

Essar Shipping Limited
2014-15



BOARD OF DIRECTORS

Mr. P. K. Srivastava
Chairman

Mr. A. R. Ramakrishnan*
Managing Director

Mr. N. Srinivasan
Independent Non-Executive Director

Mr. Michael P Pinto⁺
Independent Non-Executive Director

Mr. N. C. Singhal[#]
Independent Non-Executive Director

Captain Bhupinder Singh Kumar
Independent Non-Executive Director

Captain Anoop Kumar Sharma
Chief Executive Director

Ms. S. Gayathri[^]
Director

Mr. Ankur Gupta[§]
Director

* Ceased as Director with effect from March 31, 2015

+ Ceased as Director with effect from April 03, 2015

Ceased as Director with effect from April 06, 2015

[^] Appointed as Additional Director with effect from March 30, 2015

[§] Ceased as Director with effect from January 28, 2015

COMPANY SECRETARY

Mr. Awaneesh Srivastava (From August 15, 2015)
Mr. Hitesh Kumar Jain (Till August 14, 2015)

AUDITORS

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

COMMITTEES OF THE BOARD**AUDIT COMMITTEE**

Captain Bhupinder Singh Kumar (Chairman)

Mr. N. Srinivasan

Ms. S. Gayathri

STAKEHOLDERS RELATIONSHIP COMMITTEE

Captain Bhupinder Singh Kumar (Chairman)

Captain Anoop Kumar Sharma

NOMINATION & REMUNERATION COMMITTEE

Mr. N. Srinivasan (Chairman)

Captain Bhupinder Singh Kumar

Mr. P. K. Srivastava

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Captain Bhupinder Singh Kumar (Chairman)

Captain Anoop Kumar Sharma

Ms. S. Gayathri

RISK MANAGEMENT COMMITTEE

Captain Bhupinder Singh Kumar (Chairman)

Captain Anoop Kumar Sharma

Mr. Vikram Gupta

REGISTERED OFFICE

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

CORPORATE OFFICE

Essar House
11, K. K. Marg
Mahalaxmi
Mumbai - 400 034
Maharashtra, India
Email: esl.secretarial@essar.com

REGISTRAR & SHARE TRANSFER AGENT

Data Software Research Company Private Limited
19, Pycrofts Garden Road, Off Haddows Road
Nungambakkam, Chennai - 600 006
Ph.No. 044-28213738 / 28214487
Fax No. 044-28214636
Email : essar.shipping@dsrc-cid.in

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NOTICE FOR ANNUAL GENERAL MEETING

Notice is hereby given that the Fifth Annual General Meeting (the Meeting) of the members of Essar Shipping Limited (the Company) will be held on Wednesday, September 23, 2015 at 3 p.m. at Registered Office of the Company at Administrative Building, Essar Refinery Complex, Okha Highway (SH-25), Taluka Khambalia, District - Jamnagar, Gujarat - 361 305, to transact the following businesses:

ORDINARY BUSINESS:

1. To receive, consider and adopt:
 - a) the Audited Balance Sheet and Statement of Profit and loss Account together with the Cash Flow Statement of the Company for the financial year ended March 31, 2015, the reports of the Board of Directors and Auditors thereon; and
 - b) the Audited Consolidated Balance Sheet and Statement of Profit and loss Account together with the Cash Flow Statement of the Company for the financial year ended March 31, 2015 and report of Auditors thereon.
2. To appoint a Director in place of Mr. P. K. Srivastava (DIN: 00843258), who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint Auditors and fix their remuneration and in this regard to consider and if thought fit, to pass the following resolution as an Ordinary Resolution:

“RESOLVED THAT M/s. CNK & Associates, Chartered Accountants, Mumbai (Registration No.101961W) be and are hereby appointed as Auditors of the Company in the place of M/s. Deloitte Haskins & Sells, the retiring auditors, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company at such remuneration as shall be fixed by the Board of Directors of the Company.”

