



## Essar Shipping Ports & Logistics Limited

Annual Report 2008 - 2009

## BOARD OF DIRECTORS

**Shashi Ruia**  
Chairman

**Ravi Ruia**  
Vice Chairman

**Anshuman Ruia**  
Director

**Sanjay Mehta**  
Managing Director

**A. R. Ramakrishnan**  
Wholetime Director

**V. Ashok**  
Wholetime Director

**R. N. Bansal**  
Independent Director

**N. Srinivasan**  
Independent Director

**K. V. Krishnamurthy**  
Independent Director

**Dilip J. Thakkar**  
Independent Director

**S. V. Venkatesan**  
Independent Director

**Deepak Kumar Varma**  
Independent Director

**COMPANY SECRETARY**  
Manoj Contractor

**AUDITORS**  
Deloitte Haskins & Sells

### AUDIT COMMITTEE

R. N. Bansal  
Anshuman Ruia  
N. Srinivasan

### SHARE TRANSFER & SHAREHOLDERS' GRIEVANCE COMMITTEE

Ravi Ruia  
Sanjay Mehta  
A. R. Ramakrishnan  
V. Ashok

### REGISTERED OFFICE

Administrative Building,  
Essar Refinery Complex,  
Okha Highway (SH-25),  
Taluka Khambhalia,  
District Jamnagar, Gujarat 361 305.

### CORPORATE OFFICE

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

### REGISTRARS & SHARE TRANSFER AGENTS

Data Software Research Company Private Limited  
"Sree Sovereign Complex",  
22, 4<sup>th</sup> Cross Street, Trustpuram, Kodambakkam,  
Chennai 600 024.

## NOTICE TO MEMBERS

### NOTICE TO MEMBERS

Notice is hereby given that the Thirty-third Annual General Meeting of Essar Shipping Ports & Logistics Limited will be held at the Registered Office of the Company at Administrative Building, Essar Refinery Complex, Okha Highway (SH-25), Taluka Khambhalia, District - Jamnagar, Gujarat 361 305 at 3.30 p.m. on Friday, July 31, 2009, to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the Profit and Loss Account for the year ended March 31, 2009 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. R. N. Bansal, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. A. R. Ramakrishnan, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Anshuman Ruia, who retires by rotation and being eligible, offers himself for re-appointment.
5. To re-appoint Messrs. Deloitte Haskins & Sells, Chartered Accountants as 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:

6. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary resolution:  
"RESOLVED THAT Mr. S. V. Venkatesan, who was appointed as an Additional Director by the Board of Directors pursuant to Section 260 of the Companies Act, 1956 and who holds office upto the date of this Annual General Meeting and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956, proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company."
7. To consider and if thought fit, to pass with or without modification, the following resolution as an Ordinary resolution:  
"RESOLVED THAT Mr. Deepak Kumar Varma, who was appointed as an Additional Director by the Board of Directors pursuant to Section 260 of the Companies Act, 1956 and who holds office upto the date of this Annual

General Meeting and in respect of whom the Company has received a notice in writing under Section 257 of the Companies Act, 1956, proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company."

By Order of the Board

**MANOJ CONTRACTOR**

Company Secretary

Mumbai  
May 18, 2009

### 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. 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, July 27, 2009 to Friday, July 31, 2009, both days inclusive.
4. The members are requested to immediately notify, in their own interest, the change in their mailing address to the Company's Registrars and Share Transfer Agents, Data Software Research Company Private Limited, "Sree Sovereign Complex", 22, 4<sup>th</sup> Cross Street, Trustpuram, Kodambakkam, Chennai 600 024, Tel : 91-44-24801664, Fax: 91-44-24834636.
5. Members who are holding shares in identical order of names in more than one folio are requested to send to the Company the details of such folios together with the Share Certificates for consolidating their holdings in one folio. Members are further advised to hold the shares in dematerialised form, as the trading of the shares on Bombay Stock Exchange and National Stock Exchange where the shares of your Company are listed is in compulsory demat mode.
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 Registrars and Share Transfer Agents – Data Software Research Company Private Limited.

8. 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 atleast 10 days before the date of the meeting to enable the Company to keep the information ready.
9. Appointment / Re-appointment of Directors:  
  
At the ensuing Annual General Meeting, Mr. R. N. Bansal, Mr. A. R. Ramakrishnan and Mr. Anshuman Ruia retire by rotation and being eligible offer themselves for re-appointment. Mr. S. V. Venkatesan and Mr. Deepak Kumar Varma are proposed to be appointed as Directors. The information pertaining to the aforesaid Directors in terms of Clause 49 of the Listing Agreement with the Stock Exchanges is annexed hereto.
10. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the special business at Item Nos. 6 and 7 hereinabove, is annexed hereto.

