

# Corporate Governance Report

## 1. Company's philosophy on Corporate Governance:

Essar Oil Ltd. believes that adhering to global standards of Corporate Governance is essential to enhance shareholder value and achieve long term corporate goals. The Company is committed to ethical conduct of business, manages its affairs with fairness to all stakeholders and operates with

openness, integrity and accountability. The Board of Directors conducts the business of the Company in due compliance with its Memorandum and Articles of Association and the laws applicable to the jurisdictions of the places where the Company operates and undertakes a periodic review of business plans, performance and compliance to regulatory requirements.

## 2. Board of Directors:

The composition of the Board of Directors and other required details are given below:

Name	Category	No. of Board Meetings attended	Whether attended last AGM	No. of other directorships held #	Committee Membership Δ	
					Member	Chairman
Shashikant N Ruia (Chairman)	Promoter Non-Executive	Nil	No	6	Nil	Nil
Prashant S Ruia	Promoter Non-Executive	1	No	2	2	Nil
Anshuman S Ruia	Promoter Non-Executive	2	No	8	6	Nil
Naresh K Nayyar (Managing Director)	Executive Director	6	Yes	2	2	Nil
P Sampath <sup>1</sup>	Non-Executive Director	4	No	1	Nil	Nil
D J Thakkar	Independent Non-Executive	4	Yes	13	10	5
K N Venkatasubramanian	Independent Non-Executive	6	Yes	6	3	2
K V Krishnamurthy	Independent Non-Executive	6	No	10	9	4
Melwyn Rego <sup>2</sup>	Nominee of IDBI Ltd.*	2	NA	1	Nil	Nil
V K Sinha	Nominee of LIC*	6	Yes	Nil	1	Nil
Manju Jain <sup>3</sup>	Nominee of IFCI Ltd.*	3	No	3	1	Nil
G Goswami <sup>4</sup>	Nominee of IDBI Ltd.*	3	No	7	6	1
R P Singh <sup>5</sup>	Nominee of IFCI Ltd.*	2	NA	6	2	Nil

# Excluding directorship in Private Limited Companies and Foreign Bodies Corporate and companies under section 25 of the Companies Act, 1956.

\* Nominees appointed by Lenders.

Δ Memberships/chairmanships of Audit Committee and Shareholders Grievance Committee including positions held in the Company.

1 Designation changed from Director (Finance) to Non-Executive Director with effect from 18<sup>th</sup> October, 2010.

2 Appointed with effect from 18<sup>th</sup> October, 2010.

3 Appointed with effect from 26<sup>th</sup> July, 2010.

4 Ceased to be Nominee Director with effect from 18<sup>th</sup> October, 2010.

5 Ceased to be Nominee Director with effect from 26<sup>th</sup> July, 2010.

Six Board Meetings were held during the financial year 2010-2011 on 13<sup>th</sup> April, 2010; 4<sup>th</sup> June, 2010; 26<sup>th</sup> July, 2010; 18<sup>th</sup> October, 2010; 10<sup>th</sup> November, 2010 and 17<sup>th</sup> January, 2011.

The management of the Company is conducted by the Managing Director, who is assisted by the Heads of Divisions/Departments, subject to the supervision and control of the Board of Directors.

Shri Shashikant N Ruia, Shri Anshuman S Ruia and Shri P Sampath retire by rotation and being eligible seek re-appointment at the ensuing Twenty First Annual General Meeting (AGM). A brief resume of the directors retiring by rotation along with the nature of their expertise and the details of other directorships and the committee positions held by them and their shareholdings have been disclosed to the shareholders through notes annexed to the Notice for the ensuing AGM. None of the Directors is related to any other director except for Shri Prashant S Ruia and Shri Anshuman S. Ruia, sons of Shri Shashikant N Ruia, Chairman. As on 31<sup>st</sup> March, 2011, Shri D J Thakkar, Shri K N Venkatasubramanian and Shri V K Sinha held 300 shares, 6,500 shares and 20 shares respectively in the Company. None of the other directors hold any shares in the Company. Brief profile of all the directors is separately setout in the Annual Report.

