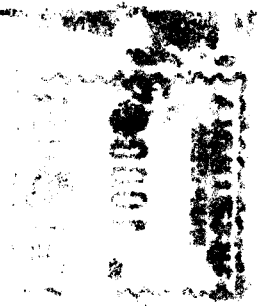


Essar Shipping Limited

27th Annual Report 2002 - 2003



BOARD OF DIRECTORS

Shashi Ruia

Chairman

Ravi Ruia

Vice-Chairman

Sanjay Mehta

Managing Director

R. N. Bansal

S. K. Poddar

Morten Arntzen

S. Doreswamy

ICICI Bank Ltd. Nominee

M. P. Modi

ICICI Bank Ltd. Nominee

R. S. Agarwal

Unit Trust of India Nominee

AUDIT COMMITTEE

R.N. Bansal

S. Doreswamy

M.P. Modi

R.S. Agarwal

COMPENSATION COMMITTEE

Shashi Ruia

Ravi Ruia

S. Doreswamy

SHARE TRANSFER & SHAREHOLDERS' GRIEVANCE COMMITTEE

Shashi Ruia

Ravi Ruia

Sanjay Mehta

R.S. Agarwal

MANAGEMENT TEAM

Sanjay Mehta

Managing Director

A. R. Ramakrishnan

Chief Operating Officer

S. Govindrajan

Vice President (Sale & Purchase)

Capt. S. K. Bhatia

Vice President (Marketing)

REGISTERED OFFICE

2494, 17th Main

HAL II Stage,

Bangalore 560 008

CORPORATE OFFICE

Essar House, 11, Keshavrao Khadye Marg,
Mahalaxmi, Mumbai 400 034.

<http://www.essar.com>

e-mail: sraman@essar.com

REGISTRARS & TRANSFER AGENTS

Data Software Research Co Pvt Ltd.

"Sree Sovereign Complex"

22, 4th Cross Street,

Trustpuram, Kodambakkam,

Chennai 600 024.

E-mail : dsrcmd@vsnl.com

Hemant K Thanvi

Company Secretary

AUDITORS

Deloitte Haskins & Sells, Chennai

SOLICITORS

M/s. Crawford Bayley & Co.

Mumbai

Essar Shipping Limited

NOTICE TO MEMBERS

Notice is hereby given that the Twenty-seventh Annual General Meeting of the Members 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 2.45 pm on Friday, the 5th September, 2003, to transact the following business:

SPECIAL BUSINESS:

1. To consider and if thought fit to pass, with or without modification, the following resolution as an Ordinary Resolution:

RESOLVED THAT the Balance Sheets of the Company as at 31st March, 1999, 2000, 2001 and 2002, the Profit and Loss Accounts for the four years ended on those dates and the Directors' Reports thereto, laid before and adopted by the Members at the 23rd, 24th, 25th and 26th Annual General Meetings of the Company held on 10th September, 1999, 18th September, 2000, 20th September, 2001, and 13th September, 2002 respectively, be amended as mentioned in the statement of amendments annexed hereto, signed by the Company's Directors and the Company Secretary on May 16, 2003 and that the same together with the annexed Auditors Report dated June 5, 2003 on the Statement of Amendments be and are hereby considered, approved and adopted.

RESOLVED FURTHER THAT the aforesaid amendments hereinabove referred to shall be, and shall always be deemed to have been incorporated in the aforesaid Balance Sheets and the Profit & Loss Accounts and to have formed a part thereof respectively.

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

RESOLVED THAT subject to the provisions of the applicable laws, guidelines, rules and regulations including those framed under the Companies Act, 1956, Securities & Exchange Board of India and other Governmental Agencies or Departments and the rules framed thereunder in this regard and subject to such other approvals, permissions and sanctions as may be required from the Stock Exchanges with which the securities of the Company are listed and/or any other relevant authorities and subject to any conditions or modifications as may be imposed while granting such approvals, permissions and sanctions, consent of the Company be and it is hereby accorded to the Board of Directors of the Company or any Committee of the Board constituted in this regard to seek voluntary delisting of its equity shares from all or any of the Stock Exchanges where the Company's shares are presently listed, except Mumbai Stock Exchange, and in particular, The Delhi Stock Exchange Association Limited, The Stock Exchange, Ahmedabad, The Calcutta Stock Exchange Association Limited, Madras Stock Exchange Limited and Bangalore Stock Exchange Limited – Regional Stock Exchange.

