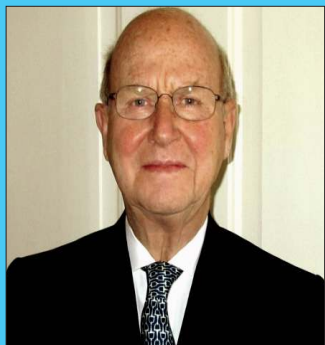


APM Terminals Pipavav **Gujarat Pipavav Port Limited**

ANNUAL REPORT
2011



CHAIRMAN'S STATEMENT



Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report for the Year 2011 on the overall performance of your Company.

During the Year 2011 the Global Container Market grew 7% compared to 2010. Against this backdrop, the container volume at Pipavav grew 31%. This growth was driven by an increase in services by the shipping lines and improved rail connectivity. Providing faster turnaround of vessels and efficient evacuation facilities will continue to be our key focus areas.

The North and North-West Regions of India are the key markets for container business and Pipavav has ample rail capacity for servicing these markets. Your Company is closely working with the Railways for carrying out necessary civil works to facilitate handling of high cube double stack containers. This will further enhance the rail capacity to cater to this key market, which contributes almost two-thirds of India's container trade volume.

Bulk cargo has remained stable over the past couple of years and has seen a 10% increase during the Year 2011 compared to previous year.

The Year 2011 is the first full year of Net Profit for the company. The Board of Directors is pleased to report Net Profit of Rs. 571 Million during the Year 2011 as compared to a Net Loss of Rs. 547 Million the previous year. An increase in overall container volume, higher refrigerated container cargo handled and continued focus on cost reduction are the main factors behind the positive result for 2011. During the past year the company also prepaid additional debt of Rs. 895 Million which has contributed in reducing the borrowing cost.

Your company has been conferred an award for “Fastest Growing Port in India” by EXIM India at the Maritime & Logistics Awards (MALA) 2011 ceremony. On a Global level, Pipavav has been listed among Top 5 fastest growing Container ports in the world for the second year in succession by Drewry Maritime Research.

Your company continues to fulfill its part in Corporate Social Responsibility, making it an integral part of good business practice. During the year, the company focused on assisting the local community through education, infrastructure and medical care apart from providing Disaster Management Services during emergency in neighboring villages.

India is one of the key markets in global trade and container shipping lines are keen to participate in its growth potential. Pipavav is ready to partner with all shipping lines to provide efficient, reliable and ultra modern port facilities.

On behalf of the Board of Directors, I would like to take this opportunity to express sincere appreciation for the strong and dedicated contribution by the loyal employees at all levels, to my fellow Board colleagues for their continued support and guidance, and finally to our business partners and shareholders for their enduring confidence in the Company.

Yours faithfully,

Per Jørgensen

Chairman

Gujarat Pipavav Port Limited

BOARD OF DIRECTORS

| | |
|--------------------------------|--|
| Mr. Per Jørgensen | Chairman |
| Mr. Christian Møller Laursen | |
| Mr. Dinesh Kumar Lal | |
| Ms. Malini Bansal | Nominee Director- IDBI (from 28th July 2011) |
| Mr. Martin Gaard Christiansen | |
| Mr. Pravin Laheri, IAS (Retd.) | |
| Mr. Pankaj Kumar, IAS | |
| Mr. Shyam Sundar S. G. | |
| Mr. Prakash Tulsiani | Managing Director |
| Mr. Abhay Bongirwar | Nominee Director- IDBI (upto 28th July 2011) |

CHIEF FINANCIAL OFFICER

Mr. Hariharan Iyer

COMPANY SECRETARY & COMPLIANCE OFFICER

Mr. Manish Agnihotri

AUDITORS

BSR & Associates
Chartered Accountants

REGISTRAR & TRANSFER AGENTS

Karvy Computershare Private Limited
17-24, Vittal Rao Nagar,
Madhapur,
Hyderabad- 500 081

REGISTERED OFFICE

Pipavav Port, At Post Ucchaiya Via Rajula,
Dist. Amreli, Gujarat 365 560

CORPORATE OFFICE

301, Trade Centre,
Bandra Kurla Complex,
Bandra (E),
Mumbai 400 051

GREEN INITIATIVE

As you may be aware, the Ministry of Corporate Affairs has taken a "Green Initiative in Corporate Governance" by allowing paperless compliances by Companies through electronic mode. Companies can send various notices and documents, including Annual Report, to its shareholders through electronic mode to their registered e- mail addresses. To support this green initiative of the Government in full measure, members are requested to register their email addresses at einward.ris@karvy.com , in respect of electronic holdings with the Depository through their concerned Depository Participants

