MERCATOR LINES
LIMITED

Energized transformation

annual report
2010-11

Contents

On the global energy landscape, Mercator is an emerging presence to reckon with. As part of our diversification initiatives, we are making sustained efforts to be a significant energy player. The objective is to de-risk ourselves from the cyclical shipping business.

With investments in oil & gas and coal, the organization is part of the vast and evolving dry (coal) and wet (oil) energy orbit. We are reinforcing our presence across the energy value chain from mining to delivery. The energy domain remains attractive as demand is expected to rise significantly with the rapid socio-economic development of emerging economies.

We are navigating a clear and decisive line to deliver the best energy solutions, offering outstanding value and services to our customers globally. We call this motivating journey energized transformation.

Corporate Information

BOARD OF DIRECTORS

H. K. Mittal
Executive Chairman

Atul J. Agarwal
Managing Director

Manohar Bidaye

Anil Khanna

M. G. Ramkrishna

K. R. Bharat

Kapil Garg

M. M. Agrawal
(w.e.f. August 12, 2011)

AUDIT COMMITTEE

Manohar Bidaye
Chairman

M. G. Ramkrishna
Member

K. R. Bharat
Member

Atul J. Agarwal
Member

SHAREHOLDERS GRIEVANCE COMMITTEE

Manohar Bidaye
Chairman

K. R. Bharat
Member

Atul J. Agarwal
Member

COMPANY SECRETARY

Suchita Shirambekar

AUDITORS

M/s Contractor, Nayak & Kishnadwala

BANKERS

State Bank of India
ICICI Bank
Axis Bank
HDFC Bank

DEBENTURE AND SECURITY TRUSTEES

Axis Trustee Services Limited

REGISTERED OFFICE

3rd Floor, Mittal Tower, B-Wing.
Nariman Point, Mumbai – 400021
Tel : + 91 – 22 – 66373333/40373333
Fax : + 91 – 22 – 66373344
Website : www.mercator.in
E-mail : mercator@mercator.in
investors@mercator.in

REGISTRAR & TRANSFER AGENTS

Link Intime India Pvt. Ltd.
C-13, Pannalal Silk Mills Compound
LBS Road. Bhandup West,
Mumbai – 400078.
Tel : 022 – 25963838
Fax : 022 - 25946969
E-mail : rnt.helpdesk@linkintime.co.in

Core Values

'Honouring Commitments' towards all the stakeholders

Consistent and constant growth

Ensuring that every employee feels pride in being called a 'Mercatorian'

Innovation...we believe in doing things differently

Core Purpose

Creating the best solutions and offering outstanding value and service to our customers

Goal

To become a dominant global player in the Energy Value Chain of Coal, Oil and Marine Infrastructure

Chairman's Statement

Global economic volatilities have impacted the shipping industry considerably. In such a scenario, our diversification initiatives stood us in good stead. Today, a major portion of our revenue pie is derived from the non-shipping business.

Dear Shareholders,

Even in a world of persistent economic uncertainty, most people will agree that global energy demand will continue to escalate in future. The reason is simple: the burgeoning global population and the sustained efforts of developing economies to attain the socio-economic standards of the advanced countries of the world have set into motion a spiralling energy demand. The result is that although developed economies have not curtailed their energy demand considerably, fresh demand at a humongous scale is being generated from the emerging economies.

H. K. Mittal Executive Chairman

Our energized transformation from being a focused shipping player to a diversified player in shipping and energy sector testifies to that fact that Mercator is not guided by conventional ways of thinking and doing things.

Seen against this backdrop, our decision to emerge as an integrated energy player can be interpreted as a pragmatic decision. As a major provider of smart shipping solutions globally, we had forged close relationships with coal mines and oil exploration companies to understand the dynamics of Coal mining and Oil & Gas businesses. The decision to focus more on the energy sector was largely influenced from that experience.

Last year, shipping companies were badly hit by the global economic recession that led to a steep decline in world trade and caused freight rates to fall. The global economy (especially the US and the Eurozone) is still encountering considerable turbulence and recovery is sluggish. Global economic volatilities have impacted the shipping industry considerably. In such a scenario, our diversification initiatives stood us in good stead. Today, a major portion of our revenue pie is derived from the non-shipping business.

Mercator is proud to be the only Indian company to have executed the unique and complex Floating Production Unit (FPU) project. The project is an offshore venture in Nigeria, execution of which involved many countries across the world on a 24/7 basis. Capitalizing on the experience, we now look forward to executing more such projects. During the year, we commenced exploration activities with 2/3D seismic surveys at the oil blocks awarded to us by the government under NELP VII.

During the year, we had turnover of about 5 mn metric tonnes of coal, and won a 5 year contract with the Ceylon Shipping Corporation for coal logistics in Sri Lanka.

We are in the process of finalizing the acquisition of one more coal mine in Kalimantan, Indonesia, taking the total number of coal mines to five in the upcoming year.

The demand for dredging services has been fairly robust during the year, with a number of Indian ports increasingly demanding such services. We have already successfully executed multiple dredging projects, and on the basis of our strong track record, we now possess a healthy order book and a good revenue visibility.

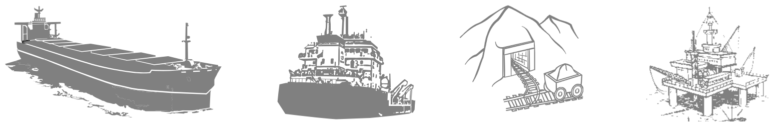
With sound risk management strategies in place and with proven expertise in the dry and wet energy segments, we plan to leverage the available market opportunities to grow profitably in the energy segment.

Our energized transformation from being a focused shipping player to a diversified player in shipping and energy sector testifies to that fact that Mercator is not guided by conventional ways of thinking and doing things. We are not afraid of navigating uncharted waters and we will continue to explore new opportunities to grow our business. Nevertheless, we are guided by market pragmatism and deep insight to deliver exceptional value for all stakeholders.

Warm regards,

H. K. MITTAL

August 12, 2011



Management Discussion and Analysis

Mercator is present across multiple verticals: Shipping | Oil and Gas | Coal Mining; Procurement and Logistics | Dredging

THE SHIPPING INDUSTRY

The shipping industry is prone to cyclicality. It is influenced by socio-economic scenarios, natural calamities, government regulations and availability of natural resources globally. The shipping industry can be broadly classified into:

- **Wet bulk carriers :** Also known as oil tankers, they transport crude oil and other petroleum products
- **Dry bulk carriers :** They transport iron ore, steel, coal, and other bulk commodities

The global scenario

Over 90% of global trade is conducted by ships. The total world merchant fleet grew 7%, touching 1,276 mn tonnes in 2010. It is further expected that global seaborne trade will reach 11.5 bn tonnes and 16.04 bn tonnes by 2020 and 2031, respectively. The global shipping industry is regulated by the International Maritime Organization (Source: Review of Maritime Transport, UNCTAD).

There are about 50,000 merchant ships trading in multiple cargoes globally, generating over USD 380 bn in freight rates during the year (Source: PwC).

The Indian scenario

Over the years, bilateral trade between India and other countries has improved significantly, benefiting the Indian shipping industry. The domestic shipping industry currently handles 95% of the country's international trade volume and almost 70% of the total traded value. The industry's fleet stood at 10 mn tonnes, about 1% of the global fleet, ranking 16th in global shipping tonnage. It is targeting 43 mn tonnes by 2020. In 2010, petroleum, oil and lubricants comprised 31.2%, while iron ore and coal comprised 17.7% and 12.3%, respectively.

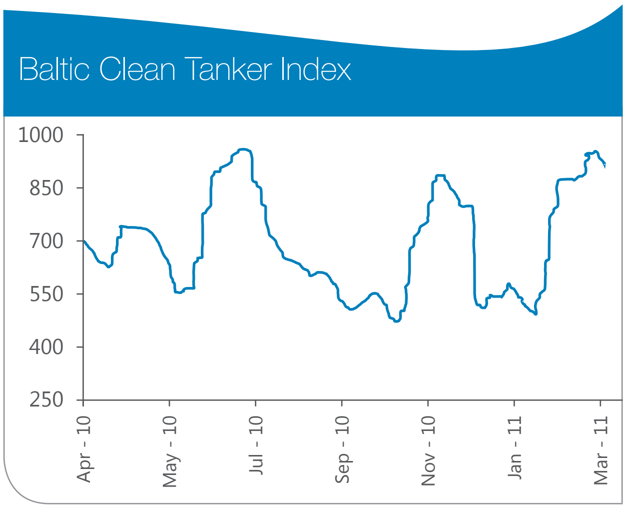
Shipping industry segments

Wet Bulk Carriers

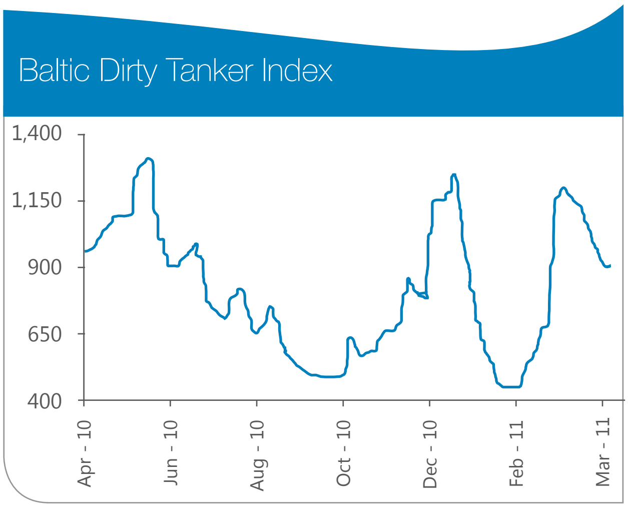
A strong link exists between demand of tankers and demand of oil. Crude oil is the single largest commodity in international trade. Tankers basically transport crude oil from ports near production fields to ports near refineries. Global crude oil demand has grown over the last five years, which is mainly driven by developed economies. The share of US in the global crude oil demand is 26.4%, and of Europe is 23.5%. It is expected that by 2030, crude oil will form 34% of the total world energy consumption (Sources: International Energy Agency and FICCI E&Y 2010 report).

With growth in the economy, urbanization, population and disposable incomes, and a change in lifestyle patterns, oil consumption has increased in India over the years. Between 2006 and 2010, the consumption of crude oil in India has grown at a CAGR of 5.3% to reach 160 mn tonne barrels.

Though the shipping market witnessed spikes in 2010, the tanker freight rates remained subdued during the year, on account of sluggish demand for crude oil and refined products combined with large supply of new vessels. The shipping rates remained volatile during the year due to fluctuating demands from countries all over the world, crisis in MENA region (Middle East & North Africa), delays in new deliveries; and supply demand mismatches.



(Source: Bloomberg) *(graph not to scale)*



(Source: Bloomberg) *(graph not to scale)*

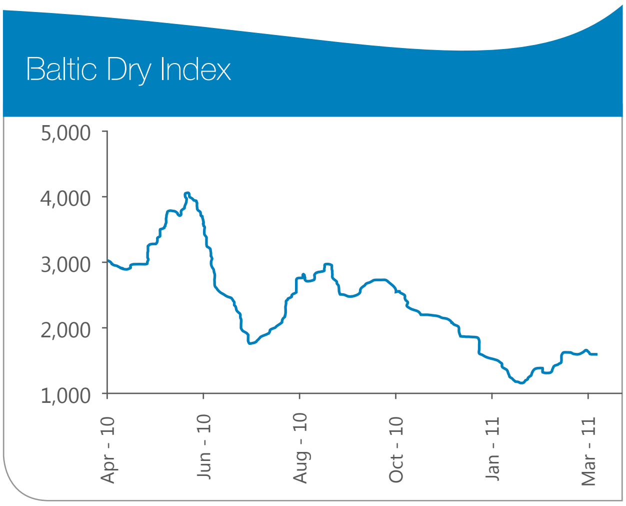
The Baltic Clean Tanker Index opened at 700 points in April 2010, reached a high of 950 points by midyear in July 2010. The index then slumped to the year's low of 500 points in October 2010. Post this it was extremely volatile till March 2011 when it closed at around 900 points.

The Baltic Dirty Tanker Index opened at 950 points in April 2010, reached a high of 1350 points in May 2010. Post this it was extremely volatile till February 2011, when it reached a low of 430 points. The index then closed at 900 points in March 2011.

Dry Bulk Carriers

Dry bulk ships are used to transport dry bulk commodities like steel, iron ore, coal, (thermal/coking), other bulks commodities and grains. Demand for dry bulk commodities is likely to remain strong in the coming years, mainly driven by China and India, which would result in the increased demand and freight rates for dry bulk carriers.

Dry bulk freight rates remained range bound during the year, on account of fluctuations in iron ore imports by China. During April to June 2010, the freight rates recorded a high on the back of strong tonnage demand, but during July 2010 to October 2010, the freight rates came plummeting down due to floods in Australia, oversupply of fleet capacity etc. Freight rates are expected to remain volatile during the next year.

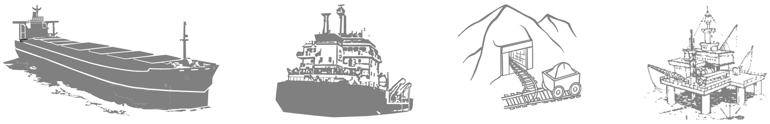


(Source: Bloomberg) *(graph not to scale)*

The Baltic Dry Index opened at 3000 points in April 2010, reached a high of 4100 points in May 2010. Post this it was extremely volatile till February 2011, when it reached a low of 1100 points. The index thereafter closed at 1600 points in March 2011.

Mercator operates a younger dry bulk fleet of vessels, and a large fleet of operator geared vessels which provides us with an added advantage as they can be easily used at ports with poor infrastructure. We specialize in providing end-to-end logistic solutions from load port to point of use.

With the gradual revival in global trade of dry and wet commodities post the recession, the shipping industry is expected to witness an increase in demand in the next few years. With a modern fleet of vessels, we are well prepared to capitalise on the shipping industry opportunities.

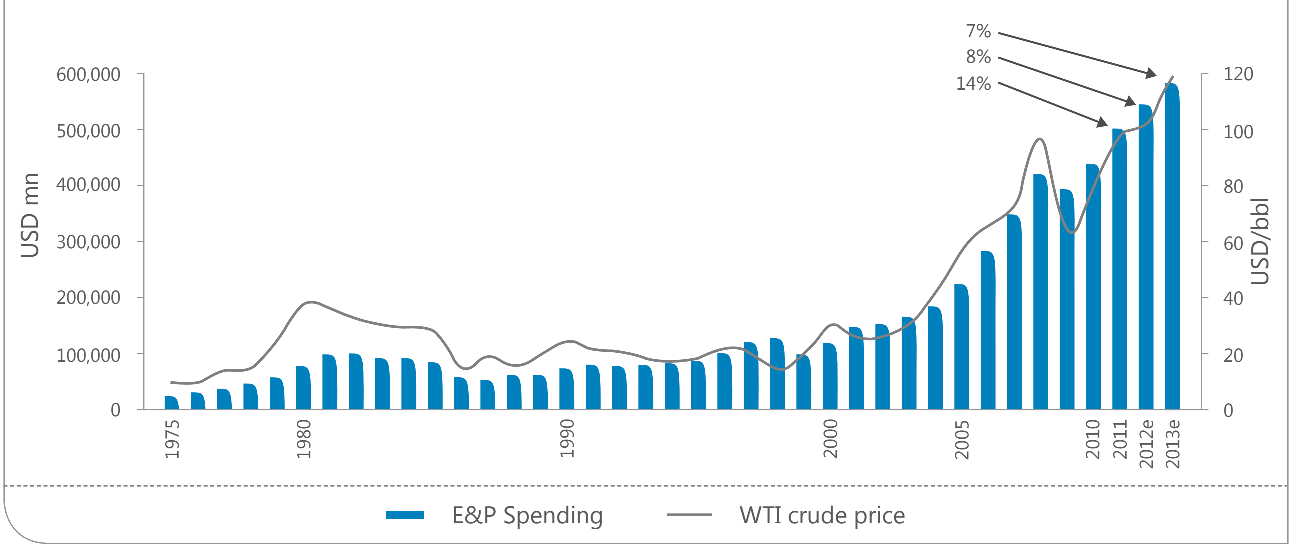


OIL AND GAS

The OPEC countries have enjoyed monopoly production of oil since mid 70s, and hence charge a premium in oil trading. Oil, being the basic fuel required in various industries and for transportation, has extensive forward linkages with the economy. Hence, countries all over the world have begun to extensively undertake oil exploration projects that would help them secure their natural resources needs. Surveys indicate that oil companies tend to reduce their E&P spending when average oil price goes below USD 65/bbl. Oil prices have constantly been on an increase since 2000, except during the economic recession.

Oil companies are heavily investing in equipment and are increasing their capacities.. The E&P spending was estimated to rise by 14% in 2011 and forecasted to rise 8% in 2012, and 7% in 2013.

E&P spending trend and crude oil price movement



Source : DnB NOR Markets, FactSet

In India, the oil and gas sector is one of the core industries. India's import dependence on crude oil and petroleum products is more than 79%, with crude oil contributing about 32% of primary energy consumption in India. Natural gas accounts for about 10% of the total energy consumed in India, which is expected to increase to 20% by 2025. India produces about 1% of the world's natural gas and has around 0.4% of the world's natural gas reserves. The consumption of crude oil and natural gas is expected to grow further, driven by India's overall economic growth. In order to meet the growing demand, the indigenous crude oil production has to be augmented by acceleration of exploration activity in deep offshore, unexplored offshore and onshore areas (Sources: BMI India Oil and Gas Report Q4 2010 and BP statistical review of world energy 2010).

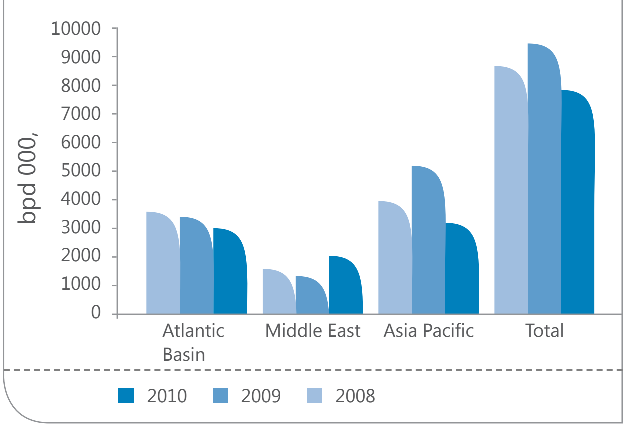
National Exploration and Licensing Policy (NELP) - Catalysing Indian Economy

The Government of India through its National Exploration and Licensing Policy (NELP) is reforming the E&P sector by liberalizing it and opening the sector for private and foreign investment. The government has allowed 100% foreign direct investment in the sector and has awarded 300 oil and gas blocks under the eighth bidding round of National Exploration and Licensing Policy (NELP) and is expecting at least USD 10 bn in investments.

The oil and gas value chain comprises upstream (exploration, development & production) and downstream (refining, processing and distributing) activities which are carried out at onshore and offshore sites. The upstream oil and gas segment is vital for country's energy needs and to accelerate the growth momentum in the years to come. In recent times, India has undertaken a number of exploration activities and has built upon its refining base. India has a refining base of 3.54 mbpd in 2010, which is expected to increase by 40% to reach 5 mbpd by 2012. Three green-field projects are being developed in India currently, wherein PSU's are expected to refine 600,000 barrels per day.

Countries all over the world are increasingly undertaking refining projects.

Refining projects - distillation capacity by geographic region



(Source: Investment in exploration-production and refining in 2010, IFP Énergies nouvelles, October 2010)

High oil prices has led to opportunities in the Oil & Gas sector for oil major companies as well as small independent companies. Oil majors have developed hostile environment and deep terrain at large E&P cost to extract new oil. Small independent oil companies have been able to develop marginal field which previously were uneconomical. Mercator has adopted later approach whereby we have taken prospective acreage at Cambay Basin under NELP VII and have commenced exploration activities there.

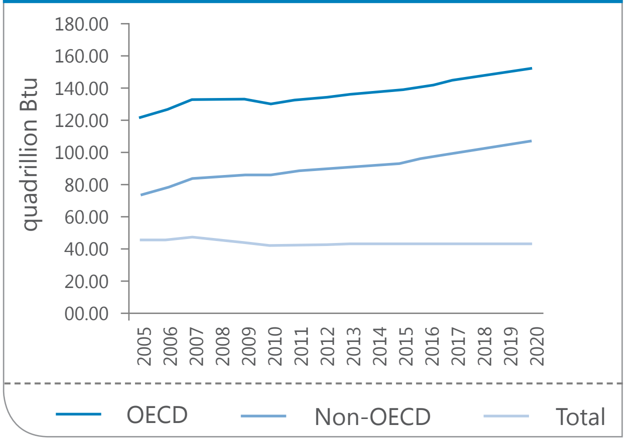
In addition we are participating in oil services sector of upstream segment by providing tailormade production facilities. We have successfully commenced production in Nigeria at EBOK field of our principals M/s. Afren.

COAL

India is the third largest coal producing and consuming nations of the world after China and USA. The coal consumption is driven by the energy sector in India as most of the operating power plants (around 55%) in India depend on coal as a fuel. With large scale capacity expansion plans in the power sector, the demand for coal is set to increase further. Coal is therefore a very important resource in the context of India's power generation. Furthermore, the recent earthquake in Japan and its resultant impact has also raised safety concerns on worldwide nuclear installations. As a result, the previous plans to invest in more nuclear power plants may take a backseat and the preference for thermal power plant will increase, which shall further generate additional demand for coal.

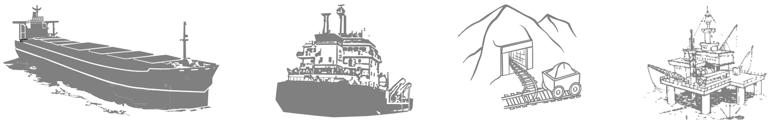
As per the graph below, the world's consumption of coal has been on an uptrend since 2005, and is expected to continue in the future.

World coal consumption by country grouping, 2005-20



(Source: EIA)

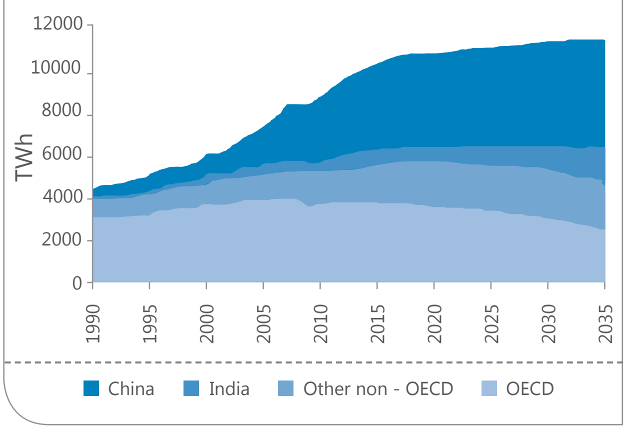
As per the current import policy, coal can be freely imported by consumers directly under the Open General License. In 2010, India imported 90 MT of Coal which is expected to touch 110 MT in 2011 with an anticipated annual shortage of 142 MT in 2011-12 (Source: McCloskey Coal Report and CEA)



Coal prices have risen during the year, as coal is the primary fuel required by power and steel plants in India, and other countries of the world. Coal prices are expected to further increase in the international market due to the surge in imports of coking coal by China and growth in Japanese steel output. Global prices of coking coal have risen from about USD 160-170 a tonne in early 2010-11 to about USD 200 a tonne in the second half of 2010-11 (Source: Business Standard).

India has imported about 70 mn tonnes of thermal coal during the year 2010-11. Internationally, the thermal coal prices hovered around USD 70-80 a tonne. Resurgence in Chinese demand and increased demands from India for thermal coal has fuelled growth in this segment (Sources: The Hindu Business Line and Business Standard).

Coal generation by region



(Source: IEA, world energy outlook 2010)

Projections for 2030

Global coal production is expected to reach 7 bn tonnes

Steam coal production is projected to have reached around 5.2 bn tonnes

Coking coal manufacture is planned to reach 624 mn tonnes

India and other nations import coal from Indonesia and Mozambique to meet the fuel demands. In order to capitalize on this opportunity, we have acquired a number of coal mines in the coal mine rich countries of Indonesia and Mozambique. The Indonesian mines are equipped with high end state of the art infrastructure facilities and are located very close to the port. Our own fleet of ships and expertise in logistics provides us with an added advantage.

DREDGING

India has a 7,517 km coastline that has 13 major ports and 200 non major ports. India is increasingly undertaking both capital and maintenance dredging at the major ports.

What is Dredging?

Dredging is the process carried out in shallow sea and fresh water areas, and uses a dredger to scrap or suck the seabed, which helps create wider and deeper waterways. The main objective of dredging is to enhance navigation of ships.

In recent times, more players have entered the dredging market. The current dredging capacity is not enough to meet the port demand. The ₹ 568 bn National Maritime Development Programme (NMDP) has been providing considerable dredging opportunities wherein about ₹ 49 bn has been earmarked for 21 dredging projects at all major ports in the country by 2011-12.

It is expected that the cargo handling capacity of Indian ports would increase to 1,855 MT by 2012 from the present 758 MT. During the 11th Five Year Plan (2007–12) about USD 8.5 bn is expected to be invested in the ports sector (Source: Planning Commission of India). The demand for dredging continues to grow in India as it is driven by infrastructure development, port construction, use of larger vessels, increased attention to coastal shipping and inland water transportation, and increased private sector participation.

Mercator has consolidated its dredging business and having maintained a strong track record with its customers, the Company has secured a good order book with repetitive orders. With new ports coming up and existing port's dredging requirements increasing, Mercator is poised to capitalize on the opportunity available in the upcoming dredging industry.

INDIAN GOVERNMENT ROLE

Infrastructure development in developing countries and increasing demand for various commodities amongst countries all over the world are expected to drive the demand for shipping services. The Indian Government plays a key role in driving infrastructural growth and the shipping industry growth through the following shipping industry targets set under the 11th Five Year Plan –

Parameters	Target I	Target II	Target III
GRT target (mn tonnes)	10	12	15
Additional vessels required	56	181	386
Investments required (₹ bn)	350	550	800

The Indian shipping industry is adopting a more global outlook to utilise the cross trade opportunities, which would be achieved significantly with the help of these targets.

In the energy segment, the Indian Government has undertaken a number of policies and investments across a number of projects to increase the power generation capacity of the country. In the Oil and Gas segment, the Government has been awarding oil blocks under NELP and has been striving to create India as a refining hub and in building strategic petroleum reserves through public private partnership.

RISK GOVERNANCE AT MERCATOR

Mercator has clearly identified the risk management objectives which helps the company in mitigating the risks through incessant risk management initiatives. The Group's approach to identifying, assessing, and managing risks is formalised through an in depth process of market research, collection of updated industry information and data and research intelligence.

Risk - Cyclical nature of shipping business

Risk Mitigation- The shipping business is highly cyclical in nature. The management has taken strategic steps to diversify the business by entering into the oil and gas, and the coal mining. Resultantly, the sources of revenues for the Company have been diversified. More than 50% of revenue is from non-shipping.

Risk- Capital intensive nature

Risk Mitigation- The various business segments of the Company are capital intensive in nature. Large capital is required for the smooth functioning of shipping, dredging, oil exploration and drilling, and coal mining. The shipping and dredging vessels, oil rigs and equipment needs proper maintenance and repairs are expensive. The Company ensures strict adherence to all the timelines, and regularly maintains all its assets. Moreover, the high capital intensive nature of the very business creates a significant entry barrier for new entrants in the business. This in turn helps reduce potential competition.

Risk-Dependence on economic growth

Risk Mitigation- The Company's inherent nature of business makes it dependent on economic growth of the country. The Company's successful track record, rich management experience, and diversified portfolio of business segments, aids the company in derisking itself to a large extent.

Risk - Rising fuel costs and freight rate volatility

Risk Mitigation- The shipping industry is characterised by extremely volatile freight rates and rising fuel costs. Long term contracts with counter parties serve as a cushion against freight rate volatilities. The strategy of Mercator has been to deploy 70% of the fleet on long term contracts with passing on cost of fuels on charterers.

Risk -Counter- Party

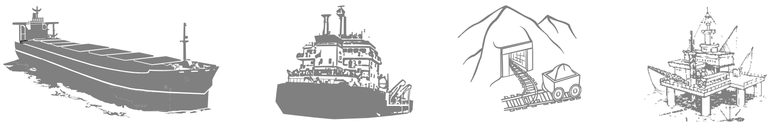
Risk Mitigation- The Company has a large base of credit worthy clients. Mercator continuously engages with strong counter parties to avoid any defaults.

Risk - Accidents and natural disasters

Risk Mitigation- The Company has insured all its vessels, and before embarking on any voyage, all the ships are tested and scrutinised.

Risk - Environment concerns

Risk Mitigation- The risk of environmental concern due to oil spillage during transportation, oil drilling and exploration, and coal mining and transportation is extremely critical. Mercator strictly adheres to globally accepted environmental regulations.



OPERATIONAL AND FINANCIAL PERFORMANCE

Mercator (standalone as well as through various subsidiaries); has diversified operations with its own fleet of Tankers, Bulk Carriers; Dredgers and Floating Production Units (FPU). Mercator owns and operates coal mine licences in Indonesia and Mozambique. Mercator has also executed production sharing contract with Government of India in respect of two oil blocks; which are in Cambay basin in Western India; awarded under NELP-VII.

The consolidated income from the operations was ₹ 2829 cr for the year under review as compared to ₹ 1809 cr in the previous year. The Profit After Tax and Minority Interest was ₹ 47 cr against ₹ 53 cr in the previous year.

Tanker (Wet Bulk) performance

Mercator tanker fleet consists of Very Large Crude Carrier (VLCC), Aframaxes, Product tankers and Chemical tanker.

Within the tanker segment, Mercator Lines Limited had 7 own tankers of aggregate capacity of 797,935 DWT at the beginning of the year and 1 in-chartered chemical tanker of 19,996 DWT. During the year, 1 Suezmax single hull tanker of aggregate capacity of 148,349 DWT was converted into Floating Storage Offshore Unit. 1 Aframax tanker of 90,607 DWT was acquired during the year. At the end of the year, Mercator Lines Limited had 7 own tankers of an aggregate tonnage of 740,193 DWT and 1 in-chartered chemical tanker of 19,996 DWT.

Mercator achieved a turnover of ₹ 463 cr as compared to ₹ 444 cr in the previous year recording 4% increase on YOY basis; the performance was primarily affected due to tanker market remaining soft throughout the year; and dry-docking of couple of vessels. The numbers of operating days were reduced by about 25% to 2672 days (previous year 3,541 days). The Time Charter Equivalent (TCE) at USD 15,728 increased by 7% from USD 14,684 in the previous year. Overall contribution from the tanker division was 16% (previous year 25%) of the total operating income.

Dry Bulk performance

Mercator's bulk carrier fleet is comprised of Geared and Gearless Panamaxes; Kamsarmaxes and Very Large Ore Carrier (VLOC).

At the beginning of the year, there were 12 own bulk carriers aggregating tonnage of 1,103,740 DWT and 3 chartered-in bulk carriers with an aggregate capacity of 260,165 DWT. During the year, 2 Panamaxes of 143,570 DWT; one Kamsarmax of 93,200 DWT were acquired. Further delivery of an in-chartered Kamsarmax of 91,800 DWT was also received. One panamax of 73,625 DWT was re-delivered to owners on expiry of charter. Thus at the end of the year Mercator had 15 bulk carriers with an aggregate capacity of 1,340,510 DWT and 3 chartered in bulk carriers of 278,340 DWT.

Mercator achieved a turnover of ₹ 751 cr (₹ 680 cr previous year). Though vessel operating days increased by about 17% over the last year to 5908 days (previous year 5,038 days) TCE of USD 25,997 declined by 1% against previous year of USD 26,310. This segment contributed about 27% of the total operating income (Previous year 38%).