## 3. Code of Conduct for Directors and Senior Management:

The Company has adopted a Code of Conduct ('Code') for Directors and Senior Management personnel one level below the Executive Directors including all Functional Heads. The Code has been posted on the Company's website.

The Directors, Senior Management and Functional Heads have affirmed compliance with the Code. The declaration to this effect of the Managing Director is given below:

### Declaration by Managing Director

I, Naresh K. Nayyar, Managing Director, of Essar Oil Limited hereby declare that all the Board Members and Senior Executives one level below the Executive Directors including all Functional Heads have affirmed for the financial year ended 31<sup>st</sup> March, 2011, compliance with the Code of Conduct of the Company laid down for them.

11<sup>th</sup> July, 2011

Naresh Nayyar  
Managing Director

#### 4. Audit & Governance Committee:

The Audit & Governance Committee comprises of 4 members viz: Shri D J Thakkar, Shri K N Venkatasubramanian, Shri K V Krishnamurthy and the nominee of Life Insurance Corporation of India, Shri V K Sinha. The Committee was reconstituted in January, 2011 with the induction of Shri K V Krishnamurthy in place of Shri Prashant S Ruia. All the members of the Committee are financially literate. Shri D J Thakkar, a qualified Chartered Accountant, chairs the meetings of the Committee. The constitution and terms of reference of the Committee are set out in compliance with the requirements of section 292A of the Companies Act, 1956 and clause 49 of the Listing Agreement.

During the financial year 2010-2011, the Committee met five times. Shri D J Thakkar, Shri K N Venkatasubramanian and Shri V K Sinha attended all meetings. Shri K V Krishnamurthy attended one meeting. The Statutory Auditors, Internal Auditors, the Managing Director, the Director Finance during his tenure in office, the Chief Financial Officer and the Vice-President (Accounts) are invited to attend the meetings of the Committee. The Company Secretary of the Company acts as the Secretary to the Committee.

#### 5. Remuneration Committee:

The Remuneration Committee has 3 non-executive, Independent Directors as members viz: Shri K N Venkatasubramanian, Shri D J Thakkar and the Nominee Director of IDBI Ltd., Shri Melwyn Rego.

One meeting was held during the year 2010-2011. Shri K N Venkatasubramanian and Shri D J Thakkar attended the meeting. Shri K N Venkatasubramanian generally chairs the meetings. The terms of reference of Remuneration Committee include review, determination, increase / decrease and approval of remuneration, determination of terms of appointment, Company's policy for specific remuneration package, etc. for the Executive and other Directors.

##### Remuneration to Directors

###### Non - Executive Directors

The Non Executive Directors do not draw any remuneration from the Company except for sitting fees. With effect from 26<sup>th</sup> July, 2010, the Non Executive Directors are being paid sitting fees at the rate of ₹ 20,000/- for attending each meeting of the Board of Directors and ₹ 10,000/- for attending each meeting of Committee thereof. Prior to 26<sup>th</sup> July, 2010 they were being paid sitting fees of ₹ 7,500/- for attending each meeting of the Board of Directors and ₹ 5,000/- for attending each meeting of any of the Committees. The sitting fees paid to the Directors for the year ended 31<sup>st</sup> March, 2011 are as follows: Shri Prashant S Ruia: ₹ 80,000/-; Shri Anshuman S Ruia: ₹ 27,500/-; Shri P Sampath: ₹ 10,000/-; Shri D J Thakkar: ₹ 3,92,500/-; Shri K N Venkatasubramanian: ₹ 1,55,000/-; Shri K V Krishnamurthy: ₹ 1,55,000/-; Dr. G Goswami: ₹ 35,000/-; Shri Melwyn Rego: ₹ 40,000/- (paid to IDBI Ltd.); Shri V K Sinha: ₹ 1,35,000/- (paid to LIC of India); Shrimati Manju Jain: ₹ 60,000/- and Shri R P Singh: ₹ 15,000/-.