SPECIAL BUSINESS

4. To appoint Ms. Gayathri Sukumar (DIN: 07115908) as a Director and in this regard, to consider and if thought fit, to pass the following resolution as an Ordinary Resolution:

“RESOLVED that Ms. Gayathri Sukumar (DIN: 07115908) who was appointed by the Board of Directors as an Additional Director of the Company with effect from March 30, 2015 and who holds office upto the date of this Annual General Meeting of the Company in terms of Section 161 of the Companies Act, 2013 (“Act”) and in respect of whom the Company has received a notice in writing from a Member under Section 160 of the Act proposing her candidature for the office of Director of the Company, be and is hereby appointed as a Director of the Company liable to retire by rotation.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do all such acts and take all such steps as may be necessary, proper and expedient to give effect to this resolution.”

5. To consider and if thought fit, to pass the following resolution as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of Section

188 of the Companies Act, 2013 (“the Act”) and Clause 49(VII) of the Listing Agreement (including any statutory modification(s) or re-enactment thereof for the time being in force), approval of the members of the Company be and is hereby accorded to the Audit Committee and the Board of Directors to authorize the management of the Company to enter into agreement(s) and/or transaction(s), as may be appropriate, with the following Related Parties as defined under Section 2(76) of the Act and Clause 49(VII) of the Listing Agreement, for sell, purchase, transfer or receipt of products, goods, materials, services or other obligations, if any, on such terms and conditions as may be mutually agreed upon between the Company and any of the Related Party, for the amount in aggregate not exceeding as mentioned against the name of each of the following Related Party during the period mentioned against the name of each Related Party:

Sr. No.	Name of Related Party	Nature of Transaction(s)	Amount (₹ In crore)		
			2014-15	2015-16	From April 01, 2016 till the date of 6 th Annual General Meeting to be held in Calendar Year 2016
1	Essar Steel India Limited	Fleet operating and chartering services on Contract(s) of Affreightment and Spot fixture basis	481.82	600.00	400.00
		Equipment lease rental income	0.01	0.01	0.005
		Interest income on inter-corporate deposits	1.49	Nil	Nil
2	Essar Shipping (Cyprus) Limited	Direct Voyage Expenses	133.06	170.00	110.00
3	Essar Oil Limited	Purchase of Fuel Oil	26.00	35.00	20.00
		Aircraft usage charges	38.00	50.00	30.00

RESOLVED FURTHER THAT consent of the members be and is hereby accorded for ratification of the aforesaid related party transactions already entered into by the Company exceeding the threshold limits as specified in Rule 15(3) of the Companies (Meeting of Board and its Powers) Rules, 2014 and which are material in nature in terms of Clause 49(VII) of the Listing Agreement.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to do all such acts and take all

such steps as may be necessary, proper and expedient to give effect to this resolution.”

By Order of the Board

Mumbai
August 14, 2015

Hitesh Jain
Company Secretary

Registered Office:

Essar Shipping Limited

Administrative Building
Essar Refinery Complex
Okha Highway (SH - 25), Taluka Khambalia
District Jamnagar, Gujarat - 361 305
CIN: L61200GJ2010PLC060285

Notes:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXYIES TO ATTEND AND VOTE ON HIS / HER BEHALF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.** Pursuant to the provisions of Section 105 of the Companies Act, 2013('the Act'), a person can act as a proxy on behalf of not more than fifty members and holding in aggregate not more than ten percent of the total Share Capital of the Company. Members holding more than ten percent of the total Share Capital of the Company may appoint a single person as proxy, who shall not act as a proxy for any other Member. **The instrument of Proxy, in order to be effective, should be deposited at the Registered Office of the Company, duly completed and signed, not later than 48 hours before the commencement of the meeting.** A Proxy Form is annexed to this Report. Proxies submitted on behalf of limited companies, societies, etc., must be supported by an appropriate resolution / authority, as applicable.
2. **The business set out in the Notice will be transacted through electronic voting system and the Company is providing facility for voting by electronic means.** Instructions and other information relating to e-voting are given in this Notice under Note No. 20. The Company will also send communication relating to remote e-voting which inter alia would contain details about User ID and password along with a copy of this Notice to the members, separately.
3. Corporate members intending to send their authorised representatives to attend the Meeting are requested to send to the Company a certified true copy of the Board Resolution authorising their representative to attend and vote on their behalf at the Meeting.
4. In terms of Section 152 of the Companies Act, 2013, Mr. P. K. Srivastava (DIN: 00843258), Director, retires by rotation at the Meeting and being eligible, offer himself for reappointment. The Board of Directors of the Company commend his re-appointment. Brief resume of Directors including those proposed to be re-appointed, nature of their expertise in specific functional areas, names of companies in which they hold directorships and memberships / chairmanships of Board Committees, shareholding and relationships between directors inter-se as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, are provided in the Corporate Governance Report forming part of the Annual Report.
5. A Statement pursuant to Section 102(1) of the Companies

