

Essar Shipping Limited

Annual Report 2006 - 2007

BOARD OF DIRECTORS

Shashi Ruia

Chairman

Ravi Ruia

Vice Chairman

Anshuman Ruia

Director

Rewant Ruia

Director

R. N. Bansal

Independent Director

N. Srinivasan

Independent Director

S. K. Poddar

Independent Director

Sanjay Mehta

Managing Director

A. R. Ramakrishnan

Wholetime Director & Chief Executive Officer

V. Ashok

Wholetime Director

COMPANY SECRETARY

Manoj Contractor

AUDITORS

Deloitte Haskins & Sells, Mumbai

SOLICITORS

Khaitan & Co.

AUDIT COMMITTEE

Anshuman Ruia

R. N. Bansal

N. Srinivasan

COMPENSATION COMMITTEE

Ravi Ruia

Anshuman Ruia

Sanjay Mehta

SHARE TRANSFER & SHAREHOLDERS' GRIEVANCE COMMITTEE

Ravi Ruia

Sanjay Mehta

A. R. Ramakrishnan

V. Ashok

MANAGEMENT TEAM

Sanjay Mehta

Managing Director

A. R. Ramakrishnan

Wholetime Director & Chief Executive Officer

V. Ashok

Wholetime Director

REGISTERED OFFICE

2494, 17th Main, HAL II Stage,

Bangalore 560 008.

CORPORATE OFFICE

Essar House

11, Keshavrao Khadye Marg,

Mahalaxmi, Mumbai 400 034.

REGISTRARS & SHARE TRANSFER AGENTS

Data Software Research Company Pvt. Ltd.

"Sree Sovereign Complex",

22, 4th Cross Street,

Trustpuram, Kodambakkam,

Chennai 600 024.

e-mail: dsrcommand@vsnl.com

NOTICE TO MEMBERS

Notice is hereby given that the Thirty-first Annual General Meeting of Essar Shipping Limited will be held at the Dayanandasagar Memorial Hall, Chandrasagar Complex, No.264/266, T. Mariappa Road, 2nd Block (Near Ashoka Pillar), Jayanagar, Bangalore-560 011 at 11.00 am on Tuesday, September 25, 2007, to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Profit and Loss Account for the year ended March 31, 2007 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. Anshuman Ruia, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. S. K. Poddar, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Shashi 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. Rewant Ruia, 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 resolutions as Ordinary Resolutions:

(a) "RESOLVED THAT Mr. V. Ashok, 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."

(b) "RESOLVED THAT pursuant to the provisions of Section 198, 269, 309 and all other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII to the Companies Act, 1956, (including any statutory modification(s) or re-enactment thereof for the time being in force) and subject to such approval from the Central Government or any other authority, as may be required, consent of the Company be and is hereby accorded to the appointment of Mr. V. Ashok as a Wholtime Director of the Company for a period of five years commencing from December 7, 2006 on the terms and conditions including remuneration as set out in the Explanatory Statement annexed to this notice with liberty to the Board of Directors (hereinafter referred to as "Board" which term shall be deemed to include the Remuneration/Compensation Committee of the Board) to alter and vary the terms and conditions of the said appointment, as may be agreed to between the Board and Mr. V. Ashok."

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

By Order of the Board

MANOJ CONTRACTOR
Company Secretary

Mumbai
June 29, 2007

Notes:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF ON A POLL ONLY. THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.** Proxy forms in order to be effective should be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for the meeting.
2. Members / Proxies should bring the attendance slip duly filled in for attending the meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from Wednesday, September 19, 2007 to Tuesday, September 25, 2007, both days inclusive.
4. The members are requested to immediately notify in their own interest the change in their address to the Company's Registrar and Share Transfer Agents, Data Software Research Company Private Limited, "Sree Sovereign Complex", 22, 4th Cross Street, Trustpuram, Kodambakkam, Chennai 600 024, Tel : 91-44-24833738, 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 Limited, Mumbai, 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 Registrar 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 7 days before the date of the Meeting to enable the Company to keep the information ready.
9. The Chairman of the Audit Committee of Directors shall be present at the Annual General Meeting to answer queries of shareholders on the Annual Accounts of the Company.
10. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to the Special Business mentioned in Item No. 6, 7(a) and (b) of the accompanying notice is annexed.
11. Appointment / Re-appointment of Directors:

At the ensuing Annual General Meeting, Mr. Anshuman Ruia, Mr. S. K. Poddar and Mr. Shashi Ruia retire by rotation and being eligible offer themselves for reappointment and Mr. Rewant Ruia and Mr. V. Ashok are being appointed as Directors. The information or details pertaining to the aforesaid Directors to be provided in terms of Clause 49 of the Listing Agreement with the Stock Exchange is annexed hereto.

By Order of the Board

MANOJ CONTRACTOR
Company Secretary

Mumbai
June 29, 2007

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.**Item No. 6**

Mr. Rewant Ruia was appointed as an Additional Director of the Company with effect from December 7, 2006. 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. Rewant Ruia holds office upto the date of ensuing Annual General Meeting.

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

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. Rewant Ruia as a candidate for the office of Director of the Company.

The profile of Mr. Rewant Ruia is furnished in the annexure annexed hereto.

The Board of Directors are of the opinion that the appointment of Mr. Rewant Ruia 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.

Mr. Rewant Ruia is interested in the resolution as it relates to his appointment. Mr. Ravi Ruia, being a relative of Mr. Rewant Ruia, may be deemed to be interested in the resolution. None of the other Directors of the Company are concerned or interested in the said resolution.

Item No. 7 (a) and (b)

Mr. V. Ashok was appointed as an Additional Director in the Wholetime employment of the Company with effect from December 7, 2006 for a period of five years. 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. Ashok holds office upto the date of ensuing Annual General Meeting.

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

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. V. Ashok as a candidate for the office of Director of the Company.

The profile of Mr. V. Ashok is furnished in the annexure annexed hereto.

The terms relating to his appointment are as follows:

- (a) Period of Appointment : five years from December 7, 2006.
- (b) In consideration of his duties, Mr. Ashok shall be paid the following remuneration:

1. Remuneration :

Basic Salary in the range of Rs. 1,00,000/- to Rs. 3,50,000/- per month, as may be determined by the Board of Directors or by such other authority as may be delegated by the Board of Directors.

In addition to the Basic Salary, Mr. Ashok shall be entitled to perquisites and allowances like accommodation (furnished or otherwise) or House Rent Allowance in lieu thereof; House Maintenance Allowance together with reimbursement of expenses/allowances for utilisation of gas, electricity, water, furnishing and repairs; medical reimbursement; Education Allowance; Leave Travel Concession for self and his family including dependents; Club Fees; premium for medical insurance; Commission and all other payments in the nature of perquisites and allowances as may be agreed by the Board of Directors or such other authority as may be delegated by the Board of Directors from time to time upto a limit of Rs. 5,00,000/- per month. As per the rules of the Company, Mr. Ashok is eligible for Provident Fund, Gratuity and Superannuation, which payments shall not be included for the purpose of calculation of Managerial Remuneration.

2. Minimum Remuneration:

Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of tenure of Mr. Ashok, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary, perquisites and allowances as specified above, subject to compliance with the applicable provisions of Schedule XIII to the Act, if and to the extent necessary, with the approval of the Central Government.

The above may be treated as an abstract of the agreement between the Company and Mr. Ashok pursuant to Section 302 of the Companies Act, 1956.

The Board of Directors are of the opinion that the appointment of Mr. Ashok would be in the best interest of the Company. Your Directors accordingly recommend the resolutions at Item No. 7(a) and (b) of the notice for your approval.

None of the Directors other than Mr. Ashok are concerned or interested in the resolutions at Item No. 7(a) and (b).

By Order of the Board

MANOJ CONTRACTOR
Company Secretary

Mumbai
June 29, 2007

Annexure to Notice:

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

Mr. Anshuman Ruia

Mr. Anshuman Ruia, is a Commerce graduate who has experience of over a decade in overseeing the growth of group's major businesses. He is also involved in the group's Shipping & Logistics, Communications and Power businesses. Mr. Anshuman Ruia is responsible for the expansion and diversification of the power business into new, renewable energy sources and 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 consolidation of the group's business enterprises and strategy for growth. He is a member of the YPO (Young Presidents' Organisation).

Mr. Anshuman Ruia is a Director on the Board of Essar Power Limited, Vadinar Power Co. Limited, India Securities Limited, Essar Oil Limited, Vadinar Oil Terminal Limited, Hutchison Essar Limited, Essar Hazira Power SEZ Limited, Essar Power MP Limited, Aegis BPO Services Limited, Essar Power Transmission Co. Limited and Essar Bulk Terminal Limited. Mr. Anshuman Ruia is also a member of the Audit Committee of the Company.

Mr. Anshuman Ruia does not hold any shares of the Company.

Mr. S. K. Poddar

Mr. S. K. Poddar, has done his Graduation in Commerce with Honors. Mr. Poddar has been involved in the promotion of various new projects including several joint ventures with international corporations. Mr. Poddar is the President of International Chamber of Commerce - India. He was the immediate past President of Federation of Indian Chambers of Commerce and Industry and past President of Indian Chamber of Commerce, All India Organisation of Employers (AIOE) and Council of Indian Employers (CIE). He was a member on the local Board of Reserve Bank of India. He has also served on the Board of Governors of Indian Institute of Technology, Kharagpur for a long time. He is the recipient of Rastriya Samman from Central Board of Direct Taxes.

Mr. Poddar is a Director on the Board of Gillette India Limited, Simon India Limited, Areva T & D India Limited, Indian Furniture Products Limited, Texmaco Limited, Chambal Fertilizers & Chemicals Limited, Zuari Industries Limited, Poddar Heritage Investments Limited, Lionel India Limited, Zuari Cement Limited and Chambal Infrastructure Ventures Limited.

Mr. Poddar is also a Member of the Audit Committee of Gillette India Limited, Texmaco Limited and Share Transfer Committee of Areva T&D India Limited. He is the Chairman of the Audit Committee of Zuari Cement Limited, Areva T&D India Limited and Investors / Shareholders' Grievance Committee of Texmaco Limited.

Mr. Poddar holds 254 equity shares of the Company.

Mr. Shashi Ruia

Mr. Shashi Ruia is a Commerce graduate and has played a significant role in promoting India's industrial growth and expansion. An industrialist with a vision and mission, he has engineered the Essar Group to a premier position among top industrial houses in the Country. Mr. Shashi Ruia has seen the growth of Essar Group to an enterprise value of US\$ 15 billion. He was a member of the Managing Committee of the Federation of Indian Chambers of Commerce and Industry and was the Chairman of the Indo-US Joint Business Council. He was also the former President of Indian National Shipowners' Association.

Mr. Shashi Ruia is a Director on the Board of Essar Steel Limited, Essar Oil Limited, Essar Power Limited, Essar Constructions (India) Limited, India Securities Limited, Vadinar Oil Terminal Limited, Hazira Steel Limited, Essar Steel (Hazira) Limited and Hazira Plate Limited.

Mr. Shashi Ruia does not hold any shares of the Company.

Mr. Rewant Ruia

Mr. Rewant Ruia has done his high school education from the Hackley School in Tarrytown, New York and completed his Bachelors in Business Administration from Bentley College, Boston, USA.

He began his formal career with Essar group in the year 2005. Mr. Rewant Ruia is currently responsible for the groups foray into telecom, retail and new business development. Mr. Rewant Ruia has also been part of the group's initiative to put up infrastructure businesses of Steel, Oil, Power, etc. and for acquisition of related businesses in India and abroad. Besides this, he is actively involved in the positioning, strategy and brand management practices across group companies.

Mr. Rewant Ruia is a Director on the Board of Essar Steel Limited, Essar Constructions (India) Limited, Hazira Plate Limited, Essar Power Limited and Futura Travels Limited.

Mr. Rewant Ruia does not hold any shares of the Company.

Mr. V. Ashok

Mr. V. Ashok is a Commerce graduate and a Chartered Accountant. He has over nineteen years experience in the fields of Finance, Commerce, Accounts and General Business.

Mr. Ashok has been with the Company since 1997 and has handled the treasury, working capital and long-term finance portfolio of the Company.

Mr. Ashok is also on the Board of Essar Bulk Terminal Limited and Essar Sisco Ship Management Co. Limited.

Mr. Ashok does not hold any shares of the Company.

DIRECTORS' REPORT

To the Members of Essar Shipping Limited

Your Directors take pleasure in presenting the Thirty-first Annual Report of your Company together with Audited Accounts for the year ended March 31, 2007.

FINANCIAL RESULTS:

The summary of financial results of your Company for the year ended March 31, 2007 is furnished below:

Particulars	(Rs. in Crores)	
	For the year ended 31-03-2007	For the year ended 31-03-2006
Total Income	1,044.62	760.29
Total Expenditure	718.49	502.16
Gross Profit	326.13	258.13
Less: Interest & Finance charges	94.48	26.03
Less: Provision for Depreciation	90.51	37.48
Profit before tax	141.14	194.62
Less: Provision for tax	(7.16)	(9.40)
Profit after tax	133.98	185.22
Add: Balance in Profit and Loss Account as per last Balance Sheet	490.45	331.23
Less: Transfer to Tonnage Tax Reserve	(34.50)	(26.00)
Balance carried forward to Balance Sheet	589.93	490.45

DIVIDEND:

Your Company is continuously evaluating various opportunities towards organic and inorganic growth, which will involve substantial investments. Considering this, the Board of Directors has not recommended any payment of dividend this year.

MANAGEMENT DISCUSSION, ANALYSIS AND REVIEW:

A. Energy Transportation Group:

This group provides crude oil transportation and crude oil transportation management services to global and domestic crude oil refiners. This group contributed Rs. 358.15 Crores to the total income during the financial year, an increase of 248% as compared to the previous year, largely on account of acquisition of two Very Large Crude Carriers (VLCC's). The vessels in this group were mostly employed in the spot market to take advantage of buoyant freight markets. This group currently operates a fleet of two VLCC's and one Suezmax tanker with a total Dwt of 737,795 tons.

B. Integrated Bulk and Petroleum Product Transportation Group:

This group provides integrated bulk transportation and petroleum products transportation services to various refineries, steel mills and power generation plants along the Asian and South East Asian coast through various employment contracts including Contracts of Affreightment (COA's). This group contributed Rs. 666.15 Crores to the total income during the financial year, an increase of .16% as compared to the previous year. This group consists of the following divisions:

- Product Carriers Division:** This division consists of a fleet of three product tankers with a total Dwt of 45,826 tons which were primarily employed with Indian oil majors servicing their requirements for transportation of petroleum products along the Indian Coast.
- Bulk Carrier Division:** This division consists of a fleet of three Capesizes, two Handysize vessels, eleven Mini Bulk

carriers, four Tugs and one Diving Support Vessel with a total Dwt of 614,771 tons. These vessels were employed on COA's with major steel mills in India and South East Asia to provide supply chain logistics services along the Indian Coast and for Intra-Asian trade. The Diving Support Vessel has been chartered to assist mid sea terminalling facilities along the West Coast of India.

During the year under review, your Company sold one Handysize Dry Bulk Carrier, M.V. Nand Srishti and earned a profit of Rs. 12.47 Crores on the sale. Your Company also bought one new built Diving Support Vessel, MV Persistence for a consideration of Rs. 23 Crores from ABG Shipyard Limited.

FINANCIAL ANALYSIS:

During the year under review, your Company earned a Total Income of Rs. 1,044.62 Crores as compared to Rs. 760.29 Crores during the previous year, representing an increase of 37%. This has been achieved due to increase in tonnage on account of acquisition of two VLCC's during March 2006 and due to increased movement of cargo under the various COA's entered into during the year.

The Net Profit for the year has reduced from Rs. 185.22 Crores during the previous year to Rs. 133.98 Crores in the current year. This is largely due to the fact that the Net Profit for the previous year included Profit on Sale of Ships amounting to Rs. 70.70 Crores as compared to Rs. 12.47 Crores during the year under review. The freight markets continued to be robust during the year under review.

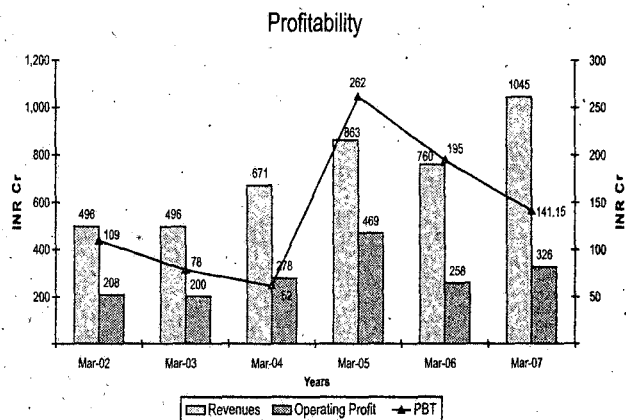
Vessel operating margins:

The focus on providing value added logistics and supply chain management services and constant initiatives towards reduction of operating costs has enabled your Company to improve operating margins. The Operating Margin on Time Charter Equivalent (TCE) basis has increased from 48% during the previous year to 59% during the year.

Dry docking expenses were Rs. 14.02 Crores during the year as against Rs. 30.20 Crores during the previous year. The Direct Voyage Expenses were Rs. 505.70 Crores as compared to Rs. 310.84 Crores during the previous year, which is due to increased inchartering of vessels for servicing the COAs.

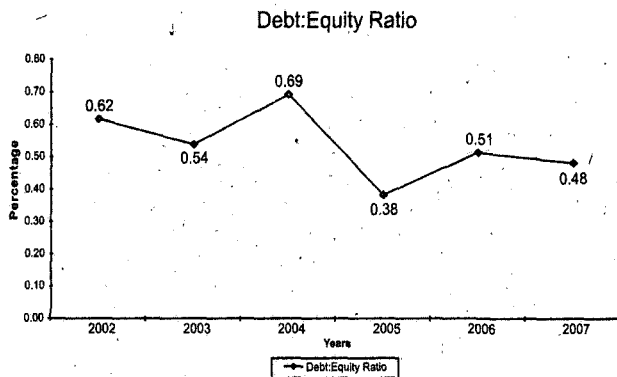
Total Income and EBITDA:

The Total Income of your Company during the year under review increased to Rs. 1,044.62 Crores from Rs. 760.29 Crores as compared to the previous year due to the acquisition of two VLCC's and the revenues generated from the COAs. Accordingly, the Operating Profit has also increased from Rs. 258.13 Crores during the previous year to Rs. 326.13 Crores during the year under review.



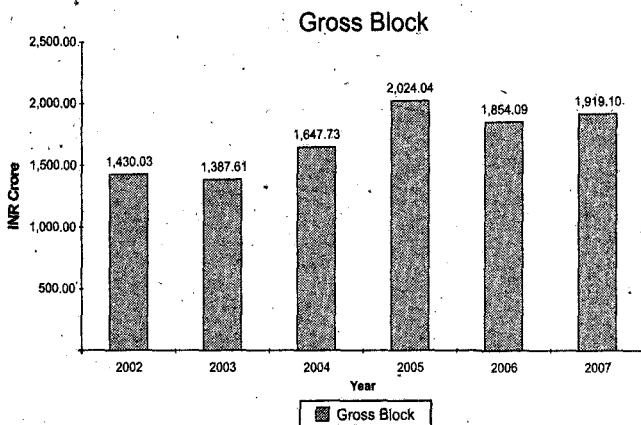
Debt-Equity Ratio:

The Debt Equity Ratio of your Company stood reduced at 0.48:1 as on March 31, 2007, as compared to 0.51:1 as on March 31, 2006. Your Company, has over the years, maintained the Debt Equity ratio within acceptable norms, which will enable it to raise debt for growth.



Gross Block:

The Gross Block of your Company as at March 31, 2007 is Rs. 1,919.10 Crores as compared with Rs. 1,854.08 Crores as at March 31, 2006. The net increase in the Gross Block is largely on account of acquisition of one Diving Support Vessel, M.V. Persistence.



Interest:

The interest outgo of your Company has increased to Rs. 94.48 Crores during the year under review from Rs. 26.03 Crores in the previous year. The increase in the interest cost is largely on account of debt availed towards acquisition of the two VLCC's.

RISK MANAGEMENT:

Economic Risks: Shipping is a global industry and closely related to the world economic growth and global demand and supply trends. Your Company has managed to mitigate this risk by having a global focus rather than region / country specific focus. This, has helped your Company to diversify country or region specific risks.

Freight Risks: Shipping industry is prone to high volatility in freight rates thereby making the cashflows highly unpredictable. An optimum mix of voyage charters, time charters and COAs has enabled your Company to take optimum advantage of the freight rates and also maintain consistency of earnings.

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, the 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. At present 57% of the total loans are completely hedged, interest rates being fixed during the tenure of the facility.

QUALITY, SAFETY AND ENVIRONMENT:

Your Company takes pride in being the forerunner in the industry when it comes to quality and safety. In its endeavor to achieve highest quality standards and practices for both procedure and environment, your Company has been accredited as the Most Quality Conscious Shipping Company by the Director General of Shipping and the Safest Indian Shipping Company for the second time in the last three years.

HUMAN RESOURCES:

The operational efficiency of any shipping company is dependent a lot upon the quality of personnel on board the ship. Your Company believes in training its own cadets / engineers straight out of school and imparting them with the necessary skills required at various levels. Your Company is managed by highly skilled professionals in all its operations, ashore and afloat, thereby achieving organisational efficiencies. Voyage operations are managed professionally, ensuring high productivity levels which increases operational efficiency and utilisation thereby increasing the revenues. This is reflected in the EBITDA margins (on TCE Basis), which for the year stood at 59% as compared to 48% during the previous year. Regular onboard and offshore training activities are undertaken by your Company to improve the performance of its employees.

Adequate systems have been put in place for mapping the competencies of personnel, across the ranks. The competencies are then mapped against the desired competencies taking into consideration the business and quality objectives of your Company. Based on a compensation benchmarking study, a salary correction was carried out in June 2007.

The attrition rate was 16% for the year under review. Given the high economic growth globally and more so in India, the demand for skilled and competitive personnel is ever increasing. Your Company is taking suitable measures for talent retention.

INDUSTRY REVIEW AND PROSPECTS:

Crude Oil Transportation:

- ◆ The year under review ended on a mild winter and high stocks of crude oil reduced demand.
- ◆ Average spot earnings for the year under review fell by 5% as compared to the previous year.
- ◆ Average five year old tanker values rose by almost 4% as compared to the previous year.
- ◆ Global oil demand growth slowed to 0.8 mn barrels per/day (bpd) during the year as compared to 1.2 mn bpd in the previous year.
- ◆ The crude tanker fleet grew by 5.2% during the year with the VLCC segment growing by 5.8 mn dwt (4.3%) and the Suezmax fleet grew by 3.9 mn dwt (8%).
- ◆ The order book for crude oil tankers is now 34% of the total crude oil trading fleet. The deliveries are spread over a period of four years and as such the increased tonnage supply will be nullified against the phase out of the tankers in line with the IMO guidelines and the projected increase of worldwide refining capacity.

The freight rates for VLCC's averaged at USD 63,100 per day as compared to USD 60,400 during the previous year. The Suezmax tanker freight rates averaged at USD 53,100 as compared to USD 53,700 during the previous year.