Dredging performance

In Dredging; at the beginning of the year; Mercator had 4 dredgers of Aggregate capacity 23500 Cubic meter. There was no change during the year in the fleet. On 583 (previous year 1090) days of operating, Mercator achieved a turnover of ₹ 85 cr (Previous year ₹ 86 cr). TCE at USD 19,560 increased by about 44% against previous year's USD 13,557 This segment contributed about 3% of total operating income (Previous year 5%). Mercator has bagged many new contracts and its order book is full.

Oil & Gas

Offshore performance:

The jack-up rig continued to be deployed on bare boat charter @ USD 92,700 per day. On 337 (previous year 365), operating days; a turnover of ₹ 142 cr (Pr. Yr. ₹ 160 cr.) was achieved. This contributed about 5% of the total operating income (previous year 9%). The Rig was sold during the year.

During the year; Mercator acquired one Mobile Offshore Production Unit (MOPU) and refurbished it for deployment under a nine year charter with Afren Plc. Mercator also converted one of its Suezmax tanker into Floating Storage Offloading Unit (FSO) and deployed under the said contract. Both these MOPU and FSO collectively called Floating Production Unit (FPU) have been commissioned successfully subsequent to the year end. MOPU has a processing capacity of 50,000 barrels oil per day whereas FSO has storage capacity of 1.2 mn barrels oil.

Oil Blocks:

Mercator has entered into Production Sharing Contracts for two oil blocks awarded to it under NELP VII at Cambay Basin in Western Gujarat. Mercator has commenced exploration activities with 2D – 3D studies.

Coal Mining, Procurement and Logistics

During the year, coal mining productions were scaled up as well as there was substantial increase in trading; both contributing increase in topline. During the year, 0.83 mn MT (previous year 0.7 mn MT) coal was generated from coal mines in Indonesia. In all 4.88 mn MT (previous year 1.7 mn MT) of coal was mined, procured and sold. Total turnover of ₹ 1388 cr (previous year ₹ 439 cr) was achieved. This contributed about 49% of the total operating income (previous year 21%).

REVIEW OF OPERATIONS OF SUBSIDIARIES

1. **Mercator International Pte. Ltd. (MIPL) – (Wholly Owned Overseas Subsidiary - WOS):**

   MIPL was incorporated in Singapore in January 2007 as WOS. This company has multiple subsidiaries and fellow subsidiaries in Singapore and other countries. As at the beginning of the year; MIPL had one in-chartered chemical tanker of 19,926 DWT on standalone basis. There was no change in the tonnage capacity during the year. MIPL has also diversified interest through its Subsidiaries; in commodity mining and trade business as a move towards backward integration of the Company's business strategy.

   During the year under review, it achieved a turnover of about ₹ 115 cr equivalent of USD 25.263 mn (as against ₹ 83.37 cr equivalent to USD 17.605 mn in the previous year) with a net profit of ₹ 47 cr equivalent of USD 10.365 mn (previous year net loss of ₹ 8.63 cr equivalent of USD 1.82 mn) on standalone basis; that is excluding contribution from its fellow subsidiaries.

2. **Mercator Lines (Singapore) Ltd. (MLS)**

   This is a Singapore Stock Exchange listed subsidiary of MIPL that owns 71.95% controlling interest in the company. MLS has four fully owned subsidiaries; namely, Varsha Marine Pte. Ltd., Vidya Marine Pte. Ltd.; Mercator Lines (Panama) Inc. and Chitra Prem Pte. Ltd. and one joint venture with MIPL viz. Target Ship Management Pte. Ltd. Consolidated fleet of MLS as at March 31, 2011, comprised of 14 own vessels of aggregate capacity of 1,271,224 DWT and 4 chartered-in vessels of aggregate capacity of 278,340 DWT.

   During the year, MLS achieved a consolidated turnover of ₹ 708 cr equivalent of USD 155.360 mn (as against ₹ 684.21 cr equivalent to USD 144.470 mn in the previous year) and earned net profit after tax of ₹ 142 cr equivalent to USD 31.100 mn (as against ₹ 192.98 cr equivalent to USD 40.748 mn in previous year).

   The Board of Directors of MLS recommended dividend at 0.73 cents per share that was paid interim dividend as final dividend for year ended on March 31, 2011.

   The Board of Directors of wholly owned subsidiaries of MLS; namely Varsha Marine; Vidya Marine and Chitra Prem declared and paid interim dividends of USD 3 mn (Pre. Year USD 1.20 mn); USD 4.9 mn (Pre. Year USD 5.20 mn) and USD 0.2 mn (not in existence).

   Mercator Lines Panama was holding and assigning charter hire rights of Panamax vessels on a back to back basis that was expired on maturity and redelivered the vessel in may 2011. It remained dormant subsequently.

3. **Mercator Offshore Holdings Pte. Ltd. (MOHPL) and Mercator Offshore Ltd. (MOL)-WOS:**

   MOHPL is a holding Company of MOL. At the begining of the year; MOL was owning a Jack up Rig which was sold in March 2011. The Rig was operated for 337 days.

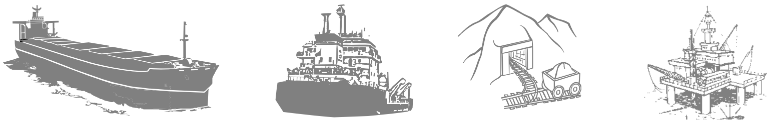
   MOL achieved turnover of ₹ 142 cr equivalent of USD 31.100 mn (previous year ₹ 160 cr equivalent of USD 33.718 mn) and earned net profit of ₹ 24 cr equivalent of USD 5.275 mn (previous year ₹ 71.84 cr equivalent of USD 15.169 mn).

4. **Mercator Oil & Gas Ltd. (MOGL):**

   An Indian based non-listed subsidiary. No commercial activities undertaken during the year.

5. **Mercator Petroleum Ltd. (MPL):**

   This is an Indian non-listed subsidiary. During the year; the status of the company was changed from Private Limited Company to Public Limited Company and accordingly name was changed to Mercator Petroleum Limited. The company has entered into a Production Sharing Contract with the Government of India for exploration of Petroleum under the Seventh New Exploration Licensing Policy round (NELP-VII) and has been allotted two blocks under the scheme in Cambay Basin, Western India. MPL has initiated exploration activities and undertaken surveys.



6. Oorja Holdings Pte. Ltd. (OHPL) and its subsidiaries:

OHPL is 100% subsidiary of Mercator International Pte. Ltd. (MIPL) based in Singapore with the objective to explore business opportunities in commodity mining and trade. As at March 31, 2011, OHPL had six wholly owned subsidiaries; namely, Oorja 1 Pte. Ltd., Oorja 2 Pte. Ltd., Oorja 3 Pte. Ltd.; Oorja Mozambique Minas Limitada; MCS Holdings Pte. Ltd. and Oorja (Batua) Pte. Ltd.

Oorja 1 has a further subsidiary by the name of Oorja Indo Petangis Four (OIP-4) incorporated in Indonesia. Oorja 2 has further subsidiary by the name of Oorja Indo Petangis Three incorporated in Indonesia (OIP-3). Oorja 3 has further subsidiary named Oorja Indo KGS incorporated in Indonesia. OIP -3 and OIP-4 jointly have wholly owned subsidiaries named PT Mincon Indo Resources; PT Bima Gema Permata and PT Nusa Sakti Kencana all incorporated in Jakarta. Oorja Mozambique has a step-down subsidiary named Broadtec Mozambique Minas Limitada with 85% holding; incorporated in Mozambique. Subsequent to year end; Oorja Batua acquired a subsidiary in Indonesia by name PT Karya Putra Borneo.

During the year; OHPL achieved consolidated turnover of ₹ 1338 cr equivalent of USD 293.424 mn (previous year ₹ 377.42 cr equivalent of USD 79.69 mn) and earned profit of ₹ 37 cr equivalent of USD 8.200 mn (previous year loss of ₹ 17.01 cr equivalent of USD 3.59 mn).

7. Mercator Offshore (P) Pte. Ltd. (MOPPL):

This subsidiary formerly known as Mercator Offshore (Nigeria) Pte. Ltd. (MONPL) based in Singapore has been awarded a contract for charter out of Floating Production Unit (FPU) comprising of Mobile Offshore Production Unit (MOPU) and Floating Storage Offshore Unit (FSO) to UK listed Company M/s. Afren PLC for deployment in their EBOK field in Nigeria. During the year; the Company acquired and refurbished MOPU and converted one of its Suezmax tanker into FSO. The FPU have been commissioned successfully on April 30, 2011.

MOPPL has a subsidiary located in Nigeria by name IVORENE Oil Services Ltd. to undertake local support activities.

None of above subsidiary's Audit Report contains any qualification.

During the year, following subsidiaries viz. Mercator PH (Dutch) Holding BV, Netherland; Mercator Petroleum (Turkey) BV, Netherlands; and Mercator Petroleum (Romania) Pte. Ltd., Singapore were closed down voluntarily.

(For the purpose of financial performances conversion rate of per dollar has been taken as ₹ 45.59 for Profit and Loss account (previous year ₹ 47.36) and ₹ 44.65 for Balance Sheet items (previous year ₹ 45.14).

QUALITY, SAFETY & ENVIRONMENT

For excellent business performance we have recognised and imbibed safety, quality and environmental conservation in our daily routine. We follow Health Safety Security Environment (HSSE) management system which provides direction, education, support, training and supervision to ensure that all employees understand and follow the Company policy and procedure. This has been achieved by having adequate systems and procedures in place which safeguard the health and safety of our people, the security of our personnel, security of our physical assets and reputation and the protection of the environment. Our fleet has maintained the highest level of safety and cost effective quality during the year, and are in compliance with the international pollution and prevention protocols. The robust system and procedures helps the company achieve its aim of safe shipping across cleaner oceans.

INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

The Company's internal control systems are adequate and ensure that all corporate policies are strictly adhered to and that transparency is maintained at all levels and functions throughout the organization.

The Internal Auditors ensure that adequate internal controls are in place and all mandatory accounting policies are complied with. The Audit Committee constituted by the Board of Directors regularly assesses the financials of the Company, in consultation with internal and statutory auditors.

HUMAN RESOURCES POLICIES

The Company has always believed that Human Resources are extremely integral to the functioning of the organization. This is reflected through its philosophy of 'People First'.

We provide a work environment which is healthy, safe and secure and make positive contribution to the protection of our employees. We initiate various programs that enables our people to share knowledge and understand more rapidly, working as a single team towards a unified vision and mission.

As on March 31, 2011 there were 105 employees with Mercator Lines Ltd. Globally, Mercator employs 343 persons as at March 31, 2011.

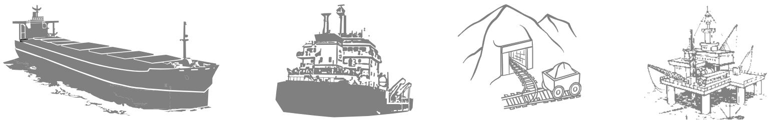
CAUTIONARY STATEMENT

The Statement in this Management Discussion and Analysis Report describing the Company's objectives, projections, estimates, expectations or predictions may be 'forward looking statements' within the meaning of applicable laws and regulations. Actual results might differ substantially or materially from those expressed or implied. Important developments that could affect the Company's operations include demand-supply conditions, changes in Government and

International regulations, tax regimes, economic developments within and outside India and other factors such as litigation and labour relations.

For and on behalf of the Board
H. K. Mittal
Executive Chairman

Regd. Office:
3rd Floor, Mittal Tower, B-wing,
Nariman Point, Mumbai - 400021
Dtd: August 12, 2011



Directors' Report

To

The Members,

Mercator Lines Limited

We take pleasure in presenting Twenty-Seventh Annual Report of your Company for the year ended on March 31, 2011.

FINANCIAL HIGHLIGHTS

(Amount ₹ in cr)

Particulars	Consolidated		Standalone	
	Year ended March 31, 2011	Year ended March 31, 2010	**Year ended March 31, 2011**	Year ended March 31, 2010
Income from operations	**2828.88**	1808.73	**638.99**	580.79
Total Income	**2811.64**	1837.56	**639.15**	699.91
Operating Profit	**621.29**	655.93	**108.58**	242.90
Interest	**215.23**	205.77	**85.99**	94.94
Depreciation	**306.67**	340.91	**116.63**	137.12
Profit before Tax & Minority Interest	**99.39**	109.25	**(94.04)**	10.85
Minority Interest	**(39.01)**	(50.97)	**N.A.**	N.A.
Taxes				
- Current Year	**(15.74)**	(23.33)	**(4.00)**	(21.95)
- Deferred Tax	**2.21**	0.79	**-**	-
- MAT Credit Entitlement	**-**	17.50	**-**	17.50
Net Profit/(Loss) After Tax	**46.85**	53.24	**(98.04)**	6.40
Balance brought forward from last year	**604.06**	726.03	**117.49**	286.30
Excess provision of earlier years	**47.15**	-	**0.07**	-
Profit available for appropriations:	**698.06**	779.27	**19.52**	292.69
Less: Appropriations:				
Transfers to Reserves				
- General Reserve	**-**	1.00	**-**	1.00
- Debenture Redemption Reserve	**-**	168.7	**-**	168.7
Provision for final Dividend on Equity Shares	**-**	4.72	**-**	4.72
Tax on Dividend	**-**	0.78	**-**	0.78
Balance carried to Balance Sheet	**698.06**	604.06	**19.52**	117.49

On consolidated basis, a milestone was achieved during the year with consolidated income from operations crossing the ₹ 2500 cr mark. The income from operations was at ₹ 2829 cr as against ₹ 1809 cr in the previous year; registering a growth of 56%. The operating profit for the year was ₹ 621 cr against previous year's ₹ 656 cr.

After providing for the minority interest of ₹ 39 cr (previous year ₹ 51 cr) the net profit was recorded at ₹ 47 cr as against ₹ 53 cr in the previous year. Scale up in Coal mining and procurement activities boosted revenues of the Company. However, overall performance was affected due to lower realizations of shipping freight. Exceptional items in the nature of loss on account of write offs against sale of Rig and Dry docking expenses also added to lower profits.

On a standalone basis, the income from operations for the year under review was ₹ 639 cr as against ₹ 581 cr in the previous year, registering a growth of 10% for the year. The Company suffered a loss of ₹ 94 cr against as Profit Before Tax (PBT) of ₹ 11 cr in the previous year. Loss after provision of tax was ₹ 98 cr against Net Profit of ₹ 6 cr in the previous year. This was mainly on account of dry docking of two vessels on which an amount of ₹ 15 cr was spent besides loss of revenue from those vessels during the period of dry-dock, coupled with lower Time Charter Yield in dredger division. Lower realization of shipping freight further aggravated the loss. Dredger deployment has improved substantially since the year end, and your Company expects better standalone performance in the coming years.

EXPANSION AND FINANCE

During the year under review, one aframax; two panamax and one post panamax vessels were acquired at an aggregate cost of ₹ 542.50 cr (equivalent of USD 121.50 mn). A Mobile Offshore Production Unit (MOPU) was acquired & refurbished and a suezmax was converted into a Floating Storage Offshore Unit (FSO) collectively called FPU. The total cost incurred for FPU as at March 31, 2011 was ₹ 805 cr.

The aframax has been deployed gainfully since its acquisition. Panamaxes/post-panamaxes too were deployed immediately upon their acquisitions on long-term charter ranging a period of 35 to 74 months. The MOPU and the FSO have been deployed on a nine-year contract. The acquisition of key assets such as these proves the Company's foresight and its ability to monetise future opportunities. A mix of internal resources and debts financed these expansions.

Towards the end of the year, your Company issued Un-Secured Redeemable Non-convertible Debentures of an aggregate amount of ₹ 100 cr on private placement basis, which have been listed on the Bombay Stock Exchange.

Your Company would consider raising of funds for general corporate purposes including capital expenditure, working capital requirements, strategic investments by way of issue of securities (whether in India and/or abroad) at appropriate time.

BUSINESS OPERATIONS AND FUTURE OUTLOOK

Your Company has well diversified business segments i.e. Shipping (Tanker & Dry bulk); Dredging; Oil & Gas; Coal (Mines & Procurement); and Logistics. While the Coal division performed extremely well, the Dry bulk & Logistics division performed satisfactorily. The tanker and dredging divisions were affected due to subdued market conditions. Exploration activities have commenced on two oil blocks that the Company owns. The FPU (MOPU & FSO) has been commissioned successfully subsequent to the end of the year. The commissioning of the FPU project is expected to add substantial revenue from current year. During the year; the Jack-up Rig was sold.

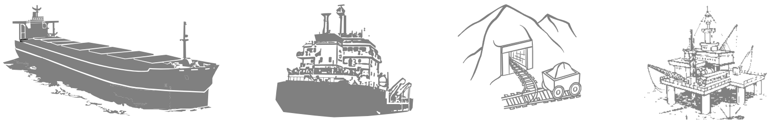
Going forward, performance of Coal mining and procurement is estimated to scale up further. While the Dredging Division has good improvements in terms of order book, Dry Bulk and Logistics are expected to continue to perform satisfactorily except in the event of any downturn in the world economy. The tanker division may remain soft with exceptional spikes.

SHARE CAPITAL

During the year, 2,77,80,000 warrants were issued to Promoters/Persons Acting in concert/Directors/entities controlled by them on a preferential basis in accordance with SEBI Regulations, as approved by the shareholders of the Company in their Extra-Ordinary General meeting held on October 28, 2010. The warrants carried an option to apply and subscribe for an equivalent number of equity shares of ₹ 1/- each at a price not less than ₹ 55 per share. Out of these, one of the promoters exercised the option and 89,00,000 warrants were converted into equivalent equity shares of ₹ 1/- each at a price of ₹ 55 per share. Consequently; the issued and paid up share capital increased from 23,59,92,073 equity shares of ₹ 1/- each aggregating ₹ 23.60 cr to 24,48,92,073 equity shares of ₹ 1/- each aggregating ₹ 24.49 cr. At the year end, 1,88,80,000 warrants were outstanding.

DIVIDEND

In view of losses suffered by the Company during the year under review, your Directors do not recommend any dividend.



DIRECTORS

In accordance with the provisions of the Companies Act, 1956, and the Articles of Association of the Company, Mr. K. R. Bharat and Mr. Anil Khanna are the Directors liable to retire by rotation at the ensuing Annual General Meeting. Mr. Bharat, being eligible, has offered himself for re-appointment. Mr. Anil Khanna has expressed his inability to continue as Director of the Company. The Directors place on record their gratitude for the guidance extended by Mr. Anil Khanna during his tenure. Your Directors do not intend to fill the vacancy caused by the retirement of Mr. Anil Khanna.

Subsequent to year end, the Board of Directors in their meeting held on August 12, 2011 appointed Mr. M. M. Agrawal as an Additional Director of the Company. He being the Additional Director, holds office only up to the ensuing Annual General Meeting. Resolution for appointment of Mr. M. M. Agrawal as Director is proposed for approval of shareholders at ensuing Annual General Meeting in response to notices received from member of the Company proposing his candidature.

A brief resume of Mr. K. R. Bharat and Mr. M. M. Agrawal is included in the notice of the ensuing Annual General Meeting scheduled to be held on September 22, 2011.

The Directors recommend their re-appointment for approval of the members.

SUBSIDIARY COMPANIES AND CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2011, your Company had 27 subsidiaries/ step-down subsidiaries. Pursuant to the Accounting Standard (AS 21) issued by the Institute of Chartered Accountants of India, audited consolidated financial statements together with Auditors' Report thereon form part of his Annual Report includes financial information of the subsidiaries.

Pursuant to general exemption granted vide notification dated February 8, 2011, issued by the Ministry of Corporate Affairs, Government of India, this Annual Report is presented without attaching annual accounts of the subsidiaries for the year ended March 31, 2011. A statement in respect of the said subsidiaries pursuant to Section 212 of the Companies Act, 1956, is enclosed herewith as required. The annual reports and accounts of subsidiaries will be made available for inspection at the registered office of the Company and also of the subsidiary companies concerned during working hours. The same, along with related detailed information will be made available to the investors of the Company as well as of subsidiaries, on request. The brief financial details of the subsidiaries for the year ended March 31, 2011, as prescribed under the said notification have been disclosed in the consolidated balance sheet of the Company.

AUDITORS

The Auditors of your Company, M/s. Contractor, Nayak & Kishnadwala, Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility for re-appointment under Section 224 (1-B) of the Companies Act, 1956.

The Directors recommend their re-appointment for approval of the members.

PARTICULARS OF EMPLOYEES

As required under the provisions of Section 217(2A) of the Companies Act, 1956 (the Act), read with the Companies (Particulars of Employees) Rules 1975 as amended, the requisite particulars with respect to the employees of the Company, who were in receipt of remuneration in excess of the limits specified under the said section are set out in the annexure forming part of this report. However, as per the provisions of Section 219(b) (iv) of the Act, the report and the accounts are being sent to all members of the Company excluding this annexure of particulars of employees. Any member interested in obtaining such particulars may write to the Company at the registered office.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, EXPORT MARKET DEVELOPMENT AND FOREIGN EXCHANGE EARNINGS and OUTGO

The Conservation of Energy and Technology Absorption under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, are not applicable to your Company. However, the Directors would like to assure you that every measure is taken to save and conserve energy at all the stages of operating the vessels, as well as, in our shore activities.

In its endeavor to develop the export market, your Company has formed/acquired new overseas subsidiaries during the year.

Your Company has not imported any technology during the year. It has earned foreign exchange of ₹ 132.85 cr (as against previous year's earnings of ₹ 216.46 cr) and spent ₹ 312.16 cr (as against ₹ 379.91 cr for the previous year) in foreign exchange, on account of acquisition of vessels, charter hire, other vessel expenses, and interests etc.

CORPORATE GOVERNANCE

A separate report on Corporate Governance, along with the requisite certificate from the Auditors of the Company, as required under the provisions of Clause 49 of the Listing Agreements with the Stock Exchanges, is annexed herewith forming a part of this Annual Report. Management Discussion and Analysis Report, as per the Corporate Governance requirement is also annexed herewith as part of this Report.

The Ministry of Corporate Affairs (MCA), India, has issued "Corporate Governance Voluntary Guidelines 2009". While following the Corporate Governance requirements prescribed under Clause 49 of the Listing Agreement, your Company has adopted many of the recommendations of the MCA which are in consonance with the Clause 49 of Listing Agreement of Stock Exchanges. It is in the process of reviewing the possibilities to implement the remaining recommendations as well.

INSURANCE

All properties of the Company are adequately insured.

FIXED DEPOSITS

The Company has not accepted any public deposits falling under the purview of section 58-A of the Companies Act, 1956.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, the Directors hereby confirm that:

(i) In preparation of the annual accounts, all applicable accounting standards have been followed along with proper explanation relating to material departures;

(ii) They have selected such accounting policies in consultation with Statutory Auditors 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 loss for the year under review;

(iii) They have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provision of the Companies Act, 1956, to safeguard the assets of the Company and to prevent and detect fraud and other irregularities;

(iv) They have prepared the annual accounts on a going concern basis.

GROUP FOR INTERSE TRANSFER OF SHARES

As required under clause 3(1) (e) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, persons constituting a "Group" (within the meaning as defined in the Monopolies and Restrictive Trade Practices Act, 1969) for the purpose of availing exemption from applicability of the provisions of Regulation 10 to 12 of the aforesaid Regulations, are given in the Annexure A attached herewith and forms a part of this Annual Report.

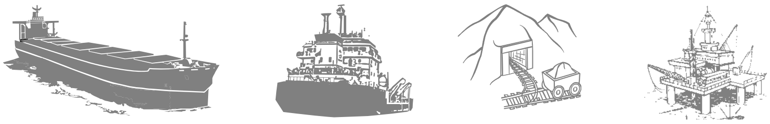
ACKNOWLEDGEMENTS

The Directors would like to express their gratitude to customers, suppliers, service providers, regulators and Governmental agencies, such as Ministry of Shipping, Ministry of Petroleum & Natural Gas, the Directorate General of Shipping; Directorate General of Hydrocarbon; and other statutory authorities for their continual support and encouragement.

We also acknowledge the support lent and confidence bestowed upon us by our bankers, stakeholders and all Mercatorians.

For and on behalf of the Board
H. K. Mittal
Executive Chairman

Regd. Office:
3rd Floor, Mittal Tower, B-wing,
Nariman Point, Mumbai - 400021
Dtd: August 12, 2011



ANNEXURE – A TO THE DIRECTORS' REPORT

For the purpose of *interse* transfer of shares under Regulation 3 (1) (e) of the Securities and Exchange board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, the following persons constitute "Group" as defined in the Monopolistic & Restrictive Trade Practices, 1969, (54 of 1969):

1. Mr. H. K. Mittal
2. Mrs. Archana Mittal
3. Mr. A. J. Agarwal
4. AHM Investments Pvt. Ltd.
5. Mr. Shalabh Mittal
6. Mr. Adip Mittal
7. Mrs. Shruti Mittal
8. Mrs. Manjuli Agarwal
9. Mr. Aayush Agarwal
10. Ms. Arooshi Agarwal
11. Ms. Tanvi Mittal
12. Mr. Amol Mittal
13. Mercator Healthcare Ltd.
14. MLL Logistics Pvt. Ltd.
15. Mercator Mechmarine Ltd.
16. Ankur Fertilizers Pvt. Ltd.
17. Rishi Holdings Pvt. Ltd.
18. AAAM Properties Private Ltd.
19. MMAXX Dredging Private Ltd.
20. Oorja Resources India Private Ltd.
21. Vaitarna Marine Infrastructure Private Ltd. (Formerly known as Mech Marine Engineers Pvt. Ltd.)
22. CMA Constructions & Properties Private Limited
23. Mercator International Pte. Ltd
24. Mercator Oil & Gas Ltd.
25. Mercator Petroleum Ltd.
26. Mercator Offshore Holdings Pte. Ltd.
27. Mercator Offshore Ltd.
28. Mercator Lines (Singapore) Ltd.
29. Varsha Marine Pte. Ltd.
30. Vidya Marine Pte. Ltd.
31. Mercator Lines (Panama) Inc.
32. Oorja Holdings Pte. Ltd.
33. Oorja 1 Pte. Ltd.
34. Oorja 2 Pte. Ltd.
35. Oorja 3 Pte. Ltd.
36. Oorja Mocambique Minas Limitada
37. Broadtec Mocambique Minas Limitada
38. PT Oorja Indo Petangis Four
39. PT Oorja Indo Petangis Three
40. PT Oorja Indo KGS
41. MCS Holdings Pte. Ltd.
42. PT Mincon Indo Resources
43. Mercaor Offshore (Nigeria) Pte. Ltd.
44. Ivorene Oil Services (Nigeria) Ltd.
45. Oorja (Batua) Pte Ltd.
46. Bima Gema Permata Pt.
47. Nusa Sakti Kencana Pt.
48. Chitra Prem Pte. Ltd.
49. Target Ship Management Pte. Ltd.

Report on Corporate Governance

(Forming part of Directors' report for the year ended on March 31, 2011)

COMPANY'S PHILOSOPHY

The Company strongly believes in ethical way of conducting business. The Company upholds its relationship with the society and hence its social responsibility of environmental safety and human welfare.

Corporate governance to the company is not just a compliance issue but central guiding principle for everything it does. It's a way of thinking, way of conducting business and a way to steer the organization to take on challenges for now and for the future.

The Company recognizes its responsibility towards its shareholders and therefore constantly endeavors to create and enhance shareholder's wealth and value by implementing its business plans at appropriate times and thus taking maximum advantage of available opportunities to benefit the Company, its shareholders and the society at large. The Company believes in monitoring its performance regularly and with utmost transparency to ensure ethical governance at all levels within the organization.

I. Board Of Directors:

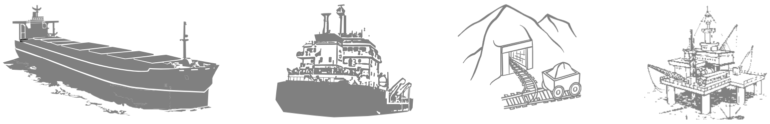
As at the year end March 31, 2011, the Board of Directors of the Company comprises of seven Directors; Two Executive Directors and five Non-Executive Directors. Among the two Executive Directors; one is the Executive Chairman and the other is Managing Director. The Company is in compliance with the requirement of at least half of the Board comprising of Independent Directors as the Chairman of the Board is an Executive Director and a Promoter.

There is no Nominee Director on the Board of the Company.

No Director of the Company is either member in more than ten committees and/or Chairman of more than five committees across all Companies in which he is Director and necessary disclosures to this effect has been received by the Company from all the Directors.

During the year, in all Five Board meetings were held i.e. on May 25, 2010; July 31, 2010, September 30, 2010; October 28, 2010 and February 12, 2011. The time interval between any two meetings was not more than 4 months.

The details of Directors and their attendance record at Board Meetings held during the year, at last Annual General Meeting and number of other Directorships and Chairmanships/membership of Committees is given below



Sr. No	Name of Director	Category	No. of Board Meetings Attended	Attendance at last AGM	No. of other Directorships in Indian Public Companies*	No. of committee membership in other Companies **	No. of committee Chairmanship in other Companies **
1	Mr. H. K. Mittal	Executive Chairman & Promoter	5	Yes	3	Nil	Nil
2	Mr. A. J. Agarwal	Managing Director, Executive-Promoter	5	Yes	2	1	Nil
3	Mr. Manohar Bidaye	Non-Executive Independent	3	Yes	2	1	1
4	Mr. Anil Khanna	Non-Executive Independent	5	Yes	1	1	Nil
5	Mr. M. G. Ramkrishna	Non-Executive Independent	4	Yes	2	Nil	1
6	Mr. K. R. Bharat	Non-Executive Independent	3	Yes	3	Nil	Nil
7	Mr. Kapil Garg	Non-Executive Not Independent	3	Yes	1	Nil	Nil

* Other directorships does not include Private Companies, Companies registered u/s 25 of the Companies Act, 1956, Alternate directorships and foreign Companies.

** In accordance with Clause 49 of the Listing Agreement, Memberships/Chairmanships of only the Audit Committees and Shareholders'/Investors' Grievance Committees of all Public Limited Companies have been considered.

None of the independent directors had resigned nor removed from the Board of the Company during the year and hence compliance in respect of replacement thereof did not arise.

All the information required to be furnished to the Board was made available to them along with detailed agenda notes.

The Board reviews compliance reports of all laws applicable to the Company, presented by Managing Director at the meeting.

Subsequent to year end, Mr. M. M. Agrawal was appointed as Additional Director of the Company w.e.f. August 12, 2011. Mr. Agrawal is Non-executive Independent Director.

Code of Conduct:
The Board has laid down a Code of Conduct for all Board members and Senior Management personnel of the Company, which has been posted on the website of the Company www.mercator.in

All Board members and Senior Management personnel have affirmed compliance with the code for the year ended on March 31, 2011. Declaration to this effect signed by the Chief Executive Officer for the year ended on March 31, 2011 has been included elsewhere in this annual report.

II. Audit Committee:

Composition:

Pursuant to the provisions of Section 292(A) of the Companies Act, 1956 and Clause 49 of the Listing Agreements, the Company has a qualified and independent Audit Committee. As at March 31, 2011, the Committee comprised of three Independent Non-Executive Directors. Mr. Anil Khanna, Senior member of Institute of Chartered Accountants of India, having a sound accounting and financial background, was the Chairman of the Committee, the other members being Mr. Manohar Bidaye, Senior member of Institute of Company Secretaries of India and Mr. M. G. Ramkrishna, a veteran from the banking & finance industry. The Managing Director, Head of Finance Department along with the Internal Auditors and Statutory Auditors are always invitees to the Audit Committee Meeting. All other Functional Managers are invited to attend the meeting, as and when necessary. The Committee is vested, inter alia, with following powers and terms of references as prescribed under relevant provisions of the Companies Act, 1956 and Stock Exchanges Listing Agreement.

Subsequent to year end, the Audit Committee was reconstituted by the Board of Directors at its meeting held on May 28, 2011. Audit Committee now comprises of three Independent Non-Executive Directors and one Executive

Promoter Director. Mr. Manohar Bidaye has been appointed as Chairman of Audit Committee, Mr. K. R. Bharat, MBA from Indian Institute of Management, Ahmedabad; and Mr. Atul Agarwal – Fellow member of Institute of Chartered Accountants are the new members of the Committee in addition to existing member Mr. M. G. Ramkrishna.