## ANNEXURE TO NOTICE:

### EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

#### Item No. 6

Mr. S. V. Venkatesan was appointed as an Additional Director of the Company with effect from October 31, 2008. In terms of Section 260 of the Companies Act, 1956 and in accordance with Article 73 of the Articles of Association of the Company, Mr. Venkatesan holds office upto the date of the ensuing Annual General Meeting.

The Company has received a notice from a member under Section 257 of the Companies Act, 1956, with requisite deposit proposing the name of Mr. Venkatesan as a candidate for the office of Director of the Company.

Accordingly, the resolution at Item No. 6 of the notice is being proposed for his appointment as Director of the Company.

Mr. Venkatesan is B.Com., CAIIB by qualification and a Gold Medalist in Commerce from Madras University.

Mr. Venkatesan has over 40 years experience in the field of banking and finance with 24 years in State Bank of India, a leading nationalised bank. Mr. Venkatesan has vast experience in the areas of resource mobilisation through Capital Markets and Institutions to fund large capital intensive projects.

He is an Independent Director of many public limited companies. Your Board is of the opinion that the appointment of Mr. Venkatesan would be in the best interest of the Company. Your Directors accordingly recommend the resolution at Item No. 6 of the Notice for your approval.

None of the Directors, except Mr. Venkatesan, is concerned or interested in this resolution.

#### Item No. 7

Mr. Deepak Kumar Varma was appointed as an Additional Director of the Company with effect from October 31, 2008. In terms of Section 260 of the Companies Act, 1956 and in accordance with Article 73 of the Articles of Association of the Company, Mr. Varma holds office upto the date of the ensuing Annual General Meeting.

The Company has received a notice from a member under Section 257 of the Companies Act, 1956, with requisite deposit, proposing the name of Mr. Varma as a candidate for the office of Director of the Company.

Accordingly, the resolution at Item No. 7 of the notice is being proposed for his appointment as Director of the Company.

Mr. Varma is B.E. (Mech) and MBA by qualification and is a Management Consultant and Arbitrator by profession. He is also member of the Indian Council of Arbitrators.

During his career, Mr. Varma has held various senior management positions such as senior executive positions in Steel Authority of India Limited, Chairman and Managing Director of Hindustan Shipyard Limited, Chairman and Managing Director of Cochin Shipyard Limited, Managing Director of National Ship Design & Research Centre (NSDRC), Chairman and Managing Director of Rashtriya Chemical & Fertilizers Limited, Chairman and Managing Director of Fertilizers & Chemicals (Cochin), Director & Group Leader of Oman India Fertilizers (OMIFCO) and Chairman of the Standing Conference of Public Enterprises, the Apex Body of all Central PSU's.

Your Board is of the opinion that the appointment of Mr. Varma would be in the best interest of the Company. Your Directors accordingly recommend the resolution at Item No. 7 of the Notice for your approval.

None of the Directors, except Mr. Varma, is concerned or interested in this resolution.

By Order of the Board

**MANOJ CONTRACTOR**  
Company Secretary

Mumbai  
May 18, 2009

## Annexure to Notice:

### Details of Directors seeking re-appointment / appointment at the Thirty-third Annual General Meeting in pursuance of Clause 49 of the Listing Agreement.

#### Mr. R. N. Bansal

Mr. R. N. Bansal has done his graduation in Commerce and M.A. in Economics. He is also 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.

During his career, Mr. Bansal served as Investigating Officer in the Bose Commission of Enquiry. He was the Deputy Director Inspection, Registrar of Companies, Punjab, Himachal Pradesh and Haryana. He was also the Registrar of Companies, Chennai, Tamilnadu and Maharashtra. Mr. Bansal was Additional Director of Inspection and Investigation, Company Law Board, New Delhi, Regional Director (Southern and Western Regions), Director (Investment) and Additional Controller of Capital Issues, Department of Economic Affairs, Ministry of Finance and Member Company Law Board. He dealt with matters relating to share transfer appeals, Company Law Boards Bench Petitions, Policy Rules and Amendment of the Companies Act, MRTD Acts etc. He served as Government Nominee Director on all major Stock Exchanges.

Mr. Bansal was member/conveyor of various Study Groups set up by the Government of India. Mr. Bansal also served as the Government Nominee Member on the Central Council of the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India. He was Deputy Chairman of the Governing Council of the Rajiv Gandhi Cancer Hospital, Delhi.