Outlook:

After years of overcapacity in the refining sector, followed by years of modest investments and expansion, we are now finally seeing significant capacity additions planned (estimated over 12 mn bpd in 2006-2010), mostly in the Middle East, China and South Asia which follows a long-term trend. This mostly reflects the fact that these regions are also the ones with the fastest growing demand, so most of this capacity will be captive, especially in the case of China and India. Still, many of the larger projects in the Middle East and India are specifically designed as export-oriented. USA will remain the main driver of products trade, increasingly reliant on imports. The surplus will be in the Middle East and South Asia for exports into the developed markets. Growing imbalances in demand for specific products will fuel increased regional and inter-regional trades, such as between Europe and America. These factors would lead to a stable demand for tankers in the long term scenario.

Dry Bulk Carriers:

- ◆ Average earnings were down by 11%.
- ◆ Five years old bulk carrier values were up by 46% as compared to the previous year.
- ◆ New building values for bulk carriers were up by 16% as compared to the previous year.
- ◆ Raw material trade grew by 16% as compared to 7.3% during the previous year.
- ◆ Dry bulk fleet grew by 6.7% during the year.

The average earnings were slightly lower compared to the previous year, but that did not alter the medium-long term outlook, which was evident with the spurt in the freight rates during April and May 2007. The period under review saw emerging markets playing a much stronger role in the world trade and commerce with demand now rebalancing away from a reliance on US consumption to developing new high growth consumer markets like China and India.

In the capsize segment, a modern 170,000 dwt vessel averaged at USD 43,200 per day during the year under review as compared to USD 51,700 during the previous year. The panamax segment averaged at USD 21,400 per day as compared to USD 22,900 during the previous year. The handysize segment averaged at USD 15,700 per day as compared to USD 16,700 in the previous year.

Outlook:

On a macroeconomic basis, steel demand is forecasted to increase by 5-6% from the coming year with China's steel exports expected to increase by 10-15% and the iron ore import expected to increase by 40-50 million tons. With a high number of coal fired power plants becoming operational in China, India and Europe, coal trade is also expected to increase. With all this, the dry bulk trade is expected to remain buoyant in the coming year.

GOVERNMENT POLICY:

As reiterated, 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 and Fringe Benefit Tax. Unless these are negated, the competitive edge of the Indian Shipping industry will be severally affected and jeopardise growth of tonnage.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

Your Company has in place adequate internal control systems commensurate with the nature of its business and the size of its operations. The Audit process is conducted under the direction,

guidance and supervision of the Audit Committee. All internal audit reports with significant observations and follow up actions thereon are reported to the Audit Committee.

SUBSIDIARIES:

Your Company has the following subsidiaries as on March 31, 2007:

1. Vadinar Oil Terminal Limited, India
2. Essar Sisco Ship Management Company Limited, India
3. Essar Logistics Limited, India
4. Essar International Limited, Guernsey, Channel Islands
5. Energy Transportation International Limited, Bermuda (wholly owned subsidiary of Essar International Limited)
6. Energy II Limited, Bermuda (wholly owned subsidiary of Essar International Limited).

Essar Logistics Limited became a subsidiary of the Company on May 19, 2006.

Your Company has obtained exemption from the Central Government under Section 212(8) of the Companies Act, 1956 from attaching the Balance Sheets, Profit & Loss Accounts, report of the Board of Directors and the report of the Auditors of its subsidiary companies with the Annual Report, as required under Section 212 of the Companies Act, 1956, vide Order no. 47/24/2007-CL-III dated February 26, 2007. Your Company will make available the annual accounts of the subsidiary companies and the related detailed information of the holding and 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 Consolidated Financial Statements, which forms part of the Annual Report and Accounts.

DIRECTORS:

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Anshuman Ruia, Mr. S. K. Poddar and Mr. Shashi Ruia, retire at the ensuing Annual General Meeting of the Company and being eligible, offer themselves for reappointment.

Mr. Rewant Ruia was appointed as an Additional Director on your Company's Board with effect from December 7, 2006. He ceases to be a Director on the date of the Thirty-first Annual General Meeting. Notice has been received in respect of his appointment as Director on the Board.

Mr. V. Ashok was appointed as an Additional Director in wholetime employment on your Company's Board with effect from December 7, 2006. He ceases to be a Director on the date of the Thirty-first Annual General Meeting. Notice has been received in respect of his appointment as Director on the Board.

AUDITORS:

Your Company's Auditors, Deloitte Haskins & Sells, Chartered Accountants, retire at the ensuing Annual General Meeting. It is proposed to re-appoint 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.

CORPORATE GOVERNANCE:

The Company has complied with the various 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".

Essar Shipping Limited

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) Used (including cost of acquisition : Rs. 603.60 Crores of ships, loan repayments, interest, operating expenses, etc.)
- (2) Earned (including loan receipts, : Rs. 694.93 Crores sale of ships, freight, charter hire earnings, interest income, etc.)

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.46/12/2007-CL-III dated February 15, 2007.

AWARDS:

Apart from the awards relating to quality and safety, your Company, during the year under review was bestowed with the following awards:

- a. Best Bulk Operator Award Middle East/ Indian Subcontinent Region : Awarded by The Lloyd's List Middle East & Indian Subcontinent Awards, 2006.
- b. Best Tanker Operator Award Middle East/Indian Subcontinent Region : Awarded by The Lloyd's List Middle East & Indian Subcontinent Awards, 2006.
- c. Ship of the Year (Indian Flag in Foreign Trade) presented to your Company's Very Large Crude Carrier "M.T. Smiti". This award was presented at the 44th National Maritime Day 2007.

PERSONNEL:

Your Directors would like to express their sincere thanks and appreciation to all the employees for their commendable teamwork and exemplary contribution for the operations and performance of your Company.

Information in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, is given in Annexure

to 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 the members of the Company excluding the statement of particulars of employees' under section 217(2A) of the said Act. Any member interested in obtaining a copy of this statement may write to the Company Secretary at the Registered Office.

TRANSFER TO THE INVESTOR EDUCATION AND PROTECTION FUND:

In terms of Section 205C of the Companies Act, 1956, an amount of Rs. 0.62 Crores being unclaimed Dividend/Debentures/Interest thereon was transferred during the year to the Investor Education and Protection Fund established by the Central Government.

STATEMENT OF DIRECTORS' RESPONSIBILITIES:

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956, the Board of Directors hereby state that:

- (a) in the preparation of the annual accounts, the applicable accounting standards have been followed and there have been no material departures;
- (b) 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;
- (c) 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;
- (d) the Directors have prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENTS:

Your Directors thank the Ministry of Surface Transport, Transchart, Reserve Bank of India, Directorate General of Shipping, Mercantile Marine Department, Indian Oil Corporation Limited, Hindustan Petroleum Corporation Limited, Bharat Petroleum Corporation Limited, State Bank of India and all its other bankers, charterers and other business associates for their continued support and co-operation.

For and on behalf of the Board

Sanjay Mehta
Managing Director

R. N. Bansal
Director

Mumbai,
June 29, 2007

"Persons constituting 'group' coming within the definition of group as defined in the Monopolies and Restrictive Trade Practices Act, 1969 for the purpose of interse 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 Global Limited
2.	Essar Shipping & Logistics Limited
3.	India Shipping
4.	Asia Pacific Markets Limited
5.	Essar Investments Limited
6.	Teletelch Investments (India) 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 protection of shareholder interests. The Board conducts periodic review of business plans, monitors performance and compliance to regulatory requirements.

2. Board of Directors

The Company has a non-executive Chairman and has one-third of the total number of Directors as Independent Directors. The number of Non-Executive Directors is more than 50% of the total number of Directors.

A. Composition, Category, Attendance and Number of other Directorships of the Directors are furnished below:

As at March 31, 2007 the Board consisted of ten 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 Indian Public Ltd. Companies	No. of Directorships in Indian Private Ltd. Companies	*No. of Board Committees in which	
				Chairman	Member
Mr. Shashi Ruia (Chairman)	Promoter, Non-Executive	9	-	-	-
Mr. Ravi Ruia (Vice Chairman)	Promoter, Non-Executive	8	-	-	1
Mr. Anshuman Ruia	Promoter, Non-Executive	11	-	-	4
**Mr. Rewant Ruia	Promoter, Non-Executive	5	-	-	-
Mr. R. N. Bansal	Independent, Non-Executive	8	1	5	4
Mr. S. K. Poddar	Independent, Non-Executive	12	3	3	3
Mr. N. Srinivasan	Independent, Non-Executive	14	3	5	5
Mr. Sanjay Mehta (Managing Director)	Non-Promoter, Executive	3	-	-	1
***Mr. A. R. Ramakrishnan (Wholetime Director)	Non-Promoter, Executive	1	-	-	1
**Mr. V. Ashok (Wholetime Director)	Non-Promoter, Executive	2	-	-	1

The number of Independent Non-Executive Director is determined as per Section 256 of the Companies Act, 1956.

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

** was appointed as Director w.e.f. December 7, 2006.

*** was appointed as Director w.e.f. July 31, 2006.

B. Details of Board Meetings held during the year:

Sr. No.	Date	Board Strength	No. of Directors present
1	May 16, 2006	7	4
2	June 3, 2006	7	3
3	June 26, 2006	7	4
4	July 31, 2006	8	4
5	October 31, 2006	8	6
6	December 2, 2006	8	5
7	January 30, 2007	10	6

C. Attendance of Directors at Board Meetings and at the last Annual General Meeting:

Directors	No. of Board Meetings attended	Attendance at last AGM
Mr. Shashi Ruia	3	N
Mr. Ravi Ruia	3	N
Mr. Anshuman Ruia	5	Y
*Mr. Rewant Ruia	-	N.A.
Mr. Sanjay Mehta	3	N
Mr. R. N. Bansal	6	Y
Mr. S. K. Poddar	-	N
Mr. N. Srinivasan	7	Y
**Mr. A. R. Ramakrishnan	4	Y
*Mr. V. Ashok	1	N.A.

* was appointed as Director w.e.f. December 7, 2006.

** was appointed as Director w.e.f. July 31, 2006.

3. Audit Committee:

The Audit Committee of Essar Shipping performs the following functions:

- overseeing the Company's financial process and disclosure of financial information to ensure that the financial statement is correct.
- recommending the appointment and removal of statutory auditor, fixation of audit fee and approval for payment of any services.
- approving payment to statutory auditors for any other services rendered by the statutory auditors.
- reviewing with the management annual financial statement before submission to the Board.
- reviewing with the management, the quarterly financial statements before submission to the Board for approval.
- reviewing with the management performance of statutory and internal auditors and adequacy of internal control system.
- reviewing the adequacy of internal audit function.
- discussing with internal auditors any significant finding and follow up on such issues.
- reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control system of a material nature and reporting the matter to the Board.
- discussing with statutory auditors before the audit commences on the nature and scope of audit, as well as having post-audit discussion to ascertain any area of concern.
- reviewing the Company's financial and risk management policies; and
- examining reasons for substantial default in the payment to depositors, debenture holders, shareholders and creditors, if any.

Composition:

The Committee comprises of three Directors of which two are Independent Directors. All the members of the Committee are financially literate and have relevant financial management and/or audit exposure. Mr. R. N. Bansal, Independent Director was elected as the Chairman at each meeting. The Managing Director, Wholetime Director(s), General Manager - Accounts, Statutory Auditors and Internal Auditors of the Company attend the meetings. The Company Secretary is the Secretary to the Committee.

Details of Audit Committee Meetings held during the year:

Sr. No.	Date	Committee Strength	No. of Members present
1	May 16, 2006	3	3
2	June 26, 2006	3	3
3	July 31, 2006	3	3
4	October 31, 2006	3	3
5	January 30, 2007	3	3

Attendance at Audit Committee Meetings:

Director	No. of Committee meetings held	No. of Meetings attended
Mr. R. N. Bansal	5	5
Mr. Anshuman Ruia	5	5
Mr. N. Srinivasan	5	5

4. Compensation Committee:

As on March 31, 2007 the Committee comprised of three Non-Executive Directors viz., Mr. Shashi Ruia, Mr. Ravi Ruia and Mr. R. N. Bansal. The Company Secretary is the Secretary of the Committee. The Committee is empowered to formulate and recommend to the Board from time to time, the compensation structure for Wholetime Directors. Non-Executive Directors are at present not paid commission over and above the sitting fees.

The Compensation Committee has been re-constituted on May 29, 2007 with Mr. Shashi Ruia resigning from the Committee and in his place Mr. Anshuman Ruia has been appointed on the Committee.

Terms of Reference:

To recommend to the Board of Directors the compensation related matters and issues for Managing/Executive/Wholetime Directors and to administer and supervise the Employee Stock Option Schemes, whenever applicable.

Details of Compensation Committee Meetings held during the year:

Sr. No.	Date	Committee Strength	No. of Members present
1	July 31, 2006	3	3
2	December 2, 2006	3	3

Attendance at Compensation Committee Meetings:

Director	No. of Committee meetings held	No. of Meetings attended
Mr. Shashi Ruia	2	2
Mr. Ravi Ruia	2	2
Mr. R. N. Bansal	2	2

Details of Remuneration paid to the Managing Director and Wholetime Directors during the year ended March 31, 2007 is as under:

(Rs.)

Name of Director	Basic Salary	Allowances and other benefits	Perquisites	Contribution to Provident Fund	Total
Mr. Sanjay Mehta, Managing Director (w.e.f. 18-09-2005 for a period of 3 years)	12,00,000	48,00,000	12,00,000	1,44,000	73,44,000
*Mr. A. R. Ramakrishnan, Wholetime Director (w.e.f. 31-07-2006 for a period of 5 years)	9,02,460	50,05,677	—	1,08,296	60,16,438
*Mr. V. Ashok, Wholetime Director (w.e.f. 07-12-2006 for a period of 5 years)	4,72,603	11,89,360	—	56,712	17,18,675

*Prorata for the period from the date of appointment upto March 31, 2007.

No Employee Stock Option Schemes have been provided by the Company till date. Services of the aforesaid Executive Directors can be mutually terminated by giving three months notice or three months salary in lieu thereof.

Details of sitting fees paid to Non-Executive Directors for the meetings held during the year ended March 31, 2007.

Non-Executive Directors	Sitting Fees paid for Board/ Committee meetings
Mr. Shashi Ruia	Rs. 12,000.00
Mr. Ravi Ruia	Rs. 12,000.00
Mr. R. N. Bansal	Rs. 44,000.00
Mr. Anshuman Ruia	Rs. 40,000.00
Mr. N. Srinivasan	Rs. 48,000.00

Number of shares or convertible instruments held by Non-Executive Directors:

Non-Executive Directors	No. of shares held
Mr. Shashi Ruia	Nil
Mr. Ravi Ruia	Nil
Mr. R. N. Bansal	Nil
Mr. Anshuman Ruia	Nil
Mr. N. Srinivasan	Nil
Mr. S. K. Poddar	254 shares
Mr. Rewant Ruia	Nil

5. Share Transfer & Shareholders' Grievance Committee:

Terms of reference:

To approve transfer, transmission, sub-division, consolidation and issue of duplicate shares/debentures and for redressal of investor complaints on all matters.

Composition:

The Committee members comprise of Mr. Ravi Ruia, Vice Chairman, Mr. Sanjay Mehta, Managing Director, Mr. A. R. Ramakrishnan, Wholetime Director and Mr. V. Ashok, Wholetime Director. The Executive Directors and Company Secretary are authorised to approve the share transfer and other related transactions on a day to day basis under the supervision of the Committee.

Details of shareholders complaints received, solved and pending share transfers:

There were no complaints pending at the beginning of the year. A total of 532 complaints were received during the year ended March 31, 2007, most of which being non-receipt of dividend/debenture warrants, non-receipt of share certificates. All the complaints were redressed under the supervision of the Committee and no complaints were outstanding as on March 31, 2007.

All the valid share transfer requests received during the year were duly attended to and processed in time. There were no valid requests pending for share transfers as on March 31, 2007.

6. General Meeting:

(a) Details of General Meetings held in last three years:

Financial year	Meeting	Date	Time	Location
2003-04	AGM	17-09-04	10.15 AM	Dayanandasagar Memorial Hall, Chandrasagar Complex,
2004-05	AGM	29-9-05	10.15 AM	No.264/266 T. Mariappa Rd., 2nd Block, Jayanagar, Bangalore 560011.
2005-06	AGM	22-9-06	10.15 AM	

(b) Whether any special resolutions passed in the previous 3 AGMs? No special resolutions were passed in the previous 3 AGMs.

(c) Postal Ballot:

The members of the Company through Postal Ballot on July 11, 2006 have passed a Special Resolution approving issue of Corporate Guarantee pursuant to the provisions of Section 372A of the Companies Act, 1956.

Mr. Prem Rajani, Partner of M/s. Rajani & Associates, Advocates & Solicitors, was appointed as the scrutiniser for the Postal Ballot process. The scrutiniser submitted his report to the Board, the result of which was declared on July 11, 2006. The result of the Postal Ballot was as under:

Sr. No.	Voting Particulars	Results of Voting
1.	Number of voting papers	3,962
2.	Less: Number of papers rejected as invalid	30
3.	Number of votes cast	31,58,53,889
4.	Number of votes in favour	31,55,60,440
5.	Number of votes against	2,85,096
6.	Number of votes rejected	8,353

(d) Whether any special resolution is proposed to be conducted through postal ballot? No

(e) Procedure for postal ballot

The procedure for postal ballot is as per the provisions contained in this behalf in the Companies Act, 1956 and rules made there under namely Companies (Passing of the resolutions by Postal Ballot) Rules, 2001.

7. Disclosures:

There are no materially significant related party transactions made by the Company with its Promoters, Directors or Management, their relatives, its subsidiaries, etc. that may have potential conflict with the interest of the Company at large.

Transactions with related parties during the year are disclosed in Note No. B-11 of Schedule 13 to the accounts in the Annual Report.

8. Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchanges/SEBI/Statutory Authorities on matters related to Capital Markets during the last three years:

During the last three years no penalty or stricture has been imposed on the Company by Stock Exchanges/SEBI/Statutory Authorities on matters related to Capital Markets.

9. Means of Communication:

Financial results and other information about the Company	Regularly updated on the website, www.essar.com
Publication of financial results	Published in major newspapers such as Business Line, Udayavani etc.
Presentation to Institutional Investors or to the analyst	The Company has not made any presentation to Institutional Investors or to any analyst
Management Discussion & Analysis	Published as a part of Annual Report under Director's Report

10. General Shareholders information:

A. Annual General Meeting details:

Date	September 25, 2007
Venue	Dayanandasagar Memorial Hall, Chandrasagar Complex, No.264/266, T. Mariappa Rd., 2nd Block (Near Ashoka Pillar), Jayanagar, Bangalore 560 011.
Time	11.00 am
Book Closure Dates	Wednesday, September 19, 2007 to Tuesday, September 25, 2007 (both days inclusive)

B. Financial Calendar:

Financial year of Company	April 1, 2007 to March 31, 2008
First Quarter results	On or before July 31, 2007
Second Quarter results	On or before October 31, 2007
Third Quarter results	On or before January 31, 2008
Annual results for the year	On or before June 30, 2008

C. Registrars and Share Transfer Agents:

Data Software Research Company Private Limited, "Sree Sovereign Complex", 22, 4th Cross Street, Trustpuram, Kodambakkam, Chennai 600 024. Tel: (044) 2483 3738, Fax: (044) 2483 4636. E-mail : dsrcmd@vsnl.com

D. Share Transfer System:

To expedite the process of share transfer, transmission, etc., the Board of your Company has delegated these powers to the Executive Directors and Company Secretary. All valid share transfer requests received by the Company in physical form are registered within an average period of 15 days. The Company dematerialises the shares after getting the dematerialisation requests being generated by the Depository Participant.

Essar Shipping Limited

E. Listing on Stock Exchanges:

The Company's securities are listed on the following Stock Exchange:

Place	Address
Mumbai	Bombay Stock Exchange Limited, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 023.

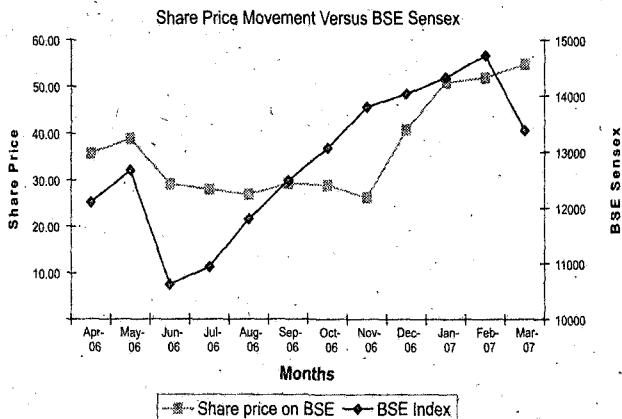
Annual Listing fee for the year 2007-08 has been paid to the Bombay Stock Exchange Limited, Mumbai.

F. Market price data (High/Low) during each month in the year 2006-2007 on the Bombay Stock Exchange Limited:

Month	Highest	Lowest
APRIL	35.75	29.15
MAY	38.85	25.00
JUNE	29.15	18.80
JULY	28.00	20.60
AUGUST	26.90	22.40
SEPTEMBER	29.25	24.65
OCTOBER	28.90	23.50
NOVEMBER	26.25	22.50
DECEMBER	40.80	24.00
JANUARY	50.85	35.05
FEBRUARY	51.90	43.20
MARCH	54.80	34.50

Scrip Code : 500630

G. Share Price performance in comparison to BSE Indices:



H. Shareholding Pattern as on March 31, 2007:

Shareholding by	No. of Shares	%
Essar and Associates	20,13,19,134	47.27
Financial Institutions/ Mutual Funds/Banks/ Insurance Companies	24,56,064	0.58
Other Corporate Bodies	3,05,21,056	7.16
Non-Domestic Companies/ Foreign Banks	4,42,978	0.10
Foreign Institutional Investors	2,67,37,091	6.27
Non-Resident Individuals	14,66,746	0.34
Public	3,86,78,138	9.08
GDRs/ADRs/ADSs (Promoters)	12,44,56,000	29.20
Total	42,60,77,207	100.00

Distribution of Shareholding as on March 31, 2007:

No. of Equity Shares held	No. of Shareholders	% of Shareholders	Total no. of shares	% of holding
Upto 1000	1,13,314	88.43	1,56,58,305	3.67
1001 to 2000	1625	1.27	2,68,767	0.06
2001 to 3000	862	0.67	2,31,222	0.05
3001 to 4000	798	0.62	3,08,485	0.07
4001 to 5000	1,978	1.54	9,54,970	0.23
5001 to 10000	4,907	1.56	39,77,090	0.94
10001 and above	4,651	0.01	40,46,78,368	94.98
TOTAL	1,28,135	100.00	42,60,77,207	100.00

- I. **Compliance Officer** : Mr. Manoj Contractor
Company Secretary
- J. **Registered Office** : 2494, 17th Main, HAL II Stage
Bangalore 560 008
Tel / Fax: (080) 25210158
- K. **Corporate Office** : Essar House
11, Keshavrao Khadye Marg
Mahalaxmi, Mumbai 400 034
Tel : (022) 6660 1100
Fax: (022) 24954330 / 24954312
E Mail : secretarial.esl@essar.com
- L. **Status of Dematerialisation of shares as on March 31, 2007:**

Mode	No. of Shares	No. of Folios	%
Physical	1,29,14,174	76,750	3.03
Demat	41,31,63,033	51,385	96.97
TOTAL	42,60,77,207	1,28,135	100.00

11. Nomination Facility:

Shareholders holding shares in physical form and desirous of making a nomination in respect of their shareholding in the Company, as permitted under Section 109A of the Companies Act, 1956 are requested to submit to the R&T Agent of the Company the prescribed nomination form.