Mr. Anil Khanna, then Chairman of the Audit Committee was present at the last Annual General Meeting to answer the shareholder queries.

Powers:

a) To investigate any activity within its terms of reference.
b) To seek information from any employee.
c) To obtain outside legal or other professional advice.
d) To secure attendance of outsiders with relevant expertise, if it considers necessary.

Terms of Reference:

The Audit committee reviews the reports of the Internal Auditors and the Statutory Auditors periodically and discuss their findings and suggest the corrective measures. The role of the Audit Committee is as follows:

1. Overview of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.

2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.

3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.

4. Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:

   (a) Matters required to be included in the Director's Responsibility Statement to be included in the Board's Report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.

   (b) Changes, if any, in accounting policies and practices and reasons for the same.

   (c) Major accounting entries involving estimates based on the exercise of judgment by the management.

   (d) Significant adjustments made in the financial statements arising out of the audit findings.

   (e) Compliance with listing and other legal requirements relating to financial statements.

   (f) Disclosure of any related party transactions.

   (g) Qualifications in the draft audit report.

5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval.

5A. Reviewing, with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/ prospectus/notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.

6. Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.

7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

8. Discussion with internal auditors on any significant findings and follow up there on.

9. 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 systems of a material nature and reporting the matter to the board.

10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit, as well as, post-audit discussion to ascertain any area of concern.

11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.

12. To review the functioning of the Whistle Blower mechanism, in case the same is existing.

12A. Approval of appointment of CFO (i.e. the whole-time finance director or any other person heading the finance function and discharging the function) after assessing the qualifications, experience & background etc. of the candidate.

13. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

Meetings:

During the year, in all four meetings of the Committee were held i.e. on May 25, 2010; July 31, 2010; October 28, 2010 and February 12, 2011. The time intervals between two meetings of the Committee were not more than four months.

Attendance of each member at the audit Committee Meetings:

Name of Director	No. of Meetings attended
Mr. Anil Khanna	4
Mr. Manohar Bidaye	2
Mr. M. G. Ramkrishna	3

The Managing Director, along with Chief Financial Officer, Statutory Auditors and Internal Auditors attended all the four meetings. The Company Secretary and in his/her absence Sr. Manager, Secretarial acted as the Secretary to the Committee.

Review of Information:

The Audit committee was presented with and reviewed necessary information as required under Clause 49 of the Listing Agreement.

There was no instance of management letter/letter of internal control weaknesses issued by the Statutory Auditors during the financial year 2010-11.

Remuneration-Cum-Selection Committee:

The Company has Remuneration Committee comprising of three Non-executive Independent Directors. Mr. Manohar Bidaye is the Chairman of the Committee with Mr. Anil Khanna and Mr. M. G. Ramkrishna being other members. The committee, on behalf of the Board and the shareholders, determines, with agreed terms of reference, the Company's policy on specific remuneration packages for Executive Directors and Senior Management people including pension rights and any compensation payment. This Committee also acts as a Remuneration Committee under Schedule XIII and as Selection Committee under Section 314 of the Companies Act, 1956.

Four meetings of Remuneration Committee were held during the year. Attendance of each member at the Remuneration Committee Meetings:

Name of Director	No. of Meetings attended
Mr. Manohar Bidaye	4
Mr. Anil Khanna	4
Mr. M. G. Ramkrishna	3

With effect from May 28, 2011, Mr. K. R. Bharat was appointed as member in place of Mr. Anil Khanna

Expansion Committee:

The Company has Expansion Committee comprising of two Executive Directors viz. Mr. H. K. Mittal & Mr. A. J. Agarwal and two Non-executive Independent Directors viz. Mr. Anil Khanna & Mr. K. R. Bharat. The Committee is authorized to assess the business opportunities and take the decisions from time to time on expansion/modernization/diversification projects; means of finance and other related matters, within the limits sanctioned by the Board. During the year eight meetings were held.

Attendance of each member at the Expansion Committee Meetings:

Name of Director	No. of Meetings attended
Mr. H. K. Mittal	8
Mr. Atul J. Agarwal	8
Mr. Anil Khanna (upto May 28, 2011)	8
Mr. K. R. Bharat	8

ESOP Compensation Committee:

The Company has Employee Stock Purchase Committee (ESPS) of Directors comprising of two Executive Directors viz. Mr. H. K. Mittal & Mr. A. J. Agarwal and three Non-executive Independent Directors viz. Mr. Manohar Bidaye; Mr. Anil Khanna (upto May 28, 2011) & Mr. M. G. Ramkrishna, to implement the Employee Stock Purchase Scheme of the Company. No meeting was held during the year. The Committee was renamed as ESOP Compensation Committee during the year and is authorized to formulate entire Employee Stock Option scheme; to carry out process of determining eligibility criteria; to issue and allot the shares and to do all acts, deeds, things, matters as may be required in this regard, in accordance with the provisions of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

III. Subsidiary Companies:

As at March 31, 2011 the Company had total 27 subsidiaries. The Indian Subsidiaries viz. Mercator Oil & Gas Ltd. and Mercator Petroleum Limited were neither listed nor material as at March 31, 2011.

The Audit Committee reviews the financial statements of all the subsidiary companies including the investment made by the Company.

The Minutes/resolutions of the Board Meetings of all the subsidiary companies (including the step down subsidiary Companies) are placed before the Board periodically.

The management periodically reviews a statement of all significant transactions, if any, entered into by the subsidiary companies.

IV. Disclosures:

(A) Basis of related party transactions:

i. A statement in summary form of transactions with related parties in the ordinary course of business is placed periodically before the audit committee.

ii. Details of material individual transaction with related parties, which are not in the normal course of business, are placed before the audit committee, whenever applicable.

iii. During the year, there was no material individual transaction with related parties or others, that was not on an arm's length basis.

(B) Disclosure of Accounting Treatment:

In the preparation of financial statements for the year ended on March 31, 2011; there was no treatment different from that prescribed in an Accounting Standard and applicable Laws and Regulations that had been followed.

(C) Board Disclosures-Risk Management:

The Company has laid down procedures to inform Board members about the risk assessment and minimization procedures. These procedures are periodically reviewed to ensure that executive management controls risk through means of properly defined framework.

(D) Proceeds from public issues, rights issues, preferential issues etc.

During the year; the Company raised an amount of ₹ 38.20 cr by issue of 2,77,80,000 warrants with an option to acquire one equity share against each such warrants to the Promoters/Directors/Entities in which Directors were interested, ₹ 36.71 cr by issue of 89,00,000 shares pursuant to conversion of part of the warrants into shares and ₹ 100 cr through issue of unsecured Non-convertible Redeemable Debentures on private placement basis; proceeds of which were utilized for the intended purpose. Besides this, the Company did not raise any amount through public or right or preferential issues. The auditor's certificate confirming the same was placed at the relative Audit Committee meeting.

(E) Remuneration of Directors:

The remuneration of non-executive Directors is decided by the Board/Shareholders.

Details of remuneration paid to Directors for the financial year ended March 31, 2011:

Executive Directors:

Amount ₹ in Lakhs

Name	Salary	Perquisites	Total
Mr. H. K. Mittal Executive Chairman	40.47	7.53	48.00
Mr. A. J. Agarwal Managing Director	39.96	8.04	48.00

The remuneration to the Executive Directors is governed by the agreements executed with them as approved by the members of the Company in their General Meeting. As per the agreement, salary and perquisites are a fixed component and the commission is based on the performance of the Company, i.e. on the net profit of the year. However, aggregate of which shall not exceed 5% of net profit calculated as per the provisions of the Companies Act, 1956; per Executive Director with payment of minimum remuneration to them in case of loss or inadequacy of profit in any financial year during their tenure, subject however, to the ceiling prescribed under the Companies Act, 1956; and approval of the Central Government, if required.

The Executive Directors were not issued any Stock Options during the year.

Both the above Executive Directors were re-appointed for a period of three years w.e.f. August 1, 2010; and the same was approved by the Members of the Company at their AGM held on September 7, 2010. The appointments can be terminated by either party by giving six moths' notice in writing. There is no severance fees payable.

Non-executive Directors:

The Board decides the payment of commission within the limits approved by members of the Company in their Annual General Meeting held on September 26, 2007 not exceeding 1% of its net profit to Non-executive directors. However, in view of losses suffered by the Company for the year ended on March 31, 2011; no commission was paid to the Non-executive Directors.

Remuneration by way of sitting fees for attending Board meetings and Audit Committee meetings are paid to Non-executive Directors @ ₹ 20,000/- per meeting attended by them. Details of sitting fees paid to Non-executive Directors are as follows:

Name of the Director	₹ in lakhs
Mr. Manohar Bidaye	1.00
Mr. Anil Khanna	1.80
Mr. M. G. Ramkrishna	1.40
Mr. K. R. Bharat	0.60
Mr. Kapil Garg	0.60

All the Non-executive Directors have disclosed their shareholdings as at March 31, 2011 to the Company. Details of the same and of the warrants convertible into equivalent number of equity shares issued to the Non-executive Directors are as under:

Name of the Director	No of equity shares held	No of warrants held
Mr. Manohar Bidaye	97,500	5,00,000 Company in which Mr. Manohar Bidaye and his wife are Directors and hold 100% shares
Mr. Anil Khanna	2,47,120	70,000 Company in which Mr. Anil Khanna and his wife are Directors and hold 100% shares
Mr. M. G. Ramkrishna	15,000	10,000
Mr. K. R. Bharat	Nil	25,00,000 Company in which Mr. K. R. Bharat and his wife are Directors and hold 50% of shares.
Mr. Kapil Garg	Nil	5,00,000

The Company did not have any pecuniary relationship or transaction with the Non-executive Directors.

No stock options were issued to the Non-executive Directors during the year.

(F) Management

A Management Discussion and Analysis report forming part of this Directors' report is attached herewith.

Based on the disclosures received from the Senior Management personnel, during the year, there was no material financial and commercial transaction by senior management that may have a potential conflict with the interest of the Company at large.

G) Shareholders

(i) General Body Meetings:

Details of General Meetings held during last three years are given below:

Financial Year	Date	Time	Venue	Special Resolution(s)
2010-11 (EGM)	28/10/2010	4:30 P.M.	C. K. Nayudu Hall, The Cricket Club of India Limited, Brabourne Stadium, Churchgate, Mumbai-400020	1. Issue of Warrants convertible into equity shares on Preferential Basis to Promoters/ Directors/their entitites
				2. Issue of Employee Stock Options

Financial Year	Date	Time	Venue	Special Resolution(s)
				3. Appointment of Mr. Adip Mittal, relative of Director as Business Associate.
2010-11 (AGM)	07/09/2010	3:30 P.M.	C. K. Nayudu Hall, The Cricket Club of India Limited, Brabourne Stadium, Churchgate, Mumbai-400020	1. Payment of Minimum Remuneration to and Re-Appointment of Executive Chairman and Managing Director
2009-10 (AGM)	24/09/2009	4:00 P.M.	C. K. Nayudu Hall, The Cricket Club of India Limited, Brabourne Stadium, Churchgate, Mumbai-400020	1. Issue of securities (whether in form of equity and/or securities convertible into and/or carrying rights to subscribe to equity shares of the Company) in India and/or abroad for an amount not exceeding USD 40 mn 2. Issue of Redeemable cumulative preference shares for an aggregate amount of not exceeding ₹ 200 cr
2008-09 (AGM)	16/07/2008	4:00 P.M.	C. K. Nayudu Hall, The Cricket Club of India Limited, Brabourne Stadium, Churchgate, Mumbai-400020	NIL

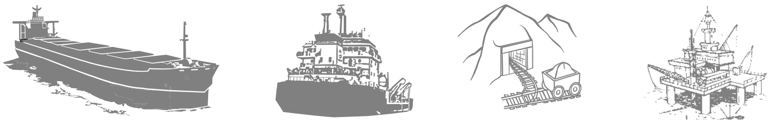
No special resolution through postal ballot was passed last year; nor proposed at the ensuing Annual General Meeting.

(ii) Disclosures:

During the year, there were no transactions of materially significant nature with the Promoters or Directors or the Management or their subsidiaries or relatives etc. that had potential conflict with the interest of the Company. However, the transactions entered into with the related parties are reported as per Accounting Standard 18 at Note No. 19 of Notes forming part of the Accounts under Schedule I (B) annexed to the Accounts for the year under review.

There were no instances of non-compliance and that no penalties or strictures were imposed on the Company by any Stock Exchange or SEBI or any statutory authority on any matter related to capital market during the past three years.

Presently the Company does not have any Whistle Blower Policy. However, no person has been denied access to the Audit Committee on any matter.



(iii) Means Of Communication:

Quarterly/half-yearly/yearly results are published as per stipulations of Listing Agreement. The audited annual accounts are posted to every member of the Company. Quarterly shareholding distribution and quarterly/ half yearly/yearly results submitted to the Stock Exchanges are posted on the website of the Company www.mercator.in. The Company also displays official news releases on its website i.e. www.mercator.in The Company has created an email id investors@mercator.in to facilitate redressal of investors'/shareholders' grievances.

The presentations if any, made to institutional investors/analysts through personal meetings are also displayed on website of the Company and submitted to the Stock Exchanges simultaneously.

(iv) Annual General Meeting

Twenty Seventh Annual General Meeting is scheduled to be held on Thursday, September 22, 2011 at C. K. Nayudu Hall, The Brabourne Stadium, Churchgate, Mumbai - 400020.

(v) Re-Appointment Of Directors

Brief resume of the Directors re-appointing at the ensuing annual general meeting along with their expertise in specific functional areas and names of the companies in which they hold directorships and chairmanships/ membership of Committees of the Board are provided in the notice of the ensuing Annual General Meeting scheduled to be held on September 22, 2011.

(vi) Financial Calender For The Year 2010-11:

First Quarter Results (June 30)	August 12, 2011
Mailing of Annual Reports	End August 2011
Annual General Meeting	September 22, 2011
Second Quarter Results (September 30)	Mid of November 2011
Third Quarter Results (December 31)	Mid of February 2012
Fourth Quarter/Annual Results	End May 2012

(vii) Dates Of Book-Closure:

The Share Transfer Books and Register of Members of the Company will remain Closed from Thursday, the September 15, 2011 to Thursday the September 22, 2011 (both days inclusive), for deciding entitlement of shareholders for payment of dividend on Equity share capital.

(viii) Dividend:

In view of the loss suffered during the year ; the Board of Directors have not recommended any dividend on Equity Shares of the Company.

(ix) Listing Of Shares, Non-Convertible Debentures:

The Equity Shares of the Company are listed on Bombay Stock Exchange (Scrip Code 526235); National Stock Exchange (Scrip Code MLL EQ) and the annual listing fees in respect of the year 2011-2012 have been paid to these exchanges.

The monthly high-low quotations of the equity shares of the Company on Bombay Stock Exchange and National Stock Exchange during the financial year 2010-11 vis-à-vis Sensex performance of Bombay Stock Exchange is given below:

BSE

Month	**Share Price (₹)**		**Sensex Performance**	
	High	Low	High	Low
April 2010	62.80	56.15	18,047.86	17,276.80
May 2010	66.00	43.05	17,536.86	15,960.15
June 2010	48.45	42.45	17,919.62	16,318.39
July 2010	49.55	45.55	18,237.56	17,395.58
August 2010	55.15	46.50	18,475.27	17,819.99
September 2010	58.90	47.00	20,267.98	18,027.12

Month	Share Price (₹)		Sensex Performance	
	High	Low	High	Low
October 2010	71.65	56.60	20,854.55	19,768.96
November 2010	76.90	49.35	21,108.64	18,954.82
December 2010	63.95	47.00	20,552.03	19,074.57
January 2011	59.25	43.30	20,664.80	18,038.48
February 2011	45.60	33.65	18,690.97	17,295.62
March 2011	40.50	34.85	19,575.16	17,792.17

NSE:

Month	Share Price (₹)	
	High	Low
April 2010	62.75	56.00
May 2010	59.35	43.20
June 2010	48.35	41.00
July 2010	49.60	45.70
August 2010	55.15	41.75
September 2010	59.70	44.00
October 2010	71.60	56.50
November 2010	76.90	49.65
December 2010	62.40	46.50
January 2011	59.30	43.05
February 2011	45.60	33.55
March 2011	40.50	35.10

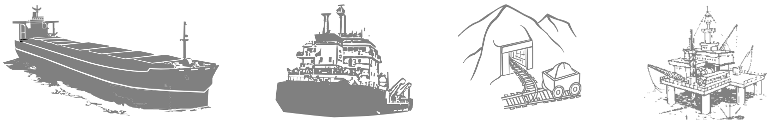
As at March 31, 2011; the Company had following series of listed Redeemable Non-Convertible Debentures issued on private placement basis in dematerialized form:

Series No	No. of NCDs	Coupon rate	O/s. Face value As on 31/03/2011	Outstanding Amount	ISIN
VII-A	900	10.50%	₹ 3,12,500/- each	₹ 28.13 cr	INE934B07066
IX-A	1500	11.90%	₹ 10,00,000/- each	₹ 150.00 cr	INE934B07207
X- A	400	9.50%	₹ 10,00,000/- each	₹ 40.00 cr	INE934B07215
X- A1	100	9.50%	₹ 10,00,000/- each	₹ 10.00 cr	INE934B07249
X- B	400	9.50%	₹ 10,00,000/- each	₹ 40.00 cr	INE934B07223
X- B1	100	9.50%	₹ 10,00,000/- each	₹ 10.00 cr	INE934B07256
X- C	1200	9.50%	₹ 10,00,000/- each	₹ 120.00 cr	INE934B07231
X- C1	300	9.50%	₹ 10,00,000/- each	₹ 30.00 cr	INE934B07264
XI	1000	9.50%	₹ 10,00,000/- each	₹ 100.00 cr	INE934B07272
-	1000	10.25%	₹ 10,00,000/- each	₹ 100.00 cr	INE934B08072

OUTSTANDING GDRs/ADRs OR WARRANTS OR ANY CONVERTIBLE INSTRUMENTS, CONVERSION DATE AND LIKELY IMPACT ON EQUITY

2,77,80,000 warrants carrying an option/entitlement for equivalent number of equity shares ₹ 1/- each in the Company; were issued in November, on preferential/private placement basis to Promoters/Directors/Entities in which directors were interested in accordance with SEBI Regulations for preferential issue, as approved by shareholders in their meeting held on October 28, 2010. Out of the said issued warrants, one of the warrant holder exercised its option attached to the warrants allotted and acquired 89,00,000 equity shares of ₹ 1/- each at a premium of ₹ 54/- per share.

The number of warrants outstanding as at March 31, 2011 were 1,88,80,000.



(x) Share Transfer:

Shareholders'/Investors' Grievances Committee:

The Company has Shareholders'/Investors' Grievances Committee comprising of one Executive Director and two Non-executive Directors to look after share transfer and other related matters, including the shareholders' grievances. Mr. Manohar Bidaye, a Fellow Member of Institute of Company Secretaries of India, is the Chairman of the Committee with the other members being, Mr. A. J. Agarwal and Mr. Anil Khanna, both senior members of Institute of Chartered Accountants of India. With effect from May 28, 2011, Mr. K. R. Bharat was appointed as member in place of Mr. Anil Khanna. The Committee normally meets fortnightly and looks into the shareholder & investor grievances that are not settled at the level of the Company Secretary/Compliance Officer and helps to expedite share transfers & related matters. The committee has also delegated power of transfer/transmission; dematerialisation/rematerialisation of shares; issue of duplicate/split/consolidated certificates to expedite relative process.

Twenty nine Meetings of the Committee were held during the year. All the members attended all the meetings.

As at March 31, 2011; Ms. Suchita Shirambekar, Company Secretary and Mr. Deepak Dalvi- Sr. Manager - Secretarial were acting as Compliance Officer.

During the year, the Company received 67 complaints from the shareholders all of which were duly resolved. There were no pending complaints as on 31.03.2011.

Further, during the year requests for transfer of 25,501 equity shares; and for demat of 91,60,500 equity shares were received and processed.

Registrar and Transfer Agents and Share Transfer System:

Link Intime India Private Limited (erstwhile Intime Spectrum Registry Ltd.) having their office at C-13, Pannalal Silk Mills Compound, LBS Road, Bhandup (W), Mumbai - 400 078 (Tel No. 91-22-25963838) and branch office at 203, Dawer House, 197/199, D.N. Road, Mumbai - 400 001 (Tel No. 91-22-22694127) are the Registrar and Transfer Agents (RTA) as also the registrar for electronic connectivity. Entire functions of Share Registry, both for physical transfer, as well as, dematerialization/rematerialization of shares, issue of duplicate/split/consolidation of shares is being carried out by the RTA at their above address.

The correspondence regarding query of dividends shall be addressed to Compliance Officer at the registered office of the Company.

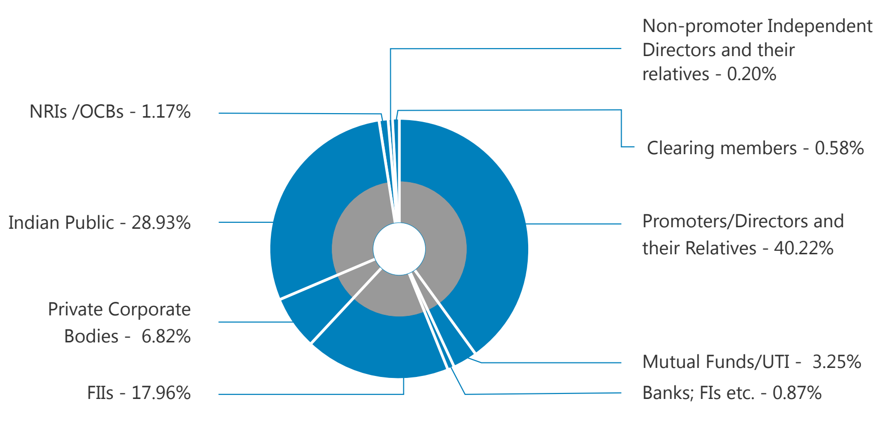
(xi) Distribution of Shareholding as on March 31, 2011:

Shareholding of nominal value of		No. of Shareholders	% to total Shareholders	No. of Shares	% to total Capital
Upto	5000	103157	98.01	42397642	17.31
5001	10000	1056	1.00	7949769	3.25
10001	20000	511	0.49	7306381	2.98
20001	30000	180	0.17	4504179	1.84
30001	40000	84	0.08	2966810	1.21
40001	50000	52	0.05	2412143	0.99
50001	100000	93	0.09	6594478	2.69
100001 and above		118	0.11	170760671	69.73
Total		**105251**	**100.00**	**244892073**	**100.00**

(xii) Shareholding Pattern as on March 31, 2011:

Sr. No	Category	No. of Shares	% to Capital	No. of Holders
1	Promoters/Directors and their Relatives	98484066	40.22	11
2	Mutual Funds/UTI	7961664	3.25	17
3	Banks; FIs etc.	2135190	0.87	5
4	FIIs	43994012	17.96	51
5	Private Corporate Bodies	16690530	6.82	1445
6	Indian Public	70847869	28.93	101810
7	NRIs /OCBs	2855880	1.17	1614
8	Non-promoter Independent Directors and their relatives	496195	0.20	9
9	Clearing members	1426667	0.58	289
	Total	**244892073**	**100**	**105251**

Shareholding Pattern as on March 31, 2011



(xii) Dematerialisation Of Securities:

The equity shares of the Company are under compulsory trading in demat form. Out of total capital of 24,48,92,073 equity shares; 24,21,17,057 equity shares representing 98.87% were held in demat form and balance 2775016 equity shares representing 1.13% were in physical form as on March 31, 2011. The ISIN of the equity shares of the Company is INE934B01028.

The shares are actively traded on BSE and NSE and the turnover data during the financial year 2010-11; was as under:

Particulars	BSE	NSE	Total
No of shares	17,67,14,699	55,67,86,101	73,35,00,800
Value (₹ in Lakhs)	97,330.45	3,04,469.73	4,01,800.18

V) CEO/CFO Certification:

The necessary certification from Chief Executive Officer, Mr. H. K. Mittal and Chief Financial Officer, Mr. V. S. Mani in respect of the financial year ended on March 31, 2011 has been annexed to this report.

Vi) Compliance:

The Company has complied with all the mandatory requirements of Corporate Governance Clause 49 of the Listing Agreement with Stock Exchanges. Further, the Company has also adopted Remuneration committee requirements out of Non-mandatory requirements of the Clause.

A certificate from the Auditors of the Company regarding compliance of conditions of corporate governance is annexed to the Directors' Report.

Vii) Plant Locations:

The Company does not have any plant.

Address for correspondence:

Mercator Lines Limited

3rd Floor, Mittal Tower, B-wing,

Nariman Point, Mumbai-400 021

Tel Nos: 91-22-66373333

Fax Nos: 91-22-66373344

E-mail: mercator@mercator.in/investors@mercator.in

For and on behalf of the Board

H. K. MITTAL

Executive Chairman

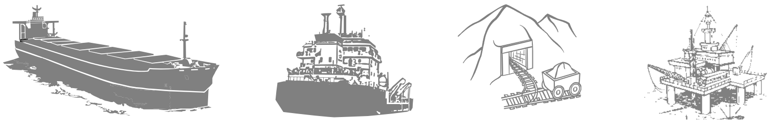
Regd. Office:

3rd Floor, Mittal Tower,

B-Wing, Nariman Point,

Mumbai-400021

Dated.: August 12, 2011



CEO/CFO Certification

To,

The Board of Directors,

Mercator Lines Limited

Mumbai

This is to certify that:

(a) we have reviewed financial statements for the financial year ended on March 31 2011 and the cash flow statement for the year (consolidated and unconsolidated) and that to the best of their knowledge and belief:

  (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

  (ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

(b) There are, to the best of their knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.

(c) We accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of internal control systems of the company and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

(d) We have indicated to the auditors and the Audit committee

  (i) significant changes in internal control during the year, whenever applicable;

  (ii) that there were no significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and

  (iii) that there were no instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system.

(e) We further declare that all Board members and Senior Management personnel have affirmed compliance with the Code of conduct for the current year.

For Mercator Lines Limited

H. K. MITTAL

Executive Chairman & Designated as Chief Executive Officer

For Mercator Lines Limited

V. S. MANI

Chief Financial Officer

Place: Mumbai

Dated: May 26, 2011

Auditors' Certificate on Corporate Governance

To the members,

Mercator Lines Limited,

Mumbai

We have examined the compliance of conditions of corporate governance by Mercator Lines Limited for the year ended on March 31, 2011 as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchange.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedure and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the corporate Governance. It is neither an audit nor an expression of the financial statement of the company.

We certify that the Company has compiled with the conditions of corporate Governance as stipulated in the above mentioned Listing Agreement.

We 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 and on behalf of

Contractor, Nayak & Kishnadwala

Chartered Accountants

Firm Registration Number 101961W

Himanshu Kishnadwala

Partner,

Membership No 37391

Mumbai

May 28, 2011

Auditors' Report

The Members of

Mercator Lines Limited

1. We have audited the attached Balance Sheet of MERCATOR LINES LIMITED as at March 31, 2011, the related Profit and Loss Account and the Cash Flow Statement of the Company 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. These 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 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 (Auditor's Report) Order, 2003, issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, and on the basis of such checks as considered appropriate and according to the information and explanations given to us during the course of the audit, we enclose in the Annexure hereto a statement on the matters specified in Paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to in above paragraph, we report that:

   a) 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;

   b) 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 the books of the Company;

   c) The Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by the report are in agreement with the books of account of the Company;

Auditors' Report

d) In our opinion, the Balance Sheet, Profit and Loss Account and the Cash Flow Statement comply with the mandatory Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956.

e) On the basis of written representations received from the directors of the Company as on March 31, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011, from being appointed as a director in terms of Section 274(1) (g) of the Companies Act, 1956.

f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes to Accounts in Schedule 'I', 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, 2011;

b. In the case of the Profit and Loss Account, of the loss for the year ended on that date,

c. In the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For and on behalf of
Contractor Nayak & Kishnadwala
Chartered Accountants
Firm Registration No 101961W

Himanshu Kishnadwala
Partner,
Membership No 37391
Mumbai
May 28, 2011

Auditors' Report

Statement referred to in paragraph 3 of the Auditors' Report of even date to the Members of MERCATOR LINES LIMITED on the accounts for the year ended March 31, 2011.

On the basis of such checks as considered appropriate and in terms of the information and explanations given to us, we state as under:

1(a) The company has maintained proper records showing full particulars including quantitative details and situation of the fixed assets.

1(b) As explained to us, the management at reasonable intervals carries out the physical verification of the fixed assets. The discrepancies noticed on such verification, which were not material, have been appropriately dealt with in the accounts.

1(c) According to the information and explanations given by the management and on the basis of audit procedures performed by us, we are of the opinion that the disposal of fixed assets has not affected the going concern of the company.

2(a) As explained to us, the inventories of bunker and lube have been physically verified during the year by the management. In our opinion, having regard to the nature and location of stocks, the frequency of the physical verification is reasonable.

2(b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of the above mentioned inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

2(c) In our opinion, the Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.

3(a) As per the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Hence, provisions of clauses 3(b), 3(c), 3(d) are not applicable to the company.

3(e) As per the information and explanations given to us, the Company has not taken any loans, secured or unsecured, from Companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Hence, provisions of Clauses 3(f) and 3(g) are not applicable to the company.

4. In our opinion and as explained to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system and there is no continuing failure for the same.

5(a) As per information and explanations given by the management and based on the audit procedures applied by us, during the year the company has not entered into any contracts or arrangements referred to in section 301 of the Act. Hence, clauses 5(a) and 5(b) are not applicable to the company

6. The Company has not accepted any deposits from public during the year.

7. In our opinion, the Company has an internal audit system commensurate with the size of the Company and the nature of its business.

8. The maintenance of cost records has not been prescribed by the Central Government under section 209 (1) (d) of the Companies act, 1956.

9(a) According to the information and explanations given to us and the records examined by us, the Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, custom duty, excise-duty, cess and other statutory dues and there are no undisputed statutory dues outstanding as at March 31, 2011, for a period of more than six months from the date they became payable.

Auditors' Report

9(b) According to the information and explanations given to us, the disputed statutory dues that have not been deposited on account of disputed matters pending before appropriate authorities are as under:

Name of the Statute	Nature of the dues	Amounth (₹ In lakhs)	Year/s to which the amount relates	Forum where dispute is pending
Service Tax under Finance Act, 1994	Service Tax	6,809.00	2006-07 to 2009-10	Commissioner of Service tax
Income Tax	Income Tax	597.47 47.67	2006-07 2002-03	Commissioner of Income tax(Appeals)

(Also refer Notes 3 and 4 of Schedule I)

10. The company does not have any accumulated losses as on March 31, 2011 and has not incurred any cash losses during the financial year and in the immediately preceding financial year.
11. Based on the information and explanations given to us, the Company has not defaulted in repayment of any dues to financial institutions, banks or debenture holders.
12. Based on our examination of the records and as explained to us, the Company has not granted any loans and/or advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the company is not a chit fund, nidhi/mutual benefit fund/society. The provisions of clause 4(xiii) are therefore not applicable to the company.
14. According to the information and explanations given to us, the Company has during the year not dealing or trading in shares, securities, debentures and other investments. All shares, debentures and other investments are held by the company in its own name
15. According to the information and explanations given to us, the terms and conditions on which the Company has given guarantees for loans taken by subsidiaries from banks and financial institutions are, considering the long term involvement of the company in these entities, not prejudicial to the interests of the company.
16. According to the information and explanation given to us, term loans raised during the year were applied for the purpose for which the loans were obtained.
17. As explained to us and on an overall examination of the balance sheet of the Company, in our opinion there are no funds raised on short-term basis which have been used for long-term investment by the Company.
18. According to the information and explanation given to us, the Company has made preferential allotment of shares/ warrants to parties covered in the register maintained under section 301 of the Companies Act, 1956 at prices not prejudicial to the interests of the company.
19. During the period covered by our audit, the company has not issued any Secured Debentures.
20. The Company has not raised any money by public issues during the period covered by our report.
21. Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the company has been noticed or reported during the course of our audit.

