



Essar Shipping Limited

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CS	<input checked="" type="checkbox"/>		DPY	<input checked="" type="checkbox"/>
RO	<input checked="" type="checkbox"/>		DIV	<input checked="" type="checkbox"/>
TRA	<input checked="" type="checkbox"/>		AC	<input checked="" type="checkbox"/>
AGM	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	SHI	<input checked="" type="checkbox"/>
YE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>



Twentyfirst Annual Report 1996-97

Essar Shipping Limited

BOARD OF DIRECTORS

Sri S.N. Ruia	<i>Chairman</i>
Sri R.N. Ruia	<i>Vice Chairman</i>
Sri N.N. Kampani	
Sri K.R. Ramamani	
Sri R.N. Bansal	<i>Govt. Nominee</i>
Sri M.J. Subbaiah	<i>ICICI Nominee</i>
Sri O.P. Khaitan	
Sri S.K. Poddar	
Sri V.B. Chaturvedi	
Capt B.S. Kumar	
Sri S.N. Roy	<i>Wholetime Director</i>
Sri M.S. Varadan	<i>Wholetime Director</i>

COMPANY SECRETARY

Sri. V. Gopal Rao BSc, BL, FCS.

BANKERS

State Bank of India
 Indusind Bank
 ICICI Banking Corporation Ltd.
 ABN Amro Bank N.V.
 The Hongkong and Shanghai Banking Corpn. Ltd.
 Bank of Nova Scotia Asia Ltd, Singapore
 Development Bank of Singapore Ltd.
 Indian Overseas Bank
 Bank of India
 Punjab National Bank
 American Express Bank

AUDITORS

M/s. Deloitte Haskins & Sells
 Chartered Accountants

INTERNAL AUDITORS

M/s. B.P. Jain & Co
 Chartered Accountants

SOLICITORS

1. M/s. Crawford Bayley & Co.
 State Bank Building
 NGN Vaidya Marg
 Mumbai 400 023
2. Nataraj, Rao, Raghu & Sundaram
 Dare House Annexe
 No. 44, Second Line Beach Road,
 Chennai - 600 001

TRANSFER AGENTS

DATA SOFTWARE RESEARCH COMPANY LIMITED
 "Sree Sovereign Complex"
 22, 4th Cross Street, Trustpuram,
 Kodambakkam,
 Chennai - 600 024.

REGISTERED OFFICE

2/3, Main Guard Cross Road
 Bangalore 560 001
 Fax : 080-5591382
 Phone: 080-5591650/5596986-90

CORPORATE OFFICE

Essar House
 11, Keshavrao Khadye Marg
 Mahalaxmi
 Mumbai 400 034
 Fax : 022-4954312
 Phone : 022-4950606

NOTICE TO THE MEMBERS

NOTICE is hereby given that the Twentyfirst Annual General Meeting of Essar Shipping Limited will be held at the Dayanandasagar Memorial Hall, Chandrasagar Complex No.264/266, T.Mariappa Road, 2nd Block (Near Ashoka Pillar), Jayanagar, Bangalore 560 011 at 2.30 P.M. on Friday, the 27th February, 1998 to transact the following business as

ORDINARY BUSINESS

1. To receive consider and adopt the audited Balance Sheet for the period ended 30th September, 1997 and Profit and Loss Account for the period ended on that date and Reports of the Directors and Auditors thereon.
2. To declare Dividends.
3. To appoint a Director in the place of Sri R.N.Ruia, who retires by rotation and, being eligible offers himself for reappointment.
4. To appoint a Director in the place of Sri K.R.Ramamani, who retires by rotation and, being eligible offers himself for reappointment.
5. To appoint a Director in the place of Sri S.K.Poddar, who retires by rotation and, being eligible offers himself for reappointment.
6. To appoint Auditors of the Company and fix their remuneration.

To consider and, if thought fit, to pass with or without modifications, as an **Ordinary Resolution**, the following:-

"RESOLVED THAT M/s. Deloitte Haskins & Sells the retiring auditors, be and are hereby reappointed Auditors of the company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting on a remuneration to be fixed by the Board in consultation with the auditors, exclusive of travelling and out-of-pocket expenses that may be incurred by them in connection with the audit."

SPECIAL BUSINESS

7. To consider and, if thought fit, to pass with or without modifications, as an **Ordinary Resolution**, the following:-

"RESOLVED THAT the reappointment of Sri V. Gopal Rao as Manager under Section 388 read with Section 269 and Schedule XIII and other applicable provisions if any, of the Companies Act, 1956 with effect from 1st October, 1997 for a period of three years made by the Board of Directors of the Company vide their resolution dated 29th November, 1997 on the terms and conditions as set out in the explanatory statement, annexed to this Notice with the liberty to the Board of Directors to sanction and/or vary the same within the overall limit, as they may in their discretion deem fit be and is hereby ratified and approved."

"RESOLVED FURTHER THAT Sri V.Gopal Rao shall hold office of the Manager with such powers as may be delegated to him by the Board of Directors from time to time.

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to take such steps as may be necessary or expedient to give effect to this resolution."

8. To consider and, if thought fit, to pass with or without modifications, as an **Ordinary Resolution**, the following:-

"RESOLVED THAT Capt. B.S.Kumar be and is hereby appointed as a Director of the Company with a liability to retire by rotation."

9. To consider and, if thought fit, to pass with or without modifications, as an **Ordinary Resolution**, the following:-

"RESOLVED THAT the appointment of Sri M.S.Varadan, as Wholetime Director of South India Shipping Corporation Limited (SISCO) subject to Sections 198, 269, 309 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, for a period of one year with effect from 27th September, 1996 and the extension of the term of his appointment upto 26th September, 1998 made by the Board of Directors of SISCO vide their resolutions respectively dated 27th September, 1996 and 29th November, 1997 and the remuneration paid to Sri M.S. Varadan pursuant to the above referred Board resolutions of SISCO and as set out in the Explanatory Statement annexed to this Notice with the liberty to the Board of Directors to sanction and/or vary the same within the overall limit, as they may in their discretion deem fit, be and is hereby ratified and approved."