12. Outstanding GDRs/ADRs/Warrants or any convertible instruments conversion date and likely impact on equity:

3,76,000 GDRs representing 12,44,56,000 equity shares are outstanding as on March 31, 2007.

13. Secretarial Audit:

A qualified practicing Company Secretary carries out secretarial audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The audit confirms that the total issued/paid up capital is in agreement with the total number of shares in physical form and the total number of dematerialised shares held with NSDL and CDSL.

14. Non-mandatory Provisions:

1. The Board :
- (a) The expenses incurred by non executive chairman are reimbursed by the Company.
- (b) At present there is no policy fixing the tenure of Independent Directors.

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- | | |
|--|--|
| <p>2. Remuneration Committee:
The Company has constituted a compensation committee to recommend to the Board about the remuneration payable to Wholetime Directors.</p> <p>3. Shareholders right:
Half yearly financial results including summary of the significant events in last six months are presently not being sent to shareholders of the Company but the same are posted on the website of the company i.e. www.essar.com.</p> <p>4. Audit qualifications:
There are no audit qualifications in the Auditor's report on the financial statements to the Shareholders of the Company.</p> | <p>5. Training of Board members:
There is no formal policy at present for training of the Board members of the Company as the members of the Board are eminent and experienced professional persons.</p> <p>6. Mechanism for evaluating performance of non executive Board Members:
There is no formal mechanism existing at present for performance evaluation of Non-Executive Directors.</p> <p>7. Whistle Blower policy:
The Company has not established any formal whistle blower policy.</p> |
|--|--|
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AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of Essar Shipping Limited

We have examined the compliance of conditions of Corporate Governance by Essar Shipping Limited, for the year ended March 31, 2007, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to review of procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Deloitte Haskins & Sells
Chartered Accountants

Khurshed Pastakia
Partner
(Membership No. 31544)

Mumbai
June 29, 2007

Declaration on Compliance of the Company's Code of Conduct

To the Members of Essar Shipping Limited

The Company has framed a specific code of conduct for the members of the Board and the Senior Management Personnel of the Company pursuant to Clause 49 of the Listing Agreement with the Stock Exchange to further strengthen corporate governance practices in the Company.

All the members of the Board and Senior Management Personnel of the Company have affirmed due observance of the said code of conduct in so far as it is applicable to them and there is no non compliance thereof during the year ended March 31, 2007.

Sanjay Mehta
Managing Director

Mumbai
June 29, 2007

AUDITORS' REPORT TO THE MEMBERS OF ESSAR SHIPPING LIMITED

1. We have audited the attached Balance Sheet of Essar Shipping Limited (the Company), as at March 31, 2007, the Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order to the extent applicable to the Company.
4. On the basis of written representations received from directors as at March 31, 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
5. Further to our comments in the Annexure referred to above, we report that:
 - (i) We have obtained all the information and explanations, which

- to the best of our knowledge and belief were necessary for the purposes of our audit;
- (ii) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (iii) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - (v) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements, read together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view, in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2007;
 - (b) in the case of the Statement of Profit and Loss, of the profit of the Company for year ended on that date; and
 - (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For **Deloitte Haskins & Sells**
Chartered Accountants

Mumbai
June 29, 2007

Khurshed Pastakia
Partner
(Membership No. 31544)

ANNEXURE TO THE AUDITORS' REPORT (Referred to in paragraph 3 of our report of even date)

In our opinion and according to the information and explanations given to us, the nature of the Company's business/activities during the year are such that clauses (vi), (viii), (xii), (xiii), (xiv), (xviii), (xix) and (xx) of para 4 of the Order are not applicable to the Company.

1. In respect of its fixed assets:
 - a. The Company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets.
 - b. The fixed assets were physically verified during the year by the management in accordance with a programme of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals, having regard to the size of the Company and nature of its business. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
 - c. There was no substantial disposal of fixed assets during the year.
2. In respect of its inventories:
 - a. As explained to us, inventories were physically verified during the year by the management at reasonable intervals.
 - b. In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management were generally reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c. According to the information and explanations given to us, the Company's inventories comprises fuel oil and lube oil on board of the ship. Having regard to the nature of the Company's business and scale of operations, quantities are determined by physical count and it is not considered feasible to maintain records of movements of inventories of such items by the vessel in which they are carried. As quantities are determined by physical count and records of movements are not maintained on board the ship, the question of discrepancies on physical verification thereof does not arise.
3. In our opinion and according to the information and explanations given to us, there are no companies, firms or parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, paragraphs 4(iii) (a) to (g) of the Order are not applicable to the Company.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of services, and we have not observed any continuing failure to correct major weaknesses in such internal controls. The nature of the Company's business is such that it does not involve sale of goods.
5. In our opinion and according to the information and explanations given to us, there are no contracts or arrangements that need to be entered into the register maintained under Section 301 of the Companies Act, 1956.
6. In our opinion, the Company has an adequate internal audit system commensurate with the size of the Company and the nature of its business.

7. In respect of Statutory dues:
 - a. According to the information and explanations given to us, the Company has been generally regular in depositing undisputed statutory dues, including Provident Fund, Super Annuation Fund, Investor Education and Protection Fund, Income-tax, Wealth Tax, Service Tax, Value Added Tax, Custom duty, excise duty, Cess and any other material statutory dues as applicable with the appropriate authorities during the year. As informed to us Employees State Insurance Scheme is not applicable to the Company.
 - b. According to the information and explanations given to us, the details of material disputed income-tax and sales tax dues which have not been deposited as at March 31, 2007 on account of disputes pending, are given below:

Name of the statute	Nature of the disputed dues	Amount (Rs. in Crores)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	109.20 (advance tax payment – Rs. 47.27)	Assessment Year from 1988-1989 to 2001-2002	Appellate Authority – Tribunal Level
Tamil Nadu Sales Tax Act, 1959	Sales Tax, and penalty thereon	58.10	Assessment Year 1997-98	Madras High Court.

8. The Company does not have accumulated losses as at March 31, 2007. The Company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
9. In our opinion, on the basis of audit procedures and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks. The Company has not borrowed any sums from financial institutions or through debentures.
10. In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company for the loans taken by others from banks and financial institutions, are not prima facie prejudicial to the interests of the Company.
11. To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, term loans availed by the Company were, prima facie, applied by the Company during the year for the purposes for which the loans were obtained, other than temporary deployment pending application.
12. According to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, we report that the funds raised on short-term basis have, prima facie, not been used during the year for long-term investment.
13. To the best of our knowledge and belief and according to the information and explanations given to us, no material fraud on or by the Company was noticed or reported during the year.

For **Deloitte Haskins & Sells**
Chartered Accountants

Khurshed Pastakia
Partner

Mumbai
June 29, 2007

(Membership No. 31544)

BALANCE SHEET AS AT 31ST MARCH 2007

	Schedule No.	As at 31.03.2007 (Rs. in Crores)	As at 31.03.2006 (Rs. in Crores)
I. SOURCES OF FUNDS			
Shareholders Funds:			
Share Capital	1	426.21	426.21
Reserves and Surplus	2	1,977.97	1,878.89
		<u>2,404.18</u>	<u>2,305.10</u>
Loan Funds:			
Secured Loans	3	606.44	681.97
Finance lease obligations		393.34	343.47
Unsecured Loans	4	160.00	160.00
		<u>1,159.78</u>	<u>1,185.44</u>
Total		<u><u>3,563.96</u></u>	<u><u>3,490.54</u></u>
II. APPLICATION OF FUNDS			
Fixed Assets:			
Gross Block	5	1,919.10	1,854.09
Less: Depreciation		672.84	568.41
Net Block		<u>1,246.26</u>	<u>1,285.68</u>
Capital work in progress including Capital Advance		6.19	-
		<u>1,252.45</u>	<u>1,285.68</u>
Investments	6	1,947.38	1,499.21
Current Assets, Loans and Advances:			
Inventories	7	25.67	22.29
Sundry Debtors		233.20	115.26
Cash and Bank Balances		64.05	449.33
Other Current Assets		0.70	0.16
Loans and Advances		100.39	175.25
		<u>424.01</u>	<u>762.29</u>
Less: Current Liabilities and Provisions:			
Current Liabilities	8	52.50	50.83
Provisions		7.38	5.81
		<u>59.88</u>	<u>56.64</u>
Net Current Assets		<u>364.13</u>	<u>705.65</u>
Total		<u><u>3,563.96</u></u>	<u><u>3,490.54</u></u>
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS	13		

As per our report of even date

For **Deloitte Haskins & Sells**
Chartered Accountants

Khurshed Pastakia
Partner

Mumbai
June 29, 2007

For and on behalf of the Board

Sanjay Mehta
Managing Director

R. N. Bansal
Director

Manoj Contractor
Company Secretary

Mumbai
June 29, 2007

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2007

	Schedule No.	For the Year ended 31.03.2007 (Rs. in Crores)	For the Year ended 31.03.2006 (Rs. in Crores)
INCOME			
Fleet Operating and Chartering Earnings		1,024.30	678.81
Profit on Sale of Fleet		12.47	70.70
Other Income	9	6.77	9.17
Dividend on Non Trade Current Investments		1.08	1.61
		<u>1,044.62</u>	<u>760.29</u>
EXPENDITURE			
Fleet Operating Expenses	10	613.90	427.44
Establishment and Other Expenses	11	104.59	74.72
		<u>718.49</u>	<u>502.16</u>
PROFIT BEFORE INTEREST, DEPRECIATION AND TAX		326.13	258.13
Interest and Finance Expenses	12	94.48	26.03
PROFIT BEFORE DEPRECIATION AND TAX		231.65	232.10
Depreciation		125.41	84.40
Less: Transfer from Fixed Assets Revaluation Reserve		(34.90)	(46.92)
		<u>90.51</u>	<u>37.48</u>
PROFIT BEFORE TAX		141.14	194.62
Less: Provision for Taxation			
- Current tax including tonnage tax		(4.81)	(7.50)
- Fringe Benefit tax		(2.29)	(1.90)
		<u>(7.10)</u>	<u>(9.40)</u>
PROFIT AFTER TAX		134.04	185.22
Less: Provision for Taxation relating to earlier years		(0.06)	-
PROFIT FOR THE YEAR		133.98	185.22
Balance brought forward from previous year		490.45	331.23
AMOUNT AVAILABLE FOR APPROPRIATION		624.43	516.45
APPROPRIATIONS			
Less: Transferred to Tonnage Tax Reserve		34.50	26.00
BALANCE CARRIED FORWARD TO BALANCE SHEET		589.93	490.45
		<u>624.43</u>	<u>516.45</u>
Basic earnings per share (Rs.)		3.14	4.69
Diluted earnings per share (Rs.)		3.14	4.50
[Refer Note No. B(9) of Schedule 13]			
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS			
	13		

As per our report of even date

For Deloitte Haskins & Sells
Chartered Accountants

Khurshed Pastakia
Partner

Mumbai
June 29, 2007

For and on behalf of the Board

Sanjay Mehta
Managing Director

R. N. Bansal
Director

Manoj Contractor
Company Secretary

Mumbai
June 29, 2007

Essar Shipping Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2007

	Year ended 31.3.2007 (Rs. in Crores)	Year ended 31.3.2006 (Rs. in Crores)
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before taxes and extraordinary items	141.14	194.62
Adjustments for :		
Depreciation	90.50	37.47
Interest and Finance Expenses	94.48	26.03
Interest Income	(5.41)	(4.43)
(Profit) / Loss on Sale of Assets	(12.42)	(70.70)
Balances written off	0.01	-
(Profit) / Loss on Sale of Investments	(0.25)	-
Bad Debts / Provision for Doubtful Debts	23.69	-
Dividend on Current Investments	(1.08)	(1.61)
Foreign Exchange Loss / (Gain)	0.76	1.01
Operating Profit before working capital changes	331.42	182.39
Adjustments for :		
Trade and Other Receivables	(156.58)	(129.64)
Inventories	(3.39)	(13.45)
Trade payables	(10.21)	(15.94)
Cash Generated from Operations	161.24	23.36
Income Taxes paid (Net of refund)	(12.18)	(11.12)
Fringe Benefit Tax paid	(2.41)	(1.68)
Net Cash from Operating Activities	146.65	10.56
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets including Capital work in progress / advance	(120.55)	(550.42)
Sale of Fixed Assets	15.80	770.26
Insurance claim received on Fixed Asset	2.10	-
Final Proceeds from Sale of OSV Division	-	4.41
Advance received against Sale of Investments	13.13	-
Proceeds from Sale of Current Investments	426.98	1,473.50
Investment in Shares of Subsidiaries	(0.15)	(268.09)
Other Investments	(796.98)	(1,502.23)
Fixed deposit (placed) / encashed for a period of more than three months	(45.63)	(4.24)
Advances to Subsidiaries	(1.58)	-
Refund of advance from Subsidiary	-	30.29
Dividend on Current Investment	1.08	1.61
Interest received	4.87	4.30
Net Cash flow from Investing Activities	(500.93)	(40.61)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Interest and Finance Expenses paid	(93.61)	(27.70)
Proceeds from Term Loans	18.40	874.67
Proceeds from Lease Loans	86.36	-
Proceeds from Unsecured Loans	320.00	-
Repayment of Term Loans	(82.68)	(585.07)
Repayment of Finance Lease Obligation	(23.40)	(0.70)
Repayment of Unsecured Loans	(320.00)	-
Dividend (unclaimed) paid	-	(0.54)
Payment / Deposit of Unclaimed Debenture,	-	-
Fixed Deposits and Interest thereon with Investors Education and Protection Fund	(0.63)	(0.28)
Inter Corporate Deposit	-	(20.00)
Refund of Inter Corporate Deposit given	20.00	-
Net Cash flow from Financing Activities	(75.56)	240.38
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(429.84)	210.33
Cash and Cash Equivalents as at beginning of the year	444.88	234.55
Cash and Cash Equivalents as at end of year	15.04	444.88
Non Cash Investing and Financing Transactions		
Application Money for Allotment of Shares adjusted against Receivables	-	73.00
Conversion of Share Application money for Allotment of Shares	72.95	-
Purchase of Shares against Loans	4.84	30.00
Issue of Shares against Foreign Currency Convertible Bonds	-	124.56
Notes :		
1. Cash and Cash Equivalents include :		
Cash and Bank Balances	9.40	382.64
Balances in Fixed Deposits (maturity period of less than three months)	4.78	62.45
Unrealised (Gain) / Loss on Foreign Currency Cash and Cash Equivalents	0.86	(0.21)
Total Cash and Cash Equivalents	15.04	444.88

[Cash and Cash Equivalents exclude deposits with scheduled banks with maturity more than three months Rs.49.87 (Previous year Rs. 4.24) crores]

2. Cash flow statement has been prepared under the indirect method as set out in Accounting Standard-3 issued by the Institute of Chartered Accountants of India.

As per our report of even date
For Deloitte Haskins & Sells
Chartered Accountants
Khurshed Pastakia
Partner
Mumbai
June 29, 2007

For and on behalf of the Board

Sanjay Mehta
Managing Director
Manoj Contractor
Company Secretary
Mumbai
June 29, 2007

R. N. Bansal
Director

SCHEDULES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH 2007

	As at 31.03.2007 (Rs. in Crores)	As at 31.03.2006 (Rs. in Crores)	
SCHEDULE 1			
SHARE CAPITAL			
Authorised			
1,500,000,000	Equity Shares of Rs. 10/- each	1,500.00	1,500.00
1,050,000	Redeemable Cumulative Preference Shares of Rs. 100/- each	10.50	10.50
		<u>1,510.50</u>	<u>1,510.50</u>
Issued, Subscribed and Paid up			
426,077,207	Equity Shares of Rs.10/- each fully paid up. Of the above 68,224,660 Equity Shares of Rs.10/- were allotted as fully paid-up equity shares for consideration other than cash	426.08	426.08
244,648	Forfeited Shares	0.13	0.13
		<u>426.21</u>	<u>426.21</u>
SCHEDULE 2			
RESERVES AND SURPLUS			
Fixed Assets Revaluation Reserve			
	As per last balance sheet	147.70	492.34
	Less: Depreciation on enhanced value of fixed assets	(34.90)	(46.92)
	Less: Transferred to General Reserve	(0.53)	(297.72)
		<u>112.27</u>	<u>147.70</u>
Capital Redemption Reserve			
	As per last Balance Sheet	10.50	10.50
Share Premium Account			
	As per last Balance Sheet	296.59	215.94
	Add: On conversion of FCCBs into equity shares during the year	-	80.65
		<u>296.59</u>	<u>296.59</u>
Ship Acquisition Reserve			
	(In terms of Section 33 AC of the Income Tax Act,1961)		
	As per Last Balance Sheet	-	505.50
	Less: Transferred to Ship Acquisition Utilised Reserve	-	(505.50)
		<u>-</u>	<u>-</u>
Ship Acquisition Utilised Reserve			
	(In terms of Section 33 AC of the Income Tax Act,1961)	505.50	505.50
Tonnage Tax Reserve			
	(In terms of Section 115 VT of the Income Tax Act, 1961)		
	As per Last Balance Sheet	98.00	72.00
	Add: Transferred from Profit and Loss account	34.50	26.00
		<u>132.50</u>	<u>98.00</u>
General Reserve			
	As per last Balance Sheet	330.15	32.43
	Add: Transferred from Fixed Assets Revaluation Reserve	0.53	297.72
		<u>330.68</u>	<u>330.15</u>
Balance in Profit and Loss Account			
		589.93	490.45
		<u>1,977.97</u>	<u>1,878.89</u>

SCHEDULES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH 2007

	As at 31.03.2007 (Rs. in Crores)	As at 31.03.2006 (Rs. in Crores)
SCHEDULE 3		
SECURED LOANS		
FROM BANKS		
Foreign currency term loans, secured by first charge on a Suezmax Tanker and its receivables	72.86	92.24
Rupee term loan [converted into FCNR (B) facility], secured by first charge on a Very Large Crude Carrier and its receivables	404.88	438.73
Rupee term loan [converted into FCNR (B) facility], secured by first charge on a Tug and its receivables	17.70	-
Rupee term loan, secured by first charge on four Bulk Carriers and three Product Carriers and its receivables	110.00	150.00
	<u>605.44</u>	<u>680.97</u>
FROM OTHERS		
Loan for purchase of shares secured by pledge of those shares	1.00	1.00
Total	<u><u>606.44</u></u>	<u><u>681.97</u></u>

SCHEDULE 4

UNSECURED LOANS

Short Term Loans and Advances from Bank		
- Commercial paper [Maximum balance Rs. 160 (Previous year Rs. 160) Crores]		160.00
Short Term Loans and Advances from Others		
- Commercial paper [Maximum balance Rs.160 (Previous year Rs. Nil) Crores]	160.00	
Total	<u><u>160.00</u></u>	<u><u>160.00</u></u>

SCHEDULES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH 2007

SCHEDULE 5 FIXED ASSETS

(Rs. in Crores)

Details	GROSS BLOCK AT COST/ VALUATION				DEPRECIATION				NET BLOCK	
	As at 01.04.2006	Additions	Sale / Deductions	As at 31.03.2007	Upto 01.04.2006	For the Year	Deductions	Upto 31.03.2007	As at 31.03.2007	As at 31.03.2006
Tangible Fixed Assets										
Land- Freehold	0.02	-	-	0.02	-	-	-	-	0.02	0.02
Buildings	5.52	1.14	-	6.66	0.29	0.63	-	0.92	5.74	5.23
Fleet -										
- Owned *A	1,456.34	22.99	33.15	1,446.18	523.23	95.14	20.24	598.13	848.05	933.11
- Leased *C	344.17	-	7.68	336.49	1.05	24.95	-	26.00	310.49	343.12
Plant & Machinery *B	41.19	0.74	2.93	39.00	39.35	0.22	0.60	38.97	0.03	1.84
Aircraft -GulfStream - taken on lease *C	-	86.36	5.41	80.95	-	3.40	-	3.40	77.55	-
Furniture, Fixture, Airconditioners, Refrigerators and Office Equipment	4.96	1.28	0.16	6.08	3.26	0.70	0.12	3.84	2.24	1.70
Vehicles	1.89	1.85	0.02	3.72	1.23	0.37	0.02	1.58	2.14	0.66
Total Tangible Fixed Assets	1,854.09	114.36	49.35 *D	1,919.10	568.41	125.41 *E	20.98	672.84	1,246.26	1,285.68
Capital work in-progress including Capital advance	-	6.19	-	6.19	-	-	-	-	6.19	-
Grand Total	1,854.09	120.55	49.35	1,925.29	568.41	125.41	20.98	672.84	1,252.45	1,285.68
As at 31.03.2006	2,024.04	904.28	1,074.23	1,854.09	799.67	84.40	315.66	568.41	1,285.68	

NOTES :

- *A. The Company has revalued its fleet on 1st April, 2004 on the basis of valuation done by approved valuers. The net difference between book value and revalued value on 1st April, 2004 amounting to Rs.669.52 Crores had been added to the book value of the fleet and corresponding credit was given to the Assets Revaluation Reserve. Gross block as on 31st March, 2007 includes Rs.329.31 Crores being amount added on revaluation of fleet.
- *B. Gross block of Plant & Machinery includes Rs. 38.84 Crores leased out, W.D.V. on 1st April, 2006 Rs. Nil.
- *C. The Company has taken a Vessel and an Aircraft on finance lease.
- *D. Consequent to the realignment in the rupee value on the foreign exchange, there has been an decrease of Rs.22.89 Crores (Previous year increase of Rs.8.08 Crores) in the Company's liabilities for the repayment of foreign currency loans. The same has been shown as deduction to the cost of the fleet, aircraft and secured loans.
- *E. Out of the Depreciation for the year, a sum of Rs.34.90 (Previous year Rs.46.92) Crores to the extent it is charged on the increased value has been recouped from Assets Revaluation Reserve and Rs.90.51(Previous year Rs.37.48) Crores has been debited to the Profit and Loss account.