RESOLVED FURTHER THAT the Board of Directors of the Company be and it is hereby authorised to do and perform all such other acts, deeds, matters and things as it may in its absolute discretion deem necessary, desirable or appropriate and execute all such applications, deeds, agreements, documents and writings as it may consider necessary, usual, requisite or proper for giving effect to this Resolution.

ORDINARY BUSINESS

3. To receive, consider and adopt the Profit and Loss Account for the year ended at 31st March 2003, and the Audited Balance Sheet as on that date and the Reports of the Board of Directors and Auditors thereon.
4. To appoint a Director in the place of Mr. Ravi Ruia, who retires by rotation and being eligible, offers himself for re-appointment.

5. To appoint a Director in the place of Mr. Morten Arntzen, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint M/s B. P. Jain & Co., Chartered Accountants, as 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 of the Company and to fix their remuneration.

By Order of the Board

Hemant K Thanvi
Company Secretary

Place: Mumbai

Dated: June 19, 2003

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. 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.
2. Members / Proxies should bring the attendance slip duly filled in for attending the meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Monday, September 1, 2003 to Friday, September 5, 2003, (both days inclusive).
4. Pursuant to Section 205(A) of the Companies Act, 1956 the following informations are furnished:
 - a. The unclaimed Dividend for Financial Years 1995-96, 1996-97 and 1997-98 are held in separate accounts for each year.
 - b. The details of unpaid dividends that will become due for transfer to the Investors Education and Protection Fund are:

Year ended	Date of Declaration	Due for Transfer on
31.03.1996	30.09.1996	17.11.2003
30.09.1997	27.02.1998	16.04.2005
31.03.1998	17.07.1998	03.09.2005

Members who have not encashed their dividend warrants for the aforesaid years may approach the transfer agent.

5. The Members are requested to immediately notify in their own interest the change in their address to the company's Registrar and Transfer Agents, M/s Data Software Research Company Pvt. Limited, "Sree Sovereign Complex", 22, 4th Cross Street, Trustpuram, Kodambakkam, CHENNAI 600 024.
Tel. : 91-44-24833738, Fax: 91-44-24834636.
E-mail : dsrmd@vsnl.com
6. 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.
7. In terms of Section 109A of the Companies Act, 1956, Members are entitled to make nomination in respect of shares held by them in physical form. Members desirous of making nominations are requested to send their requests in Form 2B, in duplicate, to the Secretarial Department at the Registered Office of the

Company or to the Registrar and Transfer Agents – M/s. Data Software Research Company Pvt. Limited.

8. Members desiring any information regarding the accounts are requested to write to the Company at Essar House, No.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.
9. The Explanatory Statements pursuant to Section 173(2) of the Companies Act, 1956 relating to the Special Business mentioned in item no. 1 and 2 of the accompanying notice are annexed.

By Order of the Board

Hemant K Thanvi
Company Secretary

Place: Mumbai

Dated: June 19, 2003

Explanatory Statement pursuant to Section 173(2) of the Companies Act 1956 in respect of Item Nos. 1 and 2:

Item No. 1:

The Company being a shipping company is entitled to deduction under Section 33AC of the Income-tax Act, 1961, if a reserve for acquisition of ships is created through the Profit and Loss Account in the relevant year. In view of certain disallowances made by the Income-Tax Department in the assessments of the past years mainly relating to depreciation, revenue expenses, interest, sales tax etc., which the Company is disputing, the income for the assessment year 1999-2000 resulted in taxable income and the same method of computing of income is likely to be followed by the department in the pending assessments until set aside on appeal.

Without prejudice to the Company's stand and with a view to availing the benefit of appropriation towards Ship Acquisition Reserve under Section 33AC of the Income Tax Act, 1961 on such enhanced taxable income determined / or likely to be determined, the Company as a matter of abundant caution, has reopened the adopted accounts of the aforesaid years, subject to members approval. Such reopening is permissible by General Circular No. 1/2003 dated 13th January, 2003 issued by the Department of Company Affairs.