Act, 2013, relating to the Special Business to be transacted at the Meeting is annexed hereto.

6. Members are requested to bring their attendance slip along with their copy of Annual Report to the Meeting.
7. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
8. Relevant documents referred to in the accompanying Notice and the Statement are open for inspection by the members at the Registered Office of the Company on all working days, except Saturdays, during business hours up to the date of the Meeting.
9. The Register of Members and Share Transfer Books of the Company shall remain close from Thursday, September 17, 2015 to Wednesday, September 23, 2015 (both days inclusive) for the purpose of Annual General Meeting.
10. Members who have not registered their e-mail addresses so far, are requested to register their e-mail address for receiving all communication including Annual Report, Notices, Circulars, etc.
11. The shares of the Company are under compulsory Demat trading. Members holding shares in physical form are requested to convert their shares into dematerialized form in their own interest and convenience purpose.
12. The members can attend the Meeting on September 23, 2015, at 3:00 p.m., in person or through proxy to vote on the resolutions set forth in the notice, if they are not able to exercise their votes through e-voting. The Scrutinizer shall submit the report for both physical and e-voting to the Board of Directors which shall be published on the website of the Company within 48 hours
13. **Voting through electronic means:**

Pursuant to Section 108 of the Act, read with the Companies (Management and Administration) Rules, 2014 and Clause 35B of the Listing Agreement, the Company is pleased to provide the facility to Members to exercise their right to vote by electronic means (e-voting) in respect of the resolutions contained in this Notice.

The Members, whose names appear in the Register of Members / list of Beneficial Owners as on 16th September 2015 (cut-off date) are entitled to vote on the Resolutions set forth in this Notice. Members who have acquired shares after the dispatch of the Annual Report and before the book closure may approach the Company for issuance of the User ID and Password for exercising their right to vote by electronic means.

The e-voting period will commence at 9.00 a.m. on Thursday, September 17, 2015 and will end at 5.00 p.m. on Saturday, September 19, 2015. The Company has appointed M/s. Martinho Ferrao & Associates, Practising Company Secretary, to act as the Scrutinizer for conducting the scrutiny of the votes cast.

The Company is providing e-voting facility to its members to enable them to cast their votes electronically. The Company has entered into an arrangement with Central Depository Services (India) Limited (CDSL) for facilitating e-voting for AGM. Members are requested to carefully read the instructions for e-voting before casting their vote.

The instructions for shareholders voting electronically are as under:

- (i) The voting period begins on September 17, 2015 at 9:00

a.m. and ends on September 19, 2015 at 5:00 p.m.(IST). During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of September 16, 2015, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.

- (ii) The shareholders should log on to the e-voting website www.evotingindia.com.
- (iii) Click on Shareholders.
- (iv) Now Enter your User ID
 - a. For CDSL: 16 digits beneficiary ID,
 - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
- (v) Next enter the Image Verification as displayed and Click on Login.
- (vi) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.
- (vii) If you are a first time user follow the steps given below:

For Members holding shares in Demat Form and Physical Form	
PAN	<p>Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders)</p> <ul style="list-style-type: none"> • Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the 8 digits of the sequence number in the PAN field. • In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with sequence number 1 then enter RA00000001 in the PAN field.
DOB	<p>Enter the Date of Birth as recorded in your demat account or in the company records for the said demat account or folio in dd/mm/yyyy format.</p>
Dividend Bank Details	<p>Enter the Dividend Bank Details as recorded in your demat account or in the company records for the said demat account or folio.</p> <ul style="list-style-type: none"> • Please enter the DOB or Dividend Bank Details in order to login. If both the details are not recorded with the depository or company please enter the member id / folio number in the Dividend Bank details field as mentioned in instruction (v)

- (viii) After entering these details appropriately, click on "SUBMIT" tab.
- (ix) Members holding shares in physical form will then directly reach the Company selection screen. However, members

holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.