For and on behalf of

Contractor Nayak & Kishnadwala

Chartered Accountants

Firm Registration No 101961W

Himanshu Kishnadwala

Partner,

Membership No 37391

Mumbai

May 28, 2011

Balance Sheet as at March 31, 2011

Amount ₹ in Lakhs

Particulars	Schedule	As at March 31, 2011	As at March 31, 2010
SOURCES OF FUNDS			
Shareholders Funds			
Share Capital	A	**2,448.92**	2,359.92
Warrants against Share Capital	A 1	**2,596.00**	-
Reserves and Surplus	B	**97,589.28**	1,03,034.15
		1,02,634.20	1,05,394.07
Loan Funds			
Secured Loans	C	**1,24,454.07**	1,34,186.56
Unsecured Loans	D	**10,000.00**	13,159.80
		1,34,454.07	1,47,346.36
TOTAL		**2,37,088.27**	2,52,740.43
APPLICATION OF FUNDS			
Fixed Assets	E		
Gross Block		**2,13,433.81**	2,22,009.09
Depreciation		**(43,464.88)**	(41,116.39)
Net Block		**1,69,968.93**	1,80,892.70
Investments	F	**612.18**	5,856.34
Current Assets, Loans & Advances	G		
Inventories		**2,348.64**	2,421.55
Sundry Debtors		**16,070.83**	11,896.40
Cash and Bank Balances		**44,273.11**	66,840.20
Loans and Advances		**73,451.00**	66,941.45
		1,36,143.58	1,48,099.60
Current Liabilities and Provisions	H		
Current Liabilities		**69,118.53**	82,080.22
Provisions		**217.58**	693.82
Incomplete Voyages (Net)		**300.31**	(665.83)
		69,636.42	82,108.21
Net Current Assets		**66,507.16**	65,991.39
TOTAL		**2,37,088.27**	2,52,740.43
Significant Accounting Policies & Notes to the Accounts	I		

As per our report of even date

For Contractor, Nayak & Kishnadwala
Chartered Accountants

Himanshu Kishnadwala
Partner

Dated: May 28, 2011
Place: Mumbai

For and on behalf of the Board

H. K. Mittal
Executive Chairman

A. J. Agarwal
Managing Director

M G. Ramkrishna
Director

Kapil Garg
Director

Suchita Shirambekar
Company Secretary

Dated: May 28, 2011
Place: Mumbai

Profit and Loss Account for the year ended on March 31, 2011

Amount ₹ in Lakhs

Particulars	Schedule	Year Ended March 31, 2011	Year Ended March 31, 2010
INCOME			
Shipping Income	J	**63,724.08**	57,628.70
Other Income	K	**175.39**	450.77
Profit/(loss) on Sale of Investments (Net)		**18.41**	(3.00)
Profit/(loss) on Sale of Assets (Net)		**(3.24)**	11,914.07
TOTAL		**63,914.64**	69,990.54
EXPENSES			
Ship Operating Expenses	L	**50,184.47**	41,823.67
Administrative and Other Expenses	M	**2,872.40**	3,876.70
Finance Charges	N	**8,599.03**	9,493.97
Depreciation		**11,662.55**	13,711.63
TOTAL		**73,318.45**	68,905.97
Profit / (Loss) Before Taxes		**(9,403.81)**	1,084.57
Provision for Taxation			
Current Tax		**(400.00)**	(2,195.00)
MAT Credit Entitlement		**-**	1,750.00
Profit /(Loss) After Taxes		**(9,803.81)**	639.57
Short Provision for Tax of earlier Year		**6.74**	-
Balance brought forward from last year		**11,749.03**	28,629.83
Available for Appropriations		**1,951.96**	29,269.40
Less/(Add): Appropriations			
Transfer to General Reserve		**-**	100.00
Transfer to Debenture Redemption Reserve		**-**	16,870.00
Proposed Dividend on Equity Shares		**-**	471.98
Tax on Dividend		**-**	78.39
Balance Carried to Balance Sheet		**1,951.96**	11,749.03
Earning Per Share (Equity Share of ₹ 1/- Each)			
Basic		**(4.12)**	0.27
Diluted		**(4.12)**	0.27
Significant Accounting Policies & Notes to the Accounts	I		

As per our report of even date

For and on behalf of the Board

For Contractor, Nayak & Kishnadwala
Chartered Accountants

H. K. Mittal
Executive Chairman

A. J. Agarwal
Managing Director

M G. Ramkrishna
Director

Himanshu Kishnadwala
Partner

Kapil Garg
Director

Suchita Shirambekar
Company Secretary

Dated: May 28, 2011
Place: Mumbai

Dated: May 28, 2011
Place: Mumbai

Cash Flow Statement for the year ended March 31, 2011

Amount ₹ Lakhs

Particulars	Current Year	Previous Year
CASH FLOW FROM OPERATING ACTIVITIES		
Net (Loss)/Profit Before Tax	**(9,403.81)**	1,084.57
Adjustment for:		
Depreciation	**11,662.55**	13,711.63
Interest Paid	**8,599.03**	9,493.97
(Profit)/Loss on Fixed Assets Scrapped/Sold	**3.24**	(11,914.07)
(Profit)/Loss on Sale of Investment	**(18.41)**	3.00
Dividend Income	**(31.39)**	(300.36)
Operating Profit before Working Capital Changes	**10,811.21**	12,078.74
Adjustment for:		
Trade and Other Receivables	**(10,358.09)**	10,505.80
Trade Payables	**(12,471.80)**	(41,131.95)
Cash Generated from Operations	**(12,018.68)**	(18,547.41)
Direct Taxes Paid	**(393.25)**	(445.00)
Total Cash Generated from Operating Activites	**(12,411.93)**	(18,992.41)
CASH FLOW FROM INVESTING ACTIVITIES		
Acqusition of Fixed Assets including Capital Work in Progress	**(9,954.79)**	(5,656.68)
Sale of Fixed Assets	**9,212.77**	56,043.42
Proceed from sale of Non Trade Investments	**18.41**	(3.00)
(Purchase)/sale of Investment	**5,244.16**	(1,513.55)
Dividend Income	**31.39**	300.36
Net Cash from Investing Activities	**4,551.95**	49,170.55
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Issue of Share Capital from conversion of Bonds and warrants	**2,685.00**	(1,667.25)
Proceeds from Long Term Borrowings	**(12,892.29)**	6,052.55
Increase/Decrease in Reserves	**4,352.20**	(4,150.30)
Interest Paid	**(8,599.03)**	(9,493.97)
Dividends Paid including tax thereon	**-**	(550.37)
Net Cash from Financing Activities	**(14,454.12)**	(9,809.34)
Net Increase in Cash and Cash Equivalents	**(22,314.11)**	20,368.80
Cash and Cash Equivalents as at beginning of the year (As per Schedule G)	**67,527.51**	5,730.18
Cash and Cash Equivalents as at end of the year (As per Schedule G)	**45,213.40**	67,527.51
Cash and Cash Equivalents comprise of:		
Cash and Bank Balances (Refer Schedule G)	**44,273.11**	66,840.20
Accrued Interest on fixed deposit with banks	**940.29**	687.31

Notes:

1) Figures in bracket represent outflows

2) Cash and cash equivalents include :

(a) Gain/(loss) on foreign exchange revaluation of ₹ 86.84 Lakhs (Previous Year loss of ₹ 258.98 Lakhs).

(b) Fixed Deposit of ₹ 36019.50 Lakhs (Previous Year ₹ 37979.34 Lakhs) as margin deposit against an acceptance.

(c) Unclaimed dividend account of ₹ 77.17 (Pr. Yr. 73.82) which are not avialble for use by the company .

3) Previous Year's figures have been recast / restated wherever necessary.

As per our report of even date

For Contractor, Nayak & Kishnadwala
Chartered Accountants

Himanshu Kishnadwala
Partner

Dated: May 28, 2011
Place: Mumbai

For and on behalf of the Board

H. K. Mittal
Executive Chairman

A. J. Agarwal
Managing Director

M G. Ramkrishna
Director

Kapil Garg
Director

Suchita Shirambekar
Company Secretary

Dated: May 28, 2011
Place: Mumbai

Schedules forming part of Annual Accounts

Amount ₹ in Lakhs

Particulars	Current Year	Previous Year
SCHEDULE 'A'		
Share Capital		
Authorised		
35,00,00,000 Equity Shares of ₹ 1/- each.	**3,500.00**	3,500.00
200,00,000 Preference Shares of ₹ 100 each.	**20,000.00**	20,000.00
	23,500.00	23,500.00
Issued Capital		
24,48,92,073 (23,59,92,073)Equity Shares of ₹ 1/- each fully paid up	**2,448.92**	2,359.92
	2,448.92	2,359.92
Subscribed and Paid Up Capital		
Equity		
24,48,92,073(23,59,92,073) Equity Shares of ₹ 1/- each fully paid up.	**2,359.92**	2,359.92
(a) 89,00,000 shares of ₹ 1/- alloted on exercise of option of conversion of 89,00,000 warrants issued on preferential basis during the year.	**89.00**	
(b) 11,83,45,500 shares of ₹ 1/-were alloted as bonus Shares by capitalisation of Securities Premium Account during the year 2005-06.		
	2,448.92	2,359.92
SCHEDULE 'A1'		
Warrants against Share Capital		
1,88,80,000 warrants of face value of ₹ 13.75 each	**2,596.00**	-
During the year 2,77,80,000 warrants (each warrant carrying option / entitlement to subscribe 1 number of equity share of ₹ 1/- each) on or before May 2012 at a price of ₹ 55/- per share were allotted on preferential basis. Out of these option for conversion of 89,00,000 warrants was excercised during the year.		
	2,596.00	-
SCHEDULE 'B'		
Reserves and Surplus		
Capital Reserve		
As per last Balance Sheet	**1,693.49**	26.24
Add: Transfer from Share Warrant Application money on forfeiture of Warrants	**-**	1,667.25
	1,693.49	1,693.49
Capital Redempetion Reserve		
As per last Balance Sheet	**4,000.00**	4,000.00
(Created in the year 2007-08 on Redemption of Preference shares)		-
	4,000.00	4,000.00
Securities Premium Account		
As per last Balance Sheet	**31,765.21**	32,557.57
Add: Received during the year on conversion of warrants	**4,806.00**	-
Less: Premium paid on redemption of FCCBs	**(91.39)**	(792.36)
Less: Expenses on issue of shares pursuant to conversion of warrants during the year	**(4.90)**	
Less: Premium payable on redemption of Unsecured debentures	**(18.35)**	-
	36,456.57	31,765.21
Tonnage Tax Reserve		
As per last Balance Sheet	**-**	5,700.00
Less: Transferred to Utilised Account	**-**	(5,700.00)
	-	-

Schedules forming part of Annual Accounts

Amount ₹ in Lakhs

Particulars	Current Year	Previous Year
SCHEDULE 'B'		
Tonnage Tax Reserve (Utilised)		
As per last Balance Sheet	**17,524.83**	11,824.83
Add: Transfer from Tonnage Tax Reserve	**-**	5,700.00
	17,524.83	17,524.83
Debenture Redemption Reserve		
As per last Balance Sheet	**26,970.00**	10,100.00
Add:Transferred from profit and Loss Account	**-**	16,870.00
Less:Transferred to General Reserve	**(5,637.50)**	-
	21,332.50	26,970.00
General Reserve		
As per last Balance Sheet	**7,756.83**	7,656.83
Add: Transferred From Profit and Loss Account	**-**	100.00
Add: Transferred From Debenture Redemption Reserve	**5,637.50**	
	13,394.33	7,756.83
Foreign Exchange Fluctuation Reserve		
As per last Balance Sheet	**1,574.76**	6,571.15
Less: Exchange fluctuation on Long Term Loans in relation to non integral foreign operations (Net)	**(631.76)**	(4,996.39)
Add: Transfer to Profit / Loss Account	**292.60**	
	1,235.60	1,574.76
Surplus in Profit and Loss Account	**1,951.96**	11,749.03
	97,589.28	1,03,034.15
SCHEDULE 'C'		
Secured Loans		
(A) Debentures		
(1) 900 (900) 10.50 %(11.25% upto June 30, 2009) Non Convertible Secured Debentures of ₹ 3,12,500/- (₹ 4,37,500/-) each, redeemable in 12 half yearly instalments of 6.25% and last two of 12.50 % of face value fo ₹ 10,00,000/- each commencing from six months after one year from the date of allotment i.e. June 30, 2004 toward face value Series VII A.There is a put/call option on June 30th every year.	**2,812.50**	3,937.50
(2) 1500 11.90 % Non Convertible Secured Debentures Series IXA of ₹ 10,00,000/- each with the tenor of 10 years, redeemable in 3 yearly instalments at the end of 8th , 9th and 10th year from the date of allotment (i.e November 4, 2008) .There is call option at the end of 4th year from the date of allotment.In the event, this call option is not exercised by the Issuer at the end of 4th year, the coupon on the debentures would be increased to 12.35% p.a payable half yearly effective immediately there after for the balance tenor.	**15,000.00**	15,000.00
(3) 2500 9.50 % Non Convertible Secured Debentures Series (NCDs) X of ₹ 10,00,000/- each with the tenor of 5 years, redeemable in 3 yearly instalments at the end of 3rd , 4th and 5th year from the date of allotment (i.e October 9, 2009 for 2000 NCDs and October 22, 2009 for 500 NCDs).	**25,000.00**	25,000.00

Schedules forming part of Annual Accounts

Amount ₹ in Lakhs

Particulars	Current Year	Previous Year
SCHEDULE 'C'		
(4) 1000 9.50% Non Convertible Secured Debentures Series XI of ₹ 10,00,000/- each with the tenor of 5 years, redeemable at the end of 5th year from the date of allotment (November 17, 2009) .	**10,000.00**	10,000.00
(B) Foreign Currency Loans from Banks		
(1) External Commercial Borrowings	**9,488.13**	13,699.99
(2) Foreign Currency Non-Resident (B) Loan Scheme	**12,691.32**	14,968.42
(C) Term Loans from Scheduled Banks	**48,098.80**	44,198.80
(D) Working Capital facilities from Scheduled Banks	**1,363.32**	7,381.85
	1,24,454.07	1,34,186.56
Note:		
1) Debentures referred in (A) above are secured by first mortgage on specified vessels of the company on pari-passu basis with other lenders and first / pari- passu charge on the specified immovable properties.		
2) Foreign Currency Loan refered in (B) above are secured by first Charge on specified vessels of the company on pari-passu basis with other lenders and also include a External Commercial Borrowings of ₹ 9488.13 Lakhs (₹ 10,269.35 Lakhs) which is secured by exclusive charge on specified vessels of the company .		
3) Term Loan refered in (C)above are secured by first charge on specified vessels, on pari passu basis with other lenders.		
4) Working capital facilities from Scheduled Banks are secured by second charge on specified vessels and 1st charge on all receivables and other current assets of the company on pari-passu basis.		

Particulars	Current Year	Previous Year
SCHEDULE 'D'		
Unsecured Loans		
1) NIL (700) 1.50 %Foreign Currency Convertible Bonds of USD 10,000 each	**-**	3,159.80
2) Commercial Paper (Maximum balance outstanding for commercial paper ₹ 10,000 Lakhs (₹ 10,000 Lakhs))	**-**	10,000.00
3) 1000 - 10.25% Non convertible Redeemable Debentures of ₹ 10,00,000 each redeemable in January 2012 with 1% redemption premium	**10,000.00**	-
(Amount repayable within one year ₹ 10,000 Lakhs (₹ 10,000 Lakhs))		
	-	-
	10,000.00	13,159.80

SCHEDULE E

Fixed Assets

(Amount ₹ in Lakhs)

Particulars	Cost				Depreciation				Net Block	Net Block
	As at April 1, 2010	Addition for the year	Deduction for the year	**As at March 31, 2011**	Upto March 31, 2010	Adjustment in respect of Assets Sold/ Discarded / held for disposal	For the Year	**Up to March 31, 2011**	**As at March 31, 2011**	As at March 31, 2010
Land	11.31	-	-	**11.31**	-	-	-	**-**	**11.31**	11.31
Office Premises (Refer Note 1 , 2)	344.28	-	-	**344.28**	115.04	-	11.46	**126.50**	**217.78**	229.24
Vessels (Refer Note 3, 4)	2,20,896.17	9,907.32	18,514.81	**2,12,288.68**	40,551.76	9,308.11	11,550.84	**42,794.49**	**1,69,494.19**	1,80,344.41
Office and Computer Equipments	211.88	8.47	-	**220.35**	126.78	-	20.81	**147.59**	**72.76**	85.09
Furniture and Fixtures	317.22	-	2.65	**314.57**	198.02	2.12	50.11	**246.01**	**68.56**	119.20
Vehicles	228.23	38.99	12.60	**254.62**	124.79	3.83	29.33	**150.29**	**104.33**	103.44
Plant and machinery	-	-	-	**-**	-	-	-	**-**	**-**	-
TOTAL	2,22,009.09	9,954.78	18,530.06	**2,13,433.81**	41,116.39	9,314.06	11,662.55	**43,464.88**	**1,69,968.93**	1,80,892.69
Previous Year	2,39,581.03	10,570.80	28,142.74	**2,22,009.09**	37,478.73	10,073.96	13,711.63	**41,116.39**	**1,80,892.70**	2,02,102.30
Capital Work In Progress (Refer Note 4)	-	-	-	**-**	-	-	-	**-**	**-**	-

Note

1) Includes cost of 10 shares of ₹ 50/- each fully paid in Mittal Tower Premises Co-op. Society Ltd.

2) Office premises having gross value ₹ 343.16/- Lakhs (₹ 343.16/-Lakhs) and accumulated depreciation ₹ 126.11 Lakhs (₹ 114.68/- Lakhs) are given on operating Lease.

3) Deduction includes exchange fluctuation gain on Long term foreign currency loans ₹ 385.52 Lakhs (11,685.99) (Also refer Note 26 Of Schedule I)

4) During the year ended March 31, 2010, the Company has sold one of its vessels M.T. Premputli to a subsidiary of the Company. This vessel was classified as Asset held for disposal in the earlier year as it was under conversion. The breakup of the costs incurred for the same is as under:

Amount ₹ in Lakhs

Particulars	**Current Year**	**Previous Year**
WDV as on date of transfer to Asset held for disposal	**-**	-
Balance as on April 1, 2009	**-**	26,060.57
Further Costs incurred	**-**	6532.73
Furthr estimated Costs to be incurred in future	**-**	-
TOTAL	**-**	32,593.30

Schedules forming part of Annual Accounts

Particulars	Current Year Nos	Current Year Cost	Previous Year Nos	Previous Year Cost
SCHEDULE F				
Investments				
Items				
Non-Trade (Unquoted)				
Long Term (At cost)				
In shares of Subsidiaries				
Mercator Oil and Gas Ltd	**1,50,000**	**15.00**	1,50,000	15.00
Mercator International Pte Ltd	**1,00,000**	**28.80**	1,00,000	28.80
Mercator Offshore Ltd	**-**	**-**	-	-
Mercator Offshore Holdings Pte. Ltd **	**1**	**-**	1	-
Mercator Petroleum Private Ltd	**89,000**	**8.90**	89,000	8.90
Mercator Offshore (Nigeria) Pte Ltd	**13,992**	**4.57**	-	-
Note:				
1) The Company has agreed to maintain its beneficial stake of 100% in its subsidiary viz. Mercator International Pte. Ltd. and upto 51% in subsidiary /step down subsidiary viz. Mercator Offshore (Nigeria) Pte. Ltd.; and Mercator Lines (Singapore) ltd. to the respective lenders under their financial assistance.				
** Cost ₹ 51/-				
In shares of Companys (Unquoted)				
Marg Swarnabhoomi Port Private Ltd	**1,250**	**0.13**	1,250	0.13
		57.40		52.83
In others (Unquoted)				
Units of Indian Real Opportunity Venture Capital Fund	**40,479**	**404.78**	50,000	500.00
		404.78		500.00
		462.18		552.83
Current Investments (at lower of cost and Market value)				
In units of Mutual Funds (Quoted)				
Axis Equity Fund - Dividend Option	**5,00,000**	**50.00**	5,00,000	50.00
SBI Magnum Insta Cash Fund Daily Dividend	**5,97,004**	**100.00**	3,13,63,754	5,253.52
Sub Total		**150.00**		5,303.52
(Repurchase Value of current investments on March 31, 2011 is ₹ 150.00 Lakhs (Previous Year ₹ 5,303.52 Lakhs)				
Grand Total		**612.18**		5,856.35

Schedules forming part of Annual Accounts

Amount ₹ in Lakhs

Particulars	Current Year	Previous Year
SCHEDULE 'G'		
Current Assets		
Sundry Debtors		
(Unsecured, Considered Good)		
Over Six Months	**8,371.19**	6,717.74
Others	**7,699.64**	5,178.66
(Includes ₹ 2.06 Lakhs (₹ 42.63 Lakhs) due from Subsidiary Companies)		
	16,070.83	11,896.40
Cash and Bank Balances		
Cash in hand	**3.31**	6.19
Balances with Scheduled Banks		
In Fixed Deposit Accounts	**43,121.08**	37,979.34
(Includes Margin Deposit of ₹ 36,019 Lakhs (₹ 37979.34 Lakhs) given against Acceptances/Bank Gurantee issued by banks.)		
In Current Accounts	**619.05**	16,625.53
In Exchange Earners Foreign Currency Account	**32.19**	9,879.57
In Dividend Accounts	**77.17**	73.82
Bank Balance / Fixed Deposits with Foreign Banks (Refer Note B(11)of Schedule I)	**420.31**	2,275.75
	44,273.11	66,840.20
Loans and Advances		
(Unsecured Considered Good)		
Loan to Subsidiary Companies	**56,564.15**	55,324.91
The loans granted by the Company to its subsidiaries viz. Mercator International Pte. Ltd. and Mercator Offshore (Nigeria) Pte. Ltd.; is subordinated to the loans availed by the subsidiaries from their respective lenders with stipulation on repayments		
Advances recoverable in cash or in kind or for value to be received	**10,560.18**	6,592.26
Deposits with Government and semi Government Bodies	**17.28**	16.93
Inter Corporate Deposits	**1,253.39**	268.98
Other Deposits	**927.71**	1,000.89
Accrued Interest on fixed deposit with banks	**940.28**	687.31
Advance payment of tax (Net of provisions)	**1,653.01**	1,300.15
MAT Credit available	**1,535.00**	1,750.00
	73,451.00	66,941.43

Schedules forming part of Annual Accounts

Amount ₹ in Lakhs

Particulars	Current Year	Previous Year
SCHEDULE 'H'		
Current Liabilities		
Sundry Creditors		
For Services and expenses		
Due to Micro and Small Enterprises (Refer Note B(9) of Schedule I)	**-**	-
Others	**4,752.52**	6,411.19
Acceptances	**55,879.48**	69,538.17
Advances from Customers	**165.66**	128.34
Deposits	**4.20**	4.20
Unclaimed Dividend *	**77.17**	73.82
Other liabilities	**8,239.50**	5,924.51
*(There is no amount due and outstanding to be credited to Investor Education and Protection Fund)	**69,118.53**	82,080.23
Provisions		
Proposed Dividend	**-**	471.98
Tax on Proposed Dividend	**-**	78.39
Employees Retirement Benefits	**217.58**	143.45
	217.58	693.82

Particulars	Current Year	Previous Year
SCHEDULE 'J'		
Shipping and related Income		
Freight	**43,143.66**	22,915.81
Charter Hire	**13,423.72**	26,633.47
Dispatch and Demurrage	**1,999.50**	1,322.88
Ship management fees	**168.38**	576.05
Cargo Handling Services	**4,988.82**	6,180.49
	63,724.08	57,628.70

Particulars	Current Year	Previous Year
SCHEDULE 'K'		
Other Income		
Dividend from Current Investments	**31.39**	306.37
Rent Received	**144.00**	144.00
Miscellaneous Income	**-**	0.40
	175.39	450.77

Schedules forming part of Annual Accounts

Amount ₹ in Lakhs

Particulars	Current Year	Previous Year
SCHEDULE 'L'		
Ship Operating Expenses		
Bunker Consumed	**14,284.87**	13,912.23
Vessel /Equipment hire charges	**15,575.62**	5,715.46
Technical Service Expenses	**4,342.85**	4,842.79
Agency, Professional and Service charges	**639.58**	558.82
Crew expenses	**2,050.16**	2,313.64
Communication expenses	**124.30**	117.13
Miscellaneous expenses	**808.02**	383.31
Commission	**351.08**	167.63
Insurance	**678.68**	1,046.26
Port expenses	**2,413.81**	3,586.96
Repairs and Maintenance	**6,807.90**	6,775.73
Stevedoring, Transport and Freight	**2,107.60**	2,403.71
	50,184.47	41,823.67

Particulars	Current Year	Previous Year
SCHEDULE 'M'		
Administrative and Other Expenses		
Advertisement	**4.29**	9.36
Auditors Remuneration	**32.35**	24.25
Conveyance, Car Hire and Travelling	**206.77**	158.52
Communication expenses	**46.95**	54.23
Donation	**0.60**	5.36
Directors' Remuneration	**101.40**	100.60
Miscellaneous expenses	**260.55**	316.60
Exchange Fluctuations (Net)	**425.22**	1,600.83
Insurance	**21.34**	14.98
Legal, Professional and Consultancy expenses	**132.61**	171.73
Rent	**407.47**	395.56
Repairs and Maintenance	**69.93**	67.89
Salary, Wages, Bonus etc.	**1,045.92**	870.85
Staff Welfare, Training etc.	**65.38**	59.04
Contribution to Provident and other funds	**49.21**	46.63
Bad Debts and other amounts written off/back (Net)	**2.41**	(19.73)
	2,872.40	3,876.70

Particulars	Current Year	Previous Year
SCHEDULE 'N'		
Finance Charges		
Interest on		
Debentures	5,652.69	3,733.77
Loans	9,272.44	12,223.12
	14,925.13	15,956.89
Less : Interest received (TDS ₹ 201.46 Lakhs Previous Year ₹ 228.14 Lakhs)	(6,326.10)	(6,462.92)
	8,599.03	9,493.97

Schedules forming part of Annual Accounts

SCHEDULE 'I'

A. Significant Accounting Policies

1. **Basis of Accounting**

   The financial statements are prepared under the historical cost convention, on the accrual basis of accounting and in conformity with Generally Accepted Accounting Principles in India, Accounting Standards as notified by the Companies (Accounting Standards) Rules, 2006 and the other relevant provisions of the Companies Act, 1956.

2. **Use of Estimates**

   The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires the management to make estimates and assumptions that affect the reported balances of assets and liabilities as of the date of the financial statements and reported amounts of income and expenses during the period. The management believes that the estimates used in the preparation of financial statements are prudent and reasonable.

3. **Fixed Assets**

   a) Fixed assets are stated at cost less accumulated depreciation.

   b) Cost includes cost of acquisition or construction including attributable borrowing cost, duties and other incidental expenses related to the acquisition of the asset.

   c) Operating costs and other incidental costs including initial stores and spares of newly acquired vessels till the port of first loading are included in the cost of the respective vessels.

   d) Exchange differences arising on repayment of foreign currency loans and year end translation of foreign currency liabilities relating to acquisition of depreciable assets are, following option given by notification of Ministry of Corporate Affairs (MCA) dated. March 31, 2009, adjusted to carrying cost of the respective fixed assets.

   e) Individual fixed assets costing up to ₹ 25,000 are fully written off.

4. **Depreciation**

   a) Depreciation on all the vessels is computed on Straight Line Method so as to write off the original cost as reduced by the expected/estimated scrap value over the balance useful life of the vessels or the rates as prescribed under the Schedule XIV of the Companies Act, 1956, whichever are higher. The said higher rate ranges from 5% to 9% of the original cost of the vessel.

   b) Depreciation on all assets other than vessels is computed on the Written Down Value method in the manner and at the rates prescribed under schedule XIV of the Companies Act, 1956.

   c) On additions made to the existing vessels depreciation is provided for the full year over the remaining useful life of the ships.

   d) Depreciation on furniture, fixtures and electrical fittings installed at office premises taken on lease is provided over the initial period of lease.

5. **Capital Work in Progress**

   All expenditure, including advances given to contractors and borrowings cost incurred during the vessel acquisition period, are accumulated and shown under this head till the vessel is put to commercial use.

6. **Retirement and Disposal of Ships**

   a) Profits on sale of vessels are accounted for on completion of sale thereof.

   b) Assets which are retired from active use and are held for disposal are stated at the lower of their net book value or net releasable value.

7. Inventories

Bunker and Lubes on vessels are valued at lower of cost and Net Realisable Value ascertained on First in First out basis.

8. Investments

a) Investments are classified into Long Term and Current investments.

b) Long Term Investments are stated at cost of acquisition and related expenses. Provision for diminution, if any, in the value of such investments is made to recognise a decline, other than of a temporary nature.

c) Current Investments are stated at cost of acquisition including incidental / related expenses or at fair value as at March 31 2011, whichever is less and the resultant decline, if any, is charged to revenue.

d) Investment in shares of subsidiaries outside India is stated at cost by converting at the rate of exchange at the time of their acquisition.

9. Incomplete Voyages

Incomplete voyages represent freight received and direct operating expenses on voyages which are not complete as at the Balance Sheet date.

10. Borrowing Costs

Borrowing costs incurred for the acquisition of vessels are capitalized till first loading of cargo, only if the time gap between date of Memorandum of Agreement and "Date when vessel is ready for use" is more than three months.

Incidental expenses related to borrowing are amortized over the term of the said borrowings.

11. Revenue Recognition

a) Income on account of freight earnings is recognised in all cases where loading of the cargo is completed before the close of the year. All corresponding direct expenses are also provided.

b) Where loading of the cargo is not completed before the close of the year, revenue is not recognised and the corresponding expenses are carried forward to the next accounting year.

c) Income from charter hire and demurrage are recognised on accrual basis.

d) Income from services is accounted on accrual basis as per the terms of the relevant agreement.

e) Dividend on investments is recognised when the right to receive the same is established.

f) Insurance claims are accounted on accrual basis when there is a reasonable certainty of the realisability of the claim amount.

12. Foreign Exchange Transactions

a) Monetary Current assets and liabilities denominated in foreign currency outstanding at the end of the year are valued at the rates prevalent on that date.

b) Exchange differences arising on Long Term Foreign Currency Monetary (LTFCM) items are, following option given by notification of MCA dated March 31, 2009, treated in the following manner:

   i. In respect of borrowings relating to or utilized for acquisition of depreciable capital assets, the same is adjusted to the cost of the relevant capital asset and depreciated over the balance life of the said capital asset.

   ii. In other cases, the same is accumulated in a 'Foreign Currency Monetary Item Translation Difference Account'. The amount so accumulated in this account is amortized over the balance period of such assets / liabilities or March 31, 2011, whichever is earlier.

c) Differences in translation of other monetary assets and liabilities and realised gains and losses on foreign currency transactions are recognised in the Profit and Loss Account.

d) Exchange differences arising on long term foreign currency loans given to non integral foreign operations is

Schedules forming part of Annual Accounts

accumulated in Foreign Currency Fluctuation Reserve. On disposal of investment, the balance in the reserve is transferred to profit and loss account.

e) Contracts in the nature of foreign currency swaps, are converted at the exchange rate prevailing as on March 31, 2011 and the profits or loss thereon are charged to the Profit and Loss account.

f) Differences on account of swap contracts for interest payable in foreign currency are accounted on accrual basis and the profit or loss thereon charged to the Profit and Loss account.

13. Employees Benefits

a) Short – term employee benefits

All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits. Benefits such as salaries, wages, performance incentives, etc. are recognised at actual amounts due in the period in which the employee renders the related service.

b) Post – employment benefits

i. Defined Contribution Plans

Payments made to defined contribution plans such as Provident Fund are charged as an expense as they fall due.

ii. Defined Benefit Plans

The cost of providing benefit i.e. gratuity is determined using the Projected Unit Credit Method, with actuarial valuation carried out as at the balance sheet date. Actuarial gains and losses are recognised immediately in the Profit and Loss Account.

c) Other Long – term employee benefits

i. Other Long – term employee benefit viz. leave encashment is recognised as an expense in the profit and loss account as and when it accrues. The company determines the liability using the Projected Unit Credit Method, with actuarial valuation carried out as at the balance sheet date. The actuarial gains and losses in respect of such benefit are charged to the profit and loss account.