Based on the interpretation of the Accounting Standards — AS-22 on "Accounting for Taxes on Income", contained in ASI-4 and ASI-6 issued by the Institute of Chartered Accountants of India and the legal opinion of senior tax counsel: -

- a. Deferred tax liability has been recomputed based on applicable tax laws and at the effective rates applicable to Shipping Industry and the difference has been charged against the General Reserves / Profit and Loss Account.
- b. Deferred tax asset has been recognised during the year ended March 31, 2002 taking into account the business plans of the company including generation of significant "Capital Gains" under the Income-tax Act, 1961, being set off against "Capital Loss" of the year in view of the reasonable certainty by the management that sufficient taxable income would be generated in the succeeding years.

Section 210 of the Companies Act, 1956 provides for placing of the Balance Sheet and Profit and Loss Account, by the Board of Directors, before the Company in the General Meeting, for adoption. Revision of annual accounts would accordingly require the approval of members at a General Meeting. The Department of Company Affairs has clarified vide its circular No. 1/2003 dated 13th January 2003, that companies can reopen and revise their accounts even after their adoption at the Annual General Meeting in order to comply with technical requirements of taxation and other laws.

The Statement of Amendments together with Auditors' report thereon detailing the amendments in financial statements of the relevant financial years is self explanatory. The amendments mentioned in the aforesaid Statement of Amendments shall be and shall always be deemed to have been incorporated in the respective Balance Sheets and Profit and Loss Accounts for the financial years 1998-99 to 2001-02, (both inclusive) and the Consolidated Financial Statements for the financial year 2001-02.

Copies of the amended Balance Sheets and Profit and Loss Accounts for the financial years 1998-99 to 2001-02 incorporating the changes, amendments made in the Directors' Report thereon and Auditor's Report on the Statement of Amendments are available for inspection of the members at the Registered Office of the Company on all working days except Saturdays, Sundays and holidays between 11:00 a.m. and 1:00 p.m. upto the date of the Annual General Meeting.

Your Directors recommend the Resolution in this item of the Notice for your approval.

None of the Directors of the Company are, in any way, concerned or interested in this item of Resolution.

Item No. 2:

The equity shares of your Company are presently listed on six Stock Exchanges, viz.: Bangalore Stock Exchange Limited (BgSE), The Stock Exchange, Mumbai (BSE), Madras Stock Exchange (MSE), The Delhi Stock Exchange Association Limited (DSE), The Calcutta Stock Exchange Association Limited (CSE) and The Stock Exchange, Ahmedabad (ASE).

The shares of the Company are being regularly traded on Mumbai Stock Exchange. As per the details called from the other stock exchanges there has been negligible trading in the shares of the Company for the past 6-12 months with them.

SEBI has issued guidelines on Delisting of Securities viz. the SEBI (Delisting of Securities) Guidelines, 2003, (SEBI Delisting Guidelines), of a company's securities from the stock exchanges including the Regional Stock Exchange if the shares of the company continue to be listed on either Mumbai Stock Exchange or National Stock Exchange. With a view to control the expenditure and conserve resources for the operations of the Company it is proposed to delist the equity shares of the Company from the BgSE, DSE, CSE, MSE and ASE. Delisting on these stock exchanges will help in reducing the cost by way of listing fees and other incidental costs and will also help in utilizing manpower in other places.

The shareholders in the region of the five stock exchanges will not suffer due to delisting since with the introduction of screen based trading on the BSE, trading in shares can be easily done throughout the country. Moreover the company's shares are one of the scrips, which the SEBI has specified for settlement, only in demat form by all investors.

Members' approval is being accordingly sought by this Resolution to enable voluntary delisting of the Company's Shares from the said Stock Exchanges as per the provisions of the SEBI Delisting Guidelines.

Your Directors recommend the Resolution in this item of the Notice for your approval. The Directors holding shares of the Company may be concerned with the resolution.