- (x) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (xi) Click on the EVSN for the relevant <Company Name> on which you choose to vote.
- (xii) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xiii) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- (xiv) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- (xv) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- (xvi) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.
- (xvii) If a Demat account holder has forgotten the same password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xviii) Note for Non – Individual Shareholders and Custodians
 - Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to www.evotingindia.com and register themselves as Corporates.
 - A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
 - After receiving the login details a compliance user should be created using the admin login and password. The Compliance user would be able to link the account(s) for which they wish to vote on.
 - The list of accounts should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
 - A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
- (xix) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com, under help section or write an email to helpdesk.evoting@cdslindia.com.

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

Item No. 4

Ms. Gayathri Sukumar was appointed by the Board of Directors as an Additional Director of the Company with effect from March 30, 2015 and in terms of Section 161 of the Companies Act, 2013 ("Act") holds office upto the date of this Annual General Meeting.

Ms. S. Gayathri is a Commerce graduate and a Fellow Member of the Institute of Chartered Accountants of India.

Ms. S. Gayathri joined the Essar Group in November, 2009 as Group Head, Direct Taxes.

Ms. Gayathri has 27 years of post-qualification experience and prior to joining the corporate domain, her career was in the area of consultancy services. Immediately prior to joining Essar, she was Partner, Tax and Regulatory services at Grant Thornton, and before that, she worked with KPMG and A. F. Ferguson & Co. She has serviced various clients belonging to a spectrum of industries in challenging assignments in the areas of domestic and international tax, inbound and outbound investments, Joint Ventures, Transfer Pricing, and Litigation support. She identified opportunities and led initiatives in the areas of Transfer Pricing, Special Economic Zones and Education sectors.

The Company has received a notice in writing from a Member along with the deposit of requisite amount under Section 160 of the Act proposing the candidature of Ms. Gayathri for the office of Director of the Company.

The Board is of the opinion that the appointment of Ms. Gayathri would be in the best interest of the Company. The Board accordingly recommends the resolution at Item No. 4 of the accompanying notice for your approval.

None of the Directors other than Ms. Gayathri is concerned or interested in the resolution at Item No. 4 of the accompanying Notice.

Item No. 5

The Company is an integrated logistics services provider engaged into the businesses of sea transportation, logistics services and oilfields services. The Company currently operates a diversified fleet of Very Large Crude Oil Carrier and bulk carriers including Capesize, mini-Capes, Supramaxes and Handysize bulk carriers. The Company in the ordinary course of its business provides sea transportation, logistics services and oilfields services to Essar Steel India Limited and Essar Oil Limited. They are companies engaged into manufacturing activities and require services of the Company for transportation of raw materials and finished goods. The fleet of the Company includes vessels owned by the Company as well as those taken on finance or operating lease. The Company is required to give/take vessels on hire to/from Essar Shipping (Cyprus) Limited for its business purposes.

ESIL, EOL and ESCL are Related Parties of the Company within the meaning of Section 2(76) of the Companies Act, 2013 and Clause 49(VII) of the Listing Agreement. Current and future transactions with ESIL, EOL and ESCL are/will be deemed to be 'material' in nature as defined in Clause 49(VII) of the Listing Agreement as they may exceed 10% of the annual consolidated turnover of the Company consequent

on future business projections. Thus, in terms of Section 188 of the Companies Act, 2013 and Clause 49(VII)(E) of the Listing Agreement, these transactions would require the approval of the members by way of a Special Resolution.