###### Executive Directors

During the financial year 2010-2011, remuneration paid to the Executive Directors was as under:

(Amount in ₹)

	Shri Naresh Nayyar Managing Director	Shri P. Sampath Director Finance
Basic Salary	4,815,000	5,489,100
Allowances & Perquisites	7,447,200	4,060,091
Retirement benefits	577,800	658,962
Performance Bonus	4,012,500	6,018,750
Total	16,852,500	16,226,633
Service contract	5 years from 15.10.2007	Upto 18.10.2010
Notice period	6 months	3 months

The resolutions appointing these directors do not provide for stock option. There is no separate provision for payment of severance fee. In terms of the applicable provisions of the Companies Act, 1956, due to inadequacy of profits during the financial years in which the wholetime directors were appointed approvals have been obtained from the Central Government for appointment and payment of their remuneration and the remuneration paid is within the approvals so obtained.

#### 6. Investors' Relations:

##### i) Investors' Relations Committee

The Investors' Relations Committee comprised of 4 members viz: Shri Prashant S Ruia, Shri Naresh Nayyar, Shri D J Thakkar and Shri K V Krishnamurthy. Shri D J Thakkar generally chairs the meetings. The Committee was reconstituted in January, 2011 with the induction of Shri K V Krishnamurthy in place of Shri P Sampath.

During the financial year 2010-2011, the Committee had 28 meetings. Shri D J Thakkar attended 27 meetings, Shri Prashant S. Ruia attended 6 meetings, Shri Naresh K Nayyar attended 25 meetings, Shri P Sampath attended 12 meetings and Shri K V Krishnamurthy attended 5 meetings.

##### ii) Company Secretary

The Company Secretary, Shri Sheikh S Shaffi, is the Compliance Officer.

##### iii) Requests/complaints

There were 23 complaints from share/debenture holders pending at the beginning of the financial year. During the financial year, 2,215 complaints were received and 2,238 complaints were replied to/resolved. As of 31<sup>st</sup> March, 2011, there were no pending complaints.

3,793 requests involving transfer of 7,03,800 shares were received during the financial year. There were 7 requests involving 800 shares pending to be processed. These pending requests are less than 5 days old.

##### iv) Equity shares in suspense account

In compliance with the newly introduced clause 5A of the Listing Agreement with Stock exchanges, the Company issued three reminder letters during the financial year to 359 shareholders holding 60,100 shares whose share certificates were lying unclaimed with the Company post issue of shares in physical form during the Public Issue in 1995. On receipt of confirmation from 96 shareholders holding 17,450 shares, share certificates were dispatched to them. The balance shares will be transferred to a separate folio in the name of "unclaimed suspense account" and dematerialized in due course. The voting

rights on the shares outstanding in the suspense account will remain frozen till the rightful owner of such shares claims the shares.

## 7. Secretarial Audit

As a measure of good corporate governance practice, the Company appointed Mr. Prakash K Pandya of P K Pandya & Co., Practising Company Secretary, to conduct Secretarial Audit of records and documents of the Company for the financial year ended 31<sup>st</sup> March, 2011.

The Secretarial Audit Report confirms that the Company has complied with all the applicable provisions of the Companies Act, 1956, Securities Contracts (Regulation) Act, 1956, Depositories Act, 1996, Listing Agreements with the Stock Exchanges, all the Regulations and Guidelines of SEBI as applicable to the Company, including the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of issue of Foreign Currency Convertible Bonds, issue of Global Depository Shares and subsisting External Commercial Borrowings and Secretarial Standards relating to Board and general meetings issued by the Institute of Company Secretaries of India.

## 8. General Body Meetings

### a) Annual General Meetings

The date, time and venue of the last three Annual General Meetings and special resolutions passed at the meetings are given below:

Financial Year	Date	Time	Venue	Special Resolutions passed
2009-2010	24 <sup>th</sup> September, 2010	2:30 p.m.	Khambhalia Post, Dist. Jamnagar	3
2008-2009	27 <sup>th</sup> June, 2009	2:30 p.m.	Khambhalia Post, Dist. Jamnagar	2
2007-2008	27 <sup>th</sup> September, 2008	2:30 p.m.	Khambhalia Post, Dist. Jamnagar	NIL

In addition to the above, the following Extraordinary General Meeting has been held in the last three years:

Date	Time	Venue	Special resolutions passed
April 22, 2010	2:00 p.m	Khambhalia Post, Dist. Jamnagar	1

All resolutions including the Special Resolutions are generally passed by show of hands.