By Order of the Board

Hemant K Thanvi
Company Secretary

Place: Mumbai

Dated: June 19, 2003

Essar Shipping Limited

ANNEXURE TO NOTICE

1. STATEMENT OF AMENDMENTS

(Forming Part of Resolution at item No. 1 to the Notice)

Amendments to the Balance Sheet of the Company as at 31st March, 1999, 2000, 2001 and 2002, the Profit and Loss account for the years ended on those dates as also schedules thereto

I Changes in Profit and Loss Account of the respective years after appropriation to Ship Acquisition Reserve and Revision in Deferred Tax Liability / Asset

(Amount in Rupees)

Particulars	1998-1999	1999-2000	2000-2001	2001-2002
a) Existing				
Profit before Tax	529,305,852	539,336,585	1,092,323,208	783,506,387
Provision for Income-Tax	48,960,000	54,920,000	89,650,000	57,710,000
	480,345,852	484,416,585	1,002,673,208	725,796,387
Add : Deferred Tax Asset	-	-	-	1,789,266
Profit after Tax	480,345,852	484,416,585	1,002,673,208	727,585,653
Balance in Profit and Loss Account as per last year	1,351,122,771	2,025,315,398	966,519,943	869,193,151
Appropriations				
LESS : Transfer from Reserves of amounts no longer required				
Debenture Redemption Reserve	277,000,000	-	-	-
Investment Allowance (Utilised) Reserve	60,500,000	-	-	-
	2,168,968,623	2,509,731,983	1,969,193,151	1,596,778,804
LESS : Transfer to				
Debenture Redemption Reserve	143,653,225	143,212,040	-	-
Capital Redemption Reserve	-	-	100,000,000	-
Ship Acquisition Reserve	-	400,000,000	800,000,000	840,000,000
General Reserve	-	1,000,000,000	200,000,000	-
Balance carried forward to Balance Sheet	2,025,315,398	966,519,943	869,193,151	756,778,804
TOTAL	2,168,968,623	2,509,731,983	1,969,193,151	1,596,778,804
b) Revised				
Profit before Tax	529,305,852	539,336,585	1,092,323,208	783,506,387
Provision for Income-Tax	48,960,000	54,920,000	89,650,000	57,710,000
	480,345,852	484,416,585	1,002,673,208	725,796,387
Add : Deferred Tax Asset	-	-	-	997,164,237
Profit after Tax	480,345,852	484,416,585	1,002,673,208	1,722,960,624
Balance in Profit and Loss Account as per last year	1,351,122,771	1,865,315,398	806,519,943	509,193,151
Appropriations				
LESS : Transfer from Reserves of amounts no longer required				
Debenture Redemption Reserve	277,000,000	-	-	-
Investment Allowance (Utilised) Reserve	60,500,000	-	-	-
	2,168,968,623	2,349,731,983	1,809,193,151	2,232,153,775
LESS : Transfer to				
Debenture Redemption Reserve	143,653,225	143,212,040	-	-
Capital Redemption Reserve	-	-	100,000,000	-
Ship Acquisition Reserve	160,000,000	400,000,000	1,000,000,000	900,000,000
General Reserve	-	1,000,000,000	200,000,000	-
Balance carried forward to Balance Sheet	1,865,315,398	806,519,943	509,193,151	1,332,153,775
TOTAL	2,168,968,623	2,349,731,983	1,809,193,151	2,232,153,775



II Changes under the head "Reserves and Surplus" in the Balance Sheet of the respective years after creation of Ship Acquisition Reserve and Revision of Deferred Tax Liability / Asset

(Amount in Rupees)