The particulars of the contracts /arrangements /transactions are as under:

Name of the Related Party(ies)	Essar Steel India Limited, Essar Oil Limited and Essar Shipping (Cyprus) Limited
Name of Director(s) or KMP who is/are related	None
Nature of Relationship	Fellow Subsidiaries
Nature of contracts / arrangements /transactions	Providing Sea Transportation Service for transportation of raw materials and finished goods Giving/Taking vessels on hire
Material terms of the contracts /arrangements / Transactions	To be determined on an arm's length basis
Monetary Value	Amount mentioned in the resolution for corresponding period
Are the transactions in the ordinary course of business	Yes
Are the transactions on an arm's length basis	Yes
Whether the transactions would meet the arm's length standard in the opinion of the Company's Transfer Pricing Consultants	Yes
Whether the transactions have been/would be approved by the Audit Committee and the Board of Directors of the Company	Yes
Any other information relevant or important for the members to make a decision on the proposed transactions	None

The monetary value of the transactions proposed is estimated on the basis of the Company's current transactions and future business.

The Board is of the opinion that the transactions referred in the resolution would be in the best interest of the Company. The Board accordingly recommends the Special Resolution at Item No. 5 of the accompanying notice for your approval.

DIRECTORS' REPORT

To the Members of Essar Shipping Limited

Your Directors are pleased to present the Fifth Annual Report and Audited Financial Statements of the Company for the financial year ended March 31, 2015.

FINANCIAL RESULTS:

The Company's financial performance, for the year ended March 31, 2015 is summarized below:

₹ in Crore

Particulars	Consolidated		Standalone	
	For the year ended 31-03-2015	For the Year ended 31-03-2014	For the year ended 31-03-2015	For the Year ended 31-03-2014
Total Income	2153.29	2,006.59	998.90	1,026.39
Total Expenditure	1683.60	1,328.22	647.12	743.57
EBITDA	469.69	678.37	351.78	282.82
Less: Interest & Finance charges	477.13	399.37	286.32	322.93
Less: Provision for Depreciation	424.06	477.88	143.96	185.56
Less: Exceptional Item	-	-	-	5.44
Profit / (Loss) before Tax	(431.50)	(198.88)	(78.50)	(220.23)
Less: Provision for Tax	(27.38)	(44.89)	(4.50)	(8.92)
Loss for the year before share of profit of associate	(458.88)	(243.77)	(83.00)	(229.15)
Add: Share of (loss) / profit of associate	(0.07)	0.05	-	-
Loss for the year	(458.95)	(243.72)	(83.00)	(229.15)

DIVIDEND

In view of accumulated losses, your Directors are unable to recommend any dividend for the year under review.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of the World Economy

Global growth remains moderate, with uneven prospects across the main countries and regions. Growth rate is expected to be 3.5 percent in 2015, as estimated by International Monetary Fund. Relative to last year, the outlook for advanced economies is improving, while growth in emerging market and developing economies is projected to be lower, primarily reflecting weaker prospects for some large emerging market economies and oil-exporting countries.

Overview of the Indian Economy

The International Monetary Fund (IMF) and the Moody's Investors Service have forecasted that India will witness a gross domestic product (GDP) growth rate of 7.5 per cent in 2016, due to improved investor confidence, lower food prices and better policy reforms. Besides, according to mid-year update of United Nations World Economic Situation and Prospects, India is expected to grow at 7.6 per cent in 2015 and at 7.7 per cent in 2016.

As per the latest Global Economic Prospects (GEP) report by World Bank, India is leading The World Bank's growth chart for major economies. Initiatives such as 'Make in India' are expected to increase the purchasing power of an average Indian consumer, which would further boost demand, and hence spur development, in addition to benefiting investors.