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NOTICE is hereby given that the Twentieth Annual General Meeting of the Members of the Company shall be held on Thursday 3rd May 2012 at 2.00 P. M. at the Company's Registered Office at Pipavav Port, At Post Ucchahiya, via Rajula, District Amreli to transact the business as mentioned herein below:

ORDINARY BUSINESS:

- (i) To receive, consider and approve the Audited Accounts of the Company for the year ended 31st December 2011 and adopt Report of the Directors and of the Auditors thereon.
- (ii) To appoint a Director in place of Mr. Per Jørgensen who retires by rotation and being eligible, offers himself for re-appointment.
- (iii) To appoint a Director in place of Mr. Pravin Laheri, IAS (Retd.) who retires by rotation and being eligible, offers himself for re-appointment.
- (iv) To appoint a Director in place of Mr. Shyam Sundar S. G. who retires by rotation and being eligible, offers himself for re-appointment.
- (v) To appoint Auditors and fix their remuneration by passing the following resolution as Ordinary Resolution with or without modification(s):

RESOLVED THAT M/s BSR & Associates, Chartered Accountants, (ICAI Registration Number 116231W), the retiring Auditors of the company be and are hereby re-appointed 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 of the Company and the Board of Directors be and is hereby authorized to fix their remuneration plus travelling and other out of pocket expenses incurred by them in connection with Statutory Audit.

SPECIAL BUSINESS:

- (vi) **Increase in Investment limit by Foreign Institutional Investors (FIIs) under the Portfolio Investment Scheme (PIS)**

To consider and if thought fit, pass with or without modification (s) the following as a **Special Resolution**:

RESOLVED THAT pursuant to the applicable provisions of the Foreign Exchange Management Act, 1999, as amended ("FEMA"), Foreign Exchange Management (Transfer or Issue of Security by a person Resident Outside India) Regulations 2000, as amended, the Companies Act, 1956 and all other applicable acts, rules, regulations, provisions, circulars and guidelines (including any statutory modifications or re-enactments thereof for the time being in force) and subject to approvals, permissions and sanctions of the Government of India, Reserve Bank of India and any other regulatory authorities, if required, and such conditions as may be prescribed by any of the said authorities while granting such approvals, permissions and sanctions, the foreign institutional investors, including their sub-accounts, registered with SEBI be permitted to acquire equity shares of the Company, under the portfolio investment scheme or any other permissible mode under FEMA, up to an aggregate limit of 45% of the paid-up equity share capital of the Company.

RESOLVED FURTHER THAT any of the Directors of the Company, the Chief Financial Officer and the Company Secretary of the Company be and are hereby severally authorised to file the requisite forms, etc. with the office of the Registrar of Companies, Gujarat, Dadra and Nagar Haveli, file requisite application(s) as may be required with the Reserve Bank of India and other regulatory authorities, take all necessary steps and actions, give such directions, delegate such authorities and to do all other acts, deeds and things, and execute all documents or writings as may be necessary in this regard.

- (vii) **Remuneration to Managing Director Mr. Prakash Tulsiani**

To consider and if thought fit, pass with or without modification (s) the following as an **Ordinary Resolution**:

RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, Schedule XIII and any other applicable provisions, consent of the Company be and is hereby accorded for payment of remuneration to Mr. Prakash Tulsiani, Managing Director of the Company towards Salary, Fixed Allowances and Incentives/ Performance linked Bonus to a maximum limit of Rs. 37,837,704 for the year 2012 and the following Perquisites not covered hereinabove:

- (a) **Contribution to Provident Fund for the year 2012, Superannuation Fund etc**

Contribution to Provident Fund, Superannuation or Annuity Fund will not be included in the above ceiling to the

extent these are not taxable under the Income-tax Act, 1961. Gratuity shall be payable as per the Company's Scheme.

(b) Medical Expenses

Reimbursement of all medical expenses incurred by Mr. Tulsiani for his family as per the rules of the Company.

(c) Club Membership

Annual Membership Fees for a Club

The Board of Directors or Remuneration Committee of the Board may in its discretion pay to Mr. Prakash Tulsiani lower remuneration than the maximum remuneration hereinbefore stipulated and revise the same from time to time, within the maximum limits stipulated.

Minimum Remuneration:

In the event of loss or inadequacy of profits during the tenure the Board or Remuneration Committee of the Board shall determine the amount of total remuneration payable to Mr. Tulsiani and approval of Central Government, if required.

RESOLVED FURTHER THAT the Board of Directors of the Company or Remuneration Committee of the Board be and is hereby authorised from time to time to amend, alter or otherwise vary the terms and conditions of the remuneration to Mr. Tulsiani provided such remuneration shall not exceed the maximum limits for payment of remuneration as may be admissible to him within the overall limits specified in the Act, and as existing or amended, modified or re-enacted from time to time, as the Board may deem fit.