Mr. Bansal is serving as an independent Director on the Board of various Indian public limited companies viz., Chambal Fertilizers & Chemicals Limited, Gobind Sugar Mills Limited, Spice Mobiles Limited, Pushpsons Industries Limited, Orient Ceramics & Industries Limited, The Hindoostan Spinning & Weaving Mills Limited, Vadinar Oil Terminal Limited and Essar Logistics Limited.

Mr. Bansal is the Chairman of the Audit Committee of Spice Mobiles Limited, Pushpsons Industries Limited, Orient Ceramics & Industries Limited. He is also a member of the Audit Committee of Chambal Fertilizers & Chemicals Limited, Gobind Sugar Mills Limited, The Hindoostan Spinning & Weaving Mills Limited and Vadinar Oil Terminal Limited. Mr. Bansal is the Chairman of the Investors Grievance Committee of Chambal Fertilizers & Chemicals Limited.

Mr. Bansal does not hold any shares in the Company.

#### Mr. A. R. Ramakrishnan

Mr. A. R. Ramakrishnan graduated in Mechanical Engineering with an Honours Degree and is a Post Graduate from the Indian Institute of Management, Kolkata. He has been associated with the Essar Group since 1992. He spent the first two and half years as a Business Analyst, dealing with all the Essar Group companies. He joined the management team of Essar Shipping at the end of 1994 as General Manager (Commercial). In 1999, he took over as Chief Operating Officer. Mr. Ramakrishnan is the Wholetime Director of the Company since July 31, 2006. Prior to joining the Essar Group, Mr. Ramakrishnan was employed with Godrej & Boyce Manufacturing Company Limited for 12 years gaining experience in marketing, sales, manufacturing, systems and finance. He has wide experience in dealing with international companies and agencies, including building joint ventures.

Mr. Ramakrishnan is also a Director on the Board of Indian National Shipowners' Association.

Mr. Ramakrishnan does not hold any shares in the Company.

#### Mr. Anshuman Ruia

Mr. Anshuman Ruia is a Commerce Graduate and has over a decade's experience in overseeing Essar Group's major businesses. He currently looks after Essar's Shipping Ports & Logistics, Communications, Power and BPO

businesses. Mr. Ruia is responsible for the expansion and diversification of the Power business into new, renewable energy sources and the plans for entry into transmission and distribution. He is also involved in new business ventures of the Group in India and overseas. In addition, he also works on the consolidation of the Group's business enterprises and strategy for growth. He is a member of the YPO (Young Presidents' Organisation).

Mr. Ruia is also a Director on the Board of Essar Oil Limited, Essar Power Limited, Vadinar Power Company Limited, Mahan Coal Limited, Essar Bulk Terminal Limited, Vadinar Oil Terminal Limited, Vodafone Essar Limited, India Securities Limited, Essar Capital Limited, Aegis Limited and Essar Capital Holdings (India) Limited.

He is a member of the Audit Committee of Vadinar Power Company Limited, Essar Bulk Terminal Limited, Vadinar Oil Terminal Limited, Aegis Limited and India Securities Limited. He is also a member of the Share Transfer and Shareholders Grievance Committee of India Securities Limited.

Mr. Ruia does not hold any shares in the Company.

#### Mr. S. V. Venkatesan

Mr. S. V. Venkatesan is a B. Com., CAIIB by qualification and a Gold Medalist in Commerce from Madras University.

Mr. Venkatesan has over 40 years experience in the field of banking and finance with 24 years in State Bank of India, a leading nationalised bank. Mr. Venkatesan has vast experience in the areas of resource mobilisation through Capital Markets and Institutions to fund large capital intensive projects.

Mr. Venkatesan is also a Director on the Board of various Indian public limited companies viz., Essar Investments Limited, Essar Power Tamilnadu Limited, Essar Steel Limited, Bhandar Power Limited, Essar Power MP Limited, Asia Motor Works Limited, Essar Information Technology Limited, Essar Teleholdings Limited, Essar Constructions (India) Limited, India Securities Limited, Essar Capital Limited, Lancor Holdings Limited, Best & Crompton Engineering Limited and Essar Power Limited.

Mr. Venkatesan is a member of the Audit Committee of Essar Steel Limited, Essar Constructions (India) Limited, India Securities Limited, Essar Teleholdings Limited and Essar Power Limited. He is the Chairman of the Share Transfer and Shareholders Grievance Committee of India Securities Limited and a member of the Share Transfer and Shareholders Grievance Committee of Essar Steel Limited, Essar Power Limited and Essar Power MP Limited.