14. Lease Accounting

a) In respect of operating lease agreements entered into by the Company as a lessee, the lease payments are recognised as expense in the profit and loss account over the lease term.

b) In respect of operating lease agreement entered into by the Company as a lessor, the initial direct costs are recognised as expenses in the year in which they are incurred.

15. Earning per share:

The company reports basic and diluted earnings per share (EPS) in accordance with Accounting Standard – 20. The Basic EPS has been computed by dividing the income available to equity shareholders by the weighted average number of equity shares outstanding during the accounting year. The diluted EPS have been computed using the weighted average number of equity shares and dilutive potential equity shares outstanding at the end of the year.

16. Provision for Taxation :

a) The company has opted for the Tonnage Tax scheme and provision for tax has been accordingly made under the relevant provisions of the Income Tax Act, 1961.

b) Tax on incomes on which the Tonnage Tax is not applicable is provided as per other provisions of the Income Tax Act, 1961.

c) Deferred tax resulting from timing differences, if any, between book and tax profits for income other than that covered under Tonnage Tax scheme is accounted for under the liability method, at the current rate of tax, to the extent that the timing differences are expected to reverse in future.

17. Impairment of assets

The Company reviews the carrying values of tangible and intangible assets for any possible impairment at each balance sheet date. Impairment loss, if any, is recognized in the year in which impairment takes place.

18. Provisions and Contingent Liabilities:

Provisions are recognized in the accounts in respect of present probable obligations, the amount of which can be reliably estimated. Contingent Liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company.

19. Premium on redemption of Bonds / Debentures

Premium on redemption of bonds / debentures is adjusted against Securities Premium Account.

B] Notes To The Accounts

1. Contingent Liabilities not provided for

₹ in Lakhs

	Current Year	Previous Year
Counter guarantees issued by the Company for guarantees obtained from bank	**2,573.94**	2,305.53
Corporate guarantees issued by the company on behalf of wholly owned subsidiaries	**49,828.28**	19,635.90
TOTAL	**52,402.22**	21,941.43

2. Letters of comfort issued

₹ in Lakhs

	Current Year	Previous Year
Letters of comfort issued by the company on behalf of wholly owned / step down subsidiaries.	**50,231.25**	104,950.50

3. During our earlier year, the company has received Show Cause cum Demand notices from the Commissioner of service tax aggregating to ₹ 6,809 Lakhs for FY 2006-07 to FY 2009-10. The Company has filed its reply against the said notices. There is no further communication for the same from the authorities. The company is advised that the said demand is legally unsustainable and hence the Company does not expect any liability in the matter.

4. No provision has been made in respect of disputed demands from Income-tax Authorities to the extent of ₹ 645.14 Lakhs (₹ 37.73 Lakhs), since the company has reasons to believe that it would get relief at the appellate stage as the said demands are excessive and erroneous.

5. Estimated amount of contracts remaining to be executed on capital accounts and not provided for (net of advances) as at March 31, 2011 ₹ NIL (₹ NIL).

Schedules forming part of Annual Accounts

6. Investments purchased and sold during the financial year 2010-11

(Amount ₹ in Lakhs)

Sr. No.	MF House Name	Scheme	Quantity (Units)	Purchase Amount	Sold Amount
1	Axis Liquid fund	Axis Equity Fund - Dividend Option	1,000,265.23 (NIL)	10,003.34 (NIL)	10,003.34 (NIL)
2	Birla Sun Life Mutual Fund	Birla Sun Life Cash Plus-Instl. Prem - DDR	NIL (94,161,881.98)	NIL (9,434.55)	NIL (9,434.55)
		Birla Sun Life Savings Fund-Inst.- DDR	NIL (74,385,914.97)	NIL (7,443.65)	NIL (7,443.65)
3	Deutsche Asset Management Mutual Fund	DWS Insta Cash Plus Fund - SIP-DDR	NIL (23,504,097.15)	NIL (2,357.40)	NIL (2,357.40)
4	HDFC Mutual Fund	HDFC Liquid Fund Premium Plan-DDR	NIL (35,909,438.37)	NIL (4,402.45)	NIL (4,402.45)
		HDFC Cash Management Fund-TAP-W-DDR	NIL (40,163,339.90)	NIL (4,028.99)	NIL (4,028.99)
5	ICICI Prudential Mutual Fund	ICICI Prudential Liquid Fund- Inst.-DDR	NIL (59,344,905.94)	NIL (5,974.60)	NIL (5,974.65)
		ICICI Prudential Liquid Fund- Super Inst.-DDR	3,554,604.39 (6,534,490.37)	3,555.41 (6,535.93)	3,555.41 (6,535.93)
		ICICI Prudential Flexible Income-DDR	NIL (32,736,597.95)	NIL (3,461.40)	NIL (3,462.02)
		ICICI Prudential Flexible Income-Premium-DDR	757,239.72 (4,288,348.30)	800.67 (4,534.90)	800.67 (4,534.90)
6	IDFC Mutual Fund	IDFC Cash Fund-SIP- DDR	NIL (80,183,324.02)	NIL (8,020.34)	NIL (8,020.34)
		IDFC Money Manager-TP-MD	NIL (8,994,411.83)	NIL (904.75)	NIL (901.55)
		IDFC Money Manager-TP-SIP C-DDR	NIL (44,197,347.55)	NIL (4,420.40)	NIL (4,420.40)
7	Kotak Mutual Fund	Kotak Liquid Fund- Institutional-DDR	NIL (45,155,769.68)	NIL (5,521.69)	NIL (5,521.69)
		Kotak Floater Long Term-DDR	NIL (54,869,243.64)	NIL (5,530.71)	NIL (5,530.71)
8	LIC Mutual Fund	LIC Liquid Fund – DDR	16,394,930.37 (31,878,575.77)	1,800.18 (3,500.30)	1,800.18 (3,500.30)
		LIC Saving Plus Fund – DDR	18,022,982.47 (35,242,931.57)	1,802.30 (3,524.29)	1,802.30 (3,524.29)
9	Reliance Mutual Fund	Reliance Liquidity Fund-DDR	NIL (168,017,426.97)	NIL (16,806.95)	NIL (16,806.95)
		Reliance Liquid Plus Fund-DDR/	NIL	NIL	NIL
		Reliance Money Manager Fund-DDR	(1,292,183.90)	(12,936.52)	(12,936.52)

6. Investments purchased and sold during the financial year 2010-11

(Amount ₹ in Lakhs)

Sr. No.	MF House Name	Scheme	Quantity (Units)	Purchase Amount	Sold Amount
10	SBI Mutual Fund	SBI Premier Liquid Fund – Super IP –DDR	NIL (10,967,397.78)	NIL (1,100.30)	NIL (1,100.30)
		SBI Magnum Insta Cash Fund – DDR	24,296,145.10 (30,774,611.52)	4,069.68 (5,154.84)	4,069.68 (5,154.84)
		SBI- SHF-LIQUID PLUS –Inst-DDR	NIL (40,572,459.62)	NIL (4,059.68)	NIL (4,059.68)
11	Tata Mutual Fund	TATA Liquid Fund-SHIP DDR	NIL (529,815.44)	NIL (5,904.90)	NIL (5,904.90)
		TATA Floater Fund – DDR	NIL (348,329.46)	NIL (3,519.23)	NIL (3,519.23)
12	UTI Mutual Fund	UTI Liquid Cash Plan Instit.-DDR	NIL (359,354.12)	NIL (3,663.42)	NIL (3,663.42)
		UTI Treasury Adv Fund-IP-DDR	NIL (651,385.44)	NIL (6,515.25)	NIL (6,515.25)

7. In view of long term interest of the company in its subsidiaries and step down subsidiaries no provision is made for diminution in value of investment, if any, in these subsidiary companies and step down subsidiary companies.

8. a) During the year the company raised Foreign Currency Loans aggregating to NIL (USD NIL)

   b) The Company established Letters of Credit aggregating to ₹ NIL (₹ 3,720.72 Lakhs). The same has been utilized for acquisition of vessels.

9. The company has not received any intimation from its vendors regarding the status under the Micro and Small Enterprises Development Act 2006 and hence disclosures required under the said Act have not been made.

10. The balance in the Exchange Earners Foreign Currency account is maintained in USD and shown in equivalent Indian Rupees. The balance in the said account as at the Balance Sheet date was USD 0.72 Lakhs (Previous Year USD 218.87 Lakhs)

11. Details of bank balances with Foreign banks

(₹ in Lakhs)

Name of the Bank	Balance as at March 31, 2011	Maximum Balance during the year
HSBC Bank Singapore	**420.31** **(2,235.52)**	2,871.17 (3,120.27)
HSBC Bank Singapore (Fixed Deposit)	**Nil** **(40.22)**	40.22 (40.22)

Schedules forming part of Annual Accounts

12. Disclosure as required under clause 32 of the Listing agreement

(₹ in Lakhs)

Loans and Advances in nature of Loans given to subsidiaries	Current Year	Previous Year
Mercator International (Pte) Ltd.		
Balance outstanding at year end	**35,601.86**	49,896.15
Maximum amount Outstanding during the year.	**67,792.24**	84,698.68
Mercator Oil & Gas Limited		
Balance outstanding at year end	**92.04**	91.40
Maximum amount Outstanding during the year.	**92.04**	91.40
Mercator Offshore Limited		
Balance outstanding at year end	**NIL**	85.70
Maximum amount Outstanding during the year.	**85.70**	5,121.32
Mercator Petroleum Limited		
Balance outstanding at year end	**282.74**	242.74
Maximum amount Outstanding during the year.	**342.74**	242.74
MCS Holdings Pte Limited		
Balance outstanding at year end	**21.95**	23.31
Maximum amount Outstanding during the year.	**31.46**	23.31
Oorja Indo Petangis		
Balance outstanding at year end	**NIL**	NIL
Maximum amount Outstanding during the year.	**NIL**	4.10
Mercator Offshore Holding Pte. Ltd.		
Balance outstanding at year end	**44.65**	45.14
Maximum amount outstanding during the year	**45.14**	51.47
Mercator Offshore (Nigeria) Pte. Ltd.		
Balance outstanding at year end	**20,542.85**	NIL
Maximum amount outstanding during the year	**20,634.35**	NIL

Note: There is no repayment schedule for the above Loans and Advances and the same are repayable on demand. All the above Loans and Advances are interest bearing except those in the nature of current account transactions.

13. a) Remuneration to Directors Executive Chairman and Managing Directors

(₹ in Lakhs)

Salary	**80.43**	80.58
Perquisites	**15.57**	15.42
Commission	**NIL**	NIL
Non-Executive Directors		
Commission	**NIL**	NIL
Sitting Fees	**5.40**	4.60
	101.40	100.60
b) Computation of Net Profit in accordance with section 349 of the Companies Act, 1956		
Profit before Tax	**(9,403.81)**	1,084.57
Add: Remuneration paid to Directors	**96.00**	96.00
Add: Sitting fees paid to Directors	**5.40**	4.60
Less: Gain on sale of Fixed Assets (Net)	**(3.24)**	3,354.24
Profit as per Section 349 of the Companies Act, 1956	**(9,299.17)**	(2,169.07)

13 b) Remuneration to Directors Executive Chairman and Managing Directors

(₹ in Lakhs)

	Current Year	Previous Year
Add: Balance Brought forward from previous year	**(2,169.07)**	-
Total (to be adjusted against surplus in subsequent years)	**(11,468.24)**	(2,169.07)
Eligibility of Maximum Remuneration to Executive Directors (Executive Chairman and Managing Director) as per Section 198 and 309 of the Companies Act, 1956 @ 5% to each	**NIL**	NIL
Less: Remuneration paid as per service agreement in case of Executive Chairman and Managing Director (excluding Commission)	**96.00**	96.00
Balance Available for payment of Commission Executive Chairman and Managing Director	**NIL**	NIL
Restricted to	**NIL**	NIL
Maximum permissible commission to Non Executive Directors under Section 198 of the Companies Act, 1956 @ 1%	**NIL**	NIL
Restricted to	**NIL**	NIL

14. Payment to Auditors

(₹ in Lakhs)

	Current Year	Previous Year
Audit Fees	**15.00**	12.50
Tax Audit Fees	**1.75**	1.75
For Quarterly Limited Review	**3.00**	2.25
For certification and other matters	**12.60**	7.75
Service Tax	**3.33**	0.80
TOTAL	**35.68**	25.05

15. (a) The Ministry of Corporate Affairs, Government of India vide its General Notification No. S.O. 301 (E) dated February 8, 2011 issued under Section 211(3) of the Companies Act, 1956 has exempted certain classes of companies from disclosing certain information in their profit and loss account. The Company being a 'shipping company' is entitled to the exemption. Accordingly, disclosures mandated by paragraphs 4-D (a), (b), (c) & (e) of Part II, Schedule VI to the Companies Act, 1956 have not been provided.

(b) The Ministry of Corporate Affairs, Government of India, vide General Circular No. 2 and 3 dated February 8, 2011 and February 21, 2011 respectively has granted a general exemption from compliance with section 212 of the Companies Act, 1956, subject to fulfillment of conditions stipulated in the circular. The Company has satisfied the conditions stipulated in the circular and hence is entitled to the exemption. Necessary Information relating to the subsidiaries has been included in the Consolidated Financial Statements.

16. Remittance in foreign currencies for dividends

The Company has not remitted any amount in foreign currencies on account of dividends during the year and does not have information as to the extent to which remittance, if any, of foreign currencies on account of dividends have been made by/on behalf of non-resident shareholders. The particulars of dividend payable to non-resident shareholders declared during the year is as under:

		Current Year	Previous Year
i)	Number of non-resident shareholders	**1,839**	1,759
ii)	Number of ordinary shares held by them	**4,74,55,857**	4,35,89,785
iii)	Gross amount of dividend	**94.91**	217.95

Schedules forming part of Annual Accounts

17. Disclosures in accordance with Revised Accounting Standard (AS) -15 on "Employee Benefits":

Disclosure as required by AS-15 is as under:

(A) Defined Contribution Plans:

The Company has recognized the following amounts in the Profit and Loss Account for the year:

(₹ in Lakhs)

Sr. No.		Current Year	Previous Year
i	Contribution to Employees' Provident Fund	**42.96**	41.01
ii	Contribution to Employees' Family Pension Fund	**NIL**	NIL
iii	Contribution to Employees' Superannuation Fund	**NIL**	NIL
	TOTAL	**42.96**	41.01

(B) Defined Benefit Plans:

(i) Changes in the Present Value of Obligation

(₹ in Lakhs)

Sr. No.	Particulars	For the Year Ended March 31, 2011		For the Year Ended March 31, 2010	
		Gratuity	**Leave Encashment**	**Gratuity**	**Leave Encashment**
a.	Present Value of Obligation as at April 1, 2010 (Opening)	**87.28**	**58.56**	79.33	45.12
b.	Interest Cost	**6.55**	**4.39**	5.55	3.16
c.	Past Service Cost	**NIL**	**NIL**	NIL	NIL
d.	Current Service Cost	**44.18**	**27.84**	40.26	18.19
e.	Curtailment Cost/ (Credit)	**NIL**	**NIL**	NIL	NIL
f.	Settlement Cost/(Credit)	**NIL**	**NIL**	NIL	NIL
g.	Benefits paid	**(4.89)**	**(18.34)**	NIL	(7.54)
h.	Actuarial (Gain)/Loss	**(1.24)**	**13.25**	(37.86)	(0.37)
i.	Present Value of Obligation as at March 31, 2011	**131.88**	**85.70**	87.28	58.56

(ii) Expenses recognized in the Profit and Loss Account

(₹ in Lakhs)

Sr. No.	Particulars	For the Year Ended March 31, 2011		For the Year Ended March 31, 2010	
		Gratuity	**Leave Encashment**	**Gratuity**	**Leave Encashment**
a.	Current Service Cost	**44.18**	**27.84**	40.26	18.19
b.	Past Service Cost	**NIL**	**NIL**	NIL	NIL
c.	Interest cost	**6.55**	**4.39**	5.55	3.16
d.	Curtailment Cost/ (Credit)	**NIL**	**NIL**	NIL	NIL
e.	Settlement Cost/ (Credit)	**NIL**	**NIL**	NIL	NIL
f.	Net Actuarial (Gain)/ Loss	**(1.24)**	**13.25**	(37.86)	(0.37)
g.	Employees' Contribution	**NIL**	**NIL**	NIL	NIL
h.	Total Expenses recognized in Profit and Loss A/c	**49.49**	**45.48**	7.95	20.98

(iii) Following are the Principal Actuarial Assumptions used as at the balance sheet date:

(₹ in Lakhs)

Sr. No.	Particulars	FY 2010-11 Gratuity and Leave Encashment	FY 2009-10 Gratuity and Leave Encashment
a.	Discount Rate	**7.5%**	7%
b.	Salary Escalation Rate – Management	**12%**	12%
c.	Staff Turnover Rate	**11%**	11%
d.	Mortality Table	**LIC (1994-96) Ultimate**	LIC (1994-96) Ultimate

The estimates of future salary increases considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors.

18. Segment Reporting

In accordance with paragraph 4 of Accounting Standard (AS) 17 'Segment Reporting', the company has disclosed segment result on the basis of Consolidation Financial Statements. The same are therefore not disclosed for stand alone financial statements.

19. Related Party Disclosures (as per Accounting Standard (AS) 18 "Related Party Disclosures'

Related Party Disclosures:

A List of Related Parties

I **Subsidiaries**

1 Mercator International Pte Limited (MIPL) - Singapore

2 Mercator Oil and Gas Limited (MOGL) - India

3 Mercator Petroleum Private Limited - India

4 Mercator Offshore Holdings Pte Ltd (MOHPL) - Singapore

5 Mercator Offshore (Nigeria) Pte Ltd - Subsidiary of MIPL

6 Oorja Holdings Pte.Limited. (OHL) Singapore - subsidiary of MIPL

7 Mercator PH (Dutch) Holding BV (Netherlands) - Subsidiary of MIPL (Liquidated during the year)

8 Mercator Petroleum (Romania) Pte Ltd - Subsidiary of MIPL (Liquidated during the year)

9 Mercator Lines Singapore Pte Ltd (MLS) - Subsidiary of MIPL

10 Mercator Offshore Ltd Singapore - Subsidiary of MOHPL

11 Mercator Petroleum (Turkey) BV (Netherlands) - Subsidiary of Mercator PH (Dutch) Holding BV (Netherlands) (Liquidated during the year)

12 Ivorene Oil Services Nigeria Ltd. (Singapore) - Subsidary of MONPL

13 Varsha Marine Pte Ltd (Singapore) - Subsidiary of MLS

14 Vidya Marine Pte Ltd (Singapore) - Subsidiary of MLS

15 Mercator Lines (Panama) Inc - Subsidiary of MLS

16 Chitra Prem Pte. Ltd. (Singapore) - Subsidary of MLS

17 Target Ship Management Pte. Ltd. (Singapore) - Subsidiary of MLS

18 Oorja 1 Pte Ltd (Singapore) - Subsidiary of OHL

19 Oorja 2 Pte Ltd (Singapore) - Subsidiary of OHL

Schedules forming part of Annual Accounts

20 Oorja 3 Pte Ltd (Singapore) - Subsidiary of OHL
21 Oorja Mozambique Limitada (Mozambique) - Subsidiary of OHL
22 MCS Holdings Pte Ltd (Singapore) - Subsidiary of OHL
23 Oorja (Batua) Pte. Ltd.(Singapore) - Subsidiary of OHL
24 Oorja Indo Petangis Four (Indonesia) - Subsidiary of Oorja 1 Pte Ltd.
25 Oorja Indo Petangis Three (Indonesia) - Subsidiary of Oorja 2 Pte Ltd.
26 Oorja Indo KGS (Indonesia) - Subsidiary of Oorja 3 Pte Ltd
27 Broadtec Mozambique Minas Limitada (Mozambique) - Subsidiary of Oorja Mozambique Limitada
28 PT Mincon Indo Resources (Jakarta) - Subsidiary of Oorja Indo Petangis Three (Indonesia).
29 Bima Gema Permata PT (Jakarta) - Subsidiary of Oorja Indo Petangis Three (Indonesia).
30 Nusa Sakti Kencana PT (Jakarta) - Subsidiary of Oorja Indo Petangis Four (Indonesia).

II Promoter Group Companies

1 MLL Logistics Private Limited
2 Mercator Mechmarine Limited
3 Mercator Healthcare Limited
4 Ankur Fertilizers Private Limited
5 Rishi Holding Private Limited
6 AHM Investments Private Limited.
7 Oorja Resources India Pvt Ltd
8 AAAM Properties Pvt Ltd
9 MMAXX Dredging Pvt Ltd
10 Vaitarna Marine Infrastructure Ltd. (Erstwhile Mech Marine Engineers Pvt Ltd)
11 Oilmax Energy Pvt Ltd
12 Optimum Oil & Gas Ltd
13 CMA Constructions & Properties Pvt Ltd
14 OMCI Ship Management Pvt Ltd

III Directors of the Company

1 H.K Mittal
2 A.J Agarwal
3 Manohar Bidaye
4 Anil Khanna
5 M.G Ramakrishna
6 K.R Bharat
7 Kapil Garg

IV Key Management Personnel

1 H.K Mittal
2 A.J. Agarwal

V Relative of Key Management Personnel

1 Adip Mittal

B **Details of Transactions with above Parties**

(Amount ₹ in Lakhs)

Name of the Transaction	Subsidiary Companies		Promoter Group Companies		Total	
	Current Yr	Previous Yr	**Current Yr**	Previous Yr	**Current Yr**	Previous Yr
Services Rendered	**452.32**	668.17	**-**	1,912.51	**452.32**	2,580.68
Interest Income	**4,241.94**	4,186.17	**-**	-	**4,241.94**	4,186.17
Services Received	**-**	-	**36.37**	3.60	**36.37**	3.60
Sale of Capital Asset	**8,825.00**	40,927.50	**-**	-	**8,825.00**	40,927.50
Purchase of Capital Assets	**7,481.60**	-	**-**	-	**7,481.60**	-
Reimbursments of Expenses/Stores/Bunker Paid	**102.31**	48.13	**642.95**	60.99	**745.27**	109.13
Reimbursments of Expenses/Stores/Bunker Received	**4,148.11**	6,595.48	**0.08**	0.51	**4,148.19**	6,595.99
Finance Provided						
(Including Loans & Equity Conributions)						
Loans						
Loans Given during the Year	**29,872.36**	9,933.43	**-**	-	**29,872.36**	9,933.43
Loans Repaid During the Year	**33,833.22**	18,530.67	**-**	-	**33,833.22**	18,530.67
Equity Contributions During the year	**4.57**	7.90	**-**	-	**4.57**	7.90
Transfer of Investment to Subsidiary	**-**	1,546.13	**-**	-	**-**	1,546.13
Advances						
Advances Given During the Year	**-**	-	**4,914.46**	259.97	**4,914.46**	259.97
Advances Returned Back During the Year	**-**	8,747.79	**10.16**	5,114.46	**10.16**	13,862.24
Advances Received From Customers	**465.65**	-	**-**	-	**465.65**	-
Advances Adjusted Against Services Rendered	**299.99**	-	**-**	-	**299.99**	-
Guarantees and Comfort Letters						
Guarantees Given	**50,081.92**	22,570.00	**-**	-	**50,081.92**	22,570.00
Outstanding as on March 31, 2011						
Comfort Letter	**50,231.25**	1,04,950.50	**-**	-	**50,231.25**	1,04,950.50
Guarantees	**50,081.92**	39,948.90	**-**	-	**50,081.92**	39,948.90
Outstanding balances as on March 31, 2011						
Loans, Advances and Receivables						
Loans	**56,586.09**	55,324.90	**-**	-	**56,586.09**	55,324.90
Advances	**-**	-	**318.13**	328.27	**318.13**	328.27

Schedules forming part of Annual Accounts

B Details of Transactions with above Parties

(Amount ₹ in Lakhs)

Name of the Transaction	Subsidiary Companies		Promoter Group Companies		Total	
	Current Yr	Previous Yr	**Current Yr**	Previous Yr	**Current Yr**	Previous Yr
Receivables	**759.91**	1,634.27	**-**	-	**759.91**	1,634.27
Outstanding Balances of Sundry Debtors and Sundry Creditors as on March 31, 2011						
Sundry Debtors	**2.06**	42.63	**1,003.53**	41.49	**1,005.59**	84.12
Sundry Creditors	**-**	457.27	**129.33**	-	**129.33**	457.27
Advance Received From Customers	**165.66**	-	**-**	-	**165.66**	-
Deposits						
Balance as on March 31, 2011	**-**	-	**515.00**	515.00	**515.00**	515.00
Remuneration paid to Key Management Personnel	**96.00**	96.00				
Commission Paid to Non- Executive Directors	**-**	-				
Sitting Fees Paid to Non-Executive Directors	**5.40**	4.60				
Remuneration paid to Relative of Key Management Personnel	**5.58**	2.27				

Note

1 Loans Given and Repaid during the Year includes transactions on account of exchange fluctuation.

(Amount ₹ in Lakhs)

C **Partywise Details of Material Transactions**

Name of the Transaction	Subsidiary Companies		Promoter Group Companies		Total	
	Current Yr	Previous Yr	Current Yr	Previous Yr	Current Yr	Previous Yr
Services Rendered						
Mercator Lines (Singapore) Pte Limited	**452.32**	576.05	**-**	-	**452.32**	576.05
Mercator International Pte Limited	**-**	92.12	**-**	-	**-**	92.12
MLL Logistics Private Limited	**-**	-	**-**	1,912.51	**-**	1,912.51
TOTAL	**452.32**	668.17	**-**	1,912.51	**452.32**	2,580.68
Interest Income						
Mercator International Pte Limited	**3,468.43**	4,186.17	**-**	-	**3,468.43**	4,186.17
Mercator Offshore (Nigeria) Pte. Ltd.	**773.51**	-	**-**	-	**773.51**	-
TOTAL	**4,241.94**	4,186.17	**-**	-	**4,241.94**	4,186.17
Services Received	**-**	-	**-**	-	**-**	-
MLL Logistics Private Limited	**-**	-	**3.60**	3.60	**3.60**	3.60
OMCI Ship Management Pvt Limited	**-**	-	**32.77**	-	**32.77**	-
TOTAL	**-**	-	**36.37**	3.60	**36.37**	3.60
Sale of Capital Asset	**-**		**-**	-	**-**	40,927.50
Mercator Offshore (Nigeria) Pte. Limited	**8,825.00**	-			**8,825.00**	
Mercator Lines (Singapore) Limited	**-**	40,927.50	**-**	-	**-**	40,927.50
TOTAL	**8,825.00**	40,927.50	**-**	-	**8,825.00**	40,927.50
Purchase of Capital Asset	**-**	-	**-**	-	**-**	-
Mercator International Pte. Limited	**7,481.60**	-	**-**	-	**7,481.60**	-
TOTAL	**7,481.60**	-	**-**	-	**7,481.60**	-
Reimbursment of Expenses/Stores/Bunker Paid	**-**	-	**-**	-	**-**	-
Ankur Fertilizers Private Limited	**-**	-	**-**	60.29	**-**	60.29
Mercator Lines (Singapore) Pte Limited	**-**	48.13	**-**	-	**-**	48.13
Mercator International Pte Limited	**102.31**	-	**-**	-	**102.31**	-
OMCI Ship Management Pvt Limited	**-**	-	**630.85**	-	**630.85**	-
TOTAL	**102.31**	48.13	**630.85**	60.29	**733.16**	108.43
Reimbursment of Expenses/Stores/Bunker Received						
Mercator Lines (Singapore) Pte Limited	**2,898.80**	6,478.29	**-**	-	**2,898.80**	6,478.29
Mech Marine Engineers Pvt Ltd	**-**	-	**0.06**	0.34	**0.06**	0.34
MMAXX Dredging Pvt Ltd	**-**	-	**0.02**	0.17	**0.02**	0.17
Mercator Offshore (Nigeria) Pte. Ltd.	**1,215.58**	-	**-**	-	**1,215.58**	-
TOTAL	**4,114.38**	6,478.29	**0.08**	0.51	**4,114.46**	6,478.80

Schedules forming part of Annual Accounts

(Amount ₹ in Lakhs)

Partywise Details of Material Transactions

Name of the Transaction	Subsidiary Companies		Promoter Group Companies		Total	
	Current Yr	Previous Yr	Current Yr	Previous Yr	Current Yr	Previous Yr
Finance Provided						
(Including Loans & Equity Contributions)						
Loans						
Loans Given during the Year						
Mercator International Pte Limited	**10,007.74**	9,816.43	**-**	-	**10,007.74**	9,816.43
Mercator Offshore Ltd	**-**	-	**-**	-	**-**	-
Mercator Mechmarine Ltd	**-**	-	**-**	-	**-**	-
Mercator Offshore (Nigeria) Pte. Ltd.	**19,724.63**	-	**-**	-	**19,724.63**	-
TOTAL	**29,732.36**	9,816.43	**-**	-	**29,732.36**	9,816.43
Loans Repaid During the Year						
Mercator International Pte Limited	**32,703.82**	13,403.01	**-**	-	**32,703.82**	13,403.01
Mercator Offshore Ltd	**-**	5,121.32	**-**	-	**-**	5,121.32
TOTAL	**32,703.82**	18,524.34	**-**	-	**32,703.82**	18,524.34
Equity Contributions During the Year						
Mercator Offshore (Nigeria) Pte. Ltd	**4.57**		**-**	-	**4.57**	-
Mercator Petroleum Pvt Ltd		7.90	**-**	-		7.90
TOTAL	**4.57**	7.90	**-**	-	**4.57**	7.90
Transfer of Investment to Subsidiary						
Mercator Offshore Ltd	**-**	1,546.13	**-**	-	**-**	1,546.13
TOTAL	**-**	1,546.13	**-**	-	**-**	1,546.13
Advances						
Advances Given During the Year						
MLL Logistics Pvt Ltd				250.00		250.00
Mech Marine engineers Pvt Ltd	**-**	-	**4,914.46**	-	**4,914.46**	-
TOTAL	**-**	-	**4,914.46**	250.00	**4,914.46**	250.00
Advances Received Back During the Year						
Mech Marine engineers Pvt Ltd	**-**	-	**-**	4,914.46	**-**	4,914.46
Mercator Lines (Singapore) Pte Limited - For Capital Goods	**-**	8,747.79	**-**	-	**-**	8,747.79
Oorja Resources India Pvt Ltd	**-**	-	**9.97**	-	**9.97**	-
TOTAL	**-**	8,747.79	**9.97**	4,914.46	**9.97**	13,662.24

(Amount ₹ in Lakhs)