RESOLVED FURTHER THAT the Board of Directors of the Company or Remuneration Committee of the Board be and is hereby authorised to do all such acts, deeds, matters and things as in its absolute discretion, may consider necessary, in order to give effect to this Resolution.

By Order of the Board

Manish Agnihotri
Company Secretary

Place: Mumbai

Date: 22nd February 2012

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. A PROXY IN ORDER TO BE VALID SHALL BE DEPOSITED AT LEAST FORTY EIGHT HOURS BEFORE THE DATE OF THE MEETING.**
2. **The Explanatory Statement under Section 173 (2) of the Companies Act, 1956 is annexed herewith and forms part of the notice.**
3. **The Register of Members and Share Transfer Books of the Company will remain closed from 24th April 2012 to 3rd May 2012 (both days inclusive)**

The information required under Clause 49 IV G of the Listing Agreement (relating to Corporate Governance) with respect to the Director being appointed and Directors retiring by rotation and being eligible seeking re-appointment is as under:

| | Mr. Per Jørgensen | Mr. Pravin Laheri, IAS (Retd.) | Mr. Shyam Sundar S. G. |
|---------------------------|---|--|--|
| Profile of the Director | <p>Mr. Per Jørgensen has worked with AP Møller Mærsk A/S from 1954 to 2006 and has held various positions in Denmark and overseas. He retired as Executive Vice President and Partner of AP Møller Mærsk A/S in 2006.</p> <p>Mr. Jørgensen has completed his education in Denmark and Harvard University.</p> | <p>Mr. Pravin Laheri belongs to the batch of 1969 of the Indian Administrative Services and has held various positions across different departments in the State of Gujarat. He has been Principal Secretary to five Chief Ministers of Gujarat. He retired as Chief Secretary of Gujarat in 2005, a position he held since 2003. He was Chairman and Managing Director of Sardar Sarovar Narmada Nigam from 2005-2008. Between the period 2003 - 2005, he was also the Chairman of Gujarat State Finance Corporation, Gujarat Narmada Valley Corporation and Gujarat Alkalies and Chemicals Limited.</p> <p>He has also worked as Executive Director of National Institute of Fashion Technology (NIFT) under Ministry of Textiles, Government of India. Mr. Laheri holds bachelors degree in arts as well as law and a masters of Science (Economics) degree from the University of Wales.</p> | <p>Mr. Shyam Sundar is currently Senior Managing Director at IDFC Private Equity Company Limited. He has over 15 years of experience in Indian Infrastructure industry. He started his career with ICICI Securities and then shifted to IDFC Private Equity in its initial years.</p> <p>Mr. Shyam Sundar is a Mechanical Engineer and MBA from Indian Institute of Management (IIM), Kolkata.</p> |
| Date of joining the Board | 29th August 2008 | 29th August 2008 | 29th October 2010 |

| | Mr. Per Jørgensen | Mr. Pravin Laheri, IAS (Retd.) | Mr. Shyam Sundar S G |
|--|-------------------|--|---|
| Directorships and Committee Memberships in other limited companies in India* | None | <ul style="list-style-type: none"> • PI Industries Limited • New Light Hotels Limited • Narayani Hotels & Resorts Limited • Pahal Financial Services Limited Committee Memberships: None | <ul style="list-style-type: none"> • Seaways Shipping Limited • Ashoka Buildcon Limited • Goodearth Maritime Limited • Maharashtra Natural Gas Ltd • Krishna Godavari Gas Network Ltd • Central UP Gas Ltd Committee Memberships: <ul style="list-style-type: none"> • Goodearth Maritime Limited- Audit Committee • Ashoka Buildcon Limited- Audit Committee & Investor Grievance Committee • Seaways Shipping Limited- Audit Committee • Krishna Godavari Gas Network Limited- Audit Committee |
| No. of Shares held in their own name | Nil | Nil | Nil |

* The details include Directorships and Committee Memberships in Audit Committee and Investor Grievance Committee. But it does not include details of Gujarat Pipavav Port Limited and directorships in Private Limited companies, Foreign companies, Port Trusts, Section 25 companies and their committee memberships.

The Board of Directors recommend the re-appointment of Mr. Per Jørgensen, Mr. Pravin Laheri, IAS (Retd.) and Mr. Shyam Sundar S. G. Except Mr. Jørgensen no other Director of the company is concerned or interested in the appointment of Mr. Per Jørgensen. Except Mr. Laheri no other Director of the company is concerned or interested in the appointment of Mr. Pravin Laheri, IAS (Retd.). Except, Mr. Shyam Sundar no other Director of the company is concerned or interested in the appointment of Mr. Shyam Sundar S G.