	As at 31.3.1999	As at 31.3.2000	As at 31.3.2001	As at 31.3.2002
a) Existing				
A Fixed Assets Revaluation Reserve				
As per last Balance Sheet	287,502,252	224,138,046	160,583,850	126,034,671
Less : Adjustment on sale of assets	-	(21,918)	-	(32,560,901)
Depreciation on increased value of revalued assets	(63,364,206)	(63,532,278)	(34,549,179)	(29,175,988)
Total (A)	224,138,046	160,583,850	126,034,671	64,297,782
B Capital Redemption Reserve				
As per last Balance Sheet	5,000,000	5,000,000	5,000,000	105,000,000
Add : Transfer from Profit and Loss Account	-	-	100,000,000	-
Total (B)	5,000,000	5,000,000	105,000,000	105,000,000
C Debenture Redemption Reserve				
As per last Balance Sheet	1,038,815,000	905,468,225	771,192,975	582,202,507
Add : Transfer from Profit and Loss Account	143,653,225	143,212,040	-	-
Less : Transfer to Profit and Loss Account	(277,000,000)	(277,487,290)	-	-
Less : Transfer to General Reserve	-	-	(188,990,468)	(106,603,937)
Total (C)	905,468,225	771,192,975	582,202,507	475,598,570
D Investment Allowance (Utilised) Reserve				
As per Last Balance Sheet	60,500,000	-	-	-
Less : Transfer to Profit and Loss Account	(60,500,000)	-	-	-
Total (D)	-	-	-	-
E Ship Acquisition Reserve (in terms of Section 33 AC of the Income Tax Act 1961)				
As per Last Balance Sheet	1,120,000,000	1,120,000,000	920,000,000	1,700,000,000
Less : Transfer to General Reserve	-	(600,000,000)	(20,000,000)	(500,000,000)
Add : Transfer from Profit and Loss Account	-	400,000,000	800,000,000	840,000,000
Total (E)	1,120,000,000	920,000,000	1,700,000,000	2,040,000,000
F Investment Fluctuation Reserve				
As per Last Balance Sheet	-	-	2,700,000,000	3,300,000,000
Less : Transfer to Profit and Loss Account	-	-	-	(3,296,533,729)
Add : Transfer from General Reserve	-	2,700,000,000	600,000,000	-
Total (F)	-	2,700,000,000	3,300,000,000	3,466,271
G Share Premium Account				
As per Last Balance Sheet	2,161,720,005	2,161,720,005	2,161,720,005	2,161,720,005
Less : Calls in arrears	(2,731,728)	(2,617,979)	(2,598,416)	(2,596,916)
Total (G)	2,158,988,277	2,159,102,026	2,159,121,589	2,159,123,089
H General Reserve				
As per Last Balance Sheet	1,849,895,397	1,849,895,397	1,027,382,687	836,373,155
Add : Transfer from Profit and Loss Account	-	1,000,000,000	200,000,000	-
Add : Transfer from Ship Acquisition Reserve	-	600,000,000	20,000,000	500,000,000
Add : Transfer from Debenture Redemption Reserve	-	277,487,290	188,990,468	106,603,937
Less : Transfer to Investment Fluctuation Reserve	-	(2,700,000,000)	(600,000,000)	-
Less : Transfer to Deferred Tax Liability	-	-	-	(615,013,418)
Total (H)	1,849,895,397	1,027,382,687	836,373,155	827,963,674
I Balance in Profit and Loss Account	2,025,313,398	966,519,943	869,193,151	756,778,804
GRAND TOTAL	8,288,803,343	8,709,781,481	9,677,925,073	6,432,228,190

Essar Shipping Limited

II Changes under the head "Reserves and Surplus" in the Balance Sheet of the respective years after creation of Ship Acquisition Reserve and Revision of Deferred Tax Liability / Asset