10. To consider and, if thought fit, to pass with or without modifications, as an **Ordinary Resolution**, the following:-

"RESOLVED THAT Sri S.N.Roy be and is hereby appointed as a Director of the Company with a liability to retire by rotation."

"RESOLVED FURTHER THAT the appointment of Sri S.N.Roy, as Wholetime Director of the Company, subject to Sections 198, 269, 309 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, for a period of three years with effect from 29th November, 1997 made by the Board of Directors of the company vide their resolution dated 30th December, 1997 and the remuneration payable to Sri S.N. Roy pursuant to the above referred Board resolution and as set out in the Explanatory Statement annexed to this Notice with the liberty to the Board of Directors to sanction and/or vary the same within the overall limit, as they may in their discretion deem fit, be and is hereby approved."

11. To consider and, if thought fit, to pass with or without modifications, as an **Ordinary Resolution**, the

following:

"RESOLVED THAT Sri M.S.Varadan be and is hereby appointed as a Director of the Company with a liability to retire by rotation."

"RESOLVED THAT the appointment of Sri M.S.Varadan, as Wholetime Director of the Company subject to Sections 198, 269, 309 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, for a period of three years with effect from 29th November, 1997 made by the Board of Directors of the company vide their resolution dated 30th December, 1997 and the remuneration payable to Sri M.S. Varadan pursuant to the above referred Board resolution and as set out in the Explanatory Statement annexed to this Notice with the liberty to the Board of Directors to sanction and/or vary the same within the overall limit, as they may in their discretion deem fit, be and is hereby approved."

12. To consider and, if thought fit, to pass with or without modifications, as an **Ordinary Resolution**, the following:-

"RESOLVED THAT approval of the Company be and is hereby accorded, pursuant to Section 293 (1) (a) and other applicable provisions, if any, of the Companies Act, 1956, to the Board of Directors of the Company, to mortgage and/or charge all or any of the movable and/or immovable properties of the Company, wheresoever situate both present and future, the whole or substantially whole of the undertaking(s) of the Company together with the power to take over the management of the business and concern of the Company in favour of all or any of the lending Institutions, Banks, Trustees, Companies, Bodies Corporate and other authorities to secure:

- (a) Borrowings of the company in Indian and/or Foreign Currency by way of Loans or by way of Debentures or otherwise.
- (b) The interest, commitment charge, premium on prepayment and on redemption, costs, charges, expenses and all other money payable by the Company in terms of the respective loan agreements/heads of agreements/letters of sanction, memorandum of terms and conditions etc. entered into or to be entered into by the Company in respect of the aforesaid loans/debentures obtained/to be obtained as may be agreed to by the Board provided, however, that the aggregate amount does not exceed the limits as approved by the members pursuant to Section 293 (1)(d) of the Companies Act, 1956 and as amended from time to time."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to finalise the documents terms and conditions for creation of the above mortgage or charge in consultation with the lenders and do all necessary acts and things as may be necessary to give effect to the above resolutions."

13. To consider and, if thought fit, to pass with or without

modifications, as an **Ordinary Resolution**, the following:

"RESOLVED THAT pursuant to section 372 and other applicable provisions if any of the Companies Act, 1956 and subject to approval of the Central Government, Lenders to the company and such other authorities, if any, as may be necessary, consent of the Company be and is hereby accorded to the Board of Directors to invest upto an amount not exceeding Rs.500 crores (Rupees Five Hundred Crores only) in the Equity Share Capital/ Convertible Debentures or any other kind of securities or any combination thereof of bodies corporate."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to determine the actual sum to be so invested and to determine the time and manner of such investment and to do all or any of the matters arising out of or incidental to the said investment."

14. To consider and, if thought fit, to pass with or without modifications, as a **Special Resolution**, the following:-

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 and the provisions of other statutes as applicable and subject to such approvals, consents, permissions and sanctions as may be necessary from the appropriate authorities or bodies, the Articles of Association of the Company be and are hereby altered as follows:-

- a) That after the existing sub-clause 2(s) of Articles of Association the following sub-clauses shall be inserted, namely:
 - "(t) 'Depositories Act' shall mean Depositories Act, 1996 or any statutory modification or re-enactment thereof."
 - "(u) 'Beneficial Owner' shall have the meaning assigned thereto by Section 2 of the Depositories Act."
 - "(v) 'Depository shall have the meaning assigned thereto by the Depositories Act."
- b) That the following new Articles be inserted after the existing Article 3 namely:-

"3 (a) Notwithstanding anything contained in the Article 3, but subject to the provisions of the Act and all other applicable provisions of law, as may be in force at any time and from time to time, the Company may acquire, purchase, hold, resell any of its own fully/ partly paid shares/ debentures and may make payment out of funds at its disposal of and in respect of such acquisition/ purchase on such terms and conditions and at such times as the Board may in its discretion decide and deem fit, provided that in respect of the shares and securities held by the Depository on behalf of a beneficial owner as defined in the Depositories

Act, 1996, sections 153B, 187B, 187C and 372 of the Act shall not apply."

- c) That the following be inserted as 25 (A), after the existing Article 25 namely:

"25 (A) Notwithstanding anything contained in these Articles, the Company may in accordance with the provisions of the Depositories Act, dematerialise its Shares, Debentures and other marketable securities and to offer its Shares, Debentures and other marketable securities for subscription in a dematerialised form. Upon the Company shall maintain a Register of Members with the details of Members holding shares both in material and dematerialised form in electronic or any other media as permitted by law either in respect of the existing shares and or any future Issue, provided that, the provisions set forth in this Articles 23 to 31 shall not apply to shares which have been dematerialised in so far as they are repugnant to the provisions of the Depositories Act and the Rules, if any, made thereunder as amended from time to time."