Mr. Venkatesan does not hold any shares in the Company.

#### Mr. Deepak Kumar Varma

Mr. Varma is B.E. (Mech) and MBA by qualification and is a Management Consultant and Arbitrator by profession. He is also member of the Indian Council of Arbitrators.

During his career, Mr. Varma has held various senior management positions such as senior executive positions in Steel Authority of India Limited, Chairman and Managing Director of Hindustan Shipyard Limited, Chairman and Managing Director of Cochin Shipyard Limited, Managing Director of National Ship Design & Research Centre (NSDRC), Chairman and Managing Director of Rashtriya Chemical & Fertilizers Limited, Chairman and Managing Director of Fertilizers & Chemicals (Cochin), Director & Group Leader of Oman India Fertilizers (OMIFCO) and Chairman of the Standing Conference of Public Enterprises, the Apex Body of all Central PSU's.

Mr. Varma is also a Director on the Board of Venus Insurance Broking Company Limited.

Mr. Varma does not hold any shares in the Company.

## DIRECTORS' REPORT

### To the Members of Essar Shipping Ports & Logistics Limited

Your Directors take pleasure in presenting the Thirty-third Annual Report of your Company together with Audited Accounts for the year ended March 31, 2009. Pursuant to the provisions of Section 219 of the Companies Act, 1956 and as permitted by the Securities and Exchange Board of India (SEBI), the abridged annual accounts of the Company are enclosed. Any member interested in obtaining a copy of the unabridged accounts may write to the Company Secretary at the Registered Office.

### 1. FINANCIAL RESULTS

The summary of the standalone and consolidated financial results of your Company for the year ended March 31, 2009 are furnished below:

(Rs. in crore)

Particulars	Consolidated		Standalone	
	For the year ended 31-03-2009	For the year ended 31-03-2008	For the year ended 31-03-2009	For the year ended 31-03-2008
Total Income	2,676.57	2,255.67	1154.71	1063.93
Total Expenditure	1,739.70	1,460.36	748.15	598.73
EBITDA	936.87	795.31	406.64	465.20
Less: Interest & Finance charges	434.80	266.55	129.22	89.19
Less: Provision for Depreciation	377.82	221.48	159.45	106.64
Profit before Tax	124.25	307.28	117.97	269.37
Less: Provision for Tax	47.05	43.68	10.31	27.70
Profit before Share of Minority Interest	77.20	263.60	107.66	241.67
Add: Share of Minority Interest (loss)	-	13.81	-	-
Profit after Tax	77.20	277.41	107.66	241.67

On a consolidated basis, during the year under review, your Company registered an increase of 19% in the Total Income and an increase of 18% in EBITDA as compared to the previous year. The increase in Total Income and EBITDA is largely attributed to the contribution by the Ports & Terminals and Oilfields Services business.

On a standalone basis which is represented by the Sea Transportation Business, your Company registered an increase of 8.54% in the Total Income during the year under review. The EBITDA for the year under review included Rs.197.10 crore being profit on Sale of Fleet and Currency Exchange Gain of Rs.75.65 crore.

### 2. DIVIDEND

Your Company has consolidated the Ports & Terminals business and Oilfields Services business which are highly capital intensive in nature. Nurturing these new businesses in the initial phases along with the existing business of Sea Transportation to their full capacity and the various capital expenditure committed would require substantial resources. All this necessitates the operating profits to be ploughed back into the businesses. With a view to conserving resources for these requirements, your Directors have not recommended any dividend for the year ended March 31, 2009.

### 3. REORGANISATION

Essar Sisco Ship Management Company Limited, India, (ESSMC), a wholly owned subsidiary of the Company and India Shipping, Mauritius (IS) have been amalgamated with the Company with effect from April 1, 2008 (the appointed date) in terms of Scheme of Amalgamation (the Scheme) sanctioned by the Honorable High Court of Madras and Honorable High Court of Gujarat vide their orders dated December 18, 2008 and January 16, 2009 respectively.

In accordance with the Scheme, the undertaking of ESSMC and IS being all its assets and debts, outstandings, credits, liabilities, duties and obligations, have been transferred to and vested in the Company retrospectively with effect from the appointed date.