Partywise Details of Material Transactions

Name of the Transaction	Subsidiary Companies		Promoter Group Companies		Total	
	Current Yr	Previous Yr	Current Yr	Previous Yr	Current Yr	Previous Yr
Advances Received From Customers						
Mercator Lines (Singapore) Pte Limited	**465.65**				**465.65**	-
TOTAL	**465.65**	-	**-**	-	**465.65**	-
Advances Adjusted Against Services Rendered						
Mercator Lines (Singapore) Pte Limited	**299.99**				**299.99**	-
TOTAL	**299.99**	-	**-**	-	**299.99**	-
Guarantees and Comfort Letters						
Guarantees Given						
Mercator International Pte Ltd	**9,823.00**	22,570.00	**-**	-	**9,823.00**	22,570.00
Mercator Offshore (Nigeria) Pte. Ltd.	**37,282.75**				**37,282.75**	-
TOTAL	**47,105.75**	22,570.00	**-**	-	**47,105.75**	22,570.00
Outstanding Comfort Letter / Guarantees as on 31/03/2011						
Comfort Letter						
Mercator Lines (Singapore) Pte Limited	**10,046.25**	10,156.50			**10,046.25**	10,156.50
Varsha Marine Pte Ltd/Vidya Marine Pte Ltd	**40,185.00**	40,626.00			**40,185.00**	40,626.00
Mercator Offshore Holdings Pte Limited	**-**	54,168.00			**-**	54,168.00
TOTAL	**50,231.25**	1,04,950.50	**-**	-	**50,231.25**	1,04,950.50
Guarantees						
Mercator Offshore Limited		17,378.90	**-**	-		17,378.90
Mercator International Pte Ltd	**9,823.00**	22,570.00	**-**	-	**9,823.00**	22,570.00
Mercator Offshore (Nigeria) Pte. Ltd.	**37,282.75**		**-**	-	**37,282.75**	-
TOTAL	**47,105.75**	39,948.90	**-**	-	**47,105.75**	39,948.90
Outstanding balances as on March 31, 2011						
Loans, Advances and Receivables						
Loans Advances and Receivables						
Loans						
Mercator International Pte Limited	**35,601.86**	54,836.61	**-**	-	**35,601.86**	54,836.61
Mercator Offshore (Nigeria) Pte. Ltd.	**20,542.85**	-	**-**	-	**20,542.85**	-
TOTAL	**56,144.71**	54,836.61	**-**	-	**56,144.71**	54,836.61

Schedules forming part of Annual Accounts

(Amount ₹ in Lakhs)

Partywise Details of Material Transactions

Name of the Transaction	Subsidiary Companies		Promoter Group Companies		Total	
	Current Yr	Previous Yr	Current Yr	Previous Yr	Current Yr	Previous Yr
Advances						
MLL Logistics Pvt Ltd	**-**	-	**318.13**	318.13	**318.13**	318.13
TOTAL	**-**	-	**318.13**	318.13	**318.13**	318.13
Receivables						
Mercator Lines (Singapore) Pte Limited	**759.91**	1,634.27	**-**	-	**759.91**	1,634.27
TOTAL	**759.91**	1,634.27	**-**	-	**759.91**	1,634.27
Outstanding Balances of Sundry Debtors and Sundry Creditors as on March 31, 2011						
Sundry Debtors						
MLL Logistics Private Limited	**-**	-	**1,003.53**	41.49	**1,003.53**	41.49
Mercator Lines (Singapore) Pte Limited	**2.06**	42.63	**-**	-	**2.06**	42.63
TOTAL	**2.06**	42.63	**1,003.53**	41.49	**1,005.59**	84.12
Sundry Creditors						
Mercator Lines (Singapore) Pte Limited	**-**	457.27	**-**	-	**-**	457.27
OMCI Ship Management Pvt Limited	**-**	-	**129.33**	-	**129.33**	-
TOTAL	**-**	457.27	**129.33**	-	**129.33**	457.27
Advance Received From Customers						
Mercator Lines (Singapore) Pte Limited	**165.66**	-	**-**	-	**165.66**	-
TOTAL	**165.66**	-	**-**	-	**165.66**	-
Deposits						
Balance as on March 31, 2011						
MLL Logistics Private Limited	**-**	-	**500.00**	500.00	**500.00**	500.00
TOTAL	**-**	-	**500.00**	500.00	**500.00**	500.00

Note

1 Loans Given and Repaid during the Year includes transactions on account of exchange fluctuation.

20. Disclosure in respect of Operating Leases (as Lessee):

(₹ in Lakhs)

	March 31, 2011 Year Ended	March 31, 2010 Year ended
(a) Operating Leases		
Disclosures in respect of cancellable agreements for office premises taken on lease		
(i) Lease payments recognized in the Profit and Loss Account	**383.63**	373.78
(ii) Significant leasing arrangements		
The Company has given refundable interest free security deposits under the agreements.		
The lease agreements are for a period from 60 to 108 months.		
These agreements also provided for increase in rent.		
These agreements are non cancellable by both the parties for period of 12/60 months except in certain exceptional circumstances.		
(iii) Future minimum lease payments under non-cancellable agreements		
Not later than one year	**181.93**	401.44
Later than one year and not later than five years	**NIL**	181.93
Later than five years		

21. Disclosure in respect of Operating Leases (as Lessor):

(₹ in Lakhs)

	Year Ended March 31, 2011	Year ended March 31, 2010
(a) Operating Leases		
Disclosures in respect of cancellable agreements for office premises given on lease		
(i) Lease payments recognized in the Profit and Loss Account	**144.00**	144.00
(ii) Significant leasing arrangements		
- The Company has taken refundable interest free security deposits under the agreements.		
- The lease agreements are for a period of sixty months.		
- These agreements are non cancelable by both the parties for 18 months except in certain exceptional circumstances.		
(iii) Future minimum lease payments under non-cancellable agreements		
- Not later than one year	**Nil**	Nil
- Later than one year and not later than five years	**Nil**	Nil
- Later than five years	**Nil**	Nil

General Description of leasing arrangement

(i) Leased Assets: Premises, Godown

(ii) Future lease rentals are determined on the basis of agreed terms

Schedules forming part of Annual Accounts

22. Earning Per Share

(₹ in Lakhs)

	Year Ended March31, 2011	Year ended March31, 2010
Net Profit after Tax and preference dividend including tax thereon		
- Basic	**(9803.81)**	639.57
- Diluted	**(9803.81)**	639.57
Number of Shares used in computing Earning Per Share		
- Basic	**237,893,941**	235,992,073
- Diluted	**237,893,941**	235,992,073
Earning per share (equity shares of face value ₹ 1/-)		
- Basic (in ₹)	**(4.12)**	0.27
- Diluted (in ₹)	**(4.12)**	0.27

23. During FY 2008-09, the company had opted for accounting the exchange differences arising on reporting of long term foreign currency monetary items in line with the notification of Ministry of Corporate Affairs (MCA) dated March 31, 2009, on Accounting Standard (AS)-11. In line with the above notification, gains / losses arising during the year from the effect of changes in foreign exchange rates on foreign currency loans relating to acquisition of depreciable capital assets, are adjusted to the cost of the fixed assets. The net deduction from fixed assets on account of the same is ₹ 385.53 Lakhs (previous year ₹ 11,685.99 Lakhs).

24. Derivative Instruments

The Company uses foreign currency forward contracts to hedge its risks associated with foreign Currency fluctuations relating to certain firm commitments and forecasted transactions. The use of foreign currency forward contracts is governed by the Company's strategy approved by the Board of Directors, which provide principles on the use of such forward contracts consistent with the Company's Risk Management Policy. The Company does not use forward contracts for speculative purposes. There are no outstanding Forward Exchange Contracts entered into by the Company as on March 31, 2011.

25. Tonnage Tax reserve

In terms of section 115VT of the Income Tax Act, 1961, the company is required to transfer amounts out of its profit to Tonnage Tax Reserve. In view of NIL "Income from shipping" (As defined u/s 115V – I sub clause (i) and (ii) of Income Tax Act, 1961), there is no transfer during the year as well as in the previous year to the Tonnage Tax Reserve.

Schedules forming part of Annual Accounts

26. Foreign Currency Exposures

The year end exposure in currencies other than the financial currency of the Company, that were not hedged by a derivative instrument or otherwise are given below:

	2010-11		2009-10	
	₹ in Lakhs	Fx. mn	₹ in Lakhs	Fx. mn
Accounts Receivable	**9,370.76**	**USD 20.99**	7,006.56	USD 15.52
Balance in EEFC Account	**32.19**	**USD 0.07**	9,879.57	USD 21.89
Fixed Deposit with foreign Bank	**Nil**	**Nil**	40.22	USD 0.09
Loan & Advances	**3,832.82**	**USD 8.18** **USD 8.18** **SGD 0.21** **EURO 0.13** **JPY 3.02** **0.00** **SLR 0.13** **DKK0.05**	3,379.75	USD 6.96 USD 6.96 SGD 0.28 Euro 0.14 JPY 11.64 AUD 0.01 SLR 0.02
Advance from Customers	**165.66**	**USD 0.37**	127.17	USD 0.28
Accounts Payable/Acceptances (including capital commitments made but not provided for)	**2,732.68**	**USD 6.09** **Euro 0.01** **SGD 0.01** **JPY 0.28**	4,100.01	USD 8.26 Euro 0.07 SGD 0.44 JPY 29.88 DKR 0.26 AED 0.09 HKD 0.04 NOK 0.05
Borrowings	**78,058.92**	**USD 174.82**	1,01,366.38	USD 224.56

27. Previous years figures have been regrouped / rearranged wherever necessary.

Balance Sheet Abstract And Company's General Business Profile

I. REGISTRATION DETAILS

Registration No.	11-31418	State Code	011
Balance Sheet Date	31 (Date) 03 (Month) 2011 (Year)		

II. CAPITAL RAISED DURING THE YEAR (Amount in ₹ Thousands)

Public Issue	NIL	Right Issue	NIL
Bonus Issue	NIL	Private Placement	259600

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in ₹ Thousands)

Total Liabilities	23708827	Total Assets	23708827
Sources of Funds			
Paid-up Capital	504492	Reserves & Surplus	9758928
Secured Loans	12445407	Unsecured Loans	1000000
Application of Funds			
Net Fixed Assets	16996893	Investments	61218
Net Current Assets	6650716	Misc. Expenditure	NIL

IV. PERFORMANCE OF COMPANY (Amount in ₹ Thousands)

Turnover *	6391464	Total Expenditure	7331845
Profit/(Loss) Before tax	(940381)	Profit/(Loss) after tax	(980381)
Earning per share	(4.12)	Dividend Rate %	NA

* includes other income

V. GENERIC NAMES OF PRINCIPAL PRODUCTS/SERVICES OF COMPANY (as Per Monetary Terms)

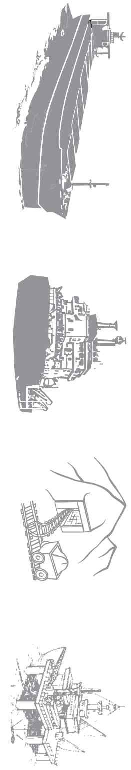
Item Code No. : NA

Product Description : Shipping Services

For and on behalf of the Board

H. K. Mittal Executive Chairman	A. J. Agarwal Managing Director	M G. Ramkrishna Director
	Kapil Garg Director	Suchita Shirambekar Company Secretary

Dated: May 28, 2011
Place: Mumbai



Statement pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Companies for the Year Ended March 31, 2011

Amount ₹ in Lakhs

Sr. No.	Name of Company	Financial Year Ended	Capital	Reserves	Total Assets	Total Liability	Investment (except Investment in subsidiaries	Turnover	Profit/Loss before Tax	Provision for Taxation	Profit After Tax	Proposed Dividend
1	Mercator Lines (Singapore) Pte. Ltd.	31-Mar-11	90588.15	74263.22	263468.04	100833.10	2216.43	59941.28	13816.05	3.65	13812.40	0.00
2	Mercator Line (Panama) Inc.	31-Mar-11	4.47	(5.36)	(0.89)	-	-	-	-	-	-	-
3	Mercator International Pte. Ltd.	31-Mar-11	26.79	5,122.77	59,255.07	54,105.51		1,351.29	4,725.46	-	4,725.40	-
4	Mercator Offshore Ltd.	31-Mar-11	1,400.09	107.58	1,511.45	3.78	-	14,178.88	2,406.11	(1.12)	2,404.99	-
5	Vidya Marine Pte. Ltd.	31-Mar-11	-	1,685.98	27,645.94	25,959.96	-	5,366.40	2,760.93	5.01	2,755.92	501.49
6	Varsha Marine Pte. Ltd.	31-Mar-11	-	5,940.24	26,347.07	20,406.84	-	4,850.78	2,065.23	4.10	2,061.12	911.80
7	Mercator Oil & Gas Ltd.	31-Mar-11	15.00	-	110.87	95.87	-	-	(1.75)	-	(1.75)	-
8	Oorja Holdings Pte Ltd	31-Mar-11	0.00	(409.24)	10,432.99	10,842.23	-	-	(119.15)	-	(119.15)	-
9	Oorja 1 Pte. Ltd	31-Mar-11	0.00	(165.74)	2,181.14	2,346.88	-	-	(105.31)	(3.33)	(108.64)	-
10	Oorja 2 Pte. Ltd	31-Mar-11	0.00	(262.44)	2,737.17	2,999.61	-	-	(157.39)	-	(157.39)	-
11	Oorja 3 Pte. LTd	31-Mar-11	0.00	(237.32)	1,807.24	2,040.54	-	9.24	(130.16)	-	(130.16)	-
12	Oorja Indo KGS PT	31-Mar-11	111.63	(653.89)	15,315.12	15,857.39	-	92,633.18	64.94	(38.24)	107.19	-
13	Oorja Mozambique Minas LDA	31-Mar-11	0.36	-	15.76	15.40	-	-	(4.58)	-	(4.58)	-
14	Broadtech Mozambique Minas LDA	31-Mar-11	0.36	-	28.80	28.43	-	-	(4.64)	-	(4.64)	-
15	Oorja Indo Petangis Three PT	31-Mar-11	245.58	(1,149.15)	2,347.22	3,250.80	-	6,711.30	(623.59)	99.97	(523.63)	-
16	Oorja Petangis Four PT	31-Mar-11	245.58	(1,015.79)	2,216.91	2,987.12	-	8,378.42	326.56	29.85	356.42	-
17	MCS Holdings Pte Ltd.	31-Mar-11	16.47	7,657.61	24,458.84	16,784.76	-	1,32,566.36	(7,974.90)	(912.39)	7,062.51	-
18	Mercator Petroleum Ltd.	31-Mar-11	10.00	-	431.69	421.69	-	-	(0.47)	-	(0.47)	-
19	Mercator Offshore Holdings Pte. Ltd.	31-Mar-11	0.07	6,246.57	7,184.64	938.00	-	9,620.58	7,936.96	-	7,936.96	-
20	PT Mincon Indo Resources	31-Mar-11	111.63	(708.97)	954.81	1,552.15	-	1,052.89	(313.83)	(42.05)	(271.78)	
21	Mercator Offshore (Nigeria) Pte. Ltd.	31-Mar-11	89.30	(3.71)	82,097.35	82,011.76	-	-	(1.93)	-	(1.93)	-
22	Ivorene Oil Services (Nigeria) Pte.Ltd.	31-Mar-11	29.18	-	156.16	126.99	-	-	-	-	-	-
23	Oorja (Batua) Pte. Ltd.	31-Mar-11	0.00	(1.03)	2,679.00	2,680.03	-	-	(1.05)	-	(1.05)	-
24	Bima Gema Permata Pt.	31-Mar-11	279.69	(148.14)	583.94	452.39	-	-	(42.83)	-	(42.83)	-
25	Nusa Sakti Kencana Pt.	31-Mar-11	278.30	(171.17)	512.69	405.55	-	-	(39.86)	-	(39.86)	-
26	Chitra Prem Pte. Ltd.	31-Mar-11	-	54.03	20,422.46	20,368.44	-	643.73	123.55	-	123.55	91.18
27	Target Ship Managemnet Pte. Ltd.	31-Mar-11	-	7.14	785.84	778.70	-	102.12	7.29	-	7.29	-

For and on behalf of the Board

H. K. Mittal
Executive Chairman

A. J. Agarwal
Managing Director

M G. Ramkrishna
Director

Kapil Garg
Director

Suchita Shirambekar
Company Secretary

Dated: May 28, 2011
Place: Mumbai

Statement pursuant to Section 212(3) of the Companies Act, 1956 relating to Subsidiary Companies

(Amount ₹ in Lakhs)

Sr. No.	Name of Company	Financial Year Ended	Extent of interest of the Holding Company in the capital of subsidiary	No. of Shares held by Company directly or through its subsidiary	Net aggregate of the profit or losses of the subsidiary for the current period so far as it concerns the members of the holding company.		Net aggregate of profits or losses for previous financial years of the subsidiary so far as it concerns the members of the holding company	
					not dealt with or provided for in the accounts of the holding company	dealt with or provided for in the account of the holding company	not dealt with or provided for in the accounts of the holding company	dealt with or provided for in the account of the holding company
1	Mercator Lines (Singapore) Ltd.	31-Mar-11	71.95%	90,08,50,000	Profit 13,812.40	NIL	Profit 19,875.80	NIL
2	Mercator Line (Panama) Inc.	31-Mar-11	100%	10,000	NIL	NIL	NIL	NIL
3	Mercator International Pte. Ltd.	31-Mar-11	100%	1,00,000	Profit 4,725.40	NIL	Loss (862.71)	NIL
4	Mercator Offshore Ltd.	31-Mar-11	100%	52,26,170	Profit 2,404.99	NIL	Profit 7,184.05	NIL
5	Vidya Marine Pte. Ltd.	31-Mar-11	100%	2	Profit 2,755.92	NIL	Profit 3,327.51	NIL
6	Varsha Marine Pte. Ltd.	31-Mar-11	100%	2	Profit 2,061.12	NIL	Profit 688.61	NIL
7	Mercator Oil & Gas Ltd.	31-Mar-11	100%	1,50,000	Loss (1.75)	NIL	Loss (10.70)	NIL
8	Oorja Holdings Pte Ltd	31-Mar-11	100%	2	Loss (119.15)	NIL	Loss (95.07)	NIL
9	Oorja 1 Pte. Ltd	31-Mar-11	100%	2	Loss (108.64)	NIL	Profit 41.58	NIL
10	Oorja 2 Pte. Ltd	31-Mar-11	100%	2	Loss (157.39)	NIL	Loss (15.80)	NIL
11	Oorja 3 Pte. LTd	31-Mar-11	100%	2	Loss (130.16)	NIL	Loss (23.68)	NIL
12	Oorja Indo KGS PT	31-Mar-11	95%	950	Profit 107.19	NIL	Loss (89.05)	NIL
13	Oorja Mozambique Minas LDA	31-Mar-11	100%	25,000	Loss (4.58)	NIL	Loss (4.15)	NIL

Statement pursuant to Section 212(3) of the Companies Act, 1956 relating to Subsidiary Companies

Amount ₹ in Lakhs

14	Broadtech Mozambique Minas LDA	31-Mar-11	85%	21,250	Loss (4.64)	NIL	Loss (5.15)	NIL
15	Oorja Indo Petangis Three PT	31-Mar-11	100%	2,200	Loss (523.63)	NIL	Loss (210.65)	NIL
16	Oorja Petangis Four PT	31-Mar-11	100%	2,200	Profit 356.42	NIL	Loss (601.59)	NIL
17	MCS Holdings Pte Ltd.	31-Mar-11	100%	50002	Profit 7,062.51	NIL	Profit 580.43	NIL
18	Mercator Petroleum Pvt. Ltd.	31-Mar-11	100%	1,00,000	Profit (0.47)	NIL	Loss (0.42)	NIL
19	Mercator Offshore Holdings Pte Ltd.	31-Mar-11	100%	200	Profit 7,936.96	NIL	Loss (1,618.46)	NIL
20	PT Mincon Indo Resources	31-Mar-11	100%	2,50,000	Loss (271.78)	NIL	Loss (407.54)	NIL
21	Mercator Offshore (Nigeria) Pte. Ltd.	31-Mar-11	100%	2,79,840	Loss (1.93)	NIL	Loss (1.93)	NIL
22	Ivorene Oil Services (Nigeria) Pte. Ltd.	31-Mar-11	100%	99,99,999	-	NIL	-	NIL
23	Oorja (Batua) Pte. Ltd.	31-Mar-11	100%	2	Loss (1.05)	NIL	- -	NIL
24	Bima Gema Permata Pt.	31-Mar-11	100%	5,100	Loss (42.83)	NIL	- -	NIL
25	Nusa Sakti Kencana Pt.	31-Mar-11	100%	5,100	Loss (39.86)	NIL	- -	NIL
26	Chitra Prem Pte. Ltd.	31-Mar-11	100%	2	Profit 123.55	NIL	- -	NIL
27	Target Ship Managemnet Pte. Ltd.	31-Mar-11	100%	526	Profit 7.29	NIL	- -	NIL

For and on behalf of the Board

H. K. Mittal
Executive Chairman

A. J. Agarwal
Managing Director

M G. Ramkrishna
Director

Kapil Garg
Director

Suchita Shirambekar
Company Secretary

Dated: May 28, 2011
Place: Mumbai

Auditors' Report

to the Board of Directors on the Consolidated Financial Statements of Mercator Lines Limited and its subsidiaries

1. We have audited the attached Consolidated Balance Sheet of Mercator Lines Limited (the Company) and its subsidiaries (collectively called 'the Mercator Group') as at March 31, 2011, the Consolidated Profit and Loss Account and the Consolidated 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 the 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.

3. We did not audit the financial statements of subsidiaries, whose financial statements reflect total assets(net) of ₹ 4,125.35 cr as at March 31, 2011 and total revenues(net) of ₹ 2,172.49 cr. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of the other auditors.

4. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, as notified by the Companies (Accounting Standards) Rules, 2006.

5. 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 Mercator Group as at March 31, 2011;

   b. in the case of the Consolidated Profit and Loss Account, of the profit of the Mercator Group for the year ended on that date; and

   c. in the case of the Consolidated Cash Flow Statement, of the cash flows of the Mercator Group for the year ended on that date.

For and on behalf of

Contractor Nayak & Kishnadwala

Chartered Accountants

Firm Registration No 101961W

H. V. Kishnadwala

Partner,

M. No 37391

Mumbai

May 28, 2011

Consolidated Balance Sheet as at March 31, 2011

Amount ₹ in Lakhs

Particulars	Schedule	As at March 31, 2011	As at March 31, 2010
SOURCES OF FUNDS			
Shareholders Funds			
Share Capital	A	**2,448.92**	2,359.92
Warrants against Share Capital	A 1	**2,596.00**	-
Reserves and Surplus	B	**2,24,617.58**	2,11,898.29
Minority Interest		**34,985.00**	31,500.81
		2,64,647.50	2,45,759.02
Loan Funds			
Secured Loans	C	**3,10,200.91**	2,90,377.92
Unsecured Loans	D	**17,144.00**	21,220.86
		3,27,344.91	3,11,598.78
TOTAL		**5,91,992.41**	5,57,357.80
APPLICATION OF FUNDS			
Fixed Assets	E		
Gross Block		**5,37,060.24**	5,91,715.79
Depreciation		**(88,431.36)**	(79,883.49)
Net Block		**4,48,628.88**	5,11,832.30
Capital work in progress		**80,504.61**	8,737.09
Cost of Mine		**7,156.05**	-
		5,36,289.54	5,20,569.39
Investments	F	**2,845.42**	7,458.78
Deferred Tax		**323.64**	983.84
Current Assets, Loans & Advances	G		
Inventories		**6,271.71**	6,143.53
Sundry Debtors		**37,634.19**	20,133.76
Cash and Bank Balances		**71,159.44**	88,798.28
Loans and Advances		**37,996.30**	24,167.93
		1,53,061.64	1,39,243.50
Current Liabilities and Provisions	H		
Current Liabilities		**97,913.64**	1,09,269.06
Provisions		**280.53**	693.82
Incomplete Voyages (Net)		**2,333.66**	934.83
		1,00,527.83	1,10,897.71
Net Current Assets		**52,533.81**	28,345.79
TOTAL		**5,91,992.41**	5,57,357.80
Significant Accounting Policies & Notes to the Accounts	I		

As per our report of even date

For Contractor, Nayak & Kishnadwala
Chartered Accountants

Himanshu Kishnadwala
Partner

Dated: May 28, 2011
Place: Mumbai

For and on behalf of the Board

H. K. Mittal
Executive Chairman

A. J. Agarwal
Managing Director

M G. Ramkrishna
Director

Kapil Garg
Director

Suchita Shirambekar
Company Secretery

Dated: May 28, 2011
Place: Mumbai

Consolidated Profit and Loss Account

for the year ended on March 31, 2011

Amount ₹ in Lakhs

Particulars	Schedule	Year Ended March 31, 2011	Year Ended March 31, 2010
INCOME			
Shipping Income	J	**1,49,249.47**	1,43,130.36
Sale of Coal		**1,33,638.99**	37,742.33
Other Income	K	**455.25**	(596.89)
Profit/(loss) on Sale of Investments (Net)		**18.41**	(3.00)
Profit/(loss) on Sale of Assets (Net)		**(2,198.07)**	3,482.76
TOTAL		**2,81,164.05**	1,83,755.56
EXPENSES			
Ship Operating Expenses	L	**89,005.55**	74,640.35
Coal Operating Expenses	L	**1,23,297.53**	36,713.87
Administrative and Other Expenses	M	**6,732.16**	6,808.21
Finance Charges	N	**21,523.31**	20,577.15
Depreciation		**30,666.67**	34,090.65
TOTAL		**2,71,225.22**	1,72,830.23
Profit Before Taxes		**9,938.83**	10,925.33
Provision for Taxation			
Current Tax		**(1,573.66)**	(2,333.26)
Deferred Tax		**220.56**	78.62
MAT Credit Entitlement		**-**	1,750.00
Profit After Taxes		**8,585.73**	10,420.69
Minority Interest		**(3,900.97)**	
Short/Excess Provisions of earlier Years		**4,715.17**	-
		-	-
Balance brought forward from last year		**60,406.16**	72,602.62
		-	(5,096.78)
Available for Appropriations		**69,806.09**	77,926.53
Less/(Add): Appropriations			
Transfer to General Reserve		**-**	100.00
Transfer to Debenture Redemption Reserve		**-**	16,870.00
Proposed Dividend on Equity Shares		**-**	471.98
Tax on Dividend		**-**	78.39
Balance Carried to Balance Sheet		**69,806.09**	60,406.16
Earning Per Share (Equity Share of ₹ 1/- Each)			
Basic		**1.97**	2.26
Diluted		**1.97**	2.26
Significant Accounting Policies & Notes to the Accounts	I		

As per our report of even date

For and on behalf of the Board

For Contractor, Nayak & Kishnadwala
Chartered Accountants

H. K. Mittal
Executive Chairman

A. J. Agarwal
Managing Director

M G. Ramkrishna
Director

Himanshu Kishnadwala
Partner

Kapil Garg
Director

Suchita Shirambekar
Company Secretary

Dated: May 28, 2011
Place: Mumbai

Dated: May 28, 2011
Place: Mumbai

Consolidated Cash Flow Statement for the year ended March 31, 2011

Amount ₹ Lakhs

Particulars	Current Year	Previous Year
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax	**9,938.83**	10,925.33
Adjustment for:		
Depreciation	**30,666.67**	34,090.65
Interest Paid	**21,523.31**	20,577.15
(Profit)/Loss on Fixed Assets Scrapped/Sold	**2,198.07**	(3,482.76)
(Profit)/Loss on Sale of Investment	**(18.41)**	3.00
Dividend Income	**(31.41)**	(306.37)
Interest Income	**0.00**	-
Operating Profit before Working Capital Changes	**64,277.06**	61,807.00
Adjustment for:		
Trade and Other Receivables	**(31,389.27)**	15,635.62
Trade Payables	**(10,369.88)**	(84,210.53)
Cash Generated from Operations	**22,517.91**	(6,767.91)
Direct Taxes Paid	**(1,353.10)**	(504.64)
Total Cash Generated from Operating Activites	**21,164.80**	(7,272.55)
Short/Excess Provisions of Earlier Years	**4,715.17**	-
Net Cash from Operating Activities	**25,879.98**	(7,272.55)
CASH FLOW FROM INVESTING ACTIVITIES		
Acqusition of Fixed Assets including Capital Work in Progress	**(1,37,102.40)**	(19,297.39)
Sale of Fixed Assets	**88,517.50**	47,897.95
Proceed from sale of Non Trade Investments	**18.41**	(3.00)
(Purchase)/sale of Investment	**4,613.36**	(3,262.28)
Dividend Income	**31.41**	306.37
Net Cash from Investing Activities	**(43,921.72)**	25,641.65
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Issue of Share Capital from conversion of Bonds and warrants	**2,685.00**	(1,667.25)
Proceeds from Long Term Borrowings	**15,746.13**	28,035.18
Increase/Decrease in Reserves	**3,319.37**	(17,454.34)
Increase/Decrease in DT	**660.20**	
Increase/Decrease Minority Interest	**(416.78)**	(3,129.04)
Interest Paid	**(21,523.31)**	(20,577.15)
Dividends Paid including tax thereon	**-**	(550.37)
Net Cash from Financing Activities	**470.61**	(15,342.97)
Net Increase in Cash and Cash Equivalents	**(17,571.13)**	3,026.13
Cash and Cash Equivalents as at beginning of the year (As per Schedule G)	**89,674.64**	86,648.51
Cash and Cash Equivalents as at end of the year (As per Schedule G)	**72,103.51**	89,674.64
Cash and Cash Equivalents comprise of:		
Cash and Bank Balances (Refer Schedule G)	**71,159.44**	88,798.28
Accrued Interest on fixed deposit with banks	**944.07**	876.36

Notes:

1) Figures in bracket represent outflows
2) Cash and cash equivalents include :
   (a) Gain/(loss) on foreign exchange revaluation of ₹ 86.84 Lakhs (Previous Year loss of ₹ 258.98 Lakhs).
   (b) Fixed Deposit of ₹ 36,672 Lakhs (Previous Year ₹ 37,637.60 Lakhs) as margin deposit against an acceptance.
   (c) Unclaimed dividend account of ₹ 77.17 (Pr. Yr. 73.82) which are not avialble for use by the company .
3) Interest paid/acqusition of Fixed Assets is exclusive/inclusive of interest capitalised ₹ NIL (Previous Year ₹ 67.14 Lakhs)
4) Previous Year's figures have been recast/restated wherever necessary.