- d) That after the existing Article 30 (5), the following new articles numbered as 30 (6) and 30 (7) be inserted:

"30 (6) Nothing contained in the Articles 23 to 31 shall apply to transfer of shares, debentures or other marketable securities effected by the transferor and the transferee, both of whom are entered as beneficial owners in the records of a Depository, in so far as they are repugnant to the provisions of the Depositories Act and the Rules, if any, made thereunder as amended from time to time."

"30 (7) In the case of transfer of shares, debentures or other marketable securities where the Company has not issued any Certificates and where shares and securities are being held in an electronic and fungible form, the provisions of the Depositories Act, shall apply."

15. To consider and, if thought fit, to pass with or without modifications, as an **Ordinary Resolution**, the following:-

"RESOLVED that the remuneration paid to Sri S.N. Roy as Wholetime Director of South India Shipping Corporation Limited to the tune of Rs. 16.12 lakhs and to Sri V. Gopal Rao as Manager of Essar Shipping Limited to the tune of Rs. 1.32 lakhs along with the applicable perquisites to each one of them over and above the remuneration and perquisites sanctioned by the members of the respective companies and as approved by the Board of Directors of the Company in its meeting held on 30th December, 1997 be and is hereby ratified and approved."

NOTES:

- (a) The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the business under item Nos. 7 to 15 set out above is annexed hereto.
- (b) **A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.** Proxy forms should be deposited at the Registered Office of the company not later than 48 hours before the time fixed for the meeting.
- (c) The Register of Members and Share Transfer Books of the Company were closed from 30th December, 1997 to 7th January, 1998 (both days inclusive).
- (d) The Dividend, if declared, will be payable to those Members, whose names appear in the Register of Members of the Company as on 7th January, 1998 in case of Essar Shipping Limited and 15th January, 1998 in case of members of South India Shipping Corporation Limited
- (e) Pursuant to Section 205A of the Companies Act, 1956 the following information is furnished:
 - (i). Dividend paid for the financial years 1992-93 and 1993-94 which remained unpaid or unclaimed, in the case of South India Shipping Corporation as well as the company have been transferred to the General Revenue Account of the Central Government.
 - (ii). The unclaimed Dividend for Financial Years 1994-95, and 1995-96 are held in separate accounts for each year in respect of both the companies.
- (f) Members are requested to immediately notify in their own interest the Bank account numbers/name of the Bank/Branch to be specified in the Dividend Warrants and any change in their address to the Company's Registrar and Transfer Agents

M/s. Data Software Research Company Limited
"Sree Sovereign Complex",
22, 4th Cross Street, Trustpuram,
Kodambakkam,
Chennai 600 024.

By Order of the Board

Chennai
 27th January, 1998

V.Gopal Rao
Company Secretary

Registered Office:
 Essar Shipping Limited
 2/3 Main Guard Cross Road
 Bangalore 560 001.

Essar Shipping Limited

ANNEXURE TO NOTICE

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

This Explanatory Statement sets out all the material facts relating to Item Nos. 7 to 15 of the accompanying notice.

Item No.7

The Members at the Annual General Meeting held on 30th September, 1996 approved the appointment of Sri V.Gopal Rao as Manager in accordance with Schedule XIII to the Companies Act, 1956 for a period of one year with effect from 1st October, 1996, and the remuneration, benefits, and perquisites within the purview of Schedule XIII to the Companies Act, 1956 payable to him. Since the term of his appointment expired on 30th September, 1997, the Board of Directors, at its meeting held on 29th November, 1997 have reappointed Sri V. Gopal Rao as Manager for a further period of 3 years effective from 1st October, 1997 at the same terms and conditions of his earlier appointment by the General Body as set out hereunder, and subject to the approval of members.

The salary and other perquisites applicable to Sri V.Gopal Rao, shall be as under:-

Salary	: Basic Salary of Rs.24,000/- per month. The salary will be on such scale as may be fixed by the Board from time to time subject to limits prescribed under the Companies Act.
House Rent Allowance	: 60% of Basic Salary per month. If Company accommodation is provided HRA will not be applicable.
City Allowance	: Rs.1,850/- per month
Leave Travel Allowance	: Rs.30,000/- per annum
Medical expenses reimbursement yearly	: Domiciliary medical expenses at Rs.10,000/- per annum payable half yearly.
Hospitalisation expenses	: Covered as per Company's Hospitalisation Reimbursement Scheme.
Provident Fund	: As per the rules of the Company applicable from time to time.
Gratuity	: As per the rules of the Company applicable from time to time.
Superannuation	: As per the rules of the Company applicable from time to time.
Encashment of leave	: Encashment of unutilised leave as per the Company's rules applicable from time to time.
Car & related expenses reimbursement	: Car will be provided by the Company. The expenses connected therewith such as operation, maintenance, fuel, Road Tax etc., will be reimbursed by the Company as per the applicable rules of the company from time to time.
Education Allowance	: Rs.500/- per month.
Adhoc Allowance	: Rs.7,250/- + 40% of basic salary per month.
Corporate Attire expenses reimbursement	: Rs.18,000/- per annum.
Telephone expenses reimbursement	: As applicable as per the Rules of the Company from time to time.
Housing/hard furnishing loan	: Eligibility as per prevailing Company's rules.
Personal Accident Insurance	: Insurance Premium to be paid by the Company in accordance with Company's rules.

All the above allowances/benefits/reimbursements would be subject to the applicable Income-Tax Rules.

The reappointment of Sri V.Gopal Rao, as Manager was occasioned due to the expiry of his earlier term as approved by the members.