SCHEDULES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH 2007

	As at 31.03.2007 (Rs. in Crores)	As at 31.03.2006 (Rs. in Crores)
SCHEDULE 6		
INVESTMENTS		
LONG TERM INVESTMENTS		
Investments in Subsidiaries		
Equity Shares (Fully Paid up, at cost net of other than temporary decline)		
- Unquoted		
125,840,000 Equity Shares of US\$ 1/- each of Essar International Limited, Guernsey	566.77	566.77
854,661,500 (Previous year 849,721,500) Equity shares of Rs.10/- each of Vadinar Oil Terminal Limited *	854.66	849.72
46,387,940 Equity Shares of Rs.10/- each of Essar Sisco Ship Management Company Limited	50.72	50.72
73,000,000 (Previous Year NIL) Equity Shares of Rs.10/- each of Essar Logistics Limited	73.00	-
	<u>1,545.15</u>	<u>1,467.21</u>
Other Investments (Non Trade)		
Equity Shares (Fully Paid up, at cost net of other than temporary decline)		
- Quoted		
3,838,104 Equity Shares of Rs.10/- each of Essar Oil Limited @	2.27	2.27
- Unquoted		
1,000,000 Equity Shares of Rs. 10/- each of Hutchison Essar South Limited #	1.00	1.00
Others (at cost net of other than temporary decline)		
39,196 (Previous year Nil) Units of Millinium Growth Development Fund Rs.1,00,000/- each. (NAV as on 31.03.07 Rs.108,463/- each)	391.96	-
	<u>395.23</u>	<u>3.27</u>
CURRENT INVESTMENTS (Non Trade)		
Mutual Funds (at lower of cost and fair value)		
- Unquoted		
6,382,727 (Previous year 21,768,480) Units of LIC MF Liquid Fund - Dividend Plan (NAV as on 31.03.07 Rs.10.98 each)	7.00	23.73
NIL (Previous year 4,986,590) Units of Magnum Institutional Income - Savings - Dividend plan	-	5.00
Total	<u><u>1,947.38</u></u>	<u><u>1,499.21</u></u>
* pledged in favour of lender for loan availed by Vadinar Oil Terminal Limited		
@ pledged in favour of lenders for loans availed by Essar Oil Limited		
# pledged against loan availed for acquisition of the shares		
NOTES:		
Aggregate Cost of Unquoted Investments	1,945.11	1,496.94
Aggregate Cost / Book value of Quoted Investments [net of other than temporary decline Rs.15.97 (Previous year Rs. 15.97) Crores]	2.27	2.27
Aggregate Market Value of Quoted Investments	19.86	15.68

Details of Investments purchased and sold during the year are as under:

Sl. No.	Description	Number of Units	Purchase Cost (Rs. in Crores)
1	LIC Mutual Fund Liquid fund - Dividend plan	283,821,113	31.10
2	DBS Chola Liquid Fund	4,988,752	0.50
3	Prudential ICICI Institutional Liquid Plan	82,025,155	82.00

SCHEDULES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH 2007

	As at 31.03.2007 (Rs. in Crores)	As at 31.03.2006 (Rs. in Crores)
SCHEDULE 7		
CURRENT ASSETS, LOANS AND ADVANCES		
CURRENT ASSETS		
Inventories	25.67	22.29
Sundry Debtors (unsecured)		
Debts outstanding for more than six months		
(a) Considered good	102.96	41.90
(b) Considered doubtful	23.23	-
	126.19	41.90
Less: Provision for Doubtful Debts	(23.23)	-
	102.96	41.90
Other Debts - Considered good	130.24	73.36
	233.20	115.26
Cash and Bank Balances		
Cash and Cheques on hand	0.06	98.03
Balance with Scheduled Banks		
In Current Accounts	9.34	284.61
In Deposits (including margin money)	46.52	64.02
Balance with other Banks		
In Deposits with NIB Capital [maximum amount outstanding during the year Rs.17.31 (Previous year Rs.8.45) Crores]	8.13	2.67
	64.05	449.33
Other Current Assets		
Interest accrued on Bank Deposits	0.70	0.16
Total (A)	323.62	587.04
LOANS AND ADVANCES (UNSECURED, CONSIDERED GOOD)		
Advances and Loans to Subsidiaries		
Vadinar Oil Terminal Limited [maximum amount outstanding during the year Rs. 4.94 (Previous year Rs.51.04) Crores]	-	4.84
Essar Logistics Limited [maximum amount outstanding during the year Rs.17.30 (Previous year NIL) Crores]	3.29	-
Energy Transportation International Limited [maximum amount outstanding during the year (payable) Rs.6.00 (Previous year Rs.1.66) Crores]	-	1.66
	3.29	6.50
Application money for allotment of Equity Shares	-	73.00
Inter Corporate Deposit	-	20.00
Advances recoverable in cash or in kind or for value to be received	6.19	14.61
Rental and other Deposits	59.09	39.99
Advance tax and tax deducted at source (net of Provision for Tax)	20.05	12.51
Prepaid expenses	10.40	4.02
Insurance claims receivable	1.37	4.62
Total (B)	100.39	175.25
Total (A)+(B)	424.01	762.29
SCHEDULE 8		
CURRENT LIABILITIES AND PROVISIONS		
CURRENT LIABILITIES		
Sundry Creditors *	34.21	43.67
Advance received against sale of investment	13.13	-
Investor Education and Protection Fund shall be credited by the following amounts when due:		
Unpaid Matured Debentures	0.72	1.22
Unpaid Interest on Debentures	0.13	0.26
	0.85	1.48
Other Liabilities	2.77	4.66
Interest Accrued, but not due on Loans	1.50	0.63
Deposits including Security Deposit	0.04	0.39
	52.50	50.83
PROVISIONS		
Provision for tax (net of taxes paid)	2.64	2.42
Provision for Fringe Benefits Tax [net of advance Rs.2.19 (Previous year Rs.1.68) Crores]	0.10	0.22
Provision for Gratuity	3.78	2.45
Provision for Leave Encashment on Retirement	0.86	0.72
	7.38	5.81
Total	59.88	56.64

*Amounts due to Micro, Small and Medium Industries Rs. Nil (Previous Year Rs.Nil)

SCHEDULES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH 2007

	As at 31.03.2007 (Rs. in Crores)	As at 31.03.2006 (Rs. in Crores)
SCHEDULE 9		
OTHER INCOME		
Equipment Lease / Hire Income	0.97	2.90
Interest Income from Banks [inclusive of tax deducted at source Rs.0.25 (Previous year Rs.0.21) Crores]	3.48	3.85
Interest Income from others [inclusive of tax deducted at source Rs.0.24 (Previous year Nil) Crores]	1.93	0.58
Profit on Sale of Units	0.25	-
Agency and Management Fees	0.08	0.93
Gain on Cancellation of Forward Cover	0.06	0.91
	<u>6.77</u>	<u>9.17</u>
SCHEDULE 10		
FLEET OPERATING EXPENSES		
Direct Voyage Expenses [includes Fuel Oil and Water Rs. 172.19 (Previous year Rs. 87.49) Crores]	497.95	307.53
Salaries, Wages, Bonus and other expenses on Floating staff		
Salaries, Wages and Bonus	46.83	40.89
Contribution to Staff Provident Fund and Other Funds	0.90	0.94
Staff Welfare and Other Expenses	5.23	5.14
Standing Costs [includes Stores and Spares Rs.12.11 (Previous year Rs.15.29) Crores]	28.95	27.98
Dry Docking Expenses	14.02	30.20
Insurance, Protection and Indemnity Club Fees	12.78	7.81
Commission, Brokerage and Agency Fees	7.75	3.32
Currency Exchange Difference (net)	(0.51)	3.63
	<u>613.90</u>	<u>427.44</u>
SCHEDULE 11		
ESTABLISHMENT AND OTHER EXPENSES		
Salaries, Wages and Bonus	13.19	12.24
Contribution to Staff Provident Fund and Other Funds	1.66	0.96
Staff Welfare Expenses	2.57	0.82
Rent	6.03	1.30
Rates and Taxes	0.07	0.06
Repairs and Maintenance-Buildings	1.34	1.12
Repairs and Maintenance-Others	11.99	0.55
Professional Fees, Registrar's Charges and Service Charges	3.04	4.54
Travelling and Conveyance	13.15	19.18
Auditors' Remuneration [Refer Note B (8) of Schedule 13]	0.70	0.57
Loss on Sale / Discarded Assets	0.04	0.01
Business Centre Fees	20.19	22.80
Bad Debts / Provision for Doubtful Debts	23.67	1.27
Miscellaneous Expenses	6.95	9.30
	<u>104.59</u>	<u>74.72</u>
SCHEDULE 12		
INTEREST AND FINANCE EXPENSES		
Interest on Secured Loans		
To Banks	50.56	12.29
To Others	-	2.81
Interest on Others	11.71	5.38
Interest on Finance Lease	31.47	1.07
Guarantee Fees, Processing and Other Charges	0.53	0.31
Loan Arrangement Expenses	0.21	4.17
	<u>94.48</u>	<u>26.03</u>

SCHEDULE 13

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st MARCH 2007

A. SIGNIFICANT ACCOUNTING POLICIES:

1. BASIS OF ACCOUNTING

These financial statements are prepared under the historical cost convention, except for the revaluation of fleet, on accrual basis of accounting and are in accordance with Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.

2. USE OF ESTIMATES

The preparation of financial statements require estimates and assumptions to be made that affect the reported amount of assets and liabilities on the reporting date and the reported amount of revenues and expenses during the reporting period. Differences between the actual results and estimates are recognised in the period in which the results are known / materialised.

3. FIXED ASSETS

- Fixed assets are recorded at cost of acquisition or at revalued figures less accumulated depreciation and impairment loss, if any. Cost of acquisition of fleet includes brokerage; start up costs and major improvements / upgradation.
- Assets acquired under finance leases are capitalised as fixed assets at fair value at inception of the lease and a corresponding loan liability is recognised. The lease rentals paid (excluding operating expenses) are bifurcated into principal and interest components by applying an implicit rate of return. The interest is charged as a period cost and the principal amount is adjusted against the liability recognised in respect of assets taken on finance lease.

4. BORROWING COST

Borrowing costs that are directly attributable to the acquisition or construction of qualifying assets are capitalised as a part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue.

5. DEPRECIATION

- Depreciation on fleet is provided on straight-line method based on a technical evaluation of the economic useful life of respective vessels at rates not less than those specified under Schedule XIV to the Companies Act, 1956.
- In respect of second hand fleet, depreciation at 5% to 35% on straight line method is provided based on balance economic useful life of the fleet, which is less than the specified period under Section 205(2)(b) read with Schedule XIV to the Companies Act, 1956.
- Depreciation on water circulation treatment plant, is provided on straight line method as per Schedule XIV to the Companies Act, 1956.
- All other assets are depreciated under the written down value method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956. Assets costing less than Rs.5,000/- are written off in the year of acquisition.
- Depreciation amount added on revaluation is recouped proportionately from Fixed Assets Revaluation Reserve.
- Depreciation on additions / deductions to fixed assets made during the year is provided on a pro-rata basis from / upto the date of such additions / deductions, as the case may be.
- Profit or loss on disposal of revalued fixed assets is recognised with reference to revalued carrying values.
- The balance in the fixed assets Revaluation Reserve relating to sale / disposal of revalued fixed assets is transferred to General Reserve.

6. INVESTMENTS

- Long Term Quoted and Unquoted Investments are stated at cost. The diminution in carrying value with reference to their fair value is recognised if such diminution, in the opinion of management, is permanent in nature.
- Current investments are carried at the lower of cost or fair value.

7. FLEET OPERATING EARNINGS

- Fleet Operating Earnings represent the value of charter hire earnings, demurrage, freight earnings, fleet management fees and lighterage earnings and are accounted on accrual basis. Freight earnings are recognised on a pro-rata basis for voyages in progress at balance sheet date after loading of the cargo is completed; revenues and related expenses for voyages where cargo has not been loaded as on the balance sheet date are deferred and recognised in the following year. Lighterage is recognised on the basis of unloading of entire cargo.
- The Company also participates in pool arrangement. The pool arrangement is managed by a pool agent and operating revenue and voyage expenses of fleet operating under tanker pool are pooled together and net operating revenues, calculated on a time charter equivalent basis, are allocated to the pool participants according to an agreed formula. The net revenue from the pool is recognised as income when intimated by the pool agent periodically, and subsequent adjustments are accounted as and when informed.

8. FLEET OPERATING EXPENSES

All expenses relating to the operation of the fleet, including crewing, insurance, stores, bunkers, dry docking, charter hire and special survey costs, are expensed under fleet operating expenses.

9. RETIREMENT BENEFITS

- Contribution to Provident Fund which is a fixed percentage of the eligible employees' salary is charged to profit and loss account.
- Provision for Gratuity for floating staff is made as under:
 - For officers on actuarial valuation.
 - For crew on accrual basis as per rules of the National Maritime Board and is charged to profit and loss account.

Provision for Gratuity for onshore staff is actuarially determined at the year end. The same is funded to Life Insurance Corporation of India to the extent of demand raised by them and balance is taken to Current Liabilities.
- The contributions towards Superannuation funded by payments to Life Insurance Corporation of India, is a fixed percentage of the salary of eligible employees' under defined superannuation plan is charged to profit and loss account.
- Provision has been made on actuarial valuation for future encashable leave entitlement on retirement of eligible employees.

10. FOREIGN CURRENCY TRANSACTIONS

Transactions denominated in foreign currencies are recorded at standard exchange rates determined monthly which approximates the actual rate on the date of transaction. The difference between the standard rate and the actual rate of settlement is accounted in the profit and loss account.

Monetary items denominated in foreign currency are translated at the rate prevailing at the end of the year. Gains/losses on conversion/translation/settlement of foreign currency transactions are recognised in profit and loss account, except translation gains/losses in respect of foreign currency loans used for acquiring fixed assets from outside India, that are adjusted to the carrying amounts of those fixed assets.

Exchange rate difference between the rate prevailing on the date of forward exchange contract and the rate prevailing on the balance sheet date or on the date of settlement of forward exchange contract, whichever is earlier, is recognised in the profit and loss account. Premium or discount arising on forward exchange contract entered into for the purpose of hedging foreign exchange risk is amortised over the period of the contract and charged to profit and loss account.

11. INVENTORY

Inventory is valued at the lower of cost and net realisable value. Cost is determined on first-in first-out basis.

12. INSURANCE CLAIMS

Insurance claims are recorded based on reasonable certainty of their settlement.

13. TAXES ON INCOME

- Income tax on income from qualifying fleet is provided on the basis of Tonnage Tax Scheme whereas income tax on other income and fringe benefit tax are provided as per the other provisions of Income Tax Act, 1961.
- Deferred Tax Liability relating to non-tonnage tax activities is recognised on timing differences between the accounting and the taxable income for the year and quantified using the tax rates and laws enacted or substantially enacted as at the balance sheet date. Deferred Tax Asset relating to such activities is recognised and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

14. INTANGIBLE ASSETS

Intangible assets are recognised only when it is probable that the future economic benefits that are attributable to the asset will flow to the Company and the cost of such assets can be measured reliably. Intangible assets are stated at cost less accumulated amortisation and impairment loss, if any. All costs relating to the acquisition are capitalised. Intangible assets are amortised over the useful life of the asset.

15. IMPAIRMENT OF ASSETS

The Company assesses on each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The amount so reduced is treated as an impairment loss and is recognised in the profit and loss account, except in case of revalued assets, where it is first adjusted against revaluation reserve. If at the balance sheet date, there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost, except for revalued assets which are subject to a maximum of depreciated revalued cost.

16. PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised in the accounts for present obligations arising out of past events and would probably require an outflow of economic resources, the amount of which can be reliably estimated.

Contingent liabilities are disclosed in respect of possible obligations that arise from past events, the existence of which will be confirmed by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company, or a present obligation that is not recognised because a reliable estimate of the liability cannot be made, or the likelihood of an outflow of resources is remote. Contingent assets are not recognised in the accounts, unless there is virtual certainty as to their realisation.

17. OPERATING LEASES

Rentals are expensed with reference to the terms of the lease agreement and other considerations in respect of operating leases.

18. INTEREST INCOME

Interest Income is recognised using the time proportion method based on rates implicit in the transactions.

B. NOTES TO THE FINANCIAL STATEMENTS

1) Fixed Assets

In order to reflect the fair value of the Company's fleet, the Company had revalued its fleet on 1st April 2004 based on the valuation thereof by an accredited valuer, done on the basis of expected market value in an arm's length transaction, free of encumbrances on the valuation date, and the enhancement on account of revaluation amounting to Rs.669.52 Crores was credited to Fixed Asset Revaluation Reserve. Incremental depreciation on account of the revaluation amounting to Rs.34.90 (Previous Year Rs.46.92) Crores has been recouped from the Fixed Assets Revaluation Reserve.

2) Sundry Debtors

Sundry Debtors (unsecured and considered good) outstanding for more than six months include Rs.3.70 Crores (previous year

Rs.3.70 Crores) awarded on arbitration in year 2002-03. The concerned debtor had gone in appeal and the matter is pending before the Honorable High Court of Madras. As the Arbitration Tribunal Award is in favour of the Company, the debt is considered good.

3) Contingent Liabilities:

(Rs. in Crores)

Particulars	As on	As on
	31.03.2007	31.03.2006
i) Claims against the Company pending under arbitration proceeding.	0.39	-
ii) Guarantees given by banks	14.80	15.02
iii) Letter of Credit (Capital Commitment) *	24.56	-
iv) Corporate guarantees on behalf of a subsidiary	250.00	250.00
v) Corporate guarantees on behalf of Essar Shipping and Logistics Limited **	730.45	-
vi) Disputed sales Tax demand under appeal in the Honorable High Court of Madras.	58.10	54.45
vii) Income tax appeals before ITAT.	109.20	104.98
viii) Estimated amount of Contract remaining to be executed on capital account and not provided for	24.75	-

* Letter of credit facility of Rs. 24.56 Crores has since been liquidated.

** Corporate guarantee on behalf of Essar Shipping & Logistics Limited has been backed by a counter guarantee from Essar Global Limited

The possibility of any outflow of resources on items from (i) to (vii) above is highly unlikely.

4) The details for provision made by the Company for present obligations arising out of past events are as below:

(Rs. in Crores)

Particulars	As on	Additions during the year	Reversed / Paid during the year.	As on
	01.04.2006			31.03.2007
Claims against the Company pending under arbitration proceeding.	1.58	-	0.76	0.82

5) Leases

a) Finance Lease

Reconciliation of minimum lease payments and its present value in respect of assets (fleet and Aircraft) taken on finance lease. The company has an option to purchase the assets at the end of the lease tenure.

(Rs. in Crores)

Particulars	As on 31.03.2007			As on 31.03.2006		
	Minimum Lease Payments	Interest	Present Value of Minimum Lease Payments	Minimum Lease Payments	Interest	Present Value of Minimum Lease Payments
Future lease rental obligation payable :						
not later than one year	54.55	28.83	25.72	42.56	25.12	17.44
- later than one year but not later than five years 254.68	113.00	141.68	206.97	103.69	103.28	
- later than five years	270.14	44.20	225.94	281.89	59.14	222.75
TOTAL	579.37	186.03	393.34	531.42	187.95	343.47

b) Operating Leases:

As at the balance sheet date the outstanding commitments by the lessee on account of assets leased out by the Company under non-cancelable leases entered are as follows:

(Rs. in Crores)

Particulars	As on	As on
	31.03.2007	31.03.2006
not later than one year	9.76	-
later than one year but not later than five years	10.56	-
later than five years	-	-
TOTAL	20.32	-

6) Business and Geographical Segment:
a) Business Segment

The Company has one Primary business segment of fleet operations and chartering.

b) Geographical Segment

The Company's fleet operations are managed on a worldwide basis from India. Fleet operating and chartering earnings based on the geographical location of customers:

Fleet operating and Chartering Earnings	Year ended (Rs. in Crores)	
	31.03.2007	31.03.2006
India	696.50	541.15
China	20.63	19.37
U.S.A	60.52	77.26
U.K.	139.70	5.77
Rest of the world	106.95	35.26
TOTAL	1024.30	678.81

The main operating assets represent floating fleet, which is not identifiable to any geographical location.

7) Remuneration to Managing Director and Wholtime Directors

Particulars	Year ended (Rs. in Crores)	
	31.03.2007	31.03.2006
Basic Salary	0.26	0.12
Allowances and other Benefits	1.10	0.48
Contribution to Provident fund	0.03	0.01
TOTAL	1.39	0.61

Notes:

- The above figure does not include Perquisites amounting to Rs.0.12 Crores (previous year 0.12 Crores).
- The above figure does not include the gratuity payable by the company to the managerial persons as same is calculated for the Company as a whole on actuarial basis.

8) Auditors' Remuneration:

Particulars	Year ended (Rs. in Crores)	
	31.03.2007	31.03.2006
Audit fee	0.25	0.25
Other matters	0.37	0.25
Certification fees	-	0.01
Add : Service Tax on above	0.08	0.06
TOTAL	0.70	0.57

9) Earnings per share:

The calculation of the basic and diluted earnings per share is based on the following data:

a) Basic	Year ended	
	31.03.2007	31.03.2006
Earnings for the purpose of basic earnings per share (net profit for the year) (Rs. in crores)	133.98	185.22
Equity shares at the beginning of the year (Nos.)	426,077,207	301,621,207
Add: Equity shares allotted during the year (Nos.)	-	124,456,000
Equity shares at the end of the year (Nos.)	426,077,207	426,077,207
Weighted average number of equity shares for the purpose of calculating basic earnings per share (Nos.)	426,077,207	395,048,451
Basic earnings per share of face value of Rs.10/- each (Rs.)	3.14	4.69
b) Diluted		
Earnings for the purpose of diluted earnings per share - (Rs. in crores)	133.98	185.22
Weighted average equity shares for the purpose of calculating earnings per share as above (Nos.)	426,077,207	411,382,350
Total weighted average number of equity shares for the purpose of calculating diluted earnings per share (Nos.)	426,077,207	411,382,350
Diluted earnings per share of face value of Rs.10/- each (Rs.)	3.14	4.50

10) The year-end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

a) Amount receivable in foreign currency on account of the following:

Particulars	As on	As on
	31.03.2007	31.03.2006
	Rs. in Crores	Rs. in Crores
i) Export of Goods and Services	23.95	25.52
ii) Bank balance and F.D including interest accrued there on	14.76	51.25

b) Amount Payable in foreign currency on account of the following:

Particulars	As on	As on
	31.03.2007	31.03.2006
	Rs. in Crores	Rs. in Crores
i) Import of Goods and Services	13.61	20.45
ii) Outstanding Liabilities	0.45	-
iii) Secured Loans Payable (including interest accrued)	495.56	530.97
iv) Lease Loan Obligation	393.34	343.47

Note: Since the majority of the revenue of the Company are in foreign Currency therefore it has natural hedge against foreign exchange exposures.

11) Related party transactions:
a) Subsidiaries:

- Vadinar Oil Terminal Limited
- Essar Sisco Ship Management Company Limited
- Essar Logistics Limited (became Subsidiary during current year)
- Essar International Limited, Guernsey, Channel Islands
- Energy Transportation International Limited, Bermuda
- Energy II Limited, Bermuda

b) Investing company in respect of which the Company is an associate:

- Essar Holdings Private Limited (ceased to be company associate during current year)
- Teletech Investment (India) Limited
- India Shipping

c) Individuals owning directly or indirectly an interest in the voting power that gives them control or significant influence:

- Mr. Shashi Ruia, Chairman
- Mr. Ravi Ruia, Vice Chairman
- Mr. Anshuman Ruia, Director
- Mr. Rewant Ruia, Director

d) Key management personnel:

- Mr. Sanjay Mehta, Managing Director
- Mr. A. R. Ramakrishnan, Wholtime Director
- Mr. V. Ashok, Wholtime Director

e) Other related parties where there have been transactions:

Enterprises commonly controlled or influenced by major shareholders / directors / relatives of directors of the company:

- Essar Information Technology Ltd.
- Essar Agrotech Ltd.
- Essar Constructions Ltd.
- Essar House Ltd.
- Essar House Services Ltd.
- Essar Steel Ltd.
- Futura Travels Ltd.
- India Securities Ltd.
- Essar Oil Ltd.
- Bhander Power Ltd.
- Essar Steel Hazira Ltd.
- Essar Power Ltd.
- Clickforsteel Services Ltd.
- Essar Shipping & Logistics Ltd.
- Essar Investments Ltd.
- Essar Teleholdings Ltd.
- Essar Bulk Terminal Ltd.
- Essar Oilfields Services Ltd.
- Aegis BPO Services Ltd.