Pursuant to the Scheme:

- The sole shareholder holding fully paid up equity shares in IS was allotted 364,905,489 equity shares of the Company based on allotment of 32 equity shares of Rs.10/- each (Rs.364.91 crore), at a premium of Rs.210/- per share (Rs.7,663.02 crore) for every hundred equity shares of US\$ 1 each held in the capital of IS and 175,299,376 equity shares (including 376,000 GDS represented by 124,456,000 equity shares) of the Company held by IS have been cancelled. The net excess of the value of additional shares (shares allotted to the shareholder of IS reduced by the shares already held by IS and cancelled by the Company) issued over net assets of IS acquired by the Company amounting to Rs.3,712.43 crore has been deducted from the Securities Premium Account of the Company as per the Scheme. The erstwhile wholly owned subsidiaries of IS viz., Essar Oilfields Services Limited, Mauritius and Essar Oilfields Services FZE have become subsidiaries of the Company.
- No shares were issued on amalgamation of ESSMC as it was a wholly owned subsidiary of the Company. The difference between investment value of equity shares of ESSMC and equity share capital of Rs.4.36 crore has also been deducted from the Securities Premium Account of the Company as per the Scheme.

### 4. SHARE CAPITAL

Upon issuance of shares consequent to the amalgamation, the issued, subscribed and paid up share capital stands increased to Rs.615.81 crore (includes Rs.0.13 crore on account of forfeited shares) divided into

615,683,320 equity shares of Rs.10/- each from the earlier Rs.426.21 crore (includes Rs.0.13 crore on account of forfeited shares) divided into 426,077,207 equity shares of Rs.10/- each.

## 5. MANAGEMENT DISCUSSION & ANALYSIS

### Overview of the World Economy

Economies around the world have been seriously affected by the financial crisis and slump in activity. The advanced economies experienced an unprecedented 7½ percent decline in real GDP during the fourth quarter of Calendar Year 2008, and output has fallen almost as fast during the first quarter of 2009.

Going forward, the stabilisation of the financial markets might take longer than previously envisaged, even with strong efforts being made by policymakers. Monetary policy interest rates are expected to be lowered to or remain near the zero bound in the major advanced economies, while central banks continue to explore ways to use both the size and composition of their balance sheets to ease credit conditions. Fiscal deficits are expected to widen sharply in both advanced and emerging economies, as governments are assumed to implement fiscal stimulus plans in G20 countries amounting to 2 percent of GDP in 2009 and 1½ percent of GDP in 2010.

Source: International Monetary Fund.

### Overview of the Indian Economy

The Indian economy, which was on a robust growth path up to 2007-08, averaging at 8.9 per cent during the period 2003-04 to 2007-08, witnessed moderation in 2008-09, with the deceleration turning out to be somewhat sharper in the third quarter. The slowdown in the Indian economy during 2008-09 has been associated with a deceleration in investment demand, which had been an important driver of growth in recent years. The adverse conditions for access to external capital, and the depressing effects of the global crisis on domestic business confidence contributed to the moderation in investment demand.

Based on recent production / sales data on cement, steel and automobiles there are visible indications of a strong recovery in the industrial sector. The current recovery seen in cement, steel, automobile and in the core industries index is expected to gather further momentum as the two major problems that the industry faced in the October-December quarter of the financial year 2008-09 are being addressed - inventory levels declining and liquidity easing. The industrial sector continues to repose faith in domestic demand as its investment intentions remain robust. Several new capacities whose commissioning was deferred during October-December 2008 are now being commissioned. New capacity expansion plans are being announced. Hence we are likely to see growth albeit at a slower rate than the one witnessed in last 5 years.

Source: Centre for Monitoring Indian Economy, Reserve Bank of India.

### Your Company's 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 and logistics & cargo handling infrastructure required by the steel, power generation and refining industry. Your Company had reorganised its business with certain other businesses of the Essar Group to become a one-of-a-kind integrated logistics company. During the financial year, your Company has consolidated various businesses in the areas of dry bulk ports, oil terminals and oilfields drilling services under its fold. With interests in dry bulk ports and oil terminals, crude and dry bulk carriers, port to plant logistics and oilfield services, your Company now provides end-to-end logistics solutions to its customers.

#### a) Ports & Terminal Business:

Consolidated cargo throughput at major ports in India grew by 2.13 percent in the current fiscal according to the latest data released by the Indian Ports Association. The country's 12 gateway ports, six each on the east and west coasts, handled 530.35 million tons of cargo, compared to 519.31 million tons in the same period last year.