Sri V.Gopal Rao, B.Sc., B.L., F.C.S. has experience as Company Secretary for over thirty years and his last assignment was as Company Secretary of South India Shipping Corporation Limited, Chennai in charge of Legal, Secretarial, Personnel and Administration reporting to the Wholtime Director.

Consequent to his appointment as Vice President and Company Secretary Sri V. Gopal Rao ceased to be the Manager of the Company effective from 30th December, 1997.

None of the Directors is concerned or interested in this resolution. The resolution is recommended for the approval of the Shareholders.

The above may be treated as the memorandum pursuant to Section 302 of the Companies Act, 1956.

Item No. 8

Capt. B.S.Kumar is a qualified Master Mariner having 40 years of experience and expertise in Shipping Industry. Capt. B.S. Kumar was appointed as an Additional Director of the Company at the meeting of the Board of Directors of the Company held on 29th November, 1997. In view of his appointment as Additional Director Capt. B.S. Kumar vacates his office as Director at the ensuing Annual General Meeting. Requisite notice under Section 257 has been received by the Company from a member proposing his appointment as a Director. Capt. B.S. Kumar is to be appointed as a Director with a liability to retire by rotation.

None of the Directors, except Capt. B.S.Kumar, is interested or concerned in this resolution.

The resolution is recommended for the approval of the share holders.

Item No. 9

The Board of Directors of South India Shipping Corporation Limited appointed Sri M.S. Varadan as a Wholtime Director of the Company effective from 27th September, 1996 for a period of one year subject to the approval of the members and subject to the terms and conditions given here below. Consequent on the expiry of the term of his office Sri M.S. Varadan was reappointed by the Board of Directors of SISCO as a Wholtime Director for a further period of one year effective from 27th September, 1997 at the same terms and conditions of his earlier appointment.

Terms and conditions of appointment of Sri M.S. Varadan as Wholtime Director of South India Shipping Corporation Limited.

SALARY : Salary in the scale of 35,000 - Rs.1,00,000 per month as may be determined by the Board or such other authority as may be delegated by the Board from time to time.

PERQUISITES & ALLOWANCES : In addition to salary, the Wholtime Directors of the Company shall be entitled to commission, on annual profits to be computed in the manner laid down in the Companies Act, 1956 and or performance bonus, perquisites, and allowances such as Accommodation (furnished or otherwise) or House Rent Allowance in lieu thereof, City Allowance, Reimbursement of Gas, Electricity, Water Expenses and Furnishing and Repair Expenses, Medical/ Hospitalisation Expenses Reimbursement, Leave Travel Allowance, Provident Fund, Gratuity, Superannuation, Club Fees, Personal Accident Insurance and such other perquisites and allowances in accordance with the Rules of the Company or as may be agreed to by the Board or such other authority as may be delegated by the Board and them, such commission, performance bonus, perquisite and allowances being subject to a maximum limit of Rs. 3,00,000/- per month.

In the event of loss or inadequacy of profits in any financial year during the period of appointment, the remuneration payable by way of salary, perquisites and allowances will be as specified above.

In view of the merger of South India Shipping Corporation Limited with Essar Shipping Limited effective from 1st April, 1996 no separate Annual General Meeting of South India Shipping Corporation Limited is being held for the period ended 30th September, 1997 and hence his appointment is sought to be ratified by the General body of the merged entity.

None of the Directors except Sri M.S. Varadan is interested or concerned in this resolution.

The resolution is recommended for the approval of the shareholders.

The above may be treated as the Memorandum pursuant to Sec. 302 of the Companies Act, 1956.

Item No. 10

Consequent to amalgamation of South India Shipping Corporation (SISCO) with Essar Shipping Limited (ESL) Sri S.N. Roy was appointed as Additional Director of the Company at the meeting of the Board of Directors of the Company held on 29th November, 1997. He was appointed as Wholtime Director of the Company at the meeting of the Board of Directors of the Company held on 30th December, 1997 for a period of three years effective from 29th November, 1997 subject to the approval of the members and subject to the following terms and conditions.

Terms and conditions of appointment of Sri S.N. Roy as Wholtime Director of the Company.

SALARY : Salary in the scale of 35,000 - Rs.1,00,000 per month as may be determined by the Board or such other authority as may be delegated by the Board from time to time.

PERQUISITES & ALLOWANCES : In addition to salary, the Wholtime Director of the Company shall be entitled to commission, on annual profits to be computed in the manner laid down in the Companies Act, 1956 and or performance bonus, perquisites, and allowances such as Accommodation (furnished or otherwise) or House Rent Allowance in lieu thereof, City Allowance, Reimbursement of Gas, Electricity, Water Expenses and Furnishing and Repair Expenses, Medical/ Hospitalisation Expenses Reimbursement, Leave Travel Allowance, Provident Fund, Gratuity, Superannuation, Club Fees, Personal Accident Insurance and such other perquisites and allowances in accordance with the Rules of the Company or as may be agreed to by the Board or such other authority as may be delegated by



the Board and them, such commission performance bonus perquisite and allowances being subject to a maximum limit of Rs. 3,00,000/- per month.

In the event of loss or inadequacy of profits in any financial year during the period of appointment, the remuneration payable by way of salary, perquisites and allowances will be as specified above.

Sri S.N.Roy is a First Class Engineer (Steam & Motor) and has got over 35 years of rich and varied experience in the shipping industry. Prior to his induction into the Board of Essar Shipping Limited, Sri S.N. Roy was a Wholtime Director of South India Shipping Corporation Limited and was the Chief-Executive Officer of Essar Shipping Limited.

As Sri S.N. Roy was appointed as Additional Director he would vacate his office at the ensuing Annual General Meeting of the Company and as his appointment as Wholtime Director of the Company is subject to the approval of the members he is first proposed to be appointed as Director and then as the Wholtime Director of the Company at the ensuing Annual General Meeting of the Company. Requisite notice under Section 257 has been received by the Company from a member proposing his appointment as a Director. Sri S.N. Roy is to be appointed as a Director with a liability to retire by rotation.