Essar Shipping Limited

(Rs. in Crores)

Nature of Transactions	Subsidiaries		Other Related		Key Management Parties Personnel		Group of individual having significant influence		Total	
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
INCOME										
Fleet Operating Income										
Essar Steel Ltd.	-	-	433.91	411.86	-	-	-	-	433.91	411.86
Energy Transportation International Ltd.	-	3.91	-	-	-	-	-	-	-	3.91
Essar Logistics Ltd.	26.97	-	-	14.48	-	-	-	-	26.97	14.48
Essar Steel Hazira Ltd.	-	-	72.17	34.20	-	-	-	-	72.17	34.20
Others	0.97	-	3.52	17.79	-	-	-	-	4.49	17.79
Sub Total	27.94	3.91	509.60	478.33	-	-	-	-	537.54	482.24
Equipment Lease rental / Hire Income										
Essar Logistics Ltd.	0.78	-	-	0.14	-	-	-	-	0.78	0.14
Essar Steel Ltd.	-	-	0.19	1.45	-	-	-	-	0.19	1.45
Sub Total	0.78	-	0.19	1.59	-	-	-	-	0.97	1.59
Interest Income										
Essar Teleholdings Ltd.	-	-	-	0.03	-	-	-	-	-	0.03
Essar Investments Ltd.	-	-	-	0.52	-	-	-	-	-	0.52
Sub Total	-	-	-	0.55	-	-	-	-	-	0.55
Remuneration										
Sanjay Mehta	-	-	-	-	0.62	0.62	-	-	0.62	0.62
A.R.Ramakrishnan	-	-	-	-	0.90	0.51	-	-	0.90	0.51
V.Ashok	-	-	-	-	0.52	-	-	-	0.52	-
Sub Total	-	-	-	-	2.04	1.13	-	-	2.04	1.13
Fuel Oil										
Essar Oil Limited	-	-	3.22	-	-	-	-	-	3.22	-
Spares & Stores										
Essar Logistics Ltd.	4.52	-	-	-	-	-	-	-	4.52	-
Business Center Fees										
Essar House Services Ltd.	-	-	20.19	22.80	-	-	-	-	20.19	22.80
Rent										
Essar House Ltd.	-	-	4.80	-	-	-	-	-	4.80	-
Hire charges										
Essar Constructions Ltd.	-	-	-	0.75	-	-	-	-	-	0.75
Repair & Maintenance										
Essar Agrotech Ltd.	-	-	0.30	0.30	-	-	-	-	0.30	0.30
Essar Constructions Ltd.	-	-	0.23	0.53	-	-	-	-	0.23	0.53
Clickforsteel Services Ltd.	-	-	-	0.16	-	-	-	-	-	0.16
Sub Total	-	-	0.53	0.99	-	-	-	-	0.53	0.99
Traveling expenses										
Futura Travels Ltd.	-	-	4.21	16.59	-	-	-	-	4.21	16.59
Reimbursement of Expenses										
Energy Transportation International Ltd.	-	2.25	-	-	-	-	-	-	-	2.25
Futura Travels Ltd.	-	-	16.11	3.76	-	-	-	-	16.11	3.76
Others	-	-	0.78	0.12	-	-	-	-	0.35	0.12
Sub Total	-	2.25	16.89	3.88	-	-	-	-	16.46	6.13
Professional / Advisory fees / Agency Fees										
Essar Information Technology Ltd.	-	-	0.38	0.10	-	-	-	-	0.38	0.10
Essar Steel Limited, Vizag	-	-	0.11	0.08	-	-	-	-	0.11	0.08
India Securities Ltd.	-	-	0.22	0.22	-	-	-	-	0.22	0.22
Aegis BPO Services Ltd.	-	-	0.45	-	-	-	-	-	0.45	-
Sub Total	-	-	1.16	0.40	-	-	-	-	1.16	0.40
Fixed Assets Sold										
Essar Logistics Ltd.	2.42	-	-	-	-	-	-	-	2.42	-
Fixed Assets inclusive capital Advances										
Essar Constructions Ltd.	-	-	1.14	1.23	-	-	-	-	1.14	1.23
Purchase of Equity Shares of ESSMC										
Vadinar Oil Terminal Ltd.	-	5.42	-	-	-	-	-	-	-	5.42
Investments										
Essar International Ltd.	-	232.67	-	-	-	-	-	-	-	232.67
Vadinar Oil Terminal Ltd.	4.94	30.00	-	-	-	-	-	-	4.94	30.00
Essar Logistics Ltd.	72.95	-	-	-	-	-	-	-	72.95	-
Sub Total	77.89	262.67	-	-	-	-	-	-	77.89	262.67
Loans & Advances including Deposit given										
Essar Sisco Ship Management Co. Ltd.	0.14	1,229.59	-	-	-	-	-	-	0.14	1,229.59
Vadinar Oil Terminal Ltd.	-	23.99	-	-	-	-	-	-	-	23.99
Essar Logistics Ltd.	10.48	-	-	-	-	-	-	-	10.48	-
Essar International Ltd.	18.72	-	-	-	-	-	-	-	18.72	-
Essar House Ltd.	-	-	3.50	3.50	-	-	-	-	3.50	3.50
Futura Travels Ltd.	-	-	-	4.00	-	-	-	-	-	4.00
Essar Investments Ltd.	-	-	-	30.00	-	-	-	-	-	30.00
Essar Oil Ltd.	-	-	12.00	-	-	-	-	-	12.00	-
Essar Teleholdings Ltd.	-	-	-	10.00	-	-	-	-	-	10.00
Essar Oilfield Services Ltd.	-	-	0.15	-	-	-	-	-	0.15	-
Energy Transportation International Ltd.	24.92	-	-	-	-	-	-	-	24.92	-
Essar Bulk Terminal Ltd.	-	-	0.17	-	-	-	-	-	0.17	-
Essar Investments Ltd.	-	-	0.58	-	-	-	-	-	0.58	-
Sub Total	54.26	1,253.58	16.40	47.50	-	-	-	-	70.66	1,301.08
Application Money against allotment of Shares										
Essar Logistics Ltd.	-	-	-	73.00	-	-	-	-	-	73.00
Advance received against sale of Investments										
Essar Shipping & Logistics Ltd.	-	-	13.13	-	-	-	-	-	13.13	-
Guarantee on behalf of others										
Essar Shipping & Logistics Ltd.	-	-	730.45	-	-	-	-	-	730.45	-
Energy Transportation International Ltd.	-	13.74	-	-	-	-	-	-	-	13.74
Sub Total	-	13.74	730.45	-	-	-	-	-	730.45	13.74
Sitting fees										

*Sitting fees Rs.64,000 (Previous year Rs.40,000)

Outstanding as on March 31, 2007

(Rs. in Crores)

Nature of Transactions	Subsidiaries		Other Related Parties		Key Management Parties Personnel		Group of individual having significant influence		Total	
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
Sundry Debtors										
Essar Oil Ltd.	-	-	-	14.59	-	-	-	-	-	14.59
Essar Steel Ltd.	-	-	73.24	18.13	-	-	-	-	73.24	18.13
Essar Logistics Ltd.	28.01	-	-	17.91	-	-	-	-	28.01	17.91
Essar Steel Hazira Ltd.	-	-	102.39	34.20	-	-	-	-	102.39	34.20
Others	1.21	-	-	0.52	-	-	-	-	1.21	0.52
Sub Total	29.22	-	175.63	85.35	-	-	-	-	204.85	85.35
Loans and advances including deposit given										
Vadinar Oil Terminal Ltd.	-	4.84	-	-	-	-	-	-	-	4.84
Energy Transportation International Ltd.	-	1.66	-	-	-	-	-	-	-	1.66
Essar Logistics Ltd.	3.29	-	-	-	-	-	-	-	3.29	-
Essar House Ltd.	-	-	29.00	25.50	-	-	-	-	29.00	25.50
Futura Travels Ltd.	-	-	6.25	6.25	-	-	-	-	6.25	6.25
Essar Power Ltd.	-	-	-	5.55	-	-	-	-	-	5.55
Essar Oil Ltd.	-	-	12.00	-	-	-	-	-	12.00	-
Others	-	-	0.26	-	-	-	-	-	0.26	-
Sub Total	3.29	6.50	47.51	37.30	-	-	-	-	50.80	43.80
Advance received against sale of Investments										
Essar Shipping & Logistics Ltd.	-	-	13.13	-	-	-	-	-	13.13	-
Interest Receivable										
Essar Teleholdings Ltd.	-	-	-	0.03	-	-	-	-	-	0.03
Essar Investments Ltd.	-	-	-	0.52	-	-	-	-	-	0.52
Sub Total	-	-	-	0.55	-	-	-	-	-	0.55
Application money against allotment of Shares										
Essar Logistics Ltd.	-	-	-	73.00	-	-	-	-	-	73.00
Sundry Creditors										
Essar Oil Ltd.	-	-	0.53	-	-	-	-	-	0.53	-
Futura Travels Ltd.	-	-	6.18	3.68	-	-	-	-	6.18	3.68
Clickforsteel Services Ltd.	-	-	-	0.52	-	-	-	-	-	0.52
Essar Constructions Ltd.	-	-	1.14	0.89	-	-	-	-	1.14	0.89
Essar House Services Ltd.	-	-	1.09	-	-	-	-	-	1.09	-
Aegis BPO Services Ltd.	-	-	0.17	-	-	-	-	-	0.17	-
Sanjay Mehta	-	-	-	-	0.03	0.03	-	-	0.03	0.03
A.R. Ramakrishnan	-	-	-	-	0.12	0.04	-	-	0.12	0.04
V.Ashok	-	-	-	-	0.06	-	-	-	0.06	-
Others	-	-	0.03	-	-	-	-	-	0.03	-
Sub Total	-	-	9.14	5.09	0.21	0.07	-	-	9.35	5.16
Security deposit received										
Essar Steel Ltd.	-	-	0.04	0.39	-	-	-	-	0.04	0.39
Guarantee on behalf of others										
Essar Shipping & Logistics Ltd.	-	-	730.45	-	-	-	-	-	730.45	-
Energy Transportation International Ltd.	13.74	13.74	-	-	-	-	-	-	13.74	13.74
Vadinar Oil Terminal Ltd.	250.00	250.00	-	-	-	-	-	-	250.00	250.00
Total	263.74	263.74	730.45	-	-	-	-	-	994.19	263.74

Note: The names of related parties are disclosed under each class of transaction during the year where the transaction with a single related party is 10% or more of the aggregate transactions of a class.

- 12) The Board of Directors at its meeting held on 3rd June 2006 had as part of restructuring of the Shipping Logistics group, decided to transfer the Company's interest in its wholly owned subsidiaries, Vadinar Oil Terminal Limited (VOTL) and Essar Logistics Limited (ELL). The Board at its meeting held on May 29, 2007 had decided not to divest the stake in ELL at present considering the good profits and growth of ELL. In case of VOTL the transfer procedures are expected to be completed shortly.
- 13) Significant events occurring after the balance-sheet date (not requiring adjustments to assets and liabilities as at balance sheet date)
- a) The Company has entered into a Memorandum of Agreement (MOA) for acquisition of a 130,000 DWT Capesize Bulk Carrier

with delivery of the vessel scheduled at the end of June 2007.

- b) The Company has also entered into a Memorandum of Agreement for sale of a 19602 DWT Product Carrier.

- 14) Remittance in foreign currency on account of dividend - Rs. Nil. (Previous Year Rs. Nil)

- 15) In view of exemption from Central Government obtained by the Company under Section 211(4) of the Companies Act, 1956, information required under sub-clauses (a), (b), (c) and (e) of Paragraph 4-D of Part II of schedule VI to the Companies Act, 1956, is not given.

- 16) Previous years figures have been regrouped / reclassified wherever necessary.

As per our report of even date

For and on behalf of the Board

For Deloitte Haskins & Sells
Chartered Accountants

Khurshed Pastakia
Partner

Sanjay Mehta
Managing Director

R. N. Bansal
Director

Manoj Contractor
Company Secretary

Mumbai
June 29, 2007

Mumbai
June 29, 2007

Essar Shipping Limited

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(As per Schedule VI, part (iv) of the Companies Act, 1956)

I Registration Details

Registration No.

	2	7	7	1
--	---	---	---	---

State Code

0	8
---	---

Balance Sheet Date

3	1	0	3	0	7
---	---	---	---	---	---

II Capital Raised During the year (Amounts Rs. in Thousands)

Public Issue

					N	I	L
--	--	--	--	--	---	---	---

Bonus Issue

					N	I	L
--	--	--	--	--	---	---	---

Right Issue

					N	I	L
--	--	--	--	--	---	---	---

Private Placement

					N	I	L
--	--	--	--	--	---	---	---

III Position of Mobilisation and Deployment of Funds (Amount Rs. in Thousands)

Total Liabilities

	3	5	6	3	9	6	7	0
--	---	---	---	---	---	---	---	---

Source of Funds

Paid-up Capital

		4	2	6	2	0	7	7
--	--	---	---	---	---	---	---	---

Secured Loans

		6	0	6	4	4	1	5
--	--	---	---	---	---	---	---	---

Application of Funds

Net Fixed Assets

	1	2	5	2	4	5	4	9
--	---	---	---	---	---	---	---	---

Net Current Assets

		3	6	4	1	2	6	8
--	--	---	---	---	---	---	---	---

Accumulated Losses

					N	I	L
--	--	--	--	--	---	---	---

Total Asset

	3	5	6	3	9	6	7	0
--	---	---	---	---	---	---	---	---

Reserves & Surplus

	1	9	7	7	9	8	0	4
--	---	---	---	---	---	---	---	---

Unsecured loans

		5	5	3	3	3	7	4
--	--	---	---	---	---	---	---	---

Investments

	1	9	4	7	3	8	5	3
--	---	---	---	---	---	---	---	---

Misc. Expenditure

					N	I	L
--	--	--	--	--	---	---	---

IV Performance of Company (Amount Rs. in Thousands)

Turnover

	1	0	4	4	6	1	8	6
--	---	---	---	---	---	---	---	---

+ Profit/Loss Before Tax

+			1	4	1	1	5	1	7
---	--	--	---	---	---	---	---	---	---

Earning Per Share in Rs.

				3	1	4
--	--	--	--	---	---	---

Total Expenditure

	9	0	3	4	6	6	9
--	---	---	---	---	---	---	---

+ Profit /Loss After Tax

+			1	3	3	9	8	3	0
---	--	--	---	---	---	---	---	---	---

Dividend Rate %

					N	I	L
--	--	--	--	--	---	---	---

V Generic Names of Three Principal Products/services of Company (as per monetary terms)_Not applicable being

Shipping Company

Item code No

(ITC Code)

				N	A
--	--	--	--	---	---

Item code No

(ITC Code)

				N	A
--	--	--	--	---	---

Item code No

(ITC Code)

				N	A
--	--	--	--	---	---

Item code No

(ITC Code)

				N	A
--	--	--	--	---	---

Product

Description

Ship Operation and Chartering

Product

Description

				N	A
--	--	--	--	---	---

Product

Description

				N	A
--	--	--	--	---	---

Product

Description

				N	A
--	--	--	--	---	---

Note : For ITC code of Products please refer to the publication "Indian Trade Classification " based on harmonised Commodity description and coding system by Ministry of Commerce, Directorate General of Commercial Intelligence & Statistics Calcutta-700 001.

For and on behalf of the Board

Sanjay Mehta
Managing Director

R. N. Bansal
Director

Mumbai
June 29, 2007

Manoj Contractor
Company Secretary

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

PARTICULARS	Vadinar Oil Terminal Limited, Chennai	Essar Sisco Ship Management Company Limited, Chennai	Essar Logistics Limited, Mumbai	Essar International Limited, Guernsey	Energy Transportation International Limited, Bermuda	Energy II Limited, Bermuda
1 The relevant financial year of the subsidiary ended on	31.03.07	31.03.07	31.03.07	31.03.07	31.03.07	31.03.07
2 No of shares in the subsidiary company held by Essar Shipping Ltd. As on 31.03.07	854,661,500	46,387,940	73,000,000	125,840,000	1,952,000	12,000
3 Extent of holding by Essar Shipping Ltd as at the end of the financial period	100%	100%	100%	100%	100%	100%
4 The net aggregate amount of the Subsidiary Companies Profit / (Loss) so far as it concerns the members of the Holding Company.						
a) Not dealt with in the Holding Company's Accounts :						
i) For the financial year ended 31st March, 2007	NIL	(Rs.17,282,630)	Rs.226,068,209	\$ 6,872,324/-	(\$ 412,025/-)	\$ 4661/-
ii) For the previous Financial years of the Subsidiary Companies since they became the Holding Company's subsidiaries	NIL	Rs.1,687,441,803/-	NIL	\$ 46,763,982 /-	\$ 10,254,724 /-	\$ 5,809/-
b) Dealt with in Holding Company's accounts:						
i) For the financial year ended 31st March, 2007	NIL	NIL	NIL	NIL	NIL	NIL
ii) For the previous Financial years of the Subsidiary Companies since they became the Holding Company's subsidiaries	NIL	NIL	NIL	NIL	NIL	NIL
5 Change of interest of Essar Shipping Ltd in the subsidiary between the end of the financial year of subsidiary and that of Essar Shipping Ltd.	NIL	NIL	NIL	NIL	NIL	NIL
6Material changes between the end of the financial year of the subsidiary and the end of the financial year of Essar Shipping Ltd. in respect of subsidiary's fixed assets, investments, monies lent and borrowed.						
a) Fixed Assets	NIL	NIL	NIL	NIL	NIL	NIL
b) Investments	NIL	NIL	NIL	NIL	NIL	NIL
c) Money lent by the subsidiary	NIL	NIL	NIL	NIL	NIL	NIL
d) Money borrowed by the subsidiary company other than for meeting current Liabilities (Net)	NIL	NIL	NIL	NIL	NIL	NIL

For and on behalf of the Board

Sanjay Mehta
Managing Director

R. N. Bansal
Director

Manoj Contractor
Company Secretary

Mumbai
June 29, 2007

Essar Shipping Limited

Details of Subsidiary Companies pursuant to approval obtained u/s.212(8)

Name of Subsidiary Companies		Vadinar Oil Terminal Limited, Chennai	Essar Sisco Ship Management Company Limited, Chennai	Essar Logistics Limited, Mumbai	Essar International Limited, Guernsey	Energy Transportation International Ltd, Bermuda	Energy II Limited, Bermuda
Year ending		31-Mar-07	31-Mar-07	31-Mar-07	31-Mar-07	31-Mar-07	31-Mar-07
Sr. No.	Particulars						
1	Capital	854.66	46.39	73.00	547.03	8.49	0.05
2	Reserves	-	167.02	14.43	233.15	21.16	0.05
3	Total Assets	3,079.02	213.41	98.45	780.18	29.65	0.10
4	Total Liabilities	3,079.02	213.41	98.45	780.18	29.65	0.10
5	Details of investments (including investments in subsidiaries)	-	213.08	-	758.64	-	-
6	Turnover	-	-	644.40	99.96	0.37	0.67
7	Profit before taxation	-	(1.71)	22.69	29.87	(1.79)	0.05
8	Provision for taxation	-	(0.02)	(0.09)	-	-	-
9	Profit after taxation	-	(1.73)	22.60	29.87	(1.79)	0.05
10	Proposed dividend	-	-	-	-	-	-

For and on behalf of the Board

Sanjay Mehta
Managing Director

R. N. Bansal
Director

Mumbai
June 29, 2007

Manoj Contractor
Company Secretary

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF ESSAR SHIPPING LIMITED

We have audited the attached Consolidated Balance Sheet of Essar Shipping Limited ('the Company') and its subsidiaries (together, 'the Group') as at March 31, 2007, and also the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India.

In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India.

- (a) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2007;
- (b) in the case of the Consolidated Statement of Profit and Loss, of the consolidated results of operations of the Group for the year ended on that date; and
- (c) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Group for the year ended on that date.

For **Deloitte Haskins & Sells**
Chartered Accountants

Khurshed Pastakia
Partner
(Membership No. 31544)

Mumbai
June 29, 2007

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2007

	Schedule No.	As at 31.03.2007 (Rs. in Crores)	As at 31.03.2006 (Rs. in Crores)
I. SOURCES OF FUNDS			
Shareholders' Funds:			
Share Capital	1	426.21	426.21
Advance against allotment of shares		89.73	
Reserves and Surplus	2	2,367.86	2,267.07
		<u>2,883.80</u>	<u>2,693.28</u>
Loan Funds:			
Secured Loans	3	2,741.07	2,581.91
Finance Lease Obligations		396.50	343.47
Unsecured loans	4	160.00	160.00
Deferred Tax Liability (Net)		7.87	0.01
Total		<u>6,189.24</u>	<u>5,778.67</u>
II. APPLICATION OF FUNDS			
Fixed Assets:			
Gross Block	5	2,171.48	1,834.54
Less: Depreciation / Amortisation		698.11	568.55
Net Block		1,473.37	1,265.99
Capital Work-in-progress including Capital Advances	6A	1,863.28	1,562.90
		3,336.65	2,828.89
Expenditure During Construction	6B	1,039.06	839.75
Goodwill on consolidation		9.65	5.03
Investments	7	1,365.42	943.22
Current Assets, Loans and Advances:			
Inventories	8	32.61	22.30
Sundry Debtors		422.72	131.20
Cash and Bank Balances		159.56	774.43
Material in transit for Terminal Project		-	6.74
Other Current Assets		1.06	2.58
Loans and Advances		307.28	360.69
		923.23	1,297.94
Less: Current Liabilities and Provisions:			
Current Liabilities	9	475.10	132.58
Provisions		9.67	3.58
		484.77	136.16
Net Current Assets		<u>438.46</u>	<u>1,161.78</u>
Total		<u>6,189.24</u>	<u>5,778.67</u>
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS			
	14		

As per our report of even date

For **Deloitte Haskins & Sells**
Chartered Accountants

Khurshed Pastakia
Partner

Mumbai
June 29, 2007

For and on behalf of the Board

Sanjay Mehta
Managing Director

R. N. Bansal
Director

Manoj Contractor
Company Secretary

Mumbai
June 29, 2007

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2007

	Schedule No.	As at 31.03.2007 (Rs. in Crores)	As at 31.03.2006 (Rs. in Crores)
INCOME			
Operating and Chartering Earnings		1,658.76	765.01
Profit on Sale of Fleet		13.48	71.71
Profit on Sale of Long Term Investment		-	177.71
Dividends on Non Trade Current Investments		1.23	1.67
Other Income	10	8.01	10.77
		<u>1,681.48</u>	<u>1,026.87</u>
EXPENDITURE			
Operating Expenses	11	1,184.52	439.32
Establishment and Other Expenses	12	113.80	76.39
Loss on Sale of Long Term Investment		1.87	-
		<u>1,300.19</u>	<u>515.71</u>
PROFIT BEFORE INTEREST DEPRECIATION AND TAX			
		381.29	511.16
Interest and Finance Expenses	13	104.25	51.30
PROFIT BEFORE DEPRECIATION AND TAX			
		277.04	459.86
Depreciation		146.93	108.36
Less: Transfer from Fixed Assets Revaluation Reserve		(34.90)	(46.92)
		<u>112.03</u>	<u>61.44</u>
PROFIT BEFORE TAX			
		165.01	398.42
Less: Provision for Taxation			
- Current Tax including Tonnage Tax		(4.94)	(7.60)
- Fringe Benefit Tax		(2.37)	(1.90)
- Deferred Tax credit / (Liability)		0.23	-
PROFIT AFTER TAX			
		157.93	388.92
Less: Provision for Taxation relating to earlier years		(0.18)	(0.02)
PROFIT FOR THE YEAR			
		157.75	388.90
Balance brought forward from Previous Year		887.58	524.68
AMOUNT AVAILABLE FOR APPROPRIATION			
		<u>1,045.33</u>	<u>913.58</u>
APPROPRIATIONS			
Less: Transferred to Tonnage Tax Reserve		34.50	26.00
BALANCE CARRIED FORWARD TO BALANCE SHEET			
		<u>1,010.83</u>	<u>887.58</u>
		<u>1,045.33</u>	<u>913.58</u>
Basic earnings per share (Rs.)		3.70	9.84
Diluted earnings per share (Rs.)		3.70	9.45
[Refer Note No.B (11) of Schedule 14]			
SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS			
	14		