As per our report of even date

For Contractor, Nayak & Kishnadwala
Chartered Accountants

Himanshu Kishnadwala
Partner

Dated: May 28, 2011
Place: Mumbai

For and on behalf of the Board

H. K. Mittal
Executive Chairman

A. J. Agarwal
Managing Director

M G. Ramkrishna
Director

Kapil Garg
Director

Suchita Shirambekar
Company Secretary

Dated: May 28, 2011
Place: Mumbai

Consolidated Schedules forming part of Annual Accounts

Amount ₹ in Lakhs

Particulars	Current Year	Previous Year
SCHEDULE 'A'		
Share Capital		
Authorised		
35,00,00,000 Equity Shares of ₹ 1/- each.	**3,500.00**	3,500.00
200,00,000 Preference Shares of ₹ 100 each.	**20,000.00**	20,000.00
	23,500.00	23,500.00
Issued Capital		
24,48,92,073 (23,59,92,073)Equity Shares of ₹ 1/- each fully paid up	**2,448.92**	2,359.92
	2,448.92	2,359.92
Subscribed and Paid Up Capital		
Equity		
24,48,92,073(23,59,92,073) Equity Shares of ₹ 1/- each fully paid up.	**2,359.92**	2,359.92
(a) 89,00,000 shares of ₹ 1/- alloted on exercise of option of conversion of 89,00,000 warrants issued on preferential basis during the year.	**89.00**	
(b) 11,83,45,500 shares of ₹ 1/-were alloted as bonus Shares by capitalisation of Securities Premium Account during the year 2005-06.		
	2,448.92	2,359.92
SCHEDULE 'A1'		
Warrants against Share Capital		
1,88,80,000 warrants of face value of ₹ 13.75 each	**2,596.00**	-
During the year 2,77,80,000 warrants (each warrant carrying option/ entitlement to subscribe 1 number of equity share of ₹ 1/- each) on or before May 2012 at a price of ₹ 55/- per share were allotted on preferential basis. Out of these option for conversion of 89,00,000 warrants was excercised during the year.		
	2,596.00	**-**
SCHEDULE 'B'		
Reserves and Surplus		
Capital Reserve		
As per last Balance Sheet	**1,693.49**	26.24
Add: Transfer from Share Warrant Application money on forfeiture of Warrants	**-**	1,667.25
	1,693.49	1,693.49
Capital Redempetion Reserve		
As per last Balance Sheet	**4,000.00**	4,000.00
(Created in the year 2007-08 on Redemption of Preference shares)		
	4,000.00	4,000.00
Securities Premium Account		
As per last Balance Sheet	**31,765.21**	32,557.57
Add: Received during the year on conversion of warrants	**4,806.00**	
Less: Premium payable on redemption of FCCBs	**(91.39)**	(792.36)

Consolidated Schedules forming part of Annual Accounts

Amount ₹ in Lakhs

Particulars	Current Year	Previous Year
SCHEDULE 'B'		
Less: Expenses on issue of shares pursuant to conversion of warrants during the year	**(4.90)**	
Less: Premium payable on redemption of Unsecured debentures	**(18.35)**	
	36,456.57	31,765.21
Tonnage Tax Reserve		
As per last Balance Sheet	**-**	5,700.00
Less: Transferred to Utilised Account	**-**	(5,700.00)
	-	-
Tonnage Tax Reserve (Utilised)		
As per last Balance Sheet	**17,524.83**	11,824.83
Add: Transfer from Tonnage Tax Reserve	**-**	5,700.00
	17,524.83	17,524.83
Debenture Redemption Reserve		
As per last Balance Sheet	**26,970.00**	10,100.00
Add:Transferred from profit and Loss Account	**-**	16,870.00
Less:Transferred to General Reserve	**(5,637.50)**	
	-	
	21,332.50	26,970.00
General Reserve		
As per last Balance Sheet	**7,756.83**	7,656.83
Add: Transferred From Profit and Loss Account	**-**	100.00
Add: Transferred From Debenture Redemption Reserve	**5,637.50**	
	13,394.33	7,756.83
Foreign Exchange Fluctuation Reserve		
As per last Balance Sheet	**1,574.76**	6,571.15
Less: Exchange fluctuation on Long Term Loans in relation to non integral foreign operations (Net)	**(631.76)**	(4,996.39)
Add: Transfer to Profit/Loss Account	**292.60**	
	1,235.60	1,574.76
Capital Reserve on Consoldation	**60,770.89**	61,837.84
Foreign Currency Translation Reserve	**(1,596.72)**	(1,630.84)
Surplus in Profit and Loss Account	**69,806.09**	60,406.17
	2,24,617.58	2,11,898.29

Consolidated Schedules forming part of Annual Accounts

Amount ₹ in Lakhs

Particulars	Current Year	Previous Year
SCHEDULE 'C'		
Secured Loans		
(A) Debentures		
(1) 900 (900) 10.50% (11.25% upto June 30, 2009) Non Convertible Secured Debentures of ₹ 3,12,500/- (₹ 4,37,500/-) each, redeemable in 12 half yearly instalments of 6.25% and last two of 12.50 % of face value fo ₹ 10,00,000/- each commencing from six months after one year from the date of allotment i.e. June 30, 2004 toward face value Series VII A.There is a put/call option on June 30, every year.	**2,812.50**	3,937.50
	-	
(2) 1500 11.90% Non Convertible Secured Debentures Series IXA of ₹ 10,00,000/- each with the tenor of 10 years, redeemable in 3 yearly instalments at the end of 8th, 9th and 10th year from the date of allotment (i.e November 4, 2008). There is call option at the end of 4th year from the date of allotment.In the event, this call option is not exercised by the Issuer at the end of 4th year, the coupon on the debentures would be increased to 12.35% p.a payable half yearly effective immediately there after for the balance tenor.	**15,000.00**	15,000.00
(3) 2500 9.50% Non Convertible Secured Debentures Series (NCDs) X of ₹ 10,00,000/- each with the tenor of 5 years, redeemable in 3 yearly instalments at the end of 3rd, 4th and 5th year from the date of allotment (i.e October 9, 2009 for 2000 NCDs and October 22, 2009 for 500 NCDs).	**25,000.00**	25,000.00
(4) 1000 9.50% Non Convertible Secured Debentures Series XI of ₹.10,00,000/- each with the tenor of 5 years, redeemable at the end of 5th year from the date of allotment (November 17, 2009).	**10,000.00**	10,000.00
(B) Foreign Currency Loans from Banks	**2,07,926.29**	1,84,859.77
(C) Term Loans from Scheduled Banks	**48,098.80**	44,198.80
	-	
(D) Working Capital facilities from Scheduled Banks	**1,363.32**	7,381.85
	3,10,200.91	2,90,377.92

Note:

1) Debentures referred in (A) above are secured by first mortgage on specified vessels of the company on pari-passu basis with other lenders and first/pari- passu charge on the specified immovable properties.

2) Foreign Currency Loan refered in (B) above are secured by, wherever applicable
   - i) By way of exclusive charge on specifyed vessels
   - ii) By way of pari-passu chargeon specified vessels
   - iii) By way of exclusive charge on specifyed mining assets
   - iv) Corporate guarantees
   - v) Personal guarantees
   - vi) Hypothecation of Stocks

3) Term Loan refered in (C) above are secured by first charge on specified vessels, on pari passu basis with other lenders.

4) Working capital facilities from Scheduled Banks are secured by second charge on specified vessels and 1st charge on all receivables and other current assets of the company on pari-passu basis.

Consolidated Schedules forming part of Annual Accounts

Amount ₹ in Lakhs

Particulars		Current Year	Previous Year
SCHEDULE 'D'			
Unsecured Loans			
1)	NIL (700) 1.50 %Foreign Currency Convertible Bonds of USD 10,000 each	-	3,159.80
	During the year, pursuant to notices received from Bondholders NIL (150) FCCBs of aggregate amount of NIL (USD 15,00,000) were converted into NIL (10,96,686) equity shares of ₹ 1/- each at a predetermined price of ₹ 59.81 per share at a fixed exchange rate of ₹ 43.73 per USD		
	The balance bonds are convertible at any time up to the close of Business on April 20, 2010 by holders into newly issued ordinary shares of Re 1 each at agreed conversion price.The Bonds may be redeemed in whole at the option of the Company at any time on or after May 15, 2008 and or prior to April 20, 2010 at the accreted principal amount together with accrued interest.		
	(The option on the bonds has not been exercised by the bond holders and hence they have been subscquently redeemed as per the terms.)		
2)	Commercial Paper (Maximum balance outstanding for commercial paper ₹ 10,000 Lakhs (₹ 10,000 Lakhs))	-	10,000.00
3)	1000 - 10.25% Non convertible Redeemable Debentures of ₹ 10,00,000 each redeemable in January 2012 with 1% redemption premium	**10,000.00**	-
	(Amount repayable within one year ₹ 10,000 Lakhs (₹ 10,000 Lakhs))	-	
4)	USD 16,000,000 2.50 % Convertible Bonds B	**7,144.00**	8,061.06
	Bonds B are 2.50 % unsecured convertible bonds due 2012. Bonds B are optionally		
		17,144.00	21,220.86

Consolidated Schedules forming part of Annual Accounts

SCHEDULE E
Fixed Assets

Amount in Lakhs

	Cost					Depreciation					Net Block	Net Block
Particulars	As at April 1, 2010	Translation/ Adjustment	Addition for the year	Deduction for the year	**As at March 31, 2011**	Upto March 31, 2010	Translation/ Adjustment	Adjustment in respect of Assets Sold/ Discarded/ held for disposal	For the Year	**Up to March 31, 2011**	**As at March 31, 2011**	As at March 31, 2010
Goodwill	141.17	-1.53	-	-	**139.64**	-	-	-	-	**-**	**139.64**	141.18
Land	12.01	-	218.59	-	**230.60**	0.08	-0.31	-	15.02	**14.79**	**215.81**	11.92
Road and bridges	319.97	-5.60	-	-	**314.37**	53.47	-4.05	-	45.10	**94.52**	**219.85**	266.51
Office Premises	570.42	-2.80	16.86	-	**584.48**	211.23	-0.55	-	65.29	**275.97**	**308.51**	359.19
Vessels	4,98,793.99	-3,107.08	55,686.67	18,514.81	**5,32,858.77**	74,802.31	-5,666.04	9,308.11	26,698.08	**86,526.24**	**4,46,332.53**	4,23,991.67
Office and Computer Equipment	246.76	4.71	41.28	-	**292.75**	144.02	2.20	-0.25	34.62	**181.09**	**111.66**	102.73
Furniture and Fixture	382.13	-1.29	90.40	2.65	**468.59**	227.85	-0.99	2.12	67.63	**292.37**	**176.22**	154.29
Vehicles	363.23	3.89	326.25	47.15	**646.22**	177.65	-0.20	25.35	118.16	**270.26**	**375.96**	185.59
Rig	89,539.16	-971.96	-	88,567.20	**0.00**	3,838.47	-110.81	7,080.90	3,353.24	**-**	**0.00**	85,700.70
Mining Equipment	1,346.94	164.69	13.19	-	**1,524.82**	428.41	78.19	-	269.52	**776.12**	**748.70**	918.52
TOTAL	5,91,715.78	-3,916.97	56,393.24	1,07,131.81	**5,37,060.24**	79,883.49	-5,702.56	16,416.23	30,666.66	**88,431.36**	**4,48,628.88**	5,11,832.30
Previous Year	6,07,876.71	-41,998.00	54,266.28	28,429.21	**5,91,715.78**	59,345.14	-3,477.71	10,074.59	34,090.64	**79,883.48**	**5,11,832.30**	5,48,531.58

1) Includes cost of 10 shares of ₹ 50/- each fully paid in Mittal Tower Premises Co-op. Society Ltd.

2) Office premises having gross value ₹ 343.16/- Lakhs (₹ 343.16/-Lakhs) and accumulated depreciation ₹ 126.11 Lakhs (₹ 114.68/- Lakhs) are given on operating Lease.

3) Deduction includes exchange fluctuation gain on Long term foreign currency loans ₹ 385.52 Lakhs (11,685.99) (Also refer Note 26 Of Schedule I)

Consolidated Schedules forming part of Annual Accounts

Amount ₹ in Lakhs

	Current Year		Previous Year		
	Nos	Cost	Nos	Cost	Cost
SCHEDULE F					
Investments					
Items					
Non-Trade (Unquoted)					
Long Term (At cost)					
In shares of Companys (Unquoted)					
Marg Swarnabhoomi Port Private Ltd	**1,250**	**0.13**	1,250	12,500.00	0.13
		0.13		52,82,178	0.13
In others (Unquoted)					
Axis Infrastructure Fund Ltd		**2,286.26**			1,650.83
Others		**4.25**			4.30
Units of Indian Real Opportunity Venture Capital Fund	**40,479**	**404.78**	50,000	5,00,00,000	500.00
		2,695.29		5,00,00,000	2,155.13
		2,695.42		5,52,82,178	2,155.26
Current Investments (at lower of cost and Market value)					
In units of Mutual Funds (Quoted)					
Axis Equity Fund - Dividend Option	**5,00,000**	**50.00**	5,00,000	50,00,000	50.00
SBI Magnum Insta Cash Fund Daily Dividend	**5,97,004**	**100.00**	3,13,63,754	52,53,52,282	5,253.52
Sub Total		**150.00**		53,03,52,282	5,303.52
(Repurchase Value of current investments on March 31, 2011 is ₹ 150.00 Lakhs (Previous Year ₹ 5,303.52 Lakhs)					
Grand Total		**2,845.42**		58,56,34,461	7,458.78

Consolidated Schedules forming part of Annual Accounts

Amount ₹ in Lakhs

Particulars	Current Year	Previous Year
SCHEDULE 'G'		
Current Assets		
Sundry Debtors		
(Unsecured, Considered Good)		
Over Six Months	**8,462.66**	6,486.85
Others	**29,171.53**	13,646.91
	37,634.19	20,133.76
Cash and Bank Balances		
Cash in hand	**10.82**	8.97
Balances with Scheduled Banks	**-**	
In Fixed Deposit Accounts	**62,240.96**	39,163.02
Acceptances/Bank Gurantee issued by banks.)	**-**	
In Current Accounts	**8,377.99**	37,397.15
In Exchange Earners Foreign Currency Account	**32.19**	9,879.57
In Dividend Accounts	**77.17**	73.82
Bank Balance/Fixed Deposits with Foreign Banks (Refer Note B(11)of Schedule I)	**420.31**	2,275.75
	71,159.44	88,798.28
Loans and Advances		
Advances recoverable in cash or in kind or for value to be received (Net of Provsions of DoubtFul Debts)	**31,551.64**	19,089.68
Deposits with Government and semi Government Bodies	**17.28**	16.93
Inter Corporate Deposits	**1,253.39**	268.98
Other Deposits	**1,173.29**	1,052.89
Accrued Interest on fixed deposit with banks	**944.07**	876.36
Advance payment of tax (Net of provisions)	**1,521.63**	1,113.09
MAT Credit available	**1,535.00**	1,750.00
	37,996.30	24,167.93

Consolidated Schedules forming part of Annual Accounts

Amount ₹ in Lakhs

Particulars	Current Year	Previous Year
SCHEDULE 'H'		
Current Liabilities		
Sundry Creditors		
Due to Micro and Small Enterprises (Refer Note B(9) of Schedule I)	**-**	
For Services and expenses	**18,557.23**	13,427.19
Acceptances	**55,879.48**	85,152.67
Advances from Customers	**9,068.39**	4,642.34
Deposits	**4.20**	4.20
Unclaimed Dividend *	**77.17**	73.82
Other liabilities	**14,327.17**	5,968.84
*(There is no amount due and outstanding to be credited to Investor Education and Protection Fund)	**97,913.64**	1,09,269.06
Provisions		
Proposed Dividend	**-**	471.98
Tax on Proposed Dividend	**-**	78.39
Employees Retirement Benefits	**280.53**	143.45
	280.53	693.82

Particulars	Current Year	Previous Year
SCHEDULE 'J'		
Shipping and related Income		
Freight	**61,911.84**	46,189.22
Charter Hire	**78,266.11**	87,200.66
Dispatch and Demurrage	**3,904.52**	3,559.99
Cargo Handling Services	**5,167.00**	6,180.49
	1,49,249.47	1,43,130.36

Particulars	Current Year	Previous Year
SCHEDULE 'K'		
Other Income		
Dividend from Current Investments	**31.41**	306.37
Rent Received	**144.00**	144.00
Gain/(loss) on FFA Transaction	**-**	(1,100.42)
Insurance Claims	**-**	52.76
Miscellaneous Income	**279.84**	0.40
	455.25	(596.89)

Particulars	Current Year	Previous Year
SCHEDULE 'L'		
Ship Operating Expenses		
Bunker Consumed	**17,546.60**	20,132.03
Vessel/Equipment hire charges	**33,250.29**	18,484.30
Technical Service Expenses	**8,952.19**	8,598.80
Agency, Professional and Service charges	**1,190.39**	975.65
Crew expenses	**2,830.64**	3,013.09

Consolidated Schedules forming part of Annual Accounts

Amount ₹ in Lakhs

Particulars	Current Year	Previous Year
SCHEDULE 'L'		
Communication expenses	**124.30**	117.13
Miscellaneous expenses	**855.72**	756.21
Commission	**2,552.63**	1,876.35
Insurance	**1,678.52**	1,814.30
Port expenses	**3,325.65**	4,726.52
Repairs and Maintenance	**14,591.02**	11,730.48
Stevedoring, Transport and Freight	**2,107.60**	2,415.49
	89,005.55	74,640.35
Coal Operation Expenses		
Purchase of Coal	**98,122.77**	25,032.04
Distribution Cost	**14,240.39**	3,657.90
Government Payments	**2,257.20**	1,567.94
Mining Cost	**8,677.17**	6,039.59
Miscelleneous Expenses	**-**	416.40
	1,23,297.53	36,713.87
SCHEDULE 'M'		
Administrative and Other Expenses		
Advertisement	**5.16**	9.36
Auditors Remuneration	**104.36**	71.79
Conveyance, Car Hire and Travelling	**524.12**	364.14
Communication expenses	**101.75**	107.37
Donation	**44.31**	65.33
Directors' Remuneration	**207.79**	522.32
Miscellaneous expenses	**1,078.45**	699.73
Exchange Fluctuations (Net)	**539.59**	1,783.22
Insurance	**36.68**	46.52
Legal, Professional and Consultancy expenses	**713.75**	354.35
Rent	**555.09**	605.97
Repairs and Maintenance	**108.20**	163.89
Salary, Wages, Bonus etc.	**2,236.94**	1,812.76
Staff Welfare, Training etc.	**128.85**	88.69
Contribution to Provident and other funds	**79.33**	54.06
Provision for Doubtful Debts	**-**	84.41
Bad Debts and other amounts written off/back (Net)	**267.79**	(25.70)
	6,732.16	6,808.21
SCHEDULE 'N'		
Finance Charges		
Interest on		
Debentures	**5,652.69**	3,733.77
Loans	**18,137.89**	19,120.12
	23,790.58	
Less : Interest received	**(2,267.27)**	(2,276.74)
	21,523.31	20,577.15

Consolidated Schedules forming part of Annual Accounts

SCHEDULE I

A. Basis Of Consolidation

The Consolidated Financial Statements relate to Mercator Lines Limited (the company) and its subsidiary companies. The Company and its subsidiaries constitute the Group.

a) Basis of Accounting

I. The financial statements of the subsidiary companies used in the consolidation are drawn upto the same reporting date as of the Company i.e. year ended March 31, 2011.

II. The financial statements of the Group have been prepared in accordance with the principles and procedures required for the preparation and presentation of consolidated financial statements as laid down under the Accounting Standard 21 "Consolidated Financial Statements" as notified by the Companies (Accounting Standards) Rules, 2006.

b) Principles of consolidation

The Consolidated Financial Statements have been prepared on the following basis:

I. The Financial statements of the Company and its subsidiary companies have been combined on a line by line basis by adding together book values of similar items of assets, liabilities income and expenses. The intra-group balances and intra-group transactions have been fully eliminated.

II. The difference between the cost of investments in the subsidiaries, over the net assets at the time of acquisition of shares in the subsidiaries is recognized in the financial statements as Goodwill or Capital Reserve, as the case may be.

III. Minority Interest in the net assets of consolidated subsidiaries consists of the amount of equity attributable to the minority shareholders at the date on which investments are made by the company in the subsidiary companies and further movements in their share in equity, subsequent to the date of the investment as stated above.

IV. Consolidated Financial Statements are prepared by applying uniform accounting policies to the extent possible, in use at the group.

V. Indian Rupee is the reporting currency for the Group. However, the reporting currencies of non-integral overseas subsidiaries are different from the reporting currency of the Group. The translation of those currencies into Indian Rupee is performed for assets and liabilities, using the exchange rate as at the balance sheet date, and for revenues, costs and expenses using average exchange rate during the reporting period. Resultant currency translation exchange gain/loss is carried as Foreign Currency Translation Reserve under Reserves and Surplus.

Consolidated Schedules forming part of Annual Accounts

Name of the Subsidiary Company	Country of incorporation	% of holding either directly or through subsidiary as at March 31, 2011	% of holding either directly or through subsidiary as at March 31, 2010
Mercator International Pte.Ltd.	Singapore	100	100
Mercator Oil & Gas Ltd	India	100	100
Mercator Petroleum Pvt. Ltd.	India	100	100
Mercator Offshore Holdings Pte. Ltd.	Singapore	100	100
Mercator Offshore (Nigeria) Pte Ltd	Singapore	100	100
Oorja Holdings Pte. Ltd	Singapore	100	100
Mercator PH (Dutch) Holding BV **	Netherlands	-	89
Mercator Petroleum(Romania) Pte Ltd**		-	100
Mercator Lines (Singapore) Ltd	Singapore	71.95	72.15
Mercator Offshore Ltd	Singapore	100	100
Mercator Petroleum (Turkey) BV **	Netherlands	-	89
Varsha Marine Pte. Ltd	Singapore	100	100
Vidya Marine Pte. Ltd	Singapore	100	100
Mercator Lines (Panama) Inc	Panama	100	100
Oorja 1 Pte. Ltd.	Singapore	100	100
Oorja 2 Pte. Ltd.	Singapore	100	100
Oorja 3 Pte. Ltd.	Singapore	100	100
Oorja Mocambique Minas, Limitada	Mozambique	100	100
MCS Holdings Pte. Ltd.	Singapore	100	100
Pt Oorja Indo Petangis Four	Indonesia	100	50*
Pt Oorja Indo Petangis Three	Indonesia	100	50*
Pt Oorja Indo KGS	Indonesia	95	70
Broadtec Mocambique Minas, Lda	Mozambique	85	85
PT Mincon Indo Resources	Indonesia	100	100
Target Ship Management Pte. Ltd	Singapore	100	-
Chitra Prem Pte. Ltd	Singapore	100	-
Bima Gema Permata PT	Jakarta	100	-
Nuansa Sakti Kenca PT	Jakarta	100	-
Ivorene Oil Services Nigeria Ltd	Singapore	100	-
Oorja (Batua) Pte Ltd	Singapore	100	-

* Considered as subsidiaries for consolidation purposes on account of control as per principles of AS-21.

** Liquidated during the year.

Consolidated Schedules forming part of Annual Accounts

B. Significant Accounting Policies

1. Basis of Accounting

The financial statements are prepared under the historical cost convention, on the accrual basis of accounting and in conformity with Generally Accepted Accounting Principles in India, Accounting Standards as notified by the Companies (Accounting Standards) Rules, 2006 and the other relevant provisions of the Companies Act, 1956.

2. Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires the management to make estimates and assumptions that affect the reported balances of assets and liabilities as of the date of the financial statements and reported amounts of income and expenses during the period. The management believes that the estimates used in the preparation of financial statements are prudent and reasonable.

3. Fixed Assets

a) Fixed assets are stated at cost less accumulated depreciation.

b) Cost includes cost of acquisition or construction including attributable interest, duties and other incidental expenses related to the acquisition of the asset.

c) Operating costs and other incidental costs including initial stores and spares of newly acquired vessels till the port of first loading are included in the cost of the respective vessels.

d) Exchange differences arising on repayment of foreign currency loans and year end translation of foreign currency liabilities relating to acquisition of depreciable assets are, following option given by notification of Ministry of Corporate Affairs (MCA) dated March 31, 2009, adjusted to carrying cost of the respective assets.

e) Individual fixed assets costing up to ₹ 25,000 are fully written off under the head fixed assets written off.

4. Exploration and evaluation expenditures

Exploration and evaluation expenditure are capitalized when it is considered likely to be recoverable by future exploitation or sale. This policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after having capitalized the expenditure under the policy, a judgment is made that recovery of the expenditure is unlikely, the relevant capitalized amount will be written off to the profit and loss account.

5. Environmental Obligations

Restoration, rehabilitation and environmental expenditures incurred during the production phase are charged to profit and loss account as incurred.

Provision for decommissioning, demobilization and restoration provides for the legal obligations associated with the retirement of the tangible long-lived asset that result from the acquisition, construction or development and/or the normal operation of a long-lived asset. The retirement of a long-lived asset is it's other than temporary removal from service, including its sale abandonment, recycling or disposal in some other manner.

These obligations are recognized as liabilities when a legal obligation with respect to the retirement of an asset is incurred, with the initial measurement of the obligation at fair value. These obligations are accreted to full value over time through charges to the statement of income. In addition, an asset retirement cost equivalent to these liabilities is capitalized as part of the related asset's carrying value and is subsequently depreciated or depleted over the asset's useful life. A liability for asset retirement obligation is incurred over more than one reporting period when the event creating the obligation occur over more than one reporting period. For example, if a facility is permanently closed but the closure plan is developed over more than one reporting period, the cost of closure of the facility is incurred over those reporting period when the closure plan is finalized. Any incremental liability incurred in a subsequent reporting period is considered to be an addition layer of the original liability.

Consolidated Schedules forming part of Annual Accounts

Each layer is initially measured at fair value. A separate layer shall be measure, recognized and accounted for prospectively. The obligations consist primarily of costs associated with mine reclamation, decommissioning and demobilization of facilities and other closure activities.

For environmental issues that may not involve the retirement of an asset, where the Company is a responsible party and is determined that a liability exists, and amounts can be quantified, the Company accrues for the estimated liability existing in respect of such environmental issues. The Company applies the criteria for liability recognition under the applicable accounting standards.

6. Depreciation

a) Depreciation on Vessels and on fixed assets held outside India is provided using straight line method based on estimated useful life or on the basis of depreciation rates prescribed under respective local laws.

b) Depreciation on all other assets is computed on the Written Down Value method in the manner and at the rates prescribed under schedule XIV of the Companies Act, 1956.

c) Depreciation on assets acquired under lease is spread over the lease terms.

7. Capital Work in Progress

All expenditures, including advances given to contractors and borrowings cost incurred during the asset acquisition period, are accumulated and shown under this head till the asset is put to commercial use.

8. Retirement and Disposal of Assets

a) Profit on sale of assets is accounted for on completion of sale thereof.

b) Assets which are retired from active use and are held for disposal are stated at the lower of their net book value or net releasable value.

9. Inventories

Bunker and Lubes on vessels are valued at lower of cost and net realisable value ascertained on first in first out basis.

Inventory of coal is valued at the lower of cost or net realizable value. Cost is determined based on the weighted average cost incurred during the period and includes an appropriate portion of fixed and variable overheads. Net realizable value is the estimated sales amount in the ordinary course of business less the costs of completion and selling expense.

10. Oil and Gas Assets:

The Successful Efforts method is followed for accounting for oil and gas as per the Guidance Note issued by the Institute of Chartered Accountants of India on “Accounting for Oil and Gas producing activities”.

Expenditure incurred on the acquisition of a license interest is initially capitalised on a license by license basis. Costs are held, undepleted, within exploratory and development wells-in- progress until the exploration phase relating to the license area is complete or commercial oil and gas reserves have been discovered.

11. Investments

a) Investments are classified into Long Term and Current investments.

b) Long Term Investments are stated at cost of acquisition and related expenses. Provision for diminution, if any, in the value of such investments is made to recognise a decline, other than of a temporary nature.

c) Current Investments are stated at cost of acquisition including incidental/related expenses or at fair value as at March 31, 2011, whichever is less and the resultant decline, if any, is charged to revenue.

12. Incomplete Voyages

Incomplete voyages represent freight received and direct operating expenses on voyages which are not complete as at the Balance sheet date.

13. Borrowing Costs

Borrowing costs incurred for the year for acquisition of vessels are capitalized till first loading of cargo, only if the time gap between date of Memorandum of Agreement and Date when vessel is ready for use is more than three months.

In respect of other assets, borrowing cost incurred till the date when asset is put to use is capitalized.

Incidental expenses related to borrowing are amortized over the term of the said borrowings.

14. Revenue Recognition

a) Income on account of freight earnings is recognised in all cases where loading of the cargo is completed before the close of the year. All corresponding direct expenses are also provided.

b) Where loading of the cargo is not completed before the close of the year, revenue is not recognised and the corresponding expenses are carried forward to the next accounting year.

c) Income from charter hire and demurrage are recognised on accrual basis.

d) Income from services is accounted on accrual basis as per the terms of the relevant agreement.

e) Dividend on investments is recognised when the right to receive the same is established.

f) Insurance claims are accounted on accrual basis when there is a reasonable certainty of the realisability of the claim amount.

g) Revenue from coal mining is recognized on transfer of risk, reward and ownership of the goods, and is recorded net of returns, trade allowance, and government duties.

15. Foreign Exchange Transactions

a) Monetary Current assets and liabilities denominated in foreign currency, outstanding at the end of the year are valued at the rates prevalent on that date.

b) Exchange differences arising on Long Term Foreign Currency Monetary (LTFCM) items are, following option given by notification of MCA dated March 31, 2009, treated in the following manner:

   i) In respect of borrowings relating to or utilized for acquisition of depreciable capital assets, the same is adjusted to the cost of the relevant capital asset and depreciated over the balance life of the said capital asset.

   ii) In other cases, the same is accumulated in a 'Foreign Currency Monetary Item Translation Difference Account'. The amount so accumulated in this account is amortized over the balance period of such assets/liabilities or March 31, 2011, whichever is earlier.

c) Differences in translation of other monetary assets and liabilities and realised gains and losses on foreign currency transactions are recognised in the Profit and Loss Account.

d) Exchange difference arising on long term foreign currency loans given to non integral foreign operations is accumulated in foreign currency fluctuation reserve. On disposal of investment , the balance in the reserve will be transferred to profit and loss account

e) Contracts in the nature of foreign currency swaps, are converted at the exchange rate prevailing as on March 31, 2011,and the profit or loss thereon is charged to the Profit and Loss account.

f) Differences on account of swap contracts for interest payable in foreign currency are accounted on accrual basis and the profit or loss thereon is charged to the Profit and Loss account.

Consolidated Schedules forming part of Annual Accounts

16. Employees Benefits

a) Short – term employee benefits

All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits. Benefits such as salaries, wages, performance incentives, etc. are recognised at actual amounts due in the period in which the employee renders the related service.

b) Post – employment benefits

i. Defined Contribution Plans

Payments made to defined contribution plans such as Provident Fund are charged as an expense as they fall due.

ii. Defined Benefit Plans

The cost of providing benefit i.e. gratuity is determined using the Projected Unit Credit Method, with actuarial valuation carried out as at the balance sheet date. Actuarial gains and losses are recognised immediately in the Profit and Loss Account.

c) Other Long – term employee benefits

i. Other Long – term employee benefit viz. leave encashment is recognised as an expense in the profit and loss account as and when it accrues. The company determines the liability using the Projected Unit Credit Method, with actuarial valuation carried out as at the balance sheet date. The Actuarial gains and losses in respect of such benefit are charged to the profit and loss account.

17. Lease Accounting

a) In respect of operating lease agreements entered into as a lessee, the lease payments are recognised as expense in the profit and loss account over the lease term.

b) In respect of operating lease agreement entered into as a lessor, the initial direct costs are recognised as expenses in the year in which they are incurred.

c) At the beginning of the lease period, the finance lease is capitalised based on the fair value of leased assets or based on the present value of a minimum lease payment, if the present value is lower than the fair value. The minimum lease payment is bifurcated between the financial cost and the payment obligation so as to produce a constant periodical interest rate for the obligation. Lease expense is recorded in the Profit & Loss Account. Leased assets under finance lease are recorded in the fixed assets account and depreciated based on the useful lives of the assets or the lease period, whichever is shorter.

18. Earning per share:

Basic and diluted earnings per share (EPS) are reported in accordance with Accounting Standard – 20. The Basic EPS has been computed by dividing the income available to equity shareholders by the weighted average number of equity shares outstanding during the accounting year. The diluted EPS have been computed using the weighted average number of equity shares and dilutive potential equity shares outstanding at the end of the year.

19. Provision for Taxation :

a) The holding company has opted for the Tonnage Tax scheme and provision for tax has been accordingly made under the relevant provisions of the Indian Income Tax Act, 1961.

b) Tax on incomes on which the Tonnage Tax is not applicable is provided as per the other provisions of the Indian Income Tax Act, 1961.

c) In case of subsidiary companies engaged in shipping and incorporated in Singapore, no provision is made for taxation on qualifying shipping income derived which is exempt form taxation under section 13 A of the Singapore Income Tax Act and the Singapore Approved International shipping enterprise Tax Incentive.

d) In respect of a subsidiary company in Singapore engaged in offshore drilling & support services, no provision for tax is made for qualifying offshore income as it is exempt from taxation under Section 13 F of Singapore Income Tax Act.

e) In respect of subsidiary companies incorporated in Singapore and Indonesia and engaged in activities other than shipping and offshore, provision for taxation is made as per the applicable local laws of the respective countries.

f) Deferred tax resulting from timing differences, if any, between book and tax profits for income other than that covered under relevant Tax exempt scheme is accounted for under the liability method, at the current rate of tax, to the extent that the timing differences are expected to be reversed in future.

20. Impairment of assets

A review is done of the carrying values of tangible and intangible assets for any possible impairment at each balance sheet date. Impairment loss, if any, is recognized in the year in which impairment takes place.

21. Provisions and Contingent Liabilities:

Provisions are recognized in the accounts in respect of present probable obligations, the amount of which can be reliably estimated. Contingent Liabilities are disclosed in respect of possible obligations that arise from past events but their existence is confirmed by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company or its subsidiary companies.

22. Derivative instruments and hedge accounting

The Group uses foreign currency forward contracts; forward freight agreements, options on forward freight agreements and currency options to hedge its risks associated with foreign currency fluctuations and fluctuations in freight rates relating to certain firm commitments and forecasted transactions. The Company has designated these hedging instruments as cash flow hedges or economic hedges applying the recognition and measurement principles set out in the Accounting Standard 30 "Financial Instruments : Recognition and Measurement" (AS – 30

The use of hedging instruments is governed by the Company's policies approved by the board of directors, which provide principles on the use of such financial derivatives consistent with the Company's risk management strategy

Derivatives are initially recognised at fair value at the dates the derivative contracts are entered into and are subsequently re-measured to their fair values at each balance sheet date.