BUSINESS PERFORMANCE, OPPORTUNITIES AND OUTLOOK

The business is based on the intrinsic demand for transportation services. Developing economies are facing two key transitions, logistics and cargo handling infrastructure required by steel, power generation and refining industry. With focus on crude and dry bulk carriers, port to plant logistics and oilfield services, your Company continues to provide end-to-end logistics solutions to its customers in a very cost effective manner.

a) Sea Transportation Business

The Company currently operates a diversified fleet of 15 vessels which includes Very Large Crude Carriers, Bulk carriers such as Capsize, Mini-capes, Supramaxes and Handy-size. Company's revenue have declined in the recent past due to reduction in number of vessels and decline in charters rates due to continuous slowdown in the Shipping industry. Shipping market is currently subdued due to both demand side constraints and oversupply of tonnage. While in the near term recovery is expected to remain subdued and uneven with freight rates likely to remain under pressure particularly in dry bulk segment. As per the report by Clarksons ("Dry Bulk Trade Outlook", April 2015), current downtrend in Shipping Industry is expected to offset by uptrend in commodities like coal and iron ore and supplemented by limited net addition of vessels due to scrapping of old fleet.

Company is taking a series of initiatives to weather the difficult market conditions on the operational front as well as on the financing end to make a sustainable business model for its shipping business. The initiative includes entering into long term contracts for deployment of vessels for ensuring assured returns.

Dry Bulk Market

Baltic Dry Index (BDI), the indicator of dry bulk cargo tariffs, had an all-time high value of 11793, in May 2008 and has reached to an all-time low value of 509 in Feb 2015. For last three years, the BDI hovered around 1000, and it declined in the period of Nov 2014 to Feb 2015. The BDI has since recovered to 634 by mid May 2015.

Dry bulk has significant share of worlds' seaborne trade. As per Crisil research in year 2000, dry bulk had 54% share of

the total cargo volume transported in that year. In year 2014, dry bulk segment has even increased the market share to 55%. The global dry bulk transport grew steadily from 2794 million tons in year 2005 to 4545 million tons in year 2014 at CAGR of 5.56%. Therefore, notwithstanding some short-term challenges, the global dry bulk transportation segment is expected to perform well in the long run.

Steel industry is a major contributor to the dry bulk cargo, as iron ore forms 29% of the total dry cargo traded. Contribution of coal in dry cargo composition is 27%. Other bulk cargo includes cement, fertilizers, agri bulks, coke, anthracite etc.

As iron ore and coal combined contribute to 56% of the dry bulk shipping, the trends in iron ore, coking coal and thermal coal are likely to define the bulk carrier market in the long term. As mentioned in the Clarkson's Dry Bulk Trade Outlook (April, 2015), China's thermal coal and coking coal imports are likely to be weakened due to Chinese campaign to reduce air pollution in major cities, by slowing its steel production and coal-fired power generation. However, India's thermal coal imports are projected to grow, which may compensate the decline in coal transport caused by China's reduced coal import. Overall, coal trade is projected to remain steady in short term.

According to Clarkson, iron ore spot prices hit a ten-year low of less than \$47/ton, caused by ramped up production by the Australian miners – BHP Billiton and Rio Tinto. They are expected to continue the expansion in year 2015. This reduction in spot prices has caused displacement of Chinese domestic iron ore by imported iron ore from Australia. Thus, Chinese iron ore imports may expand this year by about 6%, which will give big boost to worldwide iron ore bulk transport, which is expected to grow by 5% in year 2015.

The pace of bulk carrier scrapping in the year to date, particularly in the Capesize sector, has increased, thus helping to slow the pace of fleet expansion. The fleet expansion is likely to remain at slow pace, as orderbook-to-fleet ratio for Capesize, Panamax and Handymax are at low levels. However, bulk carrier deliveries are expected to reach 54m dwt in 2015 and 51m dwt in 2016, which is likely to result in continued supply-side pressure on the market.

Tanker Market

As per Crisil Research, as in year 2014, Petroleum Products and Oil Tankers have 29% share of volume transported that year. Crude oil tankers are classified according to their sizes as Ultra Large Crude Carriers (ULCC), Very Large Crude Carriers (VLCC), Suezmax, Aframax, Panamax, Long Range (LR) and Medium Range (MR) tankers.

The trend for last three years of Baltic Exchange Dirty Tanker Index (BCIY) shows that the index peaked in Dec-14, at around 800 and bottomed at around 600. The index has been volatile for last three years.

According to Bloomberg, because of decline in oil prices, interest in floating storage is increasing. Therefore, demand for VLCC and Suezmax vessels may increase.