None of the other Directors other than Sri S.N. Roy is concerned or interested in the resolutions.

The resolutions are recommended for the approval of the shareholders.

The above may be treated as the Memorandum pursuant to Section 302 of the Companies Act, 1956.

Item No. 11

Consequent to amalgamation of South India Shipping Corporation (SISCO) with Essar Shipping Limited (ESL) Sri M.S. Varadan was appointed as Additional Director of the Company at the meeting of the Board of Directors of the Company held on 29th November, 1997. He was appointed as Wholtime Director of the Company at the meeting of the Board of Directors of the Company held on 30th December, 1997 for a period of three years effective from 29th November, 1997 subject to the approval of the members and subject to the following terms and conditions.

Terms and conditions of appointment of Sri M.S. Varadan as Wholtime Director of the Company.

SALARY : Salary in the scale of 35,000 - Rs.1,00,000 per month as may be determined by the Board or such other authority as may be delegated by the Board from time to time.

PERQUISITES & ALLOWANCES : In addition to salary, the Wholtime Director of the Company shall be entitled to commission, on annual profits to be computed in the manner laid down in the Companies Act, 1956 and or performance bonus, perquisites, and allowances such as Accommodation (furnished or otherwise) or House Rent Allowance in lieu thereof, City Allowance, Reimbursement of Gas, Electricity, Water Expenses and Furnishing and Repair Expenses, Medical/Hospitalisation Expenses Reimbursement, Leave Travel Allowance, Provident Fund, Gratuity, Superannuation, Club Fees, Personal Accident Insurance and such other perquisites and allowances in accordance with the Rules of the Company or as may be agreed to by the Board or such other authority as may be delegated by the Board and them, such commission performance bonus perquisite and allowances being subject to a maximum limit of Rs. 3,00,000/- per month.

In the event of loss or inadequacy of profits in any financial year during the period of appointment, the remuneration payable by way of salary, perquisites and allowances will be as specified above.

Sri M.S. Varadan is a First Class B.Com., Graduate and a qualified Cost Accountant from the Institute of Cost & Works Accountants of India. He has 33 years of rich and varied experience in International Banking, Credit, Accounting and Management. Mr. M.S. Varadan joined ESSAR GROUP in the year 1991. Prior to his joining Shipping Division he was in the Corporate Finance Department of Essar and was also the Executive Director of Essar Investments Limited. Prior to his induction in to the Board of Essar Shipping Limited, he was a Wholtime Director of South India Shipping Corporation Limited, and was the Chief Finance Officer of Essar Shipping Limited.

As Sri M.S. Varadan was appointed as Additional Director he would vacate his office at the ensuing Annual General Meeting of the Company and as his appointment as Wholtime Director of the Company is subject to the approval of the members he is first proposed to be appointed as Director and then as the Wholtime Director of the Company at the ensuing Annual General Meeting of the Company. Requisite notice under Section 257 has been received by the Company from a member proposing his appointment as a Director. Sri M.S. Varadan is to be appointed as a Director with a liability to retire by rotation.

None of the other Directors other than Sri M.S. Varadan is concerned or interested in the resolutions.

The resolutions are recommended for the approval of the shareholders.

The above may be treated as the Memorandum pursuant to Section 302 of the Companies Act, 1956.

Item No. 12

Your company is in the process of setting up of Terminal Project at Vadinar, Jamnagar, Gujarat at an estimated cost of Rs. 1500 crores. The project would be funded by an ideal mix of Debt and Internal Accruals. In order to mobilise additional funds by way of loans the company may have to mortgage/charge its property in favour of the lenders. As the company has empowered the Board of Directors of the company to borrow upto Rs. 2000 crores pursuant to the provision of section 293 1(d) of the Companies Act, 1956 it is sought to give power to the Board to mortgage or charge the property of the company upto the limits as approved by the members pursuant to section 293 1(d) of the Companies Act, 1956 from time to time.

Power to mortgage or charge the property is covered by the provisions of section 293 1(a) of the Companies Act, 1956 which can be exercised only with the approval of the members in a General Meeting.

Accordingly, your Directors recommend this resolution for your approval.

None of the Directors is interested or concerned in this resolution.

Item No.13

Pursuant to the provisions of Section 372 of the Companies Act, 1956 the Board of Directors of the company have been empowered by the General Body vide its resolution passed in its meeting held on 30th December, 1992 to invest upto Rs. 300 crores in other company by way of equity or otherwise. Consequent to amalgamation of South India Shipping Corporation Limited with Essar Shipping Limited the investment of the company including the investments of South India Shipping Corporation Limited would cross the limits set as above and hence it is sought to extend the limit upto Rs. 500 crores. The resolution is proposed for the approval of the members.

None of the Directors is interested or concerned in this resolution.

Item No.14

The Company proposes to introduce the Depository system to facilitate investors to hold the securities in the dematerialised form. As a result of this certain provisions of the Articles of Association of the Company pertaining to the issue, holding, transfer and other dealings in shares and other securities as also issue of certificates which were framed in accordance with the relevant provisions of the Companies Act, 1956 are proposed to be amended by insertion of new clauses/sub-clauses to facilitate introduction of the Depository System and they are self-explanatory.

With an amendment being contemplated to the Companies Act, 1956 or the re-enactment thereof, it is proposed to consider the introduction of new articles/ amendment to the Articles of Association of the Company as stipulated in the resolution set out at Item No.14 of the notice to enable the Company to purchase any of its own shares/debentures.

None of the Directors is concerned or interested in this resolution.

The Directors recommend the resolution for approval of the shareholders.