### b) Postal ballot

No resolutions were required to be put through postal ballot last year. Presently there are no proposals to pass any resolution by postal ballot.

## 9. Disclosures:

- The Company does not have any material related parties' transactions which have potential conflict with the interest of the Company at large. Transactions with related parties are disclosed in Note no. (B) (33) of Schedule XVI to the Balance Sheet of the Company forming part of the Annual Report.
- The financial statements have been prepared in accordance with the accounting policies generally

accepted in India. In compliance with clarificatory orders dated 4<sup>th</sup> August, 2006 and 11<sup>th</sup> August, 2006 issued by Hon'ble Gujarat High Court interest on certain categories of debentures has been accounted on cash basis details whereof are setout in Note no. B (11) (b) of Schedule XVI to the Annual Accounts forming part of the Annual Report.

- Regarding certain funded interest facilities and a Lease transaction, to give effect to the substance of the transactions, the Company has followed the principles laid down in International Financial Reporting Standards and US GAAP, as detailed in note no. A (13) and B (11) (a) of schedule XVI to the Balance Sheet of the Company forming part of the Annual Report, in the absence of specific guidance under Indian GAAP.
- There were no instances of non-compliance on any matter related to the capital markets, during the last three years.
- In respect of compliance with the non-mandatory requirements, the Company has constituted a Remuneration Committee details whereof are given under the heading: Remuneration Committee. The quarterly, half-yearly and annual financial results are put up on the Company's website, besides being available on www.corpfilings.co.in and are being published in English and Gujarati newspapers. The auditors' observations/suggestions, if any, have been adequately explained wherever necessary in the appropriate notes to the accounts and are self explanatory.
- The Company has a Risk Management Policy Framework for risk identification, assessment and control to effectively manage risks associated with the business of the Company.
- The Managing Director and the Chief Financial Officer have certified to the Board of full compliance as per clause 49(V) of the Listing Agreement for the financial year ended 31<sup>st</sup> March, 2011.

## 10. Means of Communication:

- Quarterly/annual financial results are regularly submitted to Stock Exchanges in accordance with the Listing Agreement and published in all editions of English daily, Business Standard and in a Gujarati daily, Jai Hind. The quarterly/annual results are also made available at the Company's website, www.essar.com. Official news releases, presentations, etc. made to media and analysts are displayed on the Company's website. Official press releases are sent to Stock Exchanges.
- Management Discussion and Analysis Report, in compliance with the requirements of clause 49 of the Listing Agreement with Stock Exchanges, is annexed to the Directors' Report which forms part of this Annual Report being sent to all the members of the Company.
- Full text of Annual Reports of the Company are made available on the website of the Company www.essar.com.
- The quarterly/annual financial statements along with Corporate Governance reports, Shareholding Pattern, and other documents in compliance with the requirements of Listing Agreement entered into with Stock Exchanges are available on the websites of BSE and NSE and the website for Corporate Filing and Dissemination System (CFDS). Further, the Annual

Reports are available on the websites of BSE and NSE.

- v) Printed copy of the Chairman's Speech is distributed to all the shareholders at the Annual General Meeting.
- vi) Reminders were sent to those debenture holders whose interest/redemption amount were unencashed as per records of the Company advising them to seek demand drafts in lieu of their lapsed warrants.

## 11. General Shareholder Information:

i)	AGM date, time and venue		12 <sup>th</sup> August, 2011 at 2:30 p.m. at the Registered Office of the Company at Khambhalia Post, Dist. Jamnagar - 361 305
ii)	Tentative financial calendar	Approval of the results for the quarter ending June 30, 2011; September 30, 2011; December 31, 2011; and March 31, 2012.  Audited annual results for the year ending March 31, 2012	Within 45 days of the quarter ending  Before July 31, 2012
iii)	Date of Book closure		10 <sup>th</sup> August, 2011 to 12 <sup>th</sup> August, 2011 (both days inclusive)
iv)	Dividend payment date		N. A.

### v) Listing of equity shares on Stock Exchanges:

The equity shares of the Company are listed at Bombay Stock Exchange Ltd. (BSE) and National Stock Exchange of India Ltd. (NSE). The shares are available for trading in the Futures and Options (F&O) segment by NSE. The Company has paid the annual listing fees for the financial years 2010-2011 and 2011-2012 to BSE and NSE.