As per our report of even date

For **Deloitte Haskins & Sells**
Chartered Accountants

Khurshed Pastakia
Partner

Mumbai
June 29, 2007

For and on behalf of the Board

Sanjay Mehta
Managing Director

Manoj Contractor
Company Secretary

Mumbai
June 29, 2007

R. N. Bansal
Director

Essar Shipping Limited

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2007

	Year ended 31.3.2007 (Rs. in Crores)	Year ended 31.3.2006 (Rs. in Crores)
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before taxes and extraordinary items	165.01	398.42
Adjustments for :		
Depreciation	112.03	61.44
Interest and Finance Expenses	104.25	51.30
Interest Income	(6.59)	(5.36)
(Profit) / Loss on Sale of Assets (Net)	(13.44)	(71.70)
(Profit) / Loss on Sale of Investments	1.61	(179.38)
Provision for Bad / Doubtful Debts	24.25	1.31
Dividend on Current Investments	(1.23)	-
Foreign Exchange Loss / (Gain)	(9.63)	(11.84)
Operating Profit before working capital changes	376.26	244.20
Adjustments for :		
Trade and Other Receivables	(287.64)	(143.63)
Inventories	(10.31)	(13.47)
Trade payables	316.31	(16.15)
Cash Generated from Operations	394.62	70.95
Income Taxes paid (Net of refund)	(20.30)	(14.98)
Fringe Benefits Tax paid	(2.44)	(1.90)
Net Cash from Operating Activities	371.88	54.07
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(390.90)	(532.20)
Sale of Fixed Assets	15.81	770.26
Insurance claim received on Fixed Asset	2.10	-
Final Proceeds from sale of OSV Division	-	4.41
Capital Work in Progress, Expenditure During Construction and Capital Advance	(337.57)	(374.79)
Interest on Loans given	7.86	-
Advance received against Sale of Investments	13.13	-
Purchase of Investments	(922.52)	(1,952.29)
Proceeds from Sale of Investments	710.42	1528.89
Fixed Deposit placed / encashed	(45.63)	(387.69)
Intercompany deposit given	-	(20.00)
Dividend on Current Investment	1.23	-
Interest received	8.11	3.12
Net Cash flow from Investing Activities	(937.96)	(960.29)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Interest and Finance Expenses paid	(94.27)	(53.50)
Proceeds from Term Loans (including funded interest)	256.26	1387.38
Proceeds from Unsecured Loans	320.00	-
Proceeds from Lease Loans	86.36	-
Repayment of Term Loans	(82.68)	(585.07)
Repayment of Unsecured Loans	(320.00)	-
Interest free advances given to Essar Oil Limited	(301.09)	-
Interest free advance recovered from Essar Oil Limited	301.09	-
Advance received for allotment of shares	89.73	-
Repayment of Finance Lease Obligation	(23.40)	(10.52)
Payment / deposit of Unclaimed Debenture, Fixed Deposits and interest thereon with Investors Education and Protection Fund	(0.63)	(0.82)
Refund of Inter Corporate Deposit given	20.00	-
Net Cash flow from Financing Activities	251.37	737.47
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(314.71)	(168.75)
Cash and Cash Equivalents as at beginning of the year	386.75	555.50
Cash and Cash Equivalents as at end of the year	72.04	386.75
Non Cash Investing and Financing Transactions		
Conversion of Advance to Loans	96.00	-
Application money for allotment of shares adjusted against Receivables	-	73.00
Issue of Shares against Foreign Currency Convertible Bonds	-	124.46
Notes :		
1. Cash and Cash Equivalents include :		
Cash and Bank Balances	29.59	311.72
Balances in Fixed Deposits (maturity period of less than 3 months)	42.45	75.03
Unrealised (Gain)/Loss on Foreign Currency Cash and Cash Equivalents	0.87	(0.22)
Total Cash and Cash Equivalents	72.91	386.53
[Cash and cash equivalents excludes deposits with banks having maturity period of more than 3 months and margin deposits amounting to Rs. 86.64 crores (previous year Rs.387.91 crores)]		
2. Previous year's figures have been regrouped / reclassified wherever applicable		
3. Cash flow statement has been prepared under the indirect method as set out in the Accounting Standard (AS) - 3 issued by the Institute of Chartered Accountants of India.		

As per our report of even date

For **Deloitte Haskins & Sells**
Chartered Accountants

Khurshed Pastakia
Partner

Mumbai
June 29, 2007

For and on behalf of the Board

Sanjay Mehta
Managing Director

R. N. Bansal
Director

Manoj Contractor
Company Secretary

Mumbai
June 29, 2007

SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2007

	As at 31.03.2007 (Rs. in Crores)	As at 31.03.2006 (Rs. in Crores)	
SCHEDULE 1			
SHARE CAPITAL			
Authorised			
1,500,000,000	Equity Shares of Rs. 10/- each	1,500.00	1,500.00
1,050,000	Redeemable Cumulative Preference Shares of Rs.100/- each.	10.50	10.50
		<u>1,510.50</u>	<u>1,510.50</u>
Issued, Subscribed and Paid up			
426,077,207	Equity Shares of Rs.10/- each fully paid-up. Of the above 68,224,660 Equity shares of Rs.10/- each were allotted as fully paid-up equity shares for consideration other than cash. (refer Note No.B5 of Schedule 14)	426.08	426.08
244,648	Forfeited Shares	0.13	0.13
		<u>426.21</u>	<u>426.21</u>
SCHEDULE 2			
RESERVES AND SURPLUS			
Fixed Assets Revaluation Reserve			
	As per Last Balance Sheet	147.70	492.34
	Less: Depreciation on enhanced value of fixed assets on revaluation	(34.90)	(46.92)
	Less: Transferred to General Reserve	(0.53)	(297.72)
		112.27	147.70
Capital Redemption Reserve			
	As per last Balance Sheet	10.50	10.50
Share Premium Account			
	As per last Balance Sheet	296.60	215.94
	Add: On conversion of FCCBs into equity shares	-	80.65
		296.60	296.59
Ship Acquisition Reserve			
	(in terms of Section 33 AC of the Income Tax Act,1961)		
	As per Last Balance Sheet	-	505.50
	Add: Transferred from Ship Acquisition Utilised Reserve	-	(505.50)
Ship Acquisition Utilised Reserve			
	(in terms of Section 33 AC of the Income Tax Act,1961)		
	As per Last Balance Sheet	505.50	505.50
Tonnage Tax Reserve			
	(In terms of Section 115 VT of the Income Tax Act, 1961)		
	As per Last Balance Sheet	98.00	72.00
	Add: Transferred from Profit and Loss Account	34.50	26.00
		132.50	98.00
General Reserve			
	As per last Balance Sheet	328.92	31.20
	Add: Transferred from Fixed Assets Revaluation Reserve	0.53	297.72
		329.45	328.92
Foreign Currency Translation Reserve			
	As per Last Balance Sheet	(7.73)	(20.31)
	Add: Additions during the year	(22.06)	12.58
		(29.79)	(7.73)
Balance in Profit and Loss Account			
		1,010.83	887.58
		<u>2,367.86</u>	<u>2,267.07</u>

SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2007

	As at 31.03.2007 (Rs. in Crores)	As at 31.03.2006 (Rs. in Crores)
SCHEDULE 3		
SECURED LOANS		
SHIPPING DIVISION:		
FROM BANKS		
Foreign currency term loans secured by first charge on a Suezmax Tanker and its receivables	72.86	92.24
Rupee term loan [converted into FCNR (B) facility], secured by first charge on a Very Large Crude Carrier and its receivables	404.88	438.73
Rupee term loan [converted into FCNR (B) facility], secured by first charge on a Tug and its receivables	17.70	-
Rupee term loan secured by first charge on four Bulk Carriers and three Product Carriers and its receivables	110.00	150.00
	<u>605.44</u>	<u>680.97</u>
FROM OTHERS		
Loan for purchase of shares secured by pledge of those shares	1.00	1.00
TOTAL (A)	<u>606.44</u>	<u>681.97</u>
VADINAR PORT TERMINAL PROJECT		
FROM BANKS		
Rupee Term Loan Secured by:	309.04	309.04
[Refer Note B (3) (a) in Schedule 14]		
Funded Interest Facilities (including funding of interest for the period October 1998 to December 2003)	654.19	568.81
Less : Amount not payable if relevant funded interest is paid on or before April 24, 2007 [refer Note B (3) (a) of Schedule 14]	<u>(383.44)</u>	<u>(383.44)</u>
	270.75	185.37
FROM FINANCIAL INSTITUTIONS		
Rupee Term Loan Secured by :	1,190.82	1,157.21
[Refer Note B (3) (a) in Schedule 14]		
Term loans - Funded Interest Facilities	716.60	600.89
(including funding of interest for the period October 1998 to December 2003)		
Less : Amount not payable if relevant funded interest is paid on or before April 24, 2007 [Refer Note B (3) (a) of Schedule 14]	<u>(352.58)</u>	<u>(352.58)</u>
	364.02	248.31
TOTAL (B)	<u>2,134.63</u>	<u>1,899.94</u>
GRAND TOTAL	<u>2,741.07</u>	<u>2,581.91</u>

Notes :

- (A) Term loans and funded interest facilities from banks and financial institutions (other than (B) below) are secured / to be secured by first ranking security interests on all movable and immovable assets, present and future, pledge of shares of the company held by the promoters and persons associated with the promoters/company, security interest on rights, titles and interests under each of the project documents, trust and retention accounts/sub-accounts, insurance policies related to the terminal project, immovable properties of Essar Oil Limited (EOL) pertaining to terminal project guarantee by the promoters and guarantee of holding company for Rs. 250 (previous year Rs. 250) crores.
- (B) The facilities provided by a financial institution upto Rs.200 (previous year Rs. 200) Crores and interest and other charges thereon are secured by a Guarantee of EOL for Rs.200 Crores. To secure obligation of EOL pursuant to the said guarantee, security is created by first mortgage and charge on immovable and movable properties pertaining to the EOL refinery project, pledge over shares of EOL and an assignment of the project contracts relating to EOL refinery project, the trust and retention accounts pertaining thereto.
- (C) Funded Interest Facilities include interest accrued upto March 31, 2007 (Previous year March 31, 2006) and funded on April 1, 2007 (Previous year April 1, 2006).

SCHEDULE 4

UNSECURED LOANS

Short Term Loans and Advances from Bank		
- Commercial paper [Maximum balance Rs.160 (Previous year Rs.160) crores]		160.00
Short Term Loans and Advances from Others		
- Commercial paper [Maximum balance Rs.160 (Previous year Rs.Nil) crores]	160.00	-
	<u>160.00</u>	<u>160.00</u>

SCHEDULES ATTACHED TO AND FORMING PART OF CONSOLIDATED THE BALANCE SHEET AS AT 31ST MARCH 2007

SCHEDULE 5 FIXED ASSETS

(Rs. in Crores)

Details	GROSS BLOCK AT COST/ VALUATION					DEPRECIATION					NET BLOCK		
	As at 01.04.2006	Assets of subsidiary *F	Additions	Sale / Deductions	As at 31.03.2007	Upto 01.04.2006	Depreciation of subsidiary *F	For the Year	Withdrawals / Written back	As at 31.03.2007	As at 31.03.2007	As at 31.03.2006	
Tangible Fixed Assets													
Land	0.14	-	-	-	0.14	-	-	-	-	-	0.14	0.14	
Buildings	5.52	-	1.14	-	6.66	0.29	-	0.63	-	0.92	5.74	5.24	
Fleet -													
- Owned *A	1,436.50	195.58	22.99	33.15	1,621.92	523.23	0.19	111.10	20.24	614.28	1,007.65	913.27	
- Leased *C	344.17	-	-	7.68	336.49	1.05	-	24.94	-	25.99	310.50	343.12	
Plant & Machinery *B	41.19	64.72	3.31	2.93	106.29	39.35	0.09	8.77	0.60	47.61	58.68	1.84	
Aircraft -GulfStream - taken on lease *C	-	-	86.36	5.41	80.95	-	-	3.40	-	3.40	77.55	-	
Furniture, Fixture, Airconditioners Refrigerators and office equipments	5.13	0.01	1.52	0.16	6.50	3.40	-	0.74	0.12	4.02	2.48	1.73	
Vehicles	1.89	-	10.66	0.02	12.53	1.23	-	0.68	0.02	1.89	10.64	0.66	
Depreciation of a subsidiary prior to acquisition taken to goodwill	-	-	*G	-	-	-	-	(3.33)	-	-	-	-	
Total Tangible Fixed Assets	1,834.54	260.31	125.98	49.35	2,171.48	568.55	0.28	146.93	20.98	698.11	1,473.37	1,266.00	
As at 31.03.2006	2,376.71	-	884.45	*D 1,426.61	1,834.55	810.69	-	*E 108.36	350.50	568.55	1,266.00	-	

NOTES :

- *A. The Company has revalued its fleet on 1st April, 2004 on the basis of valuation done by approved valuers. The net difference between book value and revalued value on 1st April, 2004 amounting to Rs.669.52 Crores had been added to the book value of the fleet and corresponding credit was given to the Assets Revaluation Reserve. Gross block as on 31st March, 2007 includes Rs.329.31 Crores being amount added on revaluation of fleet.
- *B. Gross block of Plant & Machinery includes Rs. 38.84 Crores leased out, W.D.V on 1st April, 2006 Rs. Nil.
- *C. The company has taken a Vessel and an Aircraft on finance lease.
- *D. Consequent to the realignment in the rupee value on the foreign exchange, there has been an decrease of Rs.22.89 Crores (Previous year increase of Rs.8.08 Crores) in the Company's liabilities for the repayment of foreign currency loans. The same has been shown as deduction to the cost of the fleet, aircraft and secured loans.
- *E. Out of the Depreciation for the year, a sum of Rs.34.90 Crores (Previous year Rs.46.92 Crores) to the extent it is charged on the increased value has been recouped from Assets Revaluation Reserve and Rs.112.03 Crores (Previous year Rs.61.44 Crores) has been debited to the Profit and Loss account.
- *F. Pertains to Essar Logistics Limited balance as on 01.04.06 which has become subsidiary effective 19.05.07.
- *G. Vehicles with net book value of Rs. 3.16 Crores have been taken under Hire Purchase Agreement from India Securities Ltd. and are hypothecated to it.

SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2007

	As at 31.03.2007 (Rs. in Crores)	As at 31.03.2006 (Rs. in Crores)
SCHEDULE 6 A		
CAPITAL WORK-IN-PROGRESS AND CAPITAL ADVANCES		
CAPITAL WORK-IN-PROGRESS		
Project Management consultancy, Technical Advisory fees, etc.(including allocation of common expenditure incurred by Essar Oil Limited (Refer Note B(3)(b) of Schedule 14)	202.76	168.99
Imported Equipment / Materials [including in transit / pending custom clearance Rs.15.97 (Previous year Rs. 14.78) Crores]	317.52	211.89
	<u>520.28</u>	<u>380.88</u>
[The above is net of loss on account of foreign exchange fluctuation of Rs. 2.46 (Previous year gain of Rs.0.06) Crores]		
CAPITAL ADVANCES		
For Indigenous supply / labour / construction [Net of Retention Money of Rs. 4.45 (Previous year Rs.Nil) Crores]	1,330.01	1,063.25
Others [including advance of Rs 6.59 (Previous year - Rs 117.06) Crores paid to Essar Oil Limited towards common expenses allocated] - Refer Note B (3) (b) of Schedule 14.	6.80	118.77
Advance for purchase of Fleet	6.19	-
	<u>1,343.00</u>	<u>1,182.02</u>
	<u>1,863.28</u>	<u>1,562.90</u>
	As at 31.03.2006 (Rs.In Crores)	As at 31.03.2007 (Rs. in Crores)
	Incurred during the year (Rs. in Crores)	As at 31.03.2007 (Rs. in Crores)
SCHEDULE 6 B		
EXPENDITURE DURING CONSTRUCTION		
Interest and other Finance Charges		
Interest and other finance charges	1,454.36	209.66
Foreign exchange fluctuation on Loans (Net)	4.88	(0.00)
Less: Interest income [net of provision for taxation Rs. Nil (previous year Rs.1.68) Crores and inclusive of Tax deducted at source Rs.4.86 (Previous year Rs. 3.32) Crores]	(22.23)	(22.40)
	<u>1,437.01</u>	<u>187.26</u>
Less: Reduction in the amount of funded interest i.e. amount not payable if relevant funded interest is paid on or before 24th April, 2007 [Refer Note B (3) (a) of Schedule 14]	(736.02)	(0.00)
	<u>700.99</u>	<u>187.26</u>
Total (A)	700.99	187.26
Other Expenditure		
[Including allocation of common expenditure by Essar Oil Limited (Refer Note B (3) (b) of Schedule 14)]		
Salaries, Wages and Bonus	16.38	4.54
Contribution to / Provision for Provident & other Funds	1.49	0.94
Employee's Welfare and other amenities	2.21	2.55
Rent	5.19	2.28
Rates and Taxes	0.69	0.10
Repairs and Maintenance		
Buildings	2.78	0.33
Machinery	0.06	2.42
Others	6.12	10.92
Professional and other technical advisory fees.	10.98	5.40
Travelling and Conveyance	6.66	1.87
Power and Fuel	1.88	4.70
Insurance	7.07	4.25
Security Charges	4.00	0.70
Vehicle Hire and Maintenance Charges	5.72	0.03
Communication	2.97	0.59
		<u>20.92</u>
		<u>2.43</u>
		<u>4.76</u>
		<u>7.47</u>
		<u>0.79</u>
		<u>3.11</u>
		<u>2.48</u>
		<u>17.04</u>
		<u>16.38</u>
		<u>8.53</u>
		<u>6.58</u>
		<u>11.32</u>
		<u>4.70</u>
		<u>5.75</u>
		<u>3.56</u>

SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2007

	As at 31.03.2006 (Rs. in Crores)	Incurred during the year (Rs. in Crores)	As at 31.03.2007 (Rs. in Crores)
SCHEDULE 6 B : Other Expenditure (Contd...)			
Printing & Stationery	0.96	0.15	1.11
Advertisement	0.67	0.02	0.69
Depreciation	5.59	1.72	7.31
Foreign Exchange Fluctuation (Net)	41.88	(0.13)	41.75
Demurrage and other shipping charges	0.72	0.42	1.14
Sundry Expenses [Including fringe benefit tax Rs.0.52 (Previous year Rs.0.25) Crores]	8.72	10.58	19.30
Miscellaneous Expenditure written off	7.01	(0.00)	7.01
	<u>139.75</u>	<u>54.38</u>	<u>194.13</u>
Less: Income during construction / trial operations [refer Note B (8) of Schedule 14]			
Crude / Petroleum products - Handling and Storage income	-	42.07	42.07
Technical Advisory Services	-	12.05	12.05
Less: Salary expenses incurred to earn Technical advisory services			
Salaries, wages and bonus	-	(10.57)	(10.57)
Employees' welfare and other amenities	-	(1.48)	(1.48)
Wharfage Income	-	2.73	2.73
Less: Wharfage Expenses	-	(2.73)	(2.73)
Net profit from High Seas sales [net of income tax Rs. 0.12 (previous year Rs. Nil) Crores]	-	0.23	0.23
[Aggregate value of goods sold on High Seas is Rs.11.84 Crores and the aggregate value (CIF) of purchase of these goods is Rs. 11.49 Crores]			
Miscellaneous Income	0.99	0.03	1.02
Total (B)	<u>138.76</u>	<u>12.05</u>	<u>150.81</u>
Expenditure during Construction pending allocation (Net) (A+B)	<u><u>839.75</u></u>	<u><u>199.31</u></u>	<u><u>1,039.06</u></u>
		As at 31.03.2007 (Rs. in Crores)	As at 31.03.2006 (Rs. in Crores)

SCHEDULE 7 INVESTMENTS

LONG TERM INVESTMENTS

Other Investments (Non Trade)

Equity Shares (Fully Paid up, At cost net of other than temporary decline)

- Quoted

NIL (Previous year 10,953,864) of Rs.10/- each of Essar Steel Limited.

3,838,104 Equity Shares of Rs. 10/- each of Essar Oil Limited @

- Unquoted

1,000,000 Equity Shares of Rs.10/- each of Hutchison Essar South Limited

2,600 (Previous year NIL) Equity Shares of Rs.10/- each

of Telecom Power & Infrastructure Limited #

Others (At cost net of other than temporary decline)

- Unquoted

39,196 (Previous year NIL) Units of Millinium Growth Development

Fund Rs.1,00,000 each. (NAV as on 31.03.07 Rs.108,463/- each)

Preference Shares (fully Paid up, at cost net of other than temporary decline)

- Quoted

NIL (Previous year 7,302,576) of Rs. 10/- each of Essar Steel Limited.

Debentures (fully Paid up, at cost net of other than temporary decline)

- Unquoted

2,438,167 Fully Convertible Unsecured Redeemable Debentures of

Rs.600/- each of Reclaime Commercial and Securities Private Limited

667,857 (Previous year NIL) Fully Convertible Unsecured Debentures

of Rs.1000/- each of Reclaime Commercial and Securities Private Limited.