Your Company through its subsidiary Vadinar Oil Terminal Limited (VOTL) is operating a 10.5 million metric tons per annum (mmtpa) terminal at Vadinar on the west coast of India. VOTL is currently expanding its capacity to support refinery capacity of upto 16 mmtpa from the existing capacity of 10.5 mmtpa. The blue print for this expansion is being finalised. In 2009, VOTL, was awarded Five Star Rating and the prestigious Sword of Honor by the British Safety Council. VOTL is one of only forty organisations worldwide to be awarded with this honor, thereby recognising the high standards of Safety maintained by your Company. In addition to the same, VOTL has also obtained ISO 9001:2000 certification this year.

Your Company through its subsidiary Essar Bulk Terminal Limited (EBTL) is setting up an all weather deep draft dry bulk port at Hazira in Gujarat. The port will handle raw materials and finished products for the steel plant at Hazira. Your Company has achieved financial closure for the project and the terminal is expected to be operational in the current financial year.

Your Company through another subsidiary Essar Bulk Terminal (Salaya) Limited is setting up a dry bulk port facility at Salaya in Gujarat. The port will handle import of coal and export of pet coke. The operations of the port are expected to begin during the financial year 2011-12.

In view of the tremendous long term opportunities provided by the Government of India to privatise ports, especially container terminals, your Company is actively pursuing development of Ports & Terminal projects through a competitive bidding route or through Joint Ventures and Strategic Alliances.

#### b) Sea Transportation Business:

In the dry bulk segment a marginal increase in seaborne trade of dry bulk commodities was witnessed. Sailing distances were shorter and port congestion fell, while technical off-hire and Chinese Coastal trade saw an increase. During the year under consideration the dry bulk fleet expanded by 6.5 percent. In view of the uncertain global economic scenario resulting in restrained investment in housing and capital equipment and reduced spending on capital goods there is likely to be a fall in the seaborne transport of iron ore, coking coal and steel products during the next two financial years.

In the energy transportation segment, global oil consumption declined by 2 to 3 percent during the year. An interesting phenomenon of traders employing Very Large Crude Carriers (VLCC's) for the purpose of storage to take advantage of the reverse arbitrage that existed in the futures market was witnessed during the year but after the latest round of supply cuts by OPEC, the oil futures market have witnessed a narrowing of the arbitrage opportunity thereby resulting in a decreased demand for VLCC's. Based on the macroeconomic view and oil market forecasts there is likely to be a significant decline in the utilisation rate of tankers and thus a decrease in freight rates for all segments of the tanker market.

During the year under review, your Company has added two Supramax Dry Bulk Carriers in its fleet while having sold one Capesize vessel, one Suezmax tanker and one Product tanker. The ships were acquired, despite growing uncertainty in the markets as they were backed by long term charters with globally reputed steel

majority. The philosophy of acquiring new vessels only on the basis of committed cargo from reputed companies has provided steady cashflows and is instrumental in weathering the downfall in the freight rates. Your Company was awarded the "Most Quality Conscious Indian Shipping Company" by the Director General of Shipping for the fourth time, which recognises the Company's ever increasing endeavor to provide good quality services to its clients.

**c) Oilfields Services Business:**

In Asia-Pacific, the Indian Ocean market has been the most active recently, with quite a few tenders being processed in all categories – jackups, standard and deepwater floaters. Mexico remains the bright light in an otherwise quiet global jackup market, where Pemex Exploration and Production has outstanding tenders requesting the provision of six additional jackups, with more expected to follow. In South America, Petrobras is maintaining its ambitious newbuild floater plans, with the operator expected to tender for the provision of seven more ultra-deepwater newbuilds later in 2009.

In 2009, your Company reaped the benefit of the reorganisation that was undertaken in 2008 with Essar Oilfields Services Limited (EOSL) becoming a subsidiary of your Company. EOSL has a fleet of 14 rigs which includes one semi submersible offshore rig and thirteen onshore rigs. The Company has successfully deployed its semi submersible rig, "Essar Wildcat" on a long term charter in the Krishna Godavari basin on the East Coast of India during the year. Of the thirteen onshore rigs, ten are currently contracted with global energy majors. During the year, your Company has also entered into an agreement to construct two New Building Jack Up Rigs which are expected to be delivered in 2011. "Essar Wildcat", has received excellent recommendations for a Health Safety and Environment (HSE) audit carried out by International Risk Control Asia (IRCA). This audit is one of the best tools available to maintain and verify the condition of rigs.

**d) Logistics Business:**

Your Company through its subsidiary Essar Logistics Limited (ELL) provides transshipment, lighterage and trucking services to steel mills and oil refineries. ELL is now carrying out logistics handling for large project cargoes and is making investments in acquiring assets for project cargo movement. During the year under review, ELL handled 18.5 million tonnes of cargo.