As per Crisil Research, crude trade is expected to grow in 2015 due to increased supply and elevated demand from refinery additions. Incremental crude demand from Asia is expected to offset the reduced crude imports into USA and Europe.

Increasing crude output will drive search for new markets for the produce, leading to expansion in trade routes. Reduced ordering continued slippages and sizeable scrappage of old vessels have caused net addition in fleet to remain at a moderate level. The net additions are expected to constitute around 2-3 per cent of the existing fleet.

Demand & charter rates for VLCCs are showing an uptrend and may continue in light of expanding trade rates & moderate net addition in existing fleet.

(b) Oilfields Services Business

In the oilfields services business the Company owns and operates a fleet of one semi-submersible Rig and 15 land Rigs. Oil prices fell sharply from the second half of 2014, bringing to an end a long period of stability around \$105 per barrel, and since then the prices have been ranging between \$50 and \$60 per barrel. This sharp price decline has put severe economic stress on oil producers and the oil services industry around the world. While there is a growing concern that further steep declines in the prices of oil may threaten the economic and political stability of oil-producing countries, there is also hope that lower oil prices may add the much needed strength to the global economy. The decline has been welcomed by many in India as it is helping to reduce inflation, the fiscal deficit and the import bill. But the oil companies, be they in refining or exploration, or both, are suffering.

Exploration & Production (E&P) spending is one of the most important market indicators of the health of the Upstream Oil & Gas industry. This is true from seismic to drilling to subsea — and includes the charter hire for all marine assets and offshore support vessels (OSVs). Capital expenditures (CapEx) for global E&P spending are expected to fall by 20.2 percent in 2015 to approximately \$590 billion – the first time that spending has dipped below \$600 billion since 2011 – but is poised to rise in 2016 if oil prices stabilize at or above the \$65 to \$70 per barrel threshold.

Drilling activity continues to trend lower on the back of a challenging crude oil pricing environment. It is expected that Oilfield services companies will see weaker revenues over 2015-16, as spending cuts take effect and also as customers push for better pricing and terms on contract negotiations and renewals. This environment has resulted in a sharp decline in dayrates and utilization of the rigs. The marketed utilization in the worldwide semisubmersible market is expected to drop to an average of 75% in 2015 from the December 2014 level of 90%. The marketed utilization of the worldwide jackup market is expected to drop from 86% in December 2014 to an average of 79% in 2015. The dayrate for 2G/3G mid water floaters is expected to be in the range of \$140,000 to \$170,000 in 2015 against a range of \$190,000 to \$230,000 in 2014.

Given the present market scenario, there is tremendous competition for the limited number of new drilling contracts that are currently available. Presently, leading Indian operators such as ONGC and Oil India have a few tenders in both the offshore and onshore segments that are keeping contactors busy. Essar is committed to building long term relationships with these leading operators and is participating in these tenders to find deployment opportunities for its fleet of offshore and onshore rigs.

While the fact that operators are rapidly laying down rigs and curtailing CapEx is certainly a near-term dampener for oilfield services firms, it should prove positive for the broader oil markets. The weaker drilling and capital spending could suggest that there will be tighter supply of oil in the future, helping to bolster prices. Turning to 2016, a recovery in global demand is expected to begin once oil prices return to a level that the operators are comfortable with, when it comes to sanctioning new projects and hiring additional rig capacity.

SUBSIDIARIES

As on March 31, 2015, your Company has four direct subsidiaries and one indirect subsidiary. Essar Oilfields Services Limited, Mauritius; Arkay Logistics Limited, India (Formerly known as Essar Logistics Limited); Energy Transportation International Limited, Bermuda; and Energy II Limited, Bermuda are direct subsidiaries of the Company. Essar Oilfield Services India Limited, India, is indirect subsidiary of the Company.

A report on the performance and financial position of each of the subsidiaries and associates companies as per the Companies Act, 2013 is provided as Annexure to the consolidated financial statement and hence not repeated here for the sake of brevity. The Policy for determining material subsidiaries is available on Company's website www.essar.com.