The addresses of the stock exchanges are set out below:

Bombay Stock Exchange Ltd. 1st Floor, Rotunda Building P.J. Towers Dalal Street Mumbai - 400 023	National Stock Exchange of India Ltd. Exchange Plaza 5th Floor, Plot No. C/1 G Block, Bandra Kurla Complex, Bandra (East) Mumbai - 400 051
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### vi) Stock Codes:

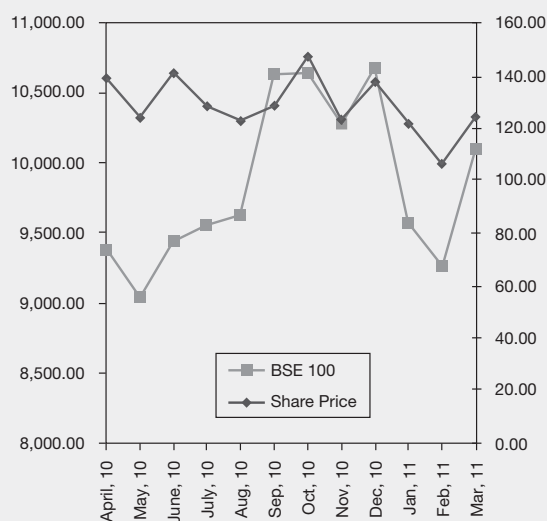
Equity shares	
Trading Symbol	
Bombay Stock Exchange Limited	500134
National Stock Exchange of India Limited	ESSAROIL
ISIN with NSDL and CDSL	INE011A01019
Non - Convertible Debentures	
12.50% Secured Non Convertible Debentures of ₹105/- each redeemable on 23.07.2018	INE011A07073

### vii) Stock Market price data for the financial year 2010-2011:

High/Low (based on daily closing prices), closing prices and average of the aggregate of daily traded volume at NSE and BSE for each month in the financial year ended March 31, 2011 are as under:

Month	Year	NSE				BSE			
		(in ₹ per share)		(in lakh)	Volume	(in ₹ per share)		(in lakh)	
		High	Low	Close		High	Low	Close	Volume
April	2010	152.40	138.75	139.35	33.52	152.40	138.65	139.25	13.57
May	2010	142.10	116.15	124.20	16.25	142.10	116.20	124.00	6.51
June	2010	141.05	120.95	141.05	32.77	141.05	120.95	141.05	13.54
July	2010	144.25	127.35	128.45	25.14	144.30	127.65	128.40	9.16
August	2010	133.60	122.80	122.80	14.62	133.60	122.80	122.80	5.37
September	2010	136.25	124.20	128.80	14.32	136.40	124.10	128.70	5.79
October	2010	149.70	132.15	147.20	45.36	149.60	132.00	147.15	17.67
November	2010	158.85	119.10	123.20	31.44	158.70	119.25	123.25	11.07
December	2010	138.10	123.30	137.75	22.63	137.85	123.45	137.70	7.40
January	2011	141.90	120.25	121.80	16.18	141.65	120.15	121.70	6.34
February	2011	119.95	100.60	106.95	14.25	119.80	100.70	106.50	6.10
March	2011	126.80	109.55	124.40	14.25	126.80	109.35	124.50	4.46

### viii) Performance of share price in comparison to BSE 100:



ix) **Share Transfer Agent:** M/s. Datamatics Financial Services Ltd. is the Share Transfer Agent of the Company. The Share Transfer Agent acknowledges and executes transfers of securities and arranges for issue of interest/redemption warrants. The Share Transfer Agent also accepts, deals with and resolves requests, queries and complaints of share/debenture holders.

x) **Share Transfer System:** The Company's shares are traded on the Stock Exchanges compulsorily in dematerialised mode. Physical shares which are lodged for transfer with the Transfer Agent are processed and returned to the shareholders within a period of 15-20 days.