**6. RISK MANAGEMENT**

**Economic Risks:** As a business philosophy, your Company has followed the conservative policy of entering into long term contracts with reputed global majors in each of its divisions thereby ensuring long term profitability of the Company.

**Forex Risk:** A majority of the revenues of your Company are in foreign currency which creates a natural hedge against foreign exchange exposures. Apart from this, Essar Group's specialised forex team provides efficient advice to mitigate the exchange risk of your Company.

**Interest Rate Risk:** Your Company has been 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.

**7. QUALITY, SAFETY AND ENVIRONMENT**

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) "Five Star Rating" and "Sword of Honor" by the British Safety Council to the oil terminal at Vadinar.
- b) ISO 9001:2000 certification for the oil terminal at Vadinar.
- c) "Most Quality Conscious Indian Shipping Company" by the Director General of Shipping.
- d) ISO 9001:2000 and ISO 14001:2004 certification to the sea transportation division by ABS Quality Evaluations Inc.
- e) Essar Wildcat, the semi submersible offshore rig of the Oilfields Services business has received excellent recommendations for the HSE audit carried out by International Risk Control Asia (IRCA).

**8. INTERNAL CONTROL FRAMEWORK**

Your Company conducts its business with integrity and high standards of ethical behavior and in compliance with the laws and regulations that govern its business. 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 findings to the Audit Committee of the Board.

**9. 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 of the business. Further the Company has taken a series of initiatives to enhance emotional and intellectual engagement of employees with the Company and its business.

**10. INFORMATION TECHNOLOGY**

Your company has prepared a comprehensive roadmap for implementation of SAP in its financial and budget management. 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 the asset utilisation and profitability. 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.

**11. SUBSIDIARIES:**

Your Company had the following Subsidiaries as on March 31, 2009:

1. Essar Ports & Terminals Limited, Mauritius (EPTL)
2. Vadinar Oil Terminal Limited, India (VOTL) (wholly owned subsidiary of EPTL)
3. Essar Bulk Terminal Limited, India (EBTL) (wholly owned subsidiary of EPTL)
4. Essar Bulk Terminal (Salaya) Limited, India (EBTSL) (wholly owned subsidiary of EPTL)
5. Essar Logistics Limited, India (ELL)
6. Essar Dredging Limited, India (EDL) (wholly owned subsidiary of EBTL)
7. Essar International Limited, Guernsey, Channel Islands (EIL)
8. Energy Transportation International Limited, Bermuda (ETIL) (wholly owned subsidiary of EIL)
9. Energy II Limited, Bermuda (E-II) (wholly owned subsidiary of EIL)
10. Essar Oilfields Services Limited, Mauritius (EOSL)
11. Essar Oilfields Services FZE, Dubai (EOSFZE) (wholly owned subsidiary of EOSL)

Essar Oilfields Services Limited and Essar Oilfields Services FZE became the subsidiaries of the Company and Essar Sisco Ship Management Company Limited ceased to be a subsidiary of the Company with effect

from April 1, 2008 upon amalgamation. Essar Dredging Limited became a subsidiary of the Company on January 12, 2009.

Subsequent to March 31, 2009 two more companies have become subsidiaries of the Company viz. Essar Oilfield Services India Limited (effective April 13, 2009) and Vadinar Ports & Terminals Limited (effective April 21, 2009).

The Company has obtained exemption from the Central Government under Section 212(8) of the Companies Act, 1956 from attaching the Balance Sheets, Profit & Loss Account, report of the Board of Directors and the report of the Auditors of the subsidiary companies with the Annual Report of the Company, as required under Section 212 of the Companies Act, 1956. The Company will make available the annual accounts of the subsidiary companies to members seeking such information at any point of time.

In accordance with Accounting Standard AS-21 on Consolidated Financial Statements read with Accounting Standard AS-23 on Accounting for Investments in Associates, your Directors have pleasure in attaching the Abridged Consolidated Financial Statements, which forms part of the Annual Report.

## 12. DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. R. N. Bansal, Mr. A. R. Ramakrishnan and Mr. Anshuman Ruia, retire at the ensuing Annual General Meeting of the Company and being eligible, offer themselves for re-appointment.

Mr. S. V. Venkatesan and Mr. Deepak Kumar Varma were appointed as Additional Directors on your Company's Board with effect from October 31, 2008. They cease to be Directors on the date of the Thirty-third Annual General Meeting. Notices have been received from members proposing their appointment as Directors on the Board.