	(Amount in Rupees)			
	As at 31.3.1999	As at 31.3.2000	As at 31.3.2001	As at 31.3.2002
b) Revised				
A Fixed Assets Revaluation Reserve				
As per last Balance Sheet	287,502,252	224,138,046	160,583,850	126,034,671
Less : Adjustment on sale of assets	-	(21,918)	-	(32,560,901)
Depreciation on increased value of revalued assets	(63,364,206)	(63,532,278)	(34,549,179)	(29,175,988)
Total (A)	224,138,046	160,583,850	126,034,671	64,297,782
B Capital Redemption Reserve				
As per last Balance Sheet	5,000,000	5,000,000	5,000,000	105,000,000
Add : Transfer from Profit and Loss Account	-	-	100,000,000	-
Total (B)	5,000,000	5,000,000	105,000,000	105,000,000
C Debenture Redemption Reserve				
As per last Balance Sheet	1,038,815,000	905,468,225	771,192,975	582,202,507
Add : Transfer from Profit and Loss Account	143,653,225	143,212,040	-	-
Less: Transfer to Profit and Loss Account	(277,000,000)	(277,487,290)	-	-
Less: Transfer to General Reserve	-	-	(188,990,468)	(106,603,937)
Total (C)	905,468,225	771,192,975	582,202,507	475,598,570
D Investment Allowance (Utilised) Reserve				
As per Last Balance Sheet	60,500,000	-	-	-
Less : Transfer to Profit and Loss Account	(60,500,000)	-	-	-
Total (D)	-	-	-	-
E Ship Acquisition Reserve (in terms of Section 33 AC of the Income Tax Act 1961)				
As per Last Balance Sheet	1,120,000,000	1,280,000,000	1,080,000,000	2,060,000,000
Less : Transfer to General Reserve	-	(600,000,000)	(20,000,000)	(500,000,000)
Add : Transfer from Profit and Loss Account	160,000,000	400,000,000	1,000,000,000	900,000,000
Total (E)	1,280,000,000	1,080,000,000	2,060,000,000	2,460,000,000
F Investment Fluctuation Reserve				
As per Last Balance Sheet	-	-	2,700,000,000	3,300,000,000
Less : Transfer to Profit and Loss Account	-	-	-	(3,296,533,729)
Add : Transfer from General Reserve	-	2,700,000,000	600,000,000	-
Total (F)	-	2,700,000,000	3,300,000,000	3,466,271
G Share Premium Account				
As per Last Balance Sheet	2,161,720,005	2,161,720,005	2,161,720,005	2,161,720,005
Less : Calls in arrears	(2,731,728)	(2,617,979)	(2,598,416)	(2,596,916)
Total (G)	2,158,988,277	2,159,102,026	2,159,121,589	2,159,123,089
H General Reserve				
As per Last Balance Sheet	1,849,895,397	1,849,895,397	1,027,382,687	836,373,155
Add : Transfer from Profit and Loss Account	-	1,000,000,000	200,000,000	-
Add : Transfer from Ship Acquisition Reserve	-	600,000,000	20,000,000	500,000,000
Add : Transfer from Debenture Redemption Reserve	-	277,487,290	188,990,468	106,603,937
Less: Transfer to Investment Fluctuation Reserve	-	(2,700,000,000)	(600,000,000)	-
Less : Transfer to Deferred Tax Liability	-	-	-	(1,133,620,938)
Total (H)	1,849,895,397	1,027,382,687	836,373,155	309,356,154
I Balance in Profit and Loss Account	1,865,313,398	806,519,943	509,193,151	1,332,153,775
GRAND TOTAL	8,288,803,343	8,709,781,481	9,677,925,073	6,908,995,641



III Changes in Deferred Tax Liability under the Head Application of Funds in the Balance Sheet of respective years

(Amount in Rupees)

	As at 31.3.1999	As at 31.3.2000	As at 31.3.2001	As at 31.3.2002
a) Existing				
Deferred Tax Liability	-	-	-	613,224,152
b) Revised				
Deferred Tax Liability (Net)	-	-	-	136,456,701

IV Notes on Amended Accounts

- 1 (a) Due to certain significant disallowances made by the Income-tax department in the assessment of the past years mainly relating to depreciation, revenue expenses, interest, sales tax etc., which the company is disputing, the income for the assessment year 1999-2000 resulted in taxable income and the same method is likely to be followed by the department in the pending assessments until set aside on appeal.
- (b) Without prejudice to the Company's stand and with a view to avail of the benefit of appropriation towards Ship Acquisition Reserve under section 33AC of the Income-tax Act on such enhanced taxable income determined / or likely to be determined, the Company as a matter of abundant caution, has reopened the adopted accounts of the aforesaid years. Such reopening is now permissible by General Circular No.1/2003 dated 13th January 2003 issued by the Department of Company Affairs. The amended accounts are subject to the approval of the shareholders.
- 2 Based on the interpretation on Accounting Standards 22 on "Accounting for Taxes on Income", contained in ASI-4 and ASI-6 issued by the Institute of Chartered Accountants of India and the legal opinion of senior tax counsel :-
 - a) Deferred tax liability has been recomputed based on applicable tax laws and at the effective rates applicable to Shipping Industry and the difference has been charged against the General Reserves / Profit and Loss Account.
 - b) Deferred tax asset has been recognised during the year ended 31.3.2002 taking into account the business plans of the company including generation of significant "Capital gains" under the Income-Tax Act for being set off against "Capital loss" of the year in view of reasonable certainty by the management that sufficient taxable income would be generated in the succeeding years.