The resulting gain or loss is recognised in the profit and loss statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the profit and loss statement depends on the nature of the hedge relationship.

Hedge accounting

Hedges which include derivatives, embedded derivatives and non-derivatives in respect of price risk, are designated as either hedges of fair value of recognised assets or liabilities or fair commitments (fair value hedges) or hedges of highly probable forecast transactions (cash flow hedges).

Some forward freight agreements that the Group has entered into fall within the definition of fair value hedge. Some other forward freight agreements fall within the definition of cash flow hedge as described below.

At the inception of the hedge relationship, the relationship between the hedging instrument and hedged item is determined, along with its risk management objectives and the strategy for undertaking the hedge. At the inception of the hedge and on a quarterly basis, the effectiveness of the hedging relationship in offsetting changes in fair values or cash flows of the hedged item is determined.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges will be recorded in the profit and loss statement immediately, together with any changes in the fair value of the hedged item that is

Consolidated Schedules forming part of Annual Accounts

attributable to the hedged risk.

Hedge accounting will be discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk will be amortised to the profit and loss statement from that date.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated as and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion of the hedge, if any, is recognised immediately in the profit and loss statement.

Amounts deferred in equity will be recycled in the profit or loss in the periods when the hedged item is recognised in the profit and loss statement. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity will be transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting will be discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time will remain in equity and will be recognised when the forecast transaction is ultimately recognised in the profit and loss statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that had been deferred in equity will be recognised immediately in the profit and loss statement.

C. Notes To The Accounts

1. Contingent Liabilities not provided for

(₹ in Lakhs)

	Current Year	Previous Year
Counter guarantees issued by the Company for guarantees for guarantees obtained the bank	**3,130.87**	2,863.08
Corporate guarantees issued by the company on behalf of business associates	**2,722.53**	NIL
Total	**5,853.40**	2,863.08

2. Estimated amount of contracts remaining to be executed on capital accounts and not provided for (net of advances) as at March 31, 2011, ₹ NIL (₹ 58,682 Lakhs).

3. Estimated amount of commitments outstanding towards contributions to funds are ₹ 900.59 Lakhs (₹ 993.98 Lakhs)

4. No provision has been made in respect of disputed demands from Income-tax Authorities to the extent of ₹ 666.67 Lakhs (₹ 37.73 Lakhs), since the company has reasons to believe that it would get relief at the appellate stage as the said demands are excessive and erroneous.

5. Remuneration to Holding Company Directors

	Current Year	Previous Year
Executive Chairman and Managing Directors		
Salary	**80.43**	80.58
Perquisites	**15.57**	15.42
Commission	**NIL**	-
Non-Executive Directors		
Commission	**NIL**	-
Sitting Fees	**5.40**	4.60
Total	**101.40**	100.60

Consolidated Schedules forming part of Annual Accounts

6. Disclosure requirement of accounting Standard 17 "Segment Reporting" issued under Companies (Accounting Standards) Rules 2006.

Primary Segments:

The group has identified Business Segment as the primary segment. Segments have been identified taking into account the nature of the services/products, the differing risks and returns, the organisation structure and internal reporting system. The group's operations predominantly relate to

a) Shipping

b) Offshore

c) Coal Mining, Trading and Logistics.

Secondary Segment:

The shipping activities are managed from India and Singapore. The Off Shore activities are managed from Singapore. The Coal Mining, Coal Trading and logistics are managed from India, Singapore and Indonesia.

Segment Revenue, Segment Results, Segment Assets and Segment Liabilities include the respective amounts identifiable to each of the segments as also amounts allocated on a reasonable basis. The expenses, which are not directly attributable to the business segment, are shown as others.

Assets and Liabilities that cannot be allocated between the segments are shown as a part of unallocated corporate assets and liabilities respectively.

There are no Inter Segment transfers.

Segment Revenue	Shipping		Offshore		Coal Mining, Trading and Logistics		Others
	2010-11	**2009-10**	**2010-11**	**2009-10**	**2009-10**	**2009-10**	**2010-11**
Revenue	**1,29,903.59**	1,21,666.50	**11,980.81**	15,970.06	1,38,805.99	43,832.25	**-**
Results							
Profit/(Loss) before tax and interest	**13,083.88**	18,720.00	**8,351.14**	11,676.96	9,555.66	601.99	**(2.21)**
Less :Interest							
Total Profit Before Tax							
Provision for Taxation	**13,083.88**	18,720.00	**8,351.14**	11,676.96	9,555.66	601.99	**(2.21)**
Current Tax							
Deferred Tax							
Minimum Alternate Tax							
Net Profit							
Other Information							
Assets	**5,67,527.04**	551748.62	**82,527.22**	95,747.05	39,283.58	13,301.12	**336.42**
Liabilities	**21,454.76**	22,462.48	**14,949.33**	78.43	8,101.49	2,436.48	**142.77**
Capital Expenditure	**55,892.83**	54,196.00	**22.01**		478.39	70.28	
Depreciation	**26,842.93**	29,825.70	**3,355.48**	3,769.70	468.25	495.25	

Consolidated Schedules forming part of Annual Accounts

7 Related Party Disclosures:

A List of Related Parties

I Promoter Group Companies

1 MLL Logistics Private Limited
2 Mercator Mechmarine Limited
3 Mercator Healthcare Limited
4 Ankur Fertilizers Private Limited
5 Rishi Holding Private Limited
6 AHM Investments Private Limited.
7 Oorja Resources India Pvt Ltd
8 AAAM Properties Pvt Ltd
9 MMAXX Dredging Pvt Ltd
10 Vaitarna Marine Infrastructure Ltd. (earlier Mech Marine Engineers Pvt Ltd)
11 Oilmax Energy Pvt Ltd
12 Optimum Oil & Gas Ltd
13 CMA Constructions & Properties Pvt Ltd
14 OMCI Ship Management Pvt Ltd

II Key Management Personnel

1 H.K Mittal
2 A.J. Agarwal
3 Shalabh Mittal
4 K. Raheja

III Relative of Key Management Personnel

1 Adip Mittal
2 Shruti Mittal

(Amount ₹ in Lakhs)

B Details of Transactions with above Parties

Name of the Transaction	Promoter Group Companies		Joint Venture		Total	
	Current Yr	Previous Yr	Current Yr	Previous Yr	Current Yr	Previous Yr
Services Rendered	**-**	1,912.51	**-**	-	**-**	1,912.51
Services Received	**105.69**	3.60	**-**	-	**105.69**	3.60
Reimbursment of Expenses/Stores/Bunker Paid	**643.48**	60.99	**-**	-	**643.48**	60.99
Reimbursment of Expenses/Stores/Bunker Received	**0.08**	0.51	**-**	-	**0.08**	0.51
Issue of Shares to Optimum Oil & Gas Ltd		1.10			**-**	1.10
Advances						
Advances Given During the Year	**4,914.46**	259.97	**-**	-	**4,914.46**	259.97
Advances Returned Back During the Year	**10.16**	5,114.46	**-**	-	**10.16**	5,114.46
Outstanding balances as on March 31, 2011						
Loans ,Advances and Receivables						
Advances	**318.13**	328.27	**-**	327.79	**318.13**	656.06
Outstanding Balances of Sundry Debtors and Sundry Creditors as on March 31, 2011						
Sundry Debtors	**1,003.53**	41.49	**-**	-	**1,003.53**	41.49
Sundry Creditors	**139.42**	-	**-**	-	**139.42**	-
Deposits						
Balance as on March 31, 2011	**565.00**	565.00	**-**	-	**565.00**	565.00
Remuneration paid to Key Management Personnel	**690.84**	844.22				
Remuneration paid to Relative of Key Management Personnel	**5.58**	2.27				

Consolidated Schedules forming part of Annual Accounts

C Partywise Details of Material Transactions

(Amount ₹ in Lakhs)

Name of the Transaction	Promoter Group Companies		Joint Venture		Total	
	Current Yr	Previous Yr	Current Yr	Previous Yr	Current Yr	Previous Yr
Services Rendered						
MLL Logistics Private Limited	-	1,912.51	-	-	-	1,912.51
TOTAL	-	1,912.51	-	-	-	1,912.51
Services Received						
MLL Logistics Private Limited	3.60	3.60	-	-	3.60	3.60
OMCI Ship Management Pvt Limited	32.77	-	-	-	32.77	-
Oilmax Energy Private Limited	69.32				69.32	
TOTAL	105.69	3.60	-	-	105.69	3.60
Reimbursments of Expenses/Stores/Bunker Paid						
Ankur Fertilizers Private Limited	-	60.29	-	-	-	60.29
OMCI Ship Management Pvt Limited	630.85	-	-	-	630.85	-
TOTAL	630.85	60.29	-	-	630.85	60.29
Reimbursments of Expenses/Stores/Bunker Received						
Mech Marine Engineers Pvt Ltd	0.06	0.34			0.06	0.34
MMAXX Dredging Pvt Ltd	0.02	0.17	-	-	0.02	0.17
TOTAL	0.08	0.51	-	-	0.08	0.51
Issue of Shares to Optimum Oil & Gas Ltd		1.10	-	-	-	1.10
Advances						
Advances Given During the Year						
MLL Logistics Pvt Ltd	-	250.00	-	-	-	250.00
Mech Marine engineers Pvt Ltd	4,914.46	-	-	-	4,914.46	-
TOTAL	4,914.46	250.00	-	-	4,914.46	250.00
Advances Received Back During the Year						
Mech Marine engineers Pvt Ltd	-	4,914.46	-	-	-	4,914.46
Oorja Resources India Pvt Ltd	9.97	-	-	-	9.97	-
TOTAL	9.97	4,914.46	-	-	9.97	4,914.46

Partywise Details of Material Transactions

(Amount ₹ in Lakhs)

Name of the Transaction	Promoter Group Companies		Joint Venture		Total	
	Current Yr	Previous Yr	Current Yr	Previous Yr	Current Yr	Previous Yr
Outstanding balances as on March 31, 2011						
Loans, Advances and Receivables						
Advances						
MLL Logistics Pvt Ltd	**318.13**	318.13	**-**	-	**318.13**	318.13
PT Mega Coal Indomine				327.79	**-**	327.79
TOTAL	**318.13**	318.13	**-**	327.79	**318.13**	645.92
Outstanding Balances of Sundry Debtors and Sundry Creditors as on March 31, 2011						
Sundry Debtors						
MLL Logistics Private Limited	**1,003.53**	41.49	**-**	-	**1,003.53**	41.49
TOTAL	**1,003.53**	41.49	**-**	-	**1,003.53**	41.49
Sundry Creditors						
OMCI Ship Management Pvt Limited	**129.33**	-	**-**	-	**129.33**	-
TOTAL	**129.33**	-	**-**	-	**129.33**	-
Deposit						
Balance as on March 31, 2011						
MLL Logistics Private Limited	**500.00**	500.00	**-**	-	**500.00**	500.00
TOTAL	**500.00**	500.00	**-**	-	**500.00**	500.00

Consolidated Schedules forming part of Annual Accounts

8. Disclosure in respect of operating lease (as Lessee):

₹ (in Lakhs)

	Year Ended March 31, 2011	Year ended March 31, 2010
(a) Operating Leases		
Disclosures in respect of cancelable agreements for office premises taken on lease		
(i) Lease payments recognized in the Profit and Loss Account	**1,458.64**	512.07
(ii) Significant leasing arrangements		
The Company has given refundable interest free security deposits under the agreements.		
The lease agreements are for a period from 60- 108 months.		
These agreements also provided for increase in rent.		
These agreements are non cancellable by both the parties for 24–60 months except in certain exceptional circumstances.		
(iii) Future minimum lease payments under non-cancellable agreements		
Not later than one year	**1,551.35**	491.12
Later than one year and not later than five years	**838.53**	325.02
Later than five years	**NIL**	NIL

9. Disclosure in respect of operating lease (as Lessor):

₹ (in Lakhs)

	Year Ended March 31, 2011	Year ended March 31, 2010
(a) Operating Leases		
Disclosures in respect of cancellable agreements for office given on lease		
(i) Lease receipt recognized in the Profit and Loss Account	144.00	144.00
(ii) Significant leasing arrangements		
- The Company has taken refundable interest free security deposits under the agreements.		
The lease agreements are for a period of 60 months.		
- These agreements are non cancelable by both the parties for 18 months except in certain exceptional circumstances.		
(iii) Future minimum lease receivable under non-cancellable agreements		
- Not later than one year	NIL	NIL
- Later than one year and not later than five years	NIL	NIL
- Later than five years	NIL	NIL
Disclosures in respect of cancellable agreements for Rig given on lease		
(i) Lease receipt recognized in the Profit and Loss Account	14,178.88	15,969.07
(ii) Significant leasing arrangements		
- The lease agreements are for a period of 36 months.		
- These agreements are non cancelable by both the parties except in certain exceptional circumstances.		
(iii) Future minimum lease receivable under non-cancellable agreements		
- Not later than one year	NIL	15,273.34
- Later than one year and not later than five years		
- Later than five years	NIL	14,436.45

General description of leasing arrangement:

(i) Leased Assets: Office premises, Godown And Rig

(ii) Future Lease rentals are determined on the basis of agreed terms.

10. Disclosure in respect of finance lease (as Lessee):

(₹ in Lakhs)

	Total Minimum Lease Payments outstanding	
	As at March 31, 2011	As at March 31, 2010
Within 1 year	**39.84**	3.00
Later than 1 year and not later than 5 years	**120.38**	4.49
Later than 5 years	**Nil**	Nil
TOTAL	**160.22**	7.49
Less: Interest	**22.21**	1.18
Present Value of Minimum Lease Payments	**138.01**	6.32

11. Earning Per Share

Amount ₹ in Lakhs

	Year Ended March 31, 2011	Year Ended March 31, 2010
Net Profit after Tax, Minority interest		
- Basic	**4,684.75**	5,323.91
- Diluted	**4,684.75**	5,323.91
Number of Shares used in computing Earning Per Share		
- Basic	**237,893,991**	235,946,403
- Diluted	**237,893,991**	235,946,403
Earning per share (equity shares of face value Re 1/-)		
- Basic (in ₹)	**1.97**	2.26
- Diluted (in ₹)	**1.97**	2.26

12. During FY 2008-09, the company had opted for accounting the exchange differences arising on reporting of long term foreign currency monetary items in line with the notification of Ministry of Corporate Affairs (MCA) dated March 31, 2009, on Accounting Standard (AS)-11. In line with the above notification, gains/losses arising during the year from the effect of changes in foreign exchange rates on foreign currency loans relating to acquisition of depreciable capital assets, are adjusted to the cost of the fixed assets. The net deduction from fixed assets on account of the same is ₹ 385.53 Lakhs (previous year ₹ 11,685.99 Lakhs).

Consolidated Schedules forming part of Annual Accounts

13. Foreign Currency Exposures

The year end exposure in a currency other than the functional currency of the relevant Company that were not hedged by a derivative instrument or otherwise are given below:

	2010-11		2009-10	
	₹ Lakhs	**Fx.Million**	₹ Lakhs	Fx.Million
Account Receivable	**9,370.76**	**USD 20.99**	7,006.56	USD 15.52
Balance in Bank	**206.45**	**USD 0.07**	9,917.90	USD 21.89
		SGD 0.50		SGD 0.12
Fixed Deposit with foreign Bank	**NIL**	**NIL**	40.22	USD 0.09
Loan & Advances	**3,911.85**	**USD 8.18**	3,379.75	USD 6.96
		SGD 0.27		Euro 0.14
		Euro 0.22		JPY 11.64
		JPY 3.02		SGD 0.28
		SLR 0.13		AUD 0.01
		DKK 0.05		SLR 0.02
Advance from Customers	**165.66**	**USD 0.37**	127.17	USD 0.28
Accounts Payable/Acceptance	**3,321.36**	**USD 6.09**	4477.83	USD 8.26
(including capital commitments		**SGD 1.04**		Euro 0.07
made but not provided for)		**Euro 0.68**		SGD 1.64
		JPY 34.25		JPY 29.88
				DKR 0.26
				AED 0.09
				HKD 0.04
				NOK 0.05
Borrowings	**78,058.92**	**USD 174.82**	1,01,366.38	USD 224.56

14. Previous years figures have been regrouped/rearranged wherever necessary.

As per our report of even date

For and on behalf of the Board

For Contractor, Nayak & Kishnadwala
Chartered Accountants

H. K. Mittal
Executive Chairman

A. J. Agarwal
Managing Director

M G. Ramkrishna
Director

Himanshu Kishnadwala
Partner

Kapil Garg
Director

Suchita Shirambekar
Company Secretary

Dated: May 28, 2011
Place: Mumbai

Dated: May 28, 2011
Place: Mumbai

NOTICE

NOTICE is hereby given that the Twenty Seventh Annual General Meeting of the members of Mercator Lines Limited will be held at C. K. Nayudu Hall, The Cricket Club of India Limited, Brabourne Stadium, Churchgate, Mumbai - 400020 on Thursday, September 22, 2011, at 4:00 p.m., to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2011, the Audited Profit and Loss Account for the year ended on that date, together with the Reports of the Board of Directors and Auditors thereon.

2. To appoint a Director in place of Mr. K. R. Bharat who retires by rotation and being eligible, offers himself for re-appointment.

3. To approve not to fill up vacancy caused by the retirement of Mr. Anil Khanna, who retires by rotation and does not seek re-appointment.

4. To appoint Auditors to hold the office from the conclusion of this meeting, until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

5. To consider, and if thought fit, to pass with or without modifications, the following resolution as an **Ordinary Resolution:**

   "**RESOLVED THAT** Mr. M. M. Agrawal, who was appointed as an Additional Director of the Company on August 12, 2011 by the Board of Directors and who holds the office upto the date of this Annual General Meeting under Section 260 of the Companies Act, 1956; and in respect of whom the Company has received a notice in writing pursuant to the provisions of Section 257 of the Companies Act, 1956, from a member of the Company proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company liable to retire by rotation."

6. To consider and if thought fit, to pass with or without modifications, the following resolution as a **Special Resolution:**

"**RESOLVED THAT** in accordance with and subject to the provisions of Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956, Foreign Exchange Management Act, 1999 (including any statutory modification(s) or re-enactment thereof for the time being in force), Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme, 1993 and pursuance of the provisions of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (including the Regulations for Qualified Institutions Placement (QIP), i.e. Chapter VIII thereof ("SEBI QIP Regulations")) and all other applicable Rules, Regulations, Notifications, Circulars, and Guidelines if any, of the Securities and Exchange Board of India (SEBI), the Reserve Bank of India (RBI), the Stock Exchanges where the securities of the Company are listed (including provisions of the listing agreement with them), and other concerned and relevant authorities, and other applicable laws, if any, in India/Overseas and the relevant provisions of the Memorandum and Articles of Association of the Company; and subject to such approvals, consents, permissions, or sanctions of the Government of India (GOI), RBI, SEBI and any other Domestic/Overseas appropriate authorities, institutions or bodies as may be necessary and subject to such terms, conditions, stipulations, alterations, amendments, modifications or variations as may be prescribed by any of them in granting any such approvals, consents, permissions, or sanctions and which may be agreed to by the Board of Directors (hereinafter referred to as the "Board", which term shall be deemed to include any Committee of Directors for the time being authorised by the Board of Directors to exercise the powers conferred on the Board by this resolution), consent of the Company be and is hereby accorded to the Board to create, offer, issue and allot on behalf of the Company, in one or more tranches (including with provision for reservation on firm and/or competitive basis) of public or private offerings in international/ domestic markets, to Domestic/Foreign Investors/ Institutional Investors/Foreign Institutional Investors, Qualified Institutional Buyers, Members, Employees, Non-Resident Indians, Companies or Bodies Corporate whether incorporated in India or abroad, Trusts, Mutual Funds, Banks, Financial Institutions, Insurance Companies, Pension Funds, Individuals or otherwise, whether shareholders of the Company or not, through a Public Issue, Rights Issue, Private Placement, Preferential Issue, or any other form of permitted issue, with or without an over-allotment option or Green Shoe Option, in the equity shares and/or equity shares through Global Depository Receipts ("GDRs") and/or American Depository Receipts ("ADRs") and/ or any other Depository Receipts, and/or Foreign Currency Convertible Bonds ("FCCBs") and/or any securities convertible into equity shares at the option of the Company and/or holder(s) of the securities and/or securities linked to equity shares and/or securities with warrants carrying right to subscribe to equity shares, including any instruments or securities representing either equity shares and/or Foreign Currency Convertible Bonds or Convertible Securities or securities linked to equity shares or securities with equity shares/fully convertible debentures/ partly convertible/non convertible debentures or any securities other than warrants, which are convertible or exchangeable with equity shares at a later date, or are attached with any other instrument carrying an option to subscribe to equity shares of the Company; to Qualified Institutional Buyers ("QIBs") under Chapter VIII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, or a combination of the foregoing (hereinafter collectively referred to as "Securities") whether secured by way of creating charge on the assets of the Company or unsecured, and whether fully paid or partly paid at any point of time as may be permissible; up to an aggregate amount not exceeding USD 50 mn (United State Dollars Fifty mn Only), or the sum equivalent thereof in Indian Rupees (inclusive of such premium as may be determined) and such offer, issue and allotment to be made at such time or times, in such currency, at such price or prices, at discount or premium to market price (subject to applicable restrictions on minimum offering/ conversion price for equity shares or securities of the Company), in such form and manner and on such other terms and conditions, as may be decided and deemed appropriate by the Board at the time of such offer, issue and allotment.

RESOLVED FURTHER THAT in case of allotment of Securities by way of QIP as per the provisions of Chapter VIII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009:

(i) The issue of securities/equity shares is made at such price being not less than the price determined in accordance with the pricing formula of the aforementioned SEBI QIP Regulations.

(ii) the number and/or conversion price in relation to equity shares that may be issued and allotted directly or on conversion of Securities that may be issued pursuant to this resolution including by way of a QIP in accordance with the SEBI QIP Regulations as mentioned above shall be appropriately adjusted for corporate actions such as bonus issue, rights issue, split and consolidation of share capital, merger, demerger, transfer of undertaking, sale of division or any such capital or corporate restructuring;

(iii) The securities/Shares allotted shall not be eligible to be sold for a period of one year from the date of allotment, except on a recognised Stock Exchange, or except as may be permitted from time to time by the SEBI QIP Regulations;

(iv) the total amount raised in such manner should not, together with the over-allotment option exceed five times the net worth of the Company as per the audited balance sheet of the previous financial year;

(v) the relevant date for the determination of applicable price for the issue of the Securities means the date of the meeting in which the Board of the Company or a duly authorised Committee of Directors decides to open the proposed issue;

(vi) the Company shall ensure that the Securities are fully paid up and that the issue of Securities is made within 12 (twelve) months from the approval of this resolution by the members of the Company, or such other time as may be allowed under the SEBI QIP Regulations from time to time, or by SEBI/Stock Exchanges(s) or any other appropriate Authorities

RESOLVED FURTHER THAT the Company and/or any entity, agency or body authorised and/or appointed by the Company, may issue depository receipts representing the underlying Securities issued by the Company in negotiable registered or bearer form with such features and attributes as are prevalent in international capital markets for instruments of this nature and to provide for the tradability and free transferability thereof as per international practices and regulations (including listing on one or more stock exchange(s) inside or outside India) and under the forms and practices prevalent in the international/ Domestic market.

RESOLVED FURTHER THAT the Company through its Board or any of its Committee and/or any agency or body authorised by the Company (through its Board/ Committee), may issue receipts/certificates or other requisite documents representing the underlying Securities issued/to be issued by the Company with such features and attributes as are prevalent in Indian/international capital markets, for instruments of this nature and provide for the tradability or free transferability thereof as per laws, rules, regulations and Regulations under the forms and practices prevalent in the Domestic/international Capital markets.

RESOLVED FURTHER THAT the Board be and is hereby authorised to create, issue and allot, from time to time, such number of Equity Shares/Securities at such price (including premium) that may be decided by the Board in its absolute discretion, as may be necessary in accordance with the terms of the offering of any of the aforesaid Securities, including additional Equity Shares or Securities, to retain oversubscription upto such percentage (as may be permitted by the appropriate authorities or under applicable rules, regulations and guidelines), all such Shares/Securities to rank pari-passu in all respects, with the then existing respective fully paid-up Shares/Securities or proportionately paid up Shares/Securities, as the case may be, of the Company but shall be subject to such lock-in requirements as may be prescribed by appropriate authorities under applicable laws, if any.

RESOLVED FURTHER THAT for the purpose of giving effect to any offer, issue or allotment of Securities or Instruments or Equity Shares or Securities representing the same, the Board be and is hereby authorised on behalf of the Company to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary or desirable for such purpose, including but without limitation, determining the type, form and manner of the issue/ securities, the class of eligible investors to whom the securities are to be offered, issued and allotted in each tranche, issue price, face value, premium amount on issue/conversion of Securities/exercise of warrants/redemption of securities, rate of interest, amount to be called on application, allotment, or on subsequent calls, conversion or redemption period, appointment of Managers, Lead Managers, Merchant Bankers, Guarantors, Financial and/or Legal Advisors, Consultants, Depositories, Custodians, Registrars, Trustees, Bankers, and all other agencies or intermediaries, whether in India or abroad, and to remunerate them by way of commission, brokerage, fees or the like, entering into or execution of all such agreements/arrangements/Memorandum of Understandings/documents with any authorities/ agencies, listing of the Shares/Securities (including the resultant Equity Shares to be issued as per the terms of issue of the said Securities) on any Indian and/or Foreign Stock Exchange(s), as the Board may in its absolute discretion deem fit.

RESOLVED FURTHER THAT the Board be and is hereby authorised to issue and allot such number of Shares/Securities as may be required, including issue and allotment of equity shares upon conversion of any securities referred to above or as may be necessary in accordance with the terms of the offer, all such equity shares ranking pari passu and inter-se with the then existing equity shares of the Company in all respects.

RESOLVED FURTHER THAT in the event of issue of Securities by way of FCCBs, GDRs and/or ADRs, and/or other Depository Receipts or in any form, in international market, the relevant date on the basis of which price of the resultant shares shall be determined as specified under applicable law, shall be the date of the meeting in which the Board decides to open the proposed issue of Securities.

RESOLVED FURTHER THAT the Board be and is hereby authorised to settle all questions, difficulties, doubts or problems that may arise in regard to the offer, issue, or allotment of Securities (including resultant equity shares) and utilisation of the issue proceeds, fully or partly cancel the issue or amend any terms of it (subject to necessary statutory approvals) as it may in its absolute discretion deem fit, without being required to seek any further consent or approval of the members or otherwise, with the intent that the member shall be deemed to have given their approval thereto expressly by the authority of this resolution.

RESOLVED FURTHER THAT such of these Securities as are not subscribed, may be disposed off by the Board in its absolute discretion in such a manner, as the Board may deem fit and as permissible by law.

RESOLVED FURTHER THAT to give effect to the aforesaid resolution, the Board be and is hereby authorised to delegate all or any of the powers herein conferred to any committee of Directors or Managing Directors or any Director(s) or other officer of the Company, or to any intermediary or agent, or advisor of the Company, or to such other person(s) as the Board may think fit and necessary at its absolute discretion."

7. To consider and if thought fit, to pass with or without modifications, the following resolution as a **Special Resolution:**

"RESOLVED THAT pursuant to Section 21 and other applicable provisions of the Companies Act, 1956 and subject to approval of the Central Government, the name of the company be changed from its existing name i.e. "Mercator Lines Limited" to "Mercator Limited" or any other name that may be allowed by Registrar of Companies, Maharashtra, Mumbai/ Ministry of Corporate Affairs and accordingly, the name "Mercator Lines Limited" wherever it appears in the Memorandum of Association, Articles of Association, and other records of the Company, be substituted by the new name of the Company, i.e. "Mercator Limited" or any such name that may be allowed by the Registrar of Companies Maharashtra, Mumbai/Ministry of Corporate Affairs.

RESOLVED FURTHER THAT Board of Directors of the Company or any one of them be and is hereby authorised to take all necessary steps to implement the above resolution and to do all such acts, deeds, matters and things that are required to be done in this regard; and to accept such terms and conditions as may be prescribed by any appropriate authority while approving the proposed change of name of the Company."

By Order of the Board
For Mercator Lines Limited

H. K. Mittal
Executive Chairman

Regd. Office:
3rd Floor, Mittal Tower, B - wing,
Nariman Point, Mumbai - 400021.
Dated: August 12, 2011.

NOTES:

1. The relevant explanatory statement in respect of item nos. 5 to 7 of the special business setting out material facts about the item of business are annexed herewith and forms part of this notice.

2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.

3. The Instrument of proxy, in order to be effective, must be deposited at the Company's registered office not less than forty-eight hours before the time of the meeting.

4. The relevant details as required under Clause 49 (IV) (G) (i) & (ia) of the Listing Agreement entered into with the Stock Exchanges, of persons seeking appointment/ re-appointment as Directors under Item nos. 2 and 5 of the Notice, are annexed to the Notice.

5. Members desiring any information on the accounts at the Annual General Meeting are requested to write to the Company at least 7 days in advance, so as to enable the Company to keep the information ready.

6. The Register of Members and Share Transfer Books will remain closed from Thursday, September 15, 2011 to Thursday, September 22, 2011 (both days inclusive).

7. a) Pursuant to Section 205A of the Companies Act, 1956, unpaid dividend for and up to the financial year 1994-95 has been transferred to the General Revenue Account of the Central Government. Those members, who have not encashed the dividend warrant for the said year, are requested to claim their dividend amount from the Registrar of Companies, Maharashtra.

   b) Pursuant to the amended provisions of the said Act, the amount of dividend in respect of the years 1995-96 to 2002-2003 remaining unpaid or unclaimed for a period of seven years have been transferred to the Investors Education and Protection Fund.

   c) The members who have not encashed their dividend warrants for any of the subsequent years are requested to write to the Company for issue of duplicate warrants in their own interest.

8. Members are requested to notify immediately any changes in their address to the Company/Registrar & Transfer Agents. In case their shares are held in dematerialised form, the information should be passed on to their respective Depository Participants without any delay.

9. The Reserve Bank of India has initiated the National Electronic Clearance Services (NECS) for credit of dividend directly to the bank accounts of members. Members holding shares in physical form are requested to provide their latest bank account details (Core Banking Solutions enabled account number, 9 digit MICR and 11 digit IFS code) along with their folio numbers to the Company's Registrars and Transfer Agents and if the shares are held in dematerialised form, the information should be provided to their respective Depository Participant to enable the Company to print the same on the dividend warrants/ to avail of ECS/NECS facility, wherever applicable.

10. Members, who hold shares in de-materialised form are requested to bring their Client ID and DP ID Nos. for easier identification of attendance at the meeting.

11. All the documents referred to in this notice are available for inspection of the members at the registered office of the Company on any working day between 11:00 a.m. to 1:00 p.m. and shall also be made available for inspection during and up to the conclusion of the said Annual General Meeting.

12. The Ministry of Corporate Affairs, Government of India, has taken a "Green Initiative in Corporate Governance" by allowing paperless compliances by the Companies and has issued Circulars inter alia stating that the service of notice/documents to the Members can be made in electronic mode.

    This move by the Ministry is welcome since it will benefit the society at large through reduction in paper consumption and contribution towards a Greener Environment. In support of the Green Initiative introduced by MCA, your Company thus proposes to send all documents to be sent to Shareholders like General Meeting Notices (including EGM), Audited Financial Statements, Directors' Report, Auditors' Report, and all other documents as may be allowed henceforth to the shareholders in electronic form in lieu of the physical form and accordingly sent a Circular dated June 5, 2011 by e-mail to those Members who have registered their e-mail address with their Depository Participant and made available to the Company by the Depositories, informing them about the Company's proposal to send the documents in electronic mode. These Members were also given an option to continue to receive the documents in Physical Form. Accordingly, based on the options received from