Item No. 15

The Remuneration payable to Sri S.N. Roy as Wholtime Director of South India Shipping Corporation Limited and to Sri V. Gopal Rao as the Manager of Essar Shipping Limited were approved by the members of the respective companies at their respective Annual General Meetings held on 27th September, 1996 and 30th September, 1996. In view of the general revision in the salaries of all the employees of the company and that of similarly placed Senior Personnel within the group, the salaries payable to Sri S.N. Roy and Sri V. Gopal Rao were also increased during the year subject to the approval of the General Body. The Board approved the remuneration paid to the above personnel during the year under review vide its resolution dated 30th December, 1997. The approval of the General Body in respect of the above increase in remuneration is sought vide the resolution as no separate Annual General Meeting of South India Shipping Corporation Limited would be held in view of its amalgamation with the Company.

The Board accordingly recommends the resolution for the approval of the shareholders.

Sri S.N. Roy, Director and Sri V. Gopal Rao, Manager are interested in the resolution. None of the Directors other than Sri S.N. Roy is interested or concerned in the resolution.

The above may be treated as the Memorandum pursuant to Section 302 of the Companies Act, 1956.

Chennai
27th January, 1998
Registered Office:
2/3 Main Guard Cross Road
Bangalore 560 001

By Order of the Board
V. Gopal Rao
Company Secretary

Members of South India Shipping Corporation Limited (SISCO) are requested to send their Share Certificates of SISCO to the Share Transfer Agents of the Company preferably by registered post at the earliest to enable company to issue the Share Certificates of Essar Shipping Limited (ESL) pursuant to the Scheme of Amalgamation of SISCO with ESL.

Essar Shipping Limited

DIRECTORS' REPORT

To the Members of Essar Shipping Limited,

Your Directors have pleasure in presenting the Twentyfirst Annual Report of your Company together with the audited accounts for the eighteen months period ended on 30th September, 1997.

1. FINANCIAL RESULTS

	(Rs. in Crores)	
	Period ended on 30-9-97 (18 months)	Year ended on 31-3-96 (12 months)
Gross Profit	406.67	226.52
Less: Interest, finance charges and bareboat lease rentals (net)	179.14	115.96
Less: Provision for depreciation	117.53	50.83
Profit before Tax	110.00	59.73
Less: Provision for taxation	12.64	-
Profit after tax	97.36	59.73
Add: Excess/(short) provision for dividend of earlier years	-	0.04
Add: Balance brought forward from previous years	116.43	122.25
Add: Reserves & provisions written back	-	17.29
Total funds available for appropriation	213.79	199.31
Proposed dividend	26.71	38.58
Corporate Dividend Tax	2.67	-
Transfer to Capital / Debenture Redemption Reserve	22.21	19.30
Transfer to Reserve created u/s. 33 AC of the Income Tax Act, 1961	30.00	15.00
Transfer to General Reserve	2.44	10.00
Total appropriations	84.03	82.88
Balance carried forward	129.76	116.43

As members are aware, South India Shipping Corporation Limited (SISCO) has merged with the company with effect from 1st April, 1996 and the figures for the current period include those of SISCO.

2. DIVIDEND

With a view to conserve resources for diversification, your directors recommend, subject to necessary approvals, payment of dividend at 12.5%, free of tax in the hands of the shareholder for the period ended 30th September, 1997.

Particulars	(Rs. in Crores)
i) Dividend on 10,00,000 -14% Redeemable Cumulative Preference shares of Rs.100/- each @ 14% p.a	2.10
ii) Dividend on 19,68,65,855 Equity shares of Rs.10/- each @ 12.5%	24.61

Total

26.71

3. BUSINESS REVIEW

Your company has emerged as one of the largest shipping companies in the Indian private sector with 1.42 Million DWT. The company's fleet is diversified and well balanced and comprises of the following vessels:

Nature of vessels	No. of vessels	D.W.T. (owned/ leased)
BULK CARRIERS/MINI BULK CARRIERS	19	3,06,805
CRUDE CARRIERS	6	9,19,080
OIL BULK ORE	1	65,075
PRODUCT TANKERS	4	76,289
OFFSHORE SUPPLY VESSELS	4	7,004
TOTAL	34	13,74,253
TUGS & BARGES	-	49,400
TOTAL	-	14,23,653

Your company's fleet is relatively young with an average age of 8 years, as against the average of 15 years for the Indian Shipping Industry.

Your company's financial position as on 30th September, 1997 is quite strong, with a low debt equity ratio of 0.64:1 and current ratio at 3.78:1. This would enable the company to leverage and raise long term funds in the international market in the foreseeable future at competitive rates to part finance its diversification/ expansion schemes.

During the period under review your company operated its fleet of bulkers, tankers and OSVs for 13,102 days as compared to 10,210 days (including vessels of the amalgamating company) in the previous year. The number of operating days would have been higher but for the higher number of days spent in dry-docking following bunching of ships for dry-docking during the period and the loss of operating days on account of sale of vessels during 1995-96 (5 vessels) and 1996-97 (3 vessels).

The freight and charter hire for Suezmax tankers during the period under review improved by about 20% from about USD 20,000 per day to USD 24,000 per day following the increase in oil demand and limited supply of new building vessels. The demand as well as charter rates for product carriers continued to remain firm as in the previous year. On the other hand dry bulk carrier freight rates witnessed considerable fall as reflected in the steep fall in Baltic Index from the peak level of 2400 in June 1995 to 990 in the last quarter of 1996 and thereafter stabilizing at around 1100-1200 during 1997. The depressed freight rates of large sized bulk carriers as evidenced by Baltic Index adversely affected the time charter/freight rates of Handysize / Handymax vessels. The Handymax vessels time charter rates dropped from USD 11800 in the previous year to around USD 8000 during 1997.