## 13. AUDITORS

Your Company's Auditors, Messrs. Deloitte Haskins & Sells, Chartered Accountants, retire at the ensuing Annual General Meeting. It is proposed to re-appoint Messrs. Deloitte Haskins & Sells, Chartered Accountants as the Auditors of the Company from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting.

## 14. CORPORATE GOVERNANCE

The Company has complied with the requirements under the Corporate Governance reporting system. The disclosures as required therein have been furnished in the Annexure to the Directors' Report under the head "Corporate Governance".

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

This does not apply to your Company as the shipping industry is not included in the Schedule to the relevant rules.

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.). | : | Rs.1,445.18 crore |
| (2) Used (including cost of acquisition of ships, loan repayments, interest, operating expenses, etc.).     | : | Rs.887.70 crore   |

Your Company has obtained exemption from the Central Government under Section 211(4) of the Companies Act, 1956 from giving information required under clauses (a), (b), (c) and (e) of Paragraph 4-D of Part II of

Schedule VI to the Companies Act, 1956 vide Order no. 46/19/2009-CL-III dated March 23, 2009.

## 16. 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 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.

## 17. 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.

## 18. GOVERNMENT POLICY:

The Government needs to take a serious relook at issues relating to Withholding Tax, Tax on Capital Gains on Sale of Ships, Tax on Ship Staff salary, Service Tax and Fringe Benefit Tax. Unless these are negated, the competitive edge of the Indian Shipping industry will be severely affected and jeopardise growth of tonnage.

## 19. APPRECIATION AND ACKNOWLEDGEMENTS:

Your Directors express their sincere thanks and appreciation to all the employees for their commendable teamwork and contribution to the growth of the Company.

Your Directors also thank its bankers, charterers and other business associates for their continued support and co-operation during the year.

For and on behalf of the Board

Mumbai  
May 18, 2009

**Sanjay Mehta** **R. N. Bansal**  
Managing Director Director

Persons constituting 'group' coming within the definition of group as defined in the Monopolies and Restrictive Trade Practices Act, 1969 for the purpose of inter se transfer of shares of the Company under regulation 3(1)(e)(i) of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997:

Sr. No.	Name of the Company
1.	Essar Investments Limited
2.	Teletel Investments (India) Limited
3.	Essar Global Limited
4.	Essar Shipping & Logistics Limited

## CORPORATE GOVERNANCE REPORT

### 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 enhancement of shareholders value. The Board oversees periodic review of business plans, monitors performance and ensures compliance of regulatory requirements including SEBI Regulations and Listing requirements.

### 2. Board of Directors

The Company has a non-executive Chairman and Independent Directors constitutes half the total number of Directors.

#### A. Composition, category, attendance and number of other directorships of the Directors are furnished below:

As at March 31, 2009 the Board consisted of twelve members. The composition, category of directors and directorships held in other companies was as under:

Name of Director	Category of Director	* No. of outside Directorships in other Indian public companies	** No. of Committee positions held in other public companies	
			Chairman	Member
Mr. Shashi Ruia (Chairman)	Promoter, Non-Executive	9	-	-
Mr. Ravi Ruia (Vice Chairman)	Promoter, Non-Executive	5	-	-
Mr. Anshuman Ruia	Promoter, Non-Executive	11	-	6
Mr. R. N. Bansal	Independent, Non-Executive	8	4	4
Mr. N. Srinivasan	Independent, Non-Executive	14	5	4
***Mr. K. V. Krishnamurthy	Independent, Non-Executive	10	3	6
***Mr. Dilip J. Thakkar	Independent, Non-Executive	13	5	4
#Mr. Deepak Kumar Varma	Independent, Non-Executive	1	-	-
#Mr. S. V. Venkatesan	Independent, Non-Executive	14	1	8
Mr. Sanjay Mehta (Managing Director)	Non-Promoter, Executive	5	-	1
Mr. A. R. Ramakrishnan (Wholetime Director)	Non-Promoter, Executive	-	-	-
Mr. V. Ashok (Wholetime Director)	Non-Promoter, Executive	4	-	2

Mr. Rewant Ruia and Mr. S. K. Poddar, Directors have resigned with effect from June 20, 2008.

\* excludes foreign companies, private limited companies, Section 25 companies and Alternate Directorships.

\*\* includes membership of Audit and Share Transfer & Shareholders' Grievance Committee only.

\*\*\* have been appointed as Independent Directors with effect from June 20, 2008.

# have been appointed as Independent Directors with effect from October 31, 2008.