### xi) Distribution of shareholding as on 31<sup>st</sup> March, 2011:

No. of Shares	No. of Shareholders	%	No. of Shares	%
Upto 500	370,500	96.33	44,924,056	3.29
501-1000	9,078	2.36	7,052,425	0.52
1001-2000	3,015	0.78	4,522,059	0.33
2001-3000	736	0.19	1,902,352	0.14
3001-4000	321	0.08	1,163,576	0.08
4001-5000	254	0.07	1,210,704	0.09
5001-10000	371	0.10	2,751,305	0.20
10001 and above	345	0.09	1,302,140,609	95.35
<b>TOTAL</b>	<b>384,620</b>	<b>100.00</b>	<b>1,365,667,086</b>	<b>100.00</b>

**Shareholding pattern as on 31<sup>st</sup> March, 2011:**

Sl. No.	Category	No. of shares	Percentage
<b>I</b>	<b>Promoters</b>		
a.	Promoter and Promoter Group	218,020,941	15.96
b.	Depository for GDSs	1,010,522,772	73.99
	Sub-total	1,228,543,713	89.96
<b>II</b>	<b>Non-Promoters</b>		
a.	FIs and Banks	11,282,232	0.83
b.	Mutual Funds and UTI	10,025,800	0.73
c.	Foreign Institutional Investors	40,709,049	2.98
d.	Private Corporate Bodies	10,729,063	0.79
e.	Indian Public	61,804,680	4.53
f.	NRIs and OCBs	2,572,549	0.19
	Sub-total	137,123,373	10.04
	<b>TOTAL</b>	<b>1,365,667,086</b>	<b>100.00</b>

xii) **Dematerialisation of shares:** As on 31<sup>st</sup> March, 2011, 98.55% of the Company's total shares, i.e. 1,345,802,921 shares were held in dematerialized form and 1.45% i.e. 19,864,165 shares were held in physical form.

xiii) **Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity:**  
6,604,724 Global Depository Shares (GDSs) represented by 1,010,522,772 equity shares were outstanding as on 31<sup>st</sup> March, 2011. Each GDS represents one hundred and fifty three (153) equity shares.

During the year, the Company issued Foreign Currency Convertible Bonds (FCCBs) on 15<sup>th</sup> June, 2010 and 9<sup>th</sup> July, 2010 amounting to US\$115 million and US\$ 147 million respectively.

The US\$ 115 million Bonds are convertible at any time on and after 15<sup>th</sup> June, 2011 or from the date the shares of the Company cease to be listed, whichever is earlier, into fully paid equity shares of ₹ 10 each at a conversion price of ₹ 138 per share or global depository shares each representing 153 equity shares subject to adjustments, with a fixed rate of exchange on conversion of ₹ 46.60 to US\$ 1.00.

The US\$147 million Bonds are convertible at any time on and after 9<sup>th</sup> July, 2011 or from the date the shares of the Company cease to be listed, whichever is earlier, into fully paid equity shares of ₹ 10 each at a conversion price of ₹ 153 per share or global depository shares each representing 153 equity shares subject to adjustment, with a fixed rate of exchange on conversion of ₹ 46.85 to US\$ 1.00.

xiv) **Plant Location:** The Refinery of the Company is located at Khambhalia Post, Dist. Jamnagar – 361 305, Gujarat. The Company's oil fields are located at Mehsana, Gujarat and the Coal Bed Methane (CBM) fields are located in Durgapur, West Bengal.

xv) **Address for communication:** For any assistance, request or instruction regarding transfer or transmission of shares and debentures, dematerialization of shares / debentures, change of address, non-receipt of annual report, interest warrant and any other query relating to the shares and debentures of the Company, please write to the following address: M/s. Datamatics Financial Services Ltd., Unit: Essar Oil Limited, Plot No. B - 5, Part B Cross Lane, MIDC, Andheri (East), Mumbai – 400 093. Phone: 91-22-66712151 to 66712156, Fax: 91-22-66712209, Email: eolinvestors@dfssl.com

For any assistance, share / debenture holders may also write to the Company at the following email ID exclusively designated for the purpose: eolinvestors@essar.com

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

Sr. No.	Name of Body Corporate
1	Essar Energy Holdings Limited
2	Vadinar Oil
3	Essar Investments Limited
4	Hazira Steel 2
5	Imperial Consultants & Securities Pvt. Limited
6	Essar Biofuels Limited