Your company's earnings per ship per day during the period increased from Rs.5.40 lakhs in 1995-96 to Rs.7.01 lakhs notwithstanding the down trend in the bulk carrier market as about 70% of the company's fleet comprises of crude / product carriers and majority of the company's bulk carriers were on time charter.

The company's gross profit during this period improved correspondingly from Rs.226.54 crores in the previous year to Rs.406.67 crores. During the period under review your company has also substantially reduced the incidence of finance charges, which as a percentage of total income dropped down by 7%. Thanks to this positive development, net profit before depreciation increased from Rs.110.56 Crores to Rs.227.53 Crores. Despite higher provision for depreciation of Rs.117.53 crores, during the period under review as against Rs.50.83 crores in the previous year net profit before tax increased from Rs.59.73 crores to Rs. 110.00 Crores. The company

has during the period written off as unrecoverable Rs.53.02 Crores which mainly represents claims not accepted by Oil and Natural Gas Corporation Limited against Multi Support Vessels chartered to them despite protracted representation. Nevertheless the matter is being pursued.

Taking into account the unabsorbed depreciation available, the company is not likely to have any tax liability under Incometax act, 1961 and hence provision of Rs.12.64 crores has been made towards minimum alternate tax.

4. GOVERNMENT POLICY

The growth in Indian shipping industry has suffered a set back, during the period under review, following the sharp slow down in the pace of acquisition of ships. The Indian tonnage as on 1.7.1997 has declined to 6.89 million GRT from 7.10 million GRT as on 1.4.1996 mainly due to absence of any cargo support for Indian vessels, withdrawal of fiscal concessions earlier granted to Indian shipping industry, acute shortage of skilled personnel to man Indian flag vessels, incidence of tax on their earnings and restrictions on maturity period for raising foreign currency loans beyond US\$ 15 M. As a result of stagnation of Indian shipping tonnage over a decade, the percentage of cargo carried by Indian flag has declined from about 40% in the eighties to 29% during 1996-97 resulting in substantial out-flow of foreign exchange in chartering foreign flag vessels.

The shipping industry has been vigorously pursuing with the Government to provide adequate incentives for its growth. Keeping in mind that the freight bill for overseas import and export at the end of Ninth Plan is estimated to be in the region of Rs.55,000 crores, it is highly imperative that the Indian fleet grows adequately to carry atleast 30% of the total cargo and for this purpose the following major recommendations of the recently appointed Pinto Committee should be implemented by the Government forthwith :

- 1) Recognition of coastal shipping as an infrastructure industry.
- 2) Shipping industry to be given export-oriented industry status.
- 3) Enhancement of depreciation of ships from existing 20% to 33.33%.
- 4) Shorter actual maturity period for ECBs, against existing minimum period of seven years for borrowing over USD 15 million.

5. INDUSTRY REVIEW AND PROSPECTS

According to a recent report of U.N. Department of Economics and Social Affairs the volume of world trade staged a major recovery from its sharp slow-down in 1996, with an estimated growth of 9.4 per cent in 1997.

The average world economic output is estimated to increase by three per cent during 1998 while the growth in the volume of trade is set to decline to seven per cent as against 9.4 per cent in 1997. The report concludes that for many countries, 1998 is still or again a period of policy adjustment and the expectation is that when the adjustments are completed, more rapid growth rates should be realized on a sustained basis.

Tankers

Freight market remained strong and earnings for crude carriers and product carriers have been giving good returns to owners. The increased oil demand, together with limited supply of new buildings has brought some long term stability to the tanker market. The average single voyage earnings per day for suezmax tankers has strengthened steadily over the years from US \$ 14,000 in 1994 to about US \$ 24,000 per day in 1997.

Consequently, secondhand tanker prices also saw a strong trend, with demand for these tankers being quite high during 1996/97. Outstanding order book had declined in absolute terms and as a proportion of existing fleet.

It is anticipated that a lower tanker order book in most categories of tanker market, set against projections of further growth in oil

consumption would bring about an improvement in freight rates for both crude and products in 1998, though the recent turmoil in the Far East countries may limit the anticipated improvement in freight markets.

Dry Bulk

Dry bulk freight rates have been under considerable pressure. In 1997, about 324 new vessels accounting for 19.57 MDWT are due for deliveries while during the same period the expected scrapping is estimated at 6 MDWT involving 124 vessels resulting in a net addition of about 13 MDWT.

While projections for cargo movement indicate a growth of around 6 - 9% over the period 96 - 98, the expected increase in tonnage availability is 9 - 11%, thus putting pressure on freight rates of dry bulkers.

The outlook for 1998 is not too favourable with the freight rates expected to continue to be under pressure. Though the depressed second hand market may appear to be attractive, it may be prudent to wait for the market to soften and settle down at lower levels before embarking on fresh acquisition plans.

6. DIVERSIFICATION

With a view to taking advantage of the liberalisation policies and fiscal incentives announced by the Government of India to infrastructure industries particularly to Ports and Terminals, Roads and Flyovers etc., your company proposes to set up a Petro Port Project at Vadinar, Jamnagar, Gujarat for receipt, handling, storage and despatch of crude oil and petroleum products, to mainly cater to the requirements of the proposed 10.5 Million refinery being set up by Essar Oil Limited which is slated to go into commercial production in the second half of 1999.

The terminal facilities to be set up would comprise a crude oil receiving Single Buoy Mooring (SBM) terminal, a Petroleum Oil and Lubricants (POL) product handling jetty, associated storage tankfarm, pipelines and rail/road loading facilities at Vadinar, in the Gulf of Kutch region of Gujarat.

The detailed appraisal of the project has been completed by the lead institution, ICICI. The Terminal facility is capable of handling 20 Million Tonne per annum of Crude and refined products. The project is scheduled to be completed by June 1999 ahead of the commissioning of the Essar Oil Limited's refinery.