CURRENT INVESTMENTS (Non Trade)

Mutual funds (At lower of cost and fair value)

- Unquoted

6,382,727 (Previous year 21,768,480) Units of LIC MF Liquid Fund

- Dividend Plan. (NAV as on 31.03.07 Rs.10.98 each)

SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2007

	As at 31.03.2007 (Rs. in Crores)	As at 31.03.2006 (Rs. in Crores)
SCHEDULE 7 : INVESTMENTS, LONG TERM INVESTMENTS (Contd...)		
NIL (Previous Year 4,986,590) Units of Magnum Institutional Income -Saving-Dividend Plan	-	5.00
Others (at lower of cost and fair value)		
In Euro Bonds(Euro Fixed income Scheme of American Express Financial Services (Luxembourg) S.A)	-	11.62
In Global Equities (Through a scheme of American Express Financial Services (Luxembourg) S.A) (Market value as on 31.03.07 US\$ 1,195,851)	5.16	-
845,500 (Previous year 808,091) Units of Rs.100 each of Emerging Markets Diversified Funds of American Express Bank (NAV as on 31.03.07 US\$ 91,564,183)	368.92	361.17
865,000 Units of US\$ 100 each of Infrastructure Development Fund of American Express Bank (NAV as on 31.03.07 US\$ 91,072,823)	376.02	386.31
	<u>1,365.42</u>	<u>943.22</u>
@ pledged in favour of lenders for loans availed by Essar Oil Limited		
\$ pledged against loan availed for acquisition		
# Amount in Rupees.26,000/-		
NOTES:		
Aggregate Cost of Unquoted Investments	1,363.15	935.12
Aggregate Cost / Book value of Quoted Investments (net of other than temporary decline Rs.15.97 (Previous year Rs. 15.97) crores)	2.27	8.10
Aggregate Market Value of Quoted Investments	19.86	66.49
SCHEDULE 8		
CURRENT ASSETS, LOANS AND ADVANCES		
CURRENT ASSETS		
Inventories	32.61	22.30
Sundry Debtors (Unsecured)		
Debts outstanding for more than six months		
(a) Considered good	109.89	
(b) Considered doubtful	23.90	
	<u>133.79</u>	
Less: Provision for Doubtful Debts	<u>(23.90)</u>	
	109.89	41.90
Other Debts - Considered good	312.83	89.30
	<u>422.72</u>	<u>131.20</u>
Cash and Bank Balances		
Cash and Cheques on hand	0.06	11.73
Balance with Scheduled Banks		
In Current accounts	16.61	287.55
In Deposits (including margin money)	112.10	457.07
	<u>128.71</u>	<u>744.62</u>
Balance with other Banks in current accounts		
With American Express Bank [maximum amount outstanding at any time during the year Rs.5.58 (Previous year Rs.0.10) Crores]	0.40	0.01
With HSBC Middle East Limited (Dubai) [Maximum amount outstanding during the year Rs.11.77 (Previous year NIL) Crores]	10.96	-
With HSH Nord Bank, Hamburg [maximum amount outstanding at any time during the year Rs.12.19 (Previous year Rs.12.19) Crores]	1.31	12.19
Berenberg Bank, Hamburg USD Current account [maximum amount outstanding at any time during the year Rs.1.38 (Previous year Rs.1.02) Crores]	0.24	0.23
Berenberg Bank, Hamburg Euro Current account [maximum amount outstanding at any time during the year Rs.0.10 (Previous year Rs.0.15) Crores]	0.01	0.01
	<u>12.92</u>	<u>12.44</u>

SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2007

	As at 31.03.2007 (Rs. in Crores)	As at 31.03.2006 (Rs. in Crores)
SCHEDULE 8 : CURRENT ASSETS, LOANS AND ADVANCES, CURRENT ASSETS (Contd...)		
Balance with other Banks in deposit account		
In Deposits with NIB Capital [maximum amount outstanding during the year Rs.17.31 (Previous year Rs.8.45) Crores]	8.13	2.67
With American Express Bank [maximum amount outstanding at any time during the year Rs.3.68 (Previous year Rs.3.68) Crores]	-	2.97
Lloyds Bank (Belgium) S.A. [maximum amount outstanding during the year Rs. 6.54 (Previous year NIL) Crores]	6.54	-
Fortis Bank N.V. [maximum amount outstanding during the year Rs. 3.20 (Previous year NIL) Crores]	3.20	-
	<u>159.56</u>	<u>774.43</u>
Material in Transit for Terminal Project	-	6.74
Other Current Assets		
Interest accrued on Bank Deposits	1.06	2.58
TOTAL(A)	<u>615.95</u>	<u>937.25</u>
LOANS AND ADVANCES (UNSECURED, CONSIDERED GOOD)		
Application money against allotment of equity Shares	-	73.00
Inter Corporate Deposit	103.86	20.00
Receivable on account of sale of Investment	-	149.00
Advances recoverable in cash or in kind or for value to be received	90.73	47.97
Rental and other Deposits	69.13	50.03
Advance tax and Tax deducted at source (net of Provision)	28.67	11.98
MAT Credit Entitlement	2.39	-
Prepaid expenses	11.08	4.09
Insurance claims receivable	1.42	4.62
TOTAL(B)	<u>307.28</u>	<u>360.69</u>
TOTAL (A)+(B)	<u>923.23</u>	<u>1,297.94</u>
SCHEDULE 9		
CURRENT LIABILITIES AND PROVISIONS		
CURRENT LIABILITIES		
Sundry Creditors	236.70	61.50
Sundry Creditors (for Capital Goods)	194.36	-
Bills Payable	7.37	53.20
Advance Received against sale of Investment	13.13	-
Investor Education and Protection Fund shall be credited by the following amounts when due:		
Unpaid matured Debentures	0.72	1.22
Unpaid Interest on Debentures	0.13	0.26
	<u>0.85</u>	<u>1.48</u>
Deferred profit on Sale and lease back	9.70	10.72
Other Liabilities	10.60	4.66
Interest Accrued, but not due on Loans	1.50	0.63
Deposits including Security Deposit	0.89	0.39
	<u>475.10</u>	<u>132.58</u>
PROVISIONS		
Provision for Income Tax (Net of Taxes Paid)	3.90	-
Provision for Fringe Benefit Tax (Net of Advance Rs. 2.27 Crores)	0.18	0.24
Provision for Gratuity	3.96	2.56
Provision for Leave Encashment on Retirement	1.63	0.78
	<u>9.67</u>	<u>3.58</u>
	<u>484.77</u>	<u>136.16</u>

SCHEDULES TO CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

	For the year ended 31.03.2007 (Rs. in Crores)	For the year ended 31.03.2006 (Rs. in Crores)
SCHEDULE 10		
OTHER INCOME		
Equipment Lease / Hire Income	0.33	2.90
Interest Income from Banks [inclusive of tax deducted at source Rs.0.25 (Previous year Rs.0.22) Crores]	4.66	4.42
Interest Income from others [inclusive of tax deducted at source Rs.0.24 (Previous year Rs.0.08) Crores]	1.93	0.94
Profit on Sale of Units	0.25	-
Agency and Management Fees	0.78	1.60
Gain on Cancellation of Forward Cover	0.06	0.91
	<u>8.01</u>	<u>10.77</u>
SCHEDULE 11		
OPERATING EXPENSES		
Direct Voyage Expenses [includes Fuel, Oil and Water Rs. 195.74 (Previous year Rs. 87.49) Crores]	1,039.08	307.52
Salaries, Wages, Bonus and Other Expenses on Floating staff		
Salaries, Wages and Bonus	59.02	40.89
Contribution to Staff Provident Fund and other Funds	0.90	0.94
Staff welfare and other expenses	5.23	5.14
Standing Costs [includes Stores and Spares Rs. 19.35 (Previous year Rs. 15.29) Crores]	40.00	39.87
Dry Docking Expenses	18.44	30.20
Insurance, Protection and Indemnity Club Fees	13.88	7.81
Commission Brokerage and Agency Fees	9.19	3.32
Currency Exchange Difference (net)	(1.22)	3.63
	<u>1,184.52</u>	<u>439.32</u>
SCHEDULE 12		
ESTABLISHMENT AND OTHER EXPENSES		
Salaries, Wages and Bonus	17.64	12.23
Contribution to Staff Provident Fund and Other Funds	1.97	0.96
Staff Welfare Expenses	2.90	0.82
Rent	6.03	1.30
Rates and Taxes	0.66	0.06
Repairs and Maintenance-Buildings	1.28	1.12
Repairs and Maintenance-Others	12.43	0.55
Professional fees, Registrar's charges and Service charges	3.46	5.03
Travelling and Conveyance	14.05	19.18
Auditor's Remuneration	0.90	0.62
Loss on sale / Discarded assets	0.04	0.01
Business Centre fees	20.19	22.80
Bad Debts /Provision for Doubtful Debts	24.25	1.31
Miscellaneous Expenses	8.00	10.40
	<u>113.80</u>	<u>76.39</u>
SCHEDULE 13		
INTEREST AND FINANCE EXPENSES		
Interest on Secured Loans		
To Banks	50.56	12.29
To Others	-	2.81
Interest on Others	20.83	5.39
Interest on Finance Lease	31.47	26.33
Guarantee Fees, Processing and Other Charges to Banks	1.19	0.31
Loan Arrangement Expenses / Prepayment Charges	0.20	4.17
	<u>104.25</u>	<u>51.30</u>

SCHEDULE 14

SIGNIFICANT ACCOUNTING POLICIES AND CONSOLIDATED NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2007.

A. SIGNIFICANT ACCOUNTING POLICIES:

1. BASIS OF ACCOUNTING

These financial statements are prepared under the historical cost convention, except for the revaluation of fleet, on accrual basis of accounting, and are in accordance with Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.

2. USE OF ESTIMATES

The preparation of financial statements requires estimates and assumptions to be made that affect the reported amount of assets and liabilities on the reporting date and the reported amount of revenues and expenses during the reporting period. Differences between the actual results and estimates are recognised in the period in which the results are known / materialized.

3. BASIS OF CONSOLIDATION

- The consolidated accounts have been prepared in accordance with the Accounting Standard AS 21 "Consolidated Financial Statements" and the interpretation thereon issued by the Institute of Chartered Accountants of India.
- The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries). The difference between the cost of investment and the Company's portion of equity in subsidiaries, at the date of investment, is treated as goodwill / capital reserve.
- All significant inter company transactions and balances between group enterprises are eliminated on consolidation. Investments in subsidiaries and corresponding share capital of subsidiaries are eliminated on consolidation. The interest of minority shareholders is stated at the minority's proportion of the assets and liabilities.
- The accounts of overseas subsidiaries denominated in U.S. Dollars are converted as explained in A-12 below and regrouped in accordance with the requirements of Schedule VI to the Companies Act, 1956.

4. FIXED ASSETS

- Fixed assets are recorded at cost of acquisition or at revalued figures less accumulated depreciation and impairment loss, if any. Cost of acquisition of fleet includes brokerage, start up costs and major improvements / upgradation.
- Assets acquired under finance leases are capitalised as fixed assets at fair value at inception of the lease and a corresponding loan liability is recognised. The lease rentals paid (excluding operating expenses) are bifurcated into principal and interest components by applying an implicit rate of return. The interest is charged as a period cost and the principal amount is adjusted against the liability recognised in respect of assets taken on finance lease.
- Assets given on finance lease prior to April 1, 2001 are shown under fixed assets as "Assets given on lease". Lease income is recognised based on the internal rate of return method over the period of lease and in consonance with the matching concept, lease adjustment and lease equalisation accounts have been created, wherever required.

5. CAPITAL WORK-IN-PROGRESS, EXPENDITURE DURING CONSTRUCTION AND CAPITAL ADVANCES

Direct expenditure on projects or assets under construction or development is shown under Capital Work in Progress.

Expenditure incidental to the construction of the projects that take substantial period of time to get ready for their intended use is

accumulated as Expenditure during Construction pending allocation to fixed assets and other accounts, as applicable, on completion of the projects.

Advance on Capital account include progress / milestone based payments made under the contracts for projects, assets under construction and other capital advances until the same are allocated to fixed assets and other accounts, as applicable.

6. BORROWING COST

Borrowing costs that are directly attributable to the acquisition or construction of qualifying assets are capitalised as a part of the cost of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are charged to revenue. The borrowing cost pertaining to qualifying assets under construction are shown as "Expenditure during Construction" to be capitalised as part of such assets on completion / commissioning.

7. DEPRECIATION

- Depreciation on fleet is provided on straight-line method based on a technical evaluation of the economic useful life of respective vessels at rates not less than those specified under Schedule XIV to the Companies Act, 1956.
- In respect of second hand fleet, depreciation at 5% to 35% on straight line method is provided based on balance economic useful life of the fleet, which is less than the specified period under Section 205(2)(b) read with Schedule XIV to the Companies Act, 1956.
- Depreciation on water circulation treatment plant, is provided on straight line method as per Schedule XIV to the Companies Act, 1956.
- All other assets are depreciated under the written down value method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956. Assets costing less than Rs.5,000 are written off in the year of acquisition.
- Depreciation amount added on revaluation is recouped proportionately from Fixed Assets Revaluation Reserve.
- Depreciation on additions / deductions to fixed assets made during the year is provided on a pro-rata basis from / upto the date of such additions / deductions, as the case may be.
- Profit or loss on disposal of revalued fixed assets is recognised with reference to revalued carrying values.
- The balance in the fixed assets Revaluation Reserve-relatable to sale / disposal of revalued fixed assets is transferred to general reserve.

8. INVESTMENTS

- Long Term Quoted and Unquoted Investments are stated at cost. The diminution in carrying value with reference to their fair value is recognised if such diminution, in the opinion of management, is permanent in nature.
- Current investments are carried at the lower of cost or Fair value.

9. FLEET OPERATING EARNINGS

- Fleet Operating Earnings represent the value of charter hire earnings, demurrage, freight earnings, road freight income, fleet management fees, stevedoring and lighterage earnings and are accounted on accrual basis. Freight earnings are recognised on a pro-rata basis for voyages in progress at balance sheet date after loading of the cargo is completed; revenues and related expenses for voyages where cargo has not been loaded as on the balance sheet date are deferred and recognised in the following year. For stevedoring and lighterage in progress at the balance sheet date, income is recognised on accrual basis to the extent of cargo loaded/ unloaded.
- The Company also participates in pool arrangement. The pool arrangement is managed by a pool agent and operating

revenue and voyage expenses of fleet operating under tanker pool are pooled together and net operating revenues, calculated on a time charter equivalent basis, are allocated to the pool participants according to an agreed formula. The net revenue from the pool is recognised as income when intimated by the pool agent periodically, and subsequent adjustments are accounted as and when informed.

10. FLEET OPERATING EXPENSES

All expenses relating to the operation of the fleet, including crewing, insurance, stores, bunkers, dry-docking, charter hire and special survey costs, are expensed under fleet operating expenses.

11. RETIREMENT BENEFITS

- a) Contribution to Provident Fund which is a fixed percentage of the eligible employees' salary is charged to profit and loss account / Expenditure during construction as applicable.
- b) Provision for Gratuity for floating staff is made as under:
 - (i) For officers on actuarial valuation.
 - (ii) For crew on accrual basis as per rules of the National Maritime Board and is charged to profit and loss account.Provision for Gratuity for on shore staff actuarially determined at the year end. The same is funded to Life Insurance Corporation of India to the extent of demand raised by them and balance is taken to current liabilities.
- c) The contributions towards Superannuation funded by payments to Life Insurance Corporation of India, is a fixed percentage of the salary of eligible employees' under defined superannuation plan is charged to profit and loss account / Expenditure during construction as applicable.
- d) Provision has been made on actuarial valuation for future encashable leave entitlement on retirement of eligible employees.

12. FOREIGN CURRENCY TRANSACTIONS

Transactions denominated in foreign currencies are recorded at standard exchange rates determined monthly which approximates the actual rate on the date of transaction. The difference between the standard rate and the actual rate of settlement is accounted in the profit and loss account.

Monetary items denominated in foreign currency are translated at the rate prevailing at the end of the year. Gains / losses on conversion/translation/settlement of foreign currency transactions are recognised in profit and loss account or Expenditure During Construction, except translation gains/losses in respect of foreign currency loans used for acquiring fixed assets / Capital equipment / material from outside India, which are capitalised to the carrying value of related fixed assets or Capital work in progress, as applicable.

The impact of exchange rate difference between the rate prevailing on the date of forward exchange contract and the rate prevailing on the balance sheet date or on the date of settlement of forward exchange contract, whichever is earlier, is recognised in the profit and loss account or in Expenditure During Construction. Premia or discounts arising on forward exchange contract entered into for the purpose of hedging foreign exchange risk is recognised in profit and loss account / Expenditure during construction, as applicable over the life of the contract.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates ruling on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. The resultant exchange differences are classified as Foreign Currency Translation Reserve under Reserve and Surplus.

The exchange difference arising on account of investments made during the year in foreign subsidiaries by holding Company compared with related share capital of subsidiaries is adjusted in Foreign Currency Translation Reserve.

13. INVENTORY

Inventory is valued at the lower of cost and net realizable value. Cost is determined on first-in first-out basis.

14. INSURANCE CLAIMS

Insurance claims are recorded based on reasonable certainty of their settlement.

15. TAX ON INCOME

- a) Income tax on income from qualifying fleet is provided on the basis of Tonnage Tax Scheme.
- b) Income tax on Non tonnage income and fringe benefit tax is computed in accordance with the relevant tax regulations.
- c) Deferred Tax Liability relating to non-tonnage tax activities is recognised on timing differences between the accounting and the taxable income for the year and quantified using the tax rates and laws enacted or substantially enacted as at the balance sheet date. Deferred Tax Asset relating to such activities is recognised and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

16. INTANGIBLE ASSETS

Intangible assets are recognised only when it is probable that the future economic benefits that are attributable to the asset will flow to the Company and the cost of such assets can be measured reliably. Intangible assets are stated at cost less accumulated amortisation and impairment loss, if any. All costs relating to the acquisition are capitalised. Intangible assets are amortised over the useful life of the asset.

17. IMPAIRMENT OF ASSETS

The Company assesses on each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The amount so reduced is treated as an impairment loss and is recognised in the profit and loss account, except in case of revalued assets, where it is first adjusted against revaluation reserve. If at the balance sheet date, there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost, except for revalued assets which are subject to a maximum of depreciated revalued cost.

18. PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised in the accounts for present obligations arising out of past events and would probably require an outflow of economic resources, the amount of which can be reliably estimated.

Contingent liabilities are disclosed in respect of possible obligations that arise from past events, the existence of which will be confirmed by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company, or a present obligation that is not recognised because a reliable estimate of the liability cannot be made, or the likelihood of an outflow of resources is remote. Contingent assets are not recognised in the accounts, unless there is virtual certainty as to their realisation.

19. OPERATING LEASES

Rentals are expensed with reference to the terms of the lease agreement and other considerations in respect of operating leases.

20. INTEREST INCOME

Interest income is recognised using the time proportion method based on the rates implicit in the transactions.

21. SEGMENT ACCOUNTING POLICIES

a) Segment assets and segment liabilities:

Segment assets include all operating assets used by the segment and consists principally of fixed assets, inventories, sundry debtors, cash and bank balances. Segment assets and liabilities do not include share capital, reserves and surplus, income tax (both current and deferred) and unallocable assets and liabilities.

b) Segment revenue and segment expenses:

Segment revenue and expenses are directly attributable to segment. It does not include interest income on investment, inter corporate deposits, interest expenses not related to segment and provision for income tax.

B. NOTES TO THE FINANCIAL STATEMENTS

1. Subsidiaries

The reporting date of all the subsidiaries is 31st March 2007. The accounts of the following subsidiaries are consolidated with the Company:

Name of subsidiaries	Place of incorporation	Proportion of ownership interest and voting power
Vadinar Oil Terminal Limited	India	100%
Essar Sisco Ship Management Company Limited	India	100%
Essar Logistics Limited	India	100%*
Essar International Limited	Guernsey	100%
Energy Transportation International Limited	Bermuda	100%
Energy II Limited	Bermuda	100%

* The financial position and results of Essar Logistics Limited, which became subsidiary with effect from 19th May 2006, is given below:

(Rs. in Crores)

Funds Employed	
Share Capital	73.00
Reserves & Surplus	14.43
Finance lease obligations	3.16
Net Deferred Tax Liabilities	7.86
Application of funds	
Net block of fixed assets	246.79
Current assets, loans and advances	211.20
Current liabilities and provisions	(359.54)
Income	644.40
Expenditure	587.15
Interest and Finance Cost	9.71
Depreciation	24.85
Taxes	0.09
Net Profit after tax	22.60
Goodwill on acquisition	4.61
Contingent liabilities	126.81

2. Fixed Assets

In order to reflect the fair value of the Company's fleet, the Company has revalued its fleet on 1st April 2004 based on the valuation thereof by an accredited valuer, done on the basis of expected market value in an arm's length transaction, free of encumbrances on the valuation date, and the enhancement on account of revaluation amounting to Rs.669.52 Crores was credited to Fixed Asset Revaluation Reserve. Incremental depreciation on account of the revaluation amounting to Rs.34.90 (Previous Year Rs.46.92) Crores has been recouped from the Fixed Assets Revaluation Reserve.

3. a) The Vadinar Oil Terminal Project (under construction and trial operations) ('the Project') together with the corresponding

loans from Financial Institutions and banks was taken over by Vadinar Oil Terminal Limited (VOTL) from its holding company, Essar Shipping Limited on October 1, 2000. The construction activities at the project site were disrupted due to a cyclonic storm which hit the Gujarat Coast in June 1998. The said disruption resulted in increase in the project cost requiring reappraisal of the funding requirements.

The lenders to the Project had approved in August 2003, under RBI's Corporate Debt Restructuring Scheme, a debt restructuring package ("the Package"), which was further modified in December, 2003 and November, 2004. The Package provided for substantial relief in interest and in the time for repayment of loans, waiver of liquidated damages, disbursement of further loans, etc. The Package was formalised and a Master Restructuring Agreement (MRA) was entered into on 17th December, 2004.

VOTL complied with all the relevant conditions as on January 31, 2005 as required under MRA entailing restructuring of the existing loans / interest dues and disbursement of new loans.

The interest for the period October, 1998 to December, 2003 in respect of the loans covered by MRA has been converted into funded interest facilities amounting to Rs. 869.08 Crores. The MRA gives an option to VOTL repay the said funded interest facilities at any point in time during their term at a reduced amount computed in accordance with the mechanism provided in the MRA or in full by one bullet payment in March, 2026. Under the said mechanism provided in the MRA, the funded interest facilities of Rs.869.08 Crores would stand fully discharged if Rs. 133.06 Crores is paid on or before April 24, 2007. Should the company opt to discharge the funded interest facilities, subsequent to April 24, 2007 then the expected economic outflow of Rs. 133.06 Crores being the present value of the obligation under the mechanism would gradually increase at a rate and as per the mechanism provided in the MRA.

In order to give accounting effect to reflect the substance of the transaction, VOTL has followed the principles laid down in IAS 39 (revised) - financial instruments - Recognition and measurement and FAS 15 (Accounting by Debtors and Creditors for Troubled Debt Restructurings) in the absence of specific guidance under Indian GAAP to cover the above-mentioned situation.

In view of the above, the net amount of Rs. 736.02 Crores has been shown as deduction from the funded interest facilities from the Financial Institutions and banks to reflect in substance the present value of the obligation under the mechanism on the balance sheet date, with corresponding deduction from "Expenditure During Construction".

The loan balances (including funded interest facilities) covered by MRA (hereinafter referred to as 'the loan balances') have been considered in the books of account in accordance with the bilateral agreements, wherever signed. Where the same are yet to be signed, the loan balances have been considered based on the confirmation of balances as at March 31, 2007, wherever received and agreed by VOTL, or as per MRA, where the confirmations have not been received or have not been agreed pending reconciliation with the lenders. The balance confirmations for loan balances of Rs. 2389.83 Crores have been received and confirmations are awaited for the loan balances of Rs.480.82 Crores as per books, for which reconciliation exercise is in progress with respective lenders.

b) "Capital Work in Progress" and "Expenditure During Construction" includes an amount of Rs. 29.08 (Previous year Rs. 31.12) Crores and Rs. 24.24 (Previous year Rs. 8.11) Crores respectively apportioned / allocated by Essar Oil Ltd. (EOL) during the year in respect of composite contracts/ common expenditure. The expenditure has been accounted

Essar Shipping Limited

for based on debit note(s) raised by EOL and accepted by the Company, and is subject to adjustments based on audited financial statements of EOL.

4. Sundry Debtors

Sundry Debtors (unsecured and considered good) outstanding for more than six months include Rs.3.70 Crores (Previous year Rs.3.70 Crores) awarded on arbitration in year 2002-03. The concerned debtor had gone in appeal and the matter is pending before the Honorable High Court of Madras. As the Arbitration Tribunal Award is in favour of the Group, the debt is considered good.

5. Taxation

- Income tax on income from qualifying fleet is provided on the basis of Tonnage Tax scheme. Income tax on other income and Fringe benefit tax are provided as per other provisions of Income Tax Act, 1961.
- The deferred tax liability of Rs.0.01 (Previous year 0.002) Crores of one of the subsidiaries relates to timing difference on account of depreciation.

6. Contingent Liabilities

(Rs. in Crores)

Particulars	As on	As on
	31.03.2007	31.03.2006
i) Claims against the Group not acknowledged as debt.	12.53	12.14
ii) Guarantees given by banks	14.80	15.02
iii) Letter of Credit (Capital Commitment) *	24.56	204.65
iv) Corporate guarantees on behalf of Essar Shipping & Logistics Limited **	730.45	-
v) Guarantee on behalf of Others	104.00	104.00
vi) Disputed sales Tax demand under appeal in the Honorable High Court of Madras.	58.10	54.45
vii) Income tax appeals before ITAT.	109.20	104.98
viii) Estimated amount of contracts remaining to be executed on capital account and not provided for	56.42	226.85
ix) Bills discounted with banks	49.86	-
x) Letter of credit discounted with Bank	76.95	-

* Letter of credit facility of Rs.24.56 crore has since been liquidated.