CONSOLIDATED FINANCIAL STATEMENTS

The Company's Subsidiaries are managed by respective Board of Directors and their accounts are duly audited by respective Statutory Auditors. The Consolidated Accounts should therefore be read in conjunction with the report of Directors' of these subsidiaries, their accounts, financial notes and Auditors' report thereon.

In accordance with the Companies Act, 2013 and Accounting Standard (AS) - 21 on Consolidated Financial Statements read with AS - 23 on Accounting for Investments in Associates, the audited Consolidated Financial Statements are provided in the Annual Report.

STATEMENT CONTAINING THE SALIENT FEATURES OF THE SUBSIDIARY(S) AS PER REQUIREMENT OF SECTION 129(3)

A separate statement containing the salient features of the subsidiary(s) as per requirement of section 129(3) is attached with this report as Annexure – H.

AWARDS AND RECOGNITIONS

In August 2014, your Company received the 'Bulk Operator of the Year' award at the Gateway Awards, for the third time consecutively, in appreciation of the impressive performance in dry bulk segment for the year 2013-14. This award is presented in appreciation of the impressive performance in dry bulk shipping. The award also recognises the Company's proactive initiatives in expanding its fleet.

Arkay Logistics Limited, a subsidiary of the Company has been ranked 27th in the Dollar Business Magazine's Logistics 50 list which ranks the top logistics companies in India on the basis of its turnover, fleet, geographical spread, manpower, technology, warehousing, clientele, vertical integration, and efficiency. In addition to this, Arkay Logistics Limited has also featured in the list of the top 10 companies in India for its value added services amongst logistics majors, Maersk, Hyundai Logistics, UPS and

Gati.

Mr. A. K. Musaddy, Managing Director of Arkay Logistics Limited has bagged the Leading CEO of The Year 2015. The award committee has valued Mr. A. K. Musaddy, Managing Director of Arkay Logistics Limited's outstanding leadership in shaping the organization, delegation of responsibilities and nurturing young talent for key positions and conferred with Gold Awards in leading C.E.O. of the year category.

Arkay Logistics Limited has also bagged the Gold award in category for "Innovation in Retention Strategies".

SUSTAINABILITY REPORTING

Since the launch of the first sustainability report by the Company for the year 2010-11, the Company has demonstrated progress based on a systematic approach of integrating sustainability into the business. Over the years, the focus on energy efficiency has helped reduce the costs and made environmental footprint related to the shipping business.

The Company's fourth Sustainability Report titled, "Strengthening and Creating a Sustainable Maritime Industry" was released on April 24, 2015. Most of the sustainability indicators have shown improvement over the years. During the year, further steps have been initiated to strengthen the sustainability governance framework. The sustainability report is available at http://www.essar.com/upload/pdf/Essar_Sustainability_Report_Final.pdf.

Your Company is the first Indian Shipping Company to have published its Sustainability Report and all its reports conform to Global Reporting Initiative Current Generation of Guidelines Version 3.1 (GRI G3.1 Guidelines) DNV GL Business Assurance India Pvt. Ltd. has assured A+ application level.

HUMAN RESOURCE

Your Company believes that employee competence and motivation are necessary to achieve its business objectives. Your Company has undertaken many training initiatives to enhance technical and managerial competence of the employees and to further leverage their capabilities to enhance their performance. The Company has taken a series of initiatives to enhance emotional and intellectual engagement of employees. During the year under review, the Company held many employees engagement programs at the Company premises and outside. Families of employees were invited and attended these programs.

The Company has policies on conduct, sexual harassment of women at workplace, whistle blower, corporate governance, insider trading etc. guiding the human assets of the Company. For the year under review, there was no instance of the sexual harassment reported pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

DIRECTORS

In accordance with the provisions of the Companies Act, 2013 and the Article of Association of the Company, Mr. P. K. Srivastava retires by rotation at the ensuing Annual General Meeting and being eligible has offered himself for re-appointment. The Company has received requisite notice in writing from a member proposing Mr. P. K. Srivastava for appointment as Director.

During the year under review, Mr. Ankur Gupta, Director and Mr. A. R. Ramakrishnan, Managing Director, have resigned with effect from January 28, 2015 and March 31, 2015, respectively.