As per our report of even date

For and on behalf of the Board

For **DELOITTE HASKINS & SELLS**
Chartered Accountants

Bhavani Balasubramanian
Partner

Sanjay Mehta
Managing Director

R. N. Bansal
Director

Hemant K. Thanvi
Company Secretary

Mumbai, 5th June, 2003

Mumbai, 16th May, 2003

REPORT ON THE AMENDMENTS TO THE FINANCIAL STATEMENTS OF ESSAR SHIPPING LIMITED FOR THE YEARS ENDED 31ST MARCH 1999, 31ST MARCH 2000, 31ST MARCH 2001 AND 31ST MARCH 2002.

We refer to our audit reports dated 24th June 1999, 21st June 2000, 26th July 2001 and 29th June 2002 on the Balance Sheets of Essar Shipping Limited as at 31st March 1999, 31st March 2000, 31st March 2001, and 31st March 2002 and the Profit and Loss Accounts for the years then ended, duly adopted by the shareholders at the respective annual general meetings.

The Board of Directors of the company, have proposed vide their resolution dated 16th May 2003, to make amendments in the said financial statements for the reasons stated in the notes to the amendments for the consideration of shareholders at the ensuing Annual General Meeting.

As per the opinion of the Institute of Chartered Accountants of India (ICAI), a company cannot reopen and amend the financial statements once adopted by the shareholders at an Annual General Meeting. However as per the General Circular of the Department of Company Affairs (DCA) dated 13th January 2003, a company can reopen and revise its accounts even after their adoption in the Annual General Meeting to comply with the technical requirements of any law. The Board of Directors of the company, contrary to the aforesaid opinion of ICAI but as permitted by DCA vide the aforesaid circular, have proposed the amendments referred to above.

The revision of the deferred tax liability as at 1st April 2001 and for the year ended 31st March 2002 and recognition of deferred tax asset as at 31st March, 2002 are being proposed on the basis of the recent interpretations on Accounting Standards by the Institute of Chartered Accountants of India and based on the legal opinion of senior tax counsel, which should have been effected in the financial statements for the year ended 31st March, 2003.

For **DELOITTE HASKINS & SELLS**
Chartered Accountants

Place : Mumbai
Date : 5th June 2003

Bhavani Balasubramanian
Partner

Essar Shipping Limited

DIRECTORS' REPORT

To the Members of Essar Shipping Limited

1. Your Directors take great pleasure in presenting the Twenty-Seventh Annual Report of your Company together with audited accounts for the year ended 31st March 2003.

2. FINANCIAL RESULTS:

The Financial Year 2002-2003, saw charter rates drop from the highs of the last quarter of Financial Year 2002 (January-March, 2002), to significant lows in the first half (April-September, 2002) of the financial year under review. Your company, despite the volatility in the freight rates has maintained consistency of revenues by registering a total income of Rs. 496.15 Crores (US \$ 103.95 million) as compared to Rs.496.22 Crores (US \$ 101.56 million) in the last year.

Your Company has earned a net profit of Rs. 63.30 Crores (US\$ 13.26 million), after providing for interest at Rs. 71.60 Crores (US\$ 15.00 million) and depreciation of Rs. 66.88 Crores (US\$ 14.01 million).

