

Contact Tel. Nos. : Mobile

Landline

Date: Signature of first holder*.....

Important Notes:

- 1) Fields marked * are mandatory for registration of the e-mail ID
- 2) On registration, all the communications will be sent to the e-mail ID registered in the folio
- 3) The form is also available on the website of the Company www.essar.com
- 4) Any change in e-mail ID, from time to time, may please be registered in the records of the Company.

Demat of shares: I would like to know the procedure to demat my physically held shares of Essar Shipping Limited. Please contact at my above contact number. [Yes ☐ / No ☐]

BUSINESS REPLY INLAND LETTER

Postage
will be
paid by the
Addressee

Business Reply Permit No.
TN/CH/(C)/BRP/996
Greams Road P.O.
Chennai - 600 006

No postage
stamp
necessary 'if'
posted in
INDIA

To,

**Data Software Research Company
Private Limited**

Unit: **Essar Shipping Limited**

19, Pycroft Garden Road,

Off Haddows Road

Nungambakkam, Chennai - 600 006

1st Fold

2nd Fold

NOTES

NOTES

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

ESSAR SHIPPING LIMITED

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

PROXY FORM

Member's Folio No. :	_____
and/or	
DP ID No./Client ID No.*:	_____

I/We of in the district of being a member of ESSAR SHIPPING LIMITED, hereby appoint of or failing him of as my/our proxy to vote for me/us and on my/our behalf at the Second Annual General Meeting of the Company to be held at 11.00 a.m. on Friday, August 24, 2012 at the Registered Office of the Company, situated at Administrative Building, Essar Refinery Complex, Okha Highway (SH-25), Taluka Khambalia, District Jamnagar, Gujarat - 361 305 and at every adjournment thereof.

Signed this day of 2012

Proxy Form must reach the Company's Registered Office, at Administrative Building, Essar Refinery Complex, Okha Highway (SH-25), Taluka Khambalia, District Jamnagar, Gujarat - 361 305, not less than 48 hours before the commencement of the meeting.

** Applicable for Investors holding share(s) in electronic form.*

Affix ₹ 1
Revenue
Stamp

Signature

ESSAR SHIPPING LIMITED

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

ATTENDANCE SLIP

Member's Folio No. :	_____
and/or	
DPID No./Client ID No.*:	_____

2nd Annual General Meeting

Time : 11.00 a.m.

Date : August 24, 2012

Venue : Administrative Building
Essar Refinery Complex
Okha Highway (Sh-25)
Taluka Khambalia
District Jamnagar
Gujarat - 361 305

Member

Proxy

[Name in Capital letters]

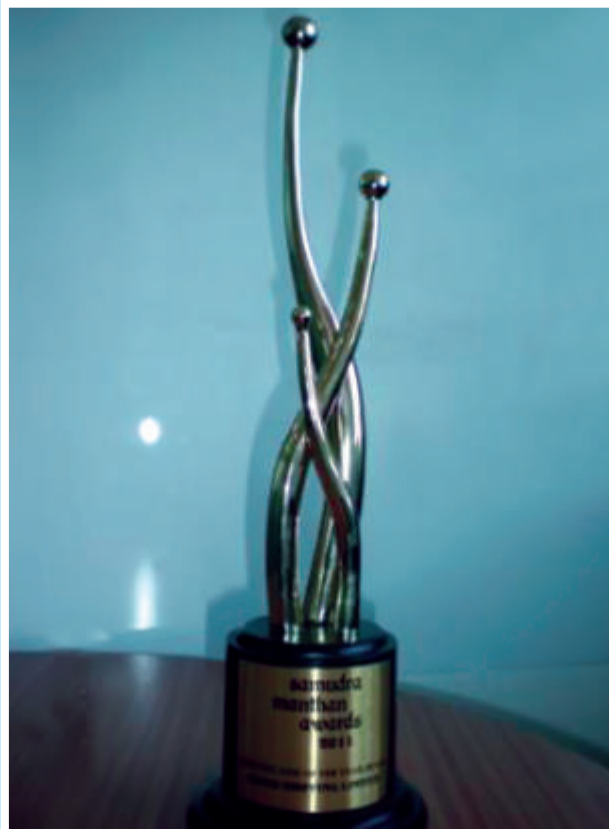
NOTE:

1. Admission restricted to Members/Proxies only.
2. Please avoid bringing children/non-members with you.

I hereby record my presence at the 2nd AGM of the Company

Signature of Member/Proxy

** Applicable for Investors holding share(s) in electronic form.*



Essar Shipping Limited has won
SHIPPING LINE OF THE YEAR (BULK) AWARD at Samudra Manthan Awards 2011

Book Post

If undelivered, please return to :

Data Software Research Company Private Limited
Unit: Essar Shipping Limited
19, Pycroft Garden Road,
Off Haddows Road,
Nungambakkam, Chennai-600 006.