** Corporate guarantee on behalf of Essar Shipping & Logistics Limited has been backed by a counter guarantee from Essar Global Limited.

7. The details for provision made by the Company for present obligations arising out of past events are as below:

(Rs. in Crores)

Particulars	As on	Additions during the year	Reversed / Paid during the year	As on
	01.04.2006			31.03.2007
Claims against the Company pending under arbitration proceeding	1.58	-	0.76	0.82

- Vadinar Oil Terminal Limited (VOTL) had entered into equipment lease and product handling agreements during the year 1998 with Essar Oil Limited (Contractee) on long term basis for the port terminal facilities being developed by VOTL. During the year, VOTL has started trial operations of some of its units of Terminal Facilities consequent to start up of trial run operations of the Contractee's

Primary Units of Refinery. The construction of other units and modifications of units under trial run continued during the year to ensure their completion coinciding with commencement of commercial production of the Refinery of the contractee. As integrated Terminal Facilities can not be said to be in ready to use condition unless and until contractee's Refinery is ready for commercial production, all the costs incurred and revenue earned during construction and trial operations are treated as part of Capital work in Progress and Expenditure during Construction as applicable. The Company has earned revenue on account of Petroleum handling charges, Technical advisory fees and Income from High Seas sales during construction / trial operation phase during the year. The significant portion of the Terminal facilities has become ready subsequent to the Balance Sheet date.

9. Leases

a) Finance Leases:

Reconciliation of minimum lease payments and its present value in respect of assets (Fleet, Vehicle and Aircraft) taken on finance lease. There is an option to purchase the assets at the end of the lease tenure.

(Rs. in Crores)

Particulars	As on 31.03.2007			As on 31.03.2006		
	Minimum Lease Payments	Interest	Payments Value of Minimum Payments	Minimum Lease Payments	Interest	Present Value of Minimum Lease Payments
Future lease rental obligation payable:						
- not later than one year	55.60	29.23	26.37	42.56	25.12	17.44
- later than one year but not later than five years	257.75	113.56	144.19	206.97	103.69	103.28
- later than five years	270.14	44.20	225.94	281.89	59.14	222.75
Total	583.49	186.99	396.50	531.42	187.95	343.47

b) Operating Leases:

As at the balance sheet date the outstanding commitments by the lessee on account of assets leased out by the Company under non-cancelable leases entered are as follows:

(Rs. in Crores)

Particulars	As on	As on
	31.03.2007	31.03.2006
not later than one year	9.76	-
later than one year but not later than five years	10.56	-
later than five years	-	-
TOTAL	20.32	-

Committed liability for future lease rental charges in respect of land taken on lease Rs.7.21 Crores (Previous year Rs. 7.46 Crores) Vadinar-Oil Terminal Limited (VOTL) is constructing the Terminal Project on the land owned by Essar Oil Limited which is leased to VOTL.

10. Business and Geographical Segment:

a) Business Segment

(Rs. in Crores)

Particulars	Year Ended 31.03.2007
Segment Revenue	
Sea Transport	1,396.92
Surface Transport *	303.25
Unallocated	10.38
Total	1710.55
Less : Inter Segment Revenue	(29.07)
Net Income from Operations	1681.48
Segment Results	
Sea Transport (net of allocable interest)	147.50
Surface Transport *	19.59
Unallocated	7.69
Total	174.78

Less: Unallocable Interest and Finance Charges (Net)	9.77
Profit Before Tax	165.01
Less: Income Tax	7.26
Profit After Tax	157.75
Segment Assets	
Sea Transport	2050.92
Surface Transport *	52.00
Unallocated	4571.09
Total Assets	6674.01
Segment Liabilities	
Sea Transport	(1447.14)
Surface Transport *	(123.54)
Unallocated	(2219.53)
Total Liabilities	(3790.21)
Fixed Assets acquired during the year	
Sea Transport	117.01
Surface Transport *	8.96
Total	125.97
Depreciation	
Sea Transport	111.69
Surface Transport *	0.34
Total	112.03
Non Cash expense other than depreciation	
Bad debts/Provision for Doubtful Debts:	
Sea Transport	23.67
Surface Transport *	0.58
Total	24.25

*As this reportable segment became applicable from this year only, comparative details of previous year are not provided.

b) Geographical Segment

The Company's fleet operations are managed on a worldwide basis from India. Fleet operating and chartering earnings are based on the geographical location of customers:

Fleet operating and Chartering Earnings	Year ended (Rs. in Crores)	
	31.03.2007	31.03.2006
India	1254.30	541.11
China	20.63	19.37
U.S.A	60.52	77.26
U.K.	157.69	92.00
UAE	37.23	-
Rest of the world	128.39	35.27
Total	1658.76	765.01

The main operating assets represent floating fleet, which is not identifiable to any geographical location.

11. Earnings per share:

The calculation of the basic and diluted earnings per share is based on the following data:

	Year ended	
	31.03.2007	31.03.2006
a) Basic		
Earnings for the purpose of basic earnings per share (net profit for the year) (Rs. in Crores)	157.75	388.90
Equity shares at the beginning of the year (Nos.)	426,077,207	301,621,207
Add: Equity shares allotted during the year (Nos.)	—	124,456,000
Equity shares at the end of the year (Nos.)	426,077,207	426,077,207
Weighted average number of equity shares for the purpose of calculating basic earnings per share (Nos.)	426,077,207	395,048,451
Basic earnings per share of face value of Rs.10/- each (Rs.)	3.70	9.84

	Year ended	
	31.03.2007	31.03.2006
b) Diluted		
Net profit for the year (Rs. in Crores)	157.75	388.90
Weighted average equity shares for the purpose of calculating earnings per share as above	426,077,207	411,382,350
Diluted earnings per share - of face value of Rs.10/- each (Rs.)	3.70	9.45

12. The year-end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below:

a) Amount receivable in foreign currency on account of the following:

Particulars	As on	As on
	31.03.2007	31.03.2006
	Rs. in Crores	Rs. in Crores
i) Export of Goods and Services	23.98	25.52
ii) Advance to Vendors	1.24	-
iii) Bank balance and F.D including interest accrued there on	14.76	51.25

b) Amount payable in foreign currency on account of the following:

Particulars	As on	As on
	31.03.2007	31.03.2006
	Rs. in Crores	Rs. in Crores
i) Import of Goods and Services	55.57	36.41
ii) Advance from Customer	0.09	-
iii) Outstanding Liabilities	0.45	-
iv) Secured Loans Payable (including interest accrued)	495.56	530.97
v) Lease Loan Obligation	393.34	343.47
vi) Letter of credit towards Supply	14.79	-

Note: Since the majority of the revenue of the Company is in foreign currency therefore it has natural hedge against foreign exchange exposures.

13. Deferred Tax Liability

The components of Net Deferred Tax Liabilities are as follows:

(Rs. in Crores)

Details	As at	As at
	31st March 07	31st March 06
Deferred Tax Liability		
Depreciation on Fixed Assets	15.17	8.13
(A)	15.17	8.13
Deferred Tax Assets		
Unabsorbed Depreciation	6.94	-
Provisions	0.37	-
(B)	7.31	-
Net Deferred Tax Liability (A-B)	7.86	8.13

14. In case of logistics services provided by road for transport of steel, Essar Logistics Limited provides transportation services to the customers of Essar Steel Limited (ESTL). However, to facilitate ease of operation and collection of dues in time, ESTL collects the transportation charges from its customers and pays to the Company pursuant to the invoices raised on ESTL by the Company instead of raising invoices on the Customers of ESTL.

Essar Shipping Limited

15. Related party transactions:

a) Investing company in respect of which the Company is an associate:

- i) Essar Holdings Private Limited (Ceased to be company associate during current year)
- ii) Teletech Investments (India) Limited
- iii) India Shipping

b) Individuals owning directly or indirectly an interest in the voting power that gives them control or significant influence:

- i) Mr. Shashi Ruia, Chairman
- ii) Mr. Ravi Ruia, Vice Chairman
- iii) Mr. Anshuman Ruia, Director
- iv) Mr. Rewant Ruia, Director

c) Key Management Personnel:

- i) Mr. Sanjay Mehta, Managing Director (Essar Shipping Limited)
- ii) Mr. A. R. Ramakrishnan, Wholetime Director (Essar Shipping Limited)
- iii) Mr. V. Ashok, Wholetime Director (Essar Shipping Limited)
- iv) Mr. K. K. Sinha, Wholetime Director (Vadinar Oil Terminal Limited)
- v) Mr. Rajen Sachar, Manager (Vadinar Oil Terminal Limited)

d) Other related parties where there have been transactions:

Enterprises commonly controlled or influenced by major shareholders / directors / relatives of directors of the company:

- (i) Essar Information Technology Ltd.
- (ii) Essar Agrotech Ltd.
- (iii) Essar Constructions (India) Ltd.
- (iv) Essar House Ltd.
- (v) Essar House Services Ltd.
- (vi) Essar Steel Ltd.
- (vii) Futura Travels Ltd.
- (viii) India Securities Ltd.
- (ix) Essar Oil Ltd.
- (x) Bhandar Power Ltd.
- (xi) Essar Steel Hazira Ltd.
- (xii) Essar Power Ltd.
- (xiii) Clickforsteel Services Ltd.
- (xiv) Essar Shipping & Logistics Ltd.
- (xv) Essar Investments Ltd.
- (xvi) Essar Teleholdings Ltd.
- (xvii) Essar Bulk Terminal Ltd.
- (xviii) Essar Oilfields Services Ltd.
- (xix) Aegis BPO Services Ltd.
- (xx) Essar SEZ Hazira Ltd.
- (xxi) Essar Properties Ltd.
- (xxii) Imperial Consultants and Securities Pvt. Ltd.

(Rs. in Crores)

Nature of Transactions	Other Related Parties		Key Management Personnel		Total	
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
INCOME						
Fleet Operating Income						
Essar Steel Ltd.	1,013.31	411.86	-	-	1,013.31	411.86
Others	93.79	66.47	-	-	93.79	66.47
Sub Total	1,107.10	478.33	-	-	1,107.10	478.33
Equipment Lease rental / Hire Income						
Essar Logistics Ltd.	-	0.14	-	-	-	0.14
Essar Steel Ltd.	0.19	1.45	-	-	0.19	1.45
Sub Total	0.19	1.59	-	-	0.19	1.59
Interest Income						
Essar Teleholdings Ltd.	-	0.03	-	-	-	0.03
Essar Investments Ltd.	-	0.52	-	-	-	0.52
Sub Total	-	0.55	-	-	-	0.55
Service Rendered (Allocation of expenses)						
Essar Projects Ltd./ Essar Constructions (India) Ltd.	-	0.91	-	-	-	0.91
Essar Oil Ltd.	56.84	-	-	-	56.84	-
Sub Total	56.84	0.91	-	-	56.84	0.91
Services Received						
Essar Projects Ltd./ Essar Constructions (India) Ltd.	7.24	2.55	-	-	7.24	2.55
Essar Oil Ltd.	55.56	44.40	-	-	55.56	44.40
Essar House Services Ltd.	20.19	22.80	-	-	20.19	22.80
Futura Travels Ltd.	20.35	20.35	-	-	20.35	20.35
Others	1.56	0.58	-	-	1.56	0.58
Sub Total	104.90	90.68	-	-	104.90	90.68
Lease Charges/ Rent						
Essar Oil Ltd.	0.25	0.07	-	-	0.25	0.07
Essar House Ltd.	4.80	-	-	-	4.80	-
Sub Total	5.05	0.07	-	-	5.05	0.07
Advances on capital account						
Essar Projects Ltd./ Essar Constructions (India) Ltd.	177.26	103.24	-	-	177.26	103.24
Essar Oil Ltd.	-	154.17	-	-	-	154.17
Essar Constructions (India) Ltd.	89.50	-	-	-	89.50	-
Sub Total	266.76	257.41	-	-	266.76	257.41
Purchase of Materials/ stores/ Spares						
Essar Constructions (India) Ltd.	-	4.68	-	-	-	4.68
Essar Steel Ltd.	1.61	-	-	-	1.61	-
Essar Oil Ltd.	3.22	0.12	-	-	3.22	0.12
Sub total	4.83	4.80	-	-	4.83	4.80
Sale of Materials						
Essar Oil Ltd.	11.84	-	-	-	11.84	-

Nature of Transactions	Other Related Parties		Key Management Personnel		Total	
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
Advances given and received (for Free float of funds for Project Purpose)						
Essar Oil Ltd.	301.10	-	-	-	301.10	-
CENVAT receivable						
Essar Oil Ltd.	19.39	-	-	-	19.39	-
CENVAT Payable						
Essar Oil Ltd.	19.39	-	-	-	19.39	-
Remuneration						
Sanjay Mehta	-	-	0.62	0.62	0.62	0.62
A. R. Ramakrishnan	-	-	0.90	0.51	0.90	0.51
V. Ashok	-	-	0.52	-	0.52	-
K. K. Sinha	-	-	0.33	-	0.33	-
Rajen Sachar	-	-	0.26	-	0.26	-
Sub Total	-	-	2.63	1.13	2.63	1.13
Interest Expenses						
Essar Steel Ltd.	9.11	-	-	-	9.11	-
Professional / Advisory fees / Agency Fees						
Essar Information Technology Ltd.	0.38	0.10	-	-	0.38	0.10
Essar Steel Limited, Vizag	0.11	0.08	-	-	0.11	0.08
India Securities Ltd.	0.24	0.22	-	-	0.24	0.22
Aegis BPO Services Ltd.	0.45	-	-	-	0.45	-
Sub Total	1.18	0.40	-	-	1.18	0.40
Fixed Assets inclusive capital Advances						
Essar Constructions (India) Ltd.	1.14	1.23	-	-	1.14	1.23
Loans & Advances including Deposit given						
Essar Investments Ltd.	-	30.00	-	-	-	30.00
Essar Oil Ltd.	115.86	10.00	-	-	115.86	10.00
Essar Teleholdings Ltd.	-	10.00	-	-	-	10.00
Essar Steel Ltd.	42.40	20.00	-	-	42.40	20.00
Others	7.56	7.50	-	-	7.56	7.50
Sub Total	165.82	77.50	-	-	165.82	77.50
Purchase of Investment						
Essar Investments Ltd.	118.85	736.50	-	-	118.85	736.50
Imperial Consultants and Securities Ltd.	-	5.42	-	-	-	5.42
Sub Total	118.85	741.92	-	-	118.85	741.92
Sale of Investment						
Essar Investments Ltd.	118.85	590.21	-	-	118.85	590.21
Essar Steel Holding Ltd.	1.54	-	-	-	1.54	-
Imperial Consultants and Securities Ltd.	82.53	-	-	-	82.53	-
Sub total	202.92	590.21	-	-	202.92	590.21
Application Money against allotment of Shares						
Essar Logistics Ltd.	-	73.00	-	-	-	73.00
Advance received against sale of Investments / allotment of Shares						
Essar Shipping & Logistics Ltd.	102.86	-	-	-	102.86	-
Margin Deposit in respect of Letter of Credit						
Essar Projects Ltd. / Essar Constructions (India) Ltd.	-	36.06	-	-	-	36.06
Essar Oil Ltd.	-	168.59	-	-	-	168.59
Sub total	-	204.65	-	-	-	204.65
Guarantee on behalf of others						
Essar Shipping & Logistics Ltd.	730.45	-	-	-	730.45	-
Sub Total	730.45	-	-	-	730.45	-
Sundry Debtors						
Essar Oil Ltd.	71.06	14.59	-	-	71.06	14.59
Essar Steel Ltd.	202.73	18.13	-	-	202.73	18.13
Essar Logistics Ltd.	-	17.91	-	-	-	17.91
Essar Steel Hazira Ltd.	109.35	34.20	-	-	109.35	34.20
Others	0.55	4.43	-	-	0.55	4.43
Sub Total	383.69	89.26	-	-	383.69	89.26
Loans and advances including deposit given						
Essar House Ltd.	29.00	25.50	-	-	29.00	25.50
Futura Travels Ltd.	6.25	6.25	-	-	6.25	6.25
Essar Power Ltd.	-	5.55	-	-	-	5.55
Essar Oil Ltd.	125.86	-	-	-	125.86	-
Others	5.98	-	-	-	5.98	-
Sub Total	167.09	37.30	-	-	167.09	37.30

Essar Shipping Limited

Nature of Transactions	Other Related Parties		Key Management Personnel		Total	
	2006-07	2005-06	2006-07	2005-06	2006-07	2005-06
Advances given on capital account						
Essar Properties Ltd.	84.05	91.73	-	-	84.05	91.73
Essar Oil Ltd.	25.32	127.06	-	-	25.32	127.06
Sub Total	109.36	218.79	-	-	109.36	218.79
Interest Payable						
Essar Steel Ltd.	7.06	-	-	-	7.06	-
Advance received against sale of Investments						
Essar Shipping & Logistics Limited	102.86	-	-	-	102.86	-
Interest Receivable						
Essar Teleholdings Ltd.	-	0.03	-	-	-	0.03
Essar Investments Ltd.	-	0.52	-	-	-	0.52
Sub Total	-	0.55	-	-	-	0.55
Application money against allotment of Shares						
Essar Logistics Ltd.	-	73.00	-	-	-	73.00
Sundry Creditors						
Essar Oil Ltd.	0.53	-	-	-	0.53	-
Futura Travels Ltd.	6.18	3.68	-	-	6.18	3.68
Clickforsteel Services Ltd.	-	0.52	-	-	-	0.52
Essar Constructions (India) Ltd.	20.53	5.56	-	-	20.53	5.56
Essar House Services Ltd.	1.09	-	-	-	1.09	-
Aegis BPO Services Ltd.	0.17	-	-	-	0.17	-
Sanjay Mehta	-	-	0.03	0.03	0.03	0.03
A. R. Ramakrishnan	-	-	0.12	0.04	0.12	0.04
V. Ashok	-	-	0.06	-	0.06	-
K. K. Sinha	-	-	0.09	-	0.09	-
Rajen Sachar	-	-	0.04	-	0.04	-
Others	8.95	-	-	-	8.95	-
Sub Total	37.45	9.76	0.34	0.07	37.79	9.83
Margin Deposit in respect of letter of Credit						
Essar Projects Ltd. / Essar Constructions (India) Ltd.	-	36.06	-	-	-	36.06
Essar Oil Ltd.	-	168.59	-	-	-	168.59
Sub Total	-	204.65	-	-	-	204.65
Other Liabilities						
Essar Steel Ltd.	187.30	-	-	-	187.30	-
Security deposit received						
Essar Steel Ltd.	0.04	0.39	-	-	0.04	0.39
Guarantee on behalf of others						
Essar Shipping & Logistics Ltd.	730.45	-	-	-	730.45	-
Essar Oil Ltd.	104.00	104.00	-	-	104.00	104.00
Sub total	834.45	104.00	-	-	834.45	104.00
Guarantee availed for loan taken						
Essar Oil Ltd.	200.00	200.00	-	-	200.00	200.00

Note:

- i) The names of related parties are disclosed under each class of transaction during the year where the transaction with a single related party is 10% or more of the aggregate transactions of a class
 - ii) Vadinar Oil Terminal Limited and Essar Oil Limited have, from time to time, placed margin money in respect of each other's as well as Essar Projects Limited's / Essar Constructions (India) Limited's / Essar Constructions Limited's letter of credit facilities for varying length of time due to the fact that all companies are simultaneously working on the Refinery Project of Essar Oil Limited and its support facilities. Due to the very frequent nature of such transactions, it is not possible to provide quantitative details thereof for related party disclosure.
16. The Board of Directors at its meeting held on 3rd June, 2006 had as part of restructuring of the Shipping and Logistics group, decided to transfer the Company's interest in its wholly owned subsidiaries, Vadinar Oil Terminal Limited (VOTL) and Essar Logistics Limited (ELL). The Board at its meeting held on May 29, 2007 had decided not to divest the stake in ELL at present considering the good

profits and growth of ELL. In case of VOTL the transfer procedures are expected to be completed shortly.

17. Significant events occurring after the balance-sheet date (not requiring adjustments to assets and liabilities as at balance sheet date):
 - a) The Company has entered into a Memorandum of Agreement (MOA) for acquisition of a 130,000 DWT Capesize Bulk Carrier with delivery of the vessel scheduled at the end of June 2007.
 - b) The Company has also entered into a Memorandum of Agreement for sale of a 19602 DWT Product Carrier.
18. Remittance in foreign currency on account of dividend - Rs. Nil. (Previous Year Rs. Nil)
19. In view of exemption from Central Government obtained by the Company under Section 211(4) of the Companies Act, 1956, information required under sub-clauses (a), (b), (c) and (e) of Paragraph 4-D of Part II of schedule VI to the Companies Act, 1956, is not given.
20. Previous years figures have been regrouped / reclassified wherever necessary.

As per our report of even date

For **Deloitte Haskins & Sells**
Chartered Accountants

Khurshed Pastakia
Partner

Mumbai
June 29, 2007

For and on behalf of the Board

Sanjay Mehta
Managing Director

R. N. Bansal
Director

Manoj Contractor
Company Secretary

Mumbai
June 29, 2007

ESSAR SHIPPING LIMITED

REGD. OFFICE: 2494, 17th Main, HAL II Stage, Bangalore 560 008

Member's Folio No. : _____
 and/or
 DPID No./Client ID No.* : _____

PROXY FORM

I/We of
 in the district of being
 a member of ESSAR SHIPPING LIMITED, hereby appoint.....
 of

..... or failing him..... of
 as my/our proxy to vote for me/us and on my/our behalf at the THIRTY-FIRST ANNUAL GENERAL MEETING of
 the Company to be held on SEPTEMBER 25, 2007 at 11.00 a.m. at DAYANANDASAGAR MEMORIAL HALL, CHANDRASAGAR COMPLEX
 NO.264/266, T.MARIAPPA ROAD, 2ND BLOCK (NEAR ASHOKA PILLAR), JAYANAGAR, BANGALORE 560 011 and at every adjournment
 thereof.

**PROXY FORM MUST REACH THE COMPANY'S REGD. OFFICE
 AT 2494, 17TH MAIN, HAL II STAGE, BANGALORE 560 008, NOT
 LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE
 MEETING.**

Affix Re:1
 Revenue
 Stamp

SIGNATURE

* Applicable only in case of Investors holding shares in electronic form.

ESSAR SHIPPING LIMITED

REGD. OFFICE: 2494, 17th Main, HAL II Stage, Bangalore 560 008

ATTENDANCE CARD

Member's Folio No. : _____
 and/or
 DPID No./Client ID No.* : _____

31st ANNUAL GENERAL MEETING
 TIME : 11.00 AM
 DATE : SEPTEMBER 25, 2007
 VENUE : DAYANANDASAGAR
 MEMORIAL HALL
 CHANDRASAGAR COMPLEX
 NO: 264/266 T. MARIAPPA ROAD
 JAYANAGAR
 BANGALORE 560 011

MEMBER

PROXY
[Name in Capital letters]

I hereby record my presence at the 31st AGM of the Company

Signature of Member/Proxy

NOTE:

1. Admission restricted to Members/Proxies only.
2. Please avoid bringing children/non-members with you.

* Applicable only in case of Investors holding shares in electronic form.

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