The proposed port project is estimated to cost Rs.1435 Crores. ESL proposes to take up the project for implementation subject to the approval of the lenders/ financial institutions. The proposed diversification is found viable and is likely to generate steady income.

7. SUBSIDIARIES

Essar International Limited, the Company's wholly owned subsidiary has repatriated during the period the additional capital of US \$ 30 Million injected during 94-95, as the original plans for ship acquisition could not be implemented due to uncertain shipping market conditions during the last couple of years particularly in the dry bulk carrier market. Following this the equity capital of Essar International Limited stands reduced from US\$ 30.3 Million to US \$ 0.3 Million. The reduction in investment resulted in a gain of Rs.12.69 crores on account of the exchange rate variation which in effect is a profit on redemption of investment.

Information pursuant to the provisions of Section 212 of the Companies Act 1956 relating to the Subsidiary Companies, forming part of this report is annexed.

Your company has the following subsidiaries:

- 1) Essar Tankers Limited
- 2) Essar International Limited

The annual accounts of these subsidiaries are enclosed.

Essar Shipping Limited

8. DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Sri R.N.Ruia, Sri K.R.Ramamani and Sri S.K.Poddar retire by rotation at the ensuing Annual General Meeting of the company and being eligible offer themselves for reappointment.

In view of the merger of SISCO with the company Sri S.N.Roy, Sri M.S.Varadan and Capt.B.S.Kumar, were appointed as Additional Directors on 29th November, 1997, and they will vacate their office at the ensuing Annual General Meeting. Requisite notices in respect of each one of them from share holders of the company proposing their candidature for reappointment as Directors have been received by the company. Sri S.N. Roy & Sri M.S. Varadan were appointed as wholetime Directors of the Company in the meeting of the Board of Directors of the company held on 30th December, 1997, and their appointments are to be approved by the members at the ensuing Annual General Meeting.

9. AUDITORS

M/S DELOITTE HASKINS & SELLS, Chartered Accountants the Statutory Auditors of the company retire at the ensuing Annual General Meeting and are eligible for reappointment.

10. PERSONNEL

The Board places on record its appreciation of the hard work and dedicated efforts put in by all the employees. The relations between the management and the employees continue to remain cordial on all fronts. A statement pursuant to the provisions of Section 217(2A) of The Companies Act 1956 and under the Companies (Particulars of Employees) Rules 1975 and forming part of this report are annexed.

11. PROJECTIONS Vs. PERFORMANCE

As per clause 43 of the listing agreement entered into with the stock exchanges a comparison of the projections furnished in the letter of offer dated 19th September, 1994 in connection with the Rights issue of equity shares for Rs.62.07 crores vs. the performance for the current period are as under:

(Rs. in Crores)		
Particulars	Letter of Offer dt. 19-09-1994 - Projections for 1996-97	Performance for the 18 months period ended 30.09.1997 (*)
Income	406.00	794.39
Net Profit	189.00	97.36
Equity Capital	216.00	196.72
EPS (Annualised basis)	8.80	3.30

Net profit is lower due to non-realisation of the estimated income/savings from the projected equity inflow of Rs.435 crores from GDR issue (in 1994) and exercise of right on outstanding promoters' warrants which did not materialise.

(*) Includes figures of erstwhile SISCO which has merged with ESL and hence not comparable.

12. CONSERVATION OF ENERGY

Pursuant to Section 217(1)(e) of the Companies Act 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988, the statement annexed hereto gives the particulars as required under the said rules and forms part of this report.

13. COMMENTS ON AUDITORS' REPORT

With regard to the matters referred to by the Auditors in their Report, the respective notes to the accounts are self explanatory.

14. ACKNOWLEDGEMENTS

Your Directors wish to thank the Ministry of Surface Transport, Transchar, Ministry of Finance, Reserve Bank of India, the Directorate General of Shipping, the Mercantile Marine Department, the Port Trusts, ICICI, Oil Coordination Committee, Oil and Natural Gas Corporation Limited, Indian Oil Corporation Limited, State Bank of India and all its other bankers and business associates for their continued cooperation.

For and on behalf of the Board

Mumbai,
30th December, 1997

S.N. Roy

Wholetime Director

M.S. Varadan
Wholetime Director

ANNEXURE TO THE DIRECTORS' REPORT

(Referred to in paragraph 1 of our report of even date)

A CONSERVATION OF ENERGY

- | | | | |
|-----|---|---|---|
| (a) | Energy Conservation measures taken not applicable being a Shipping Company | : | Not applicable being a Shipping Company |
| (b) | Additional investments and proposals, if any, being implemented for reduction of energy consumption and consequent impact on the cost production of goods | : | Not applicable being a Shipping Company |
| (c) | Impact of measures taken at (a) and (b) above not applicable being a Shipping Company | : | Not applicable being a Shipping Company |
| (d) | Total energy consumption and energy consumption per unit of production not applicable being a Shipping Company | : | Not applicable being a Shipping Company |

B TECHNOLOGY

- | | | | |
|-----|---|---|--|
| (e) | Efforts made in technology absorption Progress was made in the upgradation of technology in respect of running and maintenance of the fleet | : | Progress was made in the upgradation of technology in respect of running and maintenance of the fleet. |
|-----|---|---|--|

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

- | | | | |
|-----|---|---|---|
| (f) | Activities relating to exports, initiative taken to increase exports, development of new export markets for product and services, and export plans. Not applicable being a Shipping Company | : | Not applicable being a Shipping Company |
| (g) | Total Foreign Exchange | : | |
| (1) | Used (including cost of acquisition of ships, loan repayments, interest etc.) | : | Rs. 402.72 Crores |
| (2) | Earned (including savings) and sale of ships | : | Rs. 672.88 Crores |

Mumbai,
30th December, 1997

For and on behalf of the Board

S.N. Roy
Wholetime Director

M.S. Varadan
Wholetime Director