By Order of the Board

Manish Agnihotri
Company Secretary

Place: Mumbai

Date: 22nd February 2012

ANNEXURE TO NOTICE

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

The Explanatory Statement for Item Nos. (vi) and (vii) of the accompanying notice hereinabove is mentioned as under:

Item no. (vi)

The total shareholding of Foreign Institutional Investors (FIIs) under the Portfolio Investment Scheme (PIS) is upto 24% of company's paid up share capital. In order to facilitate increased investment by FIIs into the company, it is proposed to increase the limit to 45% of the company's paid up share capital.

Considering the high level of interest of the Registered FIIs in the company and to enable them to increase their shareholding, the Board of Directors have approved the proposal to increase the FII limit to 45% of the company's paid up share capital in the Meeting held on 22nd February 2012, subject to approval of members by way of Special Resolution.

The Board of Directors recommend the resolution for approval.

None of the Directors are interested in the resolution.

Item no. (vii)

The Remuneration Committee and the Board of Directors in the meeting held on 22nd February 2012 approved the remuneration payable to Mr. Prakash Tulsiani Managing Director for the year 2012.

The information required to be furnished under the Code of Corporate Governance is as follows:

Mr. Prakash Tulsiani, aged 49 years, is a certified Chartered Accountant from The Institute of Chartered Accountants of India (ICAI - CA), and a certified Company Secretary from The Institute of Company Secretaries of India (ICSI - CS). He also holds a degree in Law and a degree in Commerce from Mumbai University.

Mr. Tulsiani started his career in Thailand with a trading and shipping company. He joined the Maersk group in Indonesia in 1993 and held several management positions until 2005. He then headed the project in Gateway Terminals in Mumbai as the Chief Operating Officer from 2005-2009 and was instrumental in its success from project stage to commercial operations. Mr. Tulsiani is the Managing Director of Gujarat Pipavav Port Limited since January 2009.

He is also Director on the Board of Pipavav Railway Corporation Limited.

Mr. Tulsiani holds 22,000 shares of the company in his own name.

The Board recommends this Resolution for approval by the Members.

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

Mr. Prakash Tulsiani is deemed to be interested in this Resolution as it concerns him. No other Director is concerned or interested in passing of this Resolution.

By Order of the Board

Manish Agnihotri
Company Secretary

Place: Mumbai

Date: 22nd February 2012

DIRECTORS REPORT

The Directors present herewith Twentieth Annual Report of the Company together with the Audited Statement of Accounts for the year ended 31st December 2011.

FINANCIAL RESULTS

| Particulars | Year Ended 31st December 2011 (Rs. In Million) | Year Ended 31st December 2010 (Rs. In Million) |
|---|--|--|
| Operating Income | 3,967.72 | 2,839.29 |
| Less: Total Expenditure | 2,139.55 | 1,695.16 |
| Operating Profit | 1,828.17 | 1,144.13 |
| Add: Other Income | 152.53 | 111.11 |
| Profit before Interest, Depreciation, tax and exceptional items | 1,980.70 | 1,255.24 |
| Less: Interest | 851.88 | 1,271.44 |
| Less: Depreciation | 557.82 | 492.67 |
| Profit/(Loss) for the year before Exceptional Item | 571.00 | (508.87) |
| Exceptional Item (Prior period adjustment) | - | (38.85) |
| Profit/ (Loss) Before Tax | 571.00 | (547.22) |
| Less: Taxes (Fringe Benefit Tax) | -- | --- |
| Profit/ (Loss) After Tax | 571.00 | (547.22) |
| Balance brought forward from previous year | (7,745.45) | (8,316.45) |

DIVIDEND

Your company is pleased to report for first time ever full year Net Profit of Rs. 571.00 Million. However considering the accumulated losses of Rs. 7,745.45 Million, no dividend is recommended.

YEAR IN RETROSPECT & OTHER KEY DEVELOPMENTS

A brief statistical profile on port operations during the year ended 31st December 2011 comprising of ships calling at the Port and volume of cargo handled is as under:

| Particulars | Year 2011 | Year 2010 |
|--|------------------|------------------|
| No. of vessel calls at the Port | 1,315 | 1,076 |
| Bulk Cargo Handled (In MT.) | 3,793,881 | 3,383,588 |
| Containers Handled (TEU) | 610,243 | 466,138 |

Bulk cargo handled during the year increased by 10% compared to previous year while Containers handled during the year increased by 31%. This can be attributed to addition of new services by the container shipping lines and improved business opportunities from the hinterland area.

MANAGEMENT DISCUSSION AND ANALYSIS

A separate section on Management Discussion and Analysis (MD&A) forms part of the Annual Report as required under Clause 49 of the Listing Agreement with the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited. The MD&A includes the review of industry prospects and developments, opportunities and risks, outlook for business, risks and concerns, internal control systems and their adequacy and discussion on financial performance.