The summary of financial results of the company for the year ended 31st March, 2003 are furnished below:

	(Rs. Crores)	
	For the year ended 31-03-2003	For the year ended 31-03-2002
Total Income	496.15	496.22
Total Expenditure	295.85	287.80
Gross Profit	200.30	208.42
Less: Interest & Finance charges	71.60	56.59
Less: Provision for Depreciation	66.88	73.48
Profit before tax	61.82	78.35
Less: provision for Minimum Alternate Income Tax	2.37	5.77
Add: Deferred Tax Asset	3.85	99.72
Profit after tax	63.30	172.30
Add: Balance in Profit and Loss Account as per last Balance Sheet	133.22	50.92
Less: Transfer to Ship Acquisition Reserve	103.00	90.00
Add: Transfer from Debenture Redemption Reserve (net)	13.59	-
Balance carried forward to Balance Sheet	107.11	75.67

3. DIVIDEND:

The Board of Directors of the Company have taken a view to conserving the Company's resources for purposes of investment in acquisition of new vessels and renewing the existing fleet. Based on this, the Board of Directors have not recommended any payment of dividend for the year.

4. MANAGEMENT DISCUSSION, ANALYSIS AND REVIEW:

Energy Transportation Group:

The year under review has seen volatility in freight rates. The first two quarters of the financial year saw a very sluggish tanker market and low freight rates. This trend continued for a large part of the third quarter, before a spurt in the market rates in the later part of the third quarter. The last quarter of the financial year saw a significant increase in freight rates.

The unfortunate incident of the sinking of a vessel, the "Prestige" of the coast of Spain in November 2002, saw a subsequent increased demand for quality double hull tonnage. The severe winter in the western parts of the world in 2002 also saw a spurt in demand for crude oil. Another factor in the upward trend in the demand for crude oil was the impending war in the Gulf. This demand for crude oil in the west resulted in a related demand for crude oil transportation and logistics and resulting in an increase in freight rates. This combined with the demand for double hull tankers had a positive effect on the market freight and charter rates for double hull vessels.

Your Company's fleet of Suezmax Tankers are all double hull and are therefore, acceptable to all charterers worldwide. In fact, these ships carry approvals of major international oil companies.

Under the Energy Transportation Group, your Company continued to operate its fleet of 6 modern Suezmax tankers for a major part of the year. One Suezmax tanker, earlier operated under lease till December 2002, has been foreclosed. This Suezmax Tanker has been acquired by the Company's overseas subsidiary, Energy I Limited, which now operates the vessel.

During the financial year the total earning days available were 2075 days, and the utilisation of the Suezmax tankers was close to 100%. The average TCE earnings for the year was US\$ 22,357 per day per vessel as against US\$ 24,294/- per day per vessel in 2001-02.

Integrated Coastal Transportation Group:

Your Company has been in the coastal transportation business ever since its inception. In the last few years, the Company has moved towards providing a logistics chain in the integrated bulk/petroleum product transportation business. The focus areas in this business has been in India and intra-Asian trades. Going forward, the company will develop this business further by garnering market through consolidation of cargoes for various parties, especially steel mills in India and South East Asia, to optimise transportation costs for these charterers and increase utilisation of the Company's fleet.

The Company's fleet of 27 vessels in this segment are divided into Bulk Carrier, Product Carrier and Offshore supply & Tugs divisions. The performance of these divisions in the financial year 2003 is as under:

Product Carrier Division: The Product Carriers Division consisting of three vessels contributed Rs. 36.68 Crores (Rs. 42.29 crores for 2001-02) to the earnings in financial year 2003. These vessels were employed largely with Indian oil majors and also other major international charterers. The average TCE earnings was US\$ 7101/- per day per vessel as against 7,963/- per day per vessel during the year 2001-02.

Bulk Carrier Division: This division consists of two Capesizes, four Handymax/Handysize vessels, 11 Mini Bulk Carriers and 4 Tugs which accounted for an income of Rs. 131.05 Crores for the year, (as against Rs. 145.31 Crores in the last year). Your Company is the only owner of two Capesize Bulk Carriers in India. In the early part of the year Nand Shivchand, a Panamax Bulk Carrier, was sold for scrapping.

Offshore Supply Vessels and Tugs Division: This division of your company consists of its three offshore supply vessels. These vessels have been in continuous employment with ONGC. The total earnings of this division was Rs. 11.57 Crores as against Rs.11.50 Crores during 2001-02. The average TCE earnings for this division were US\$ 2536/- per day per vessel as against US\$ 2,605/- per day per vessel during 2001-02.

This is a fragmented business and is not expected to be a growth area unless one has a large presence in this business segment. As such, with a marginal fleet of three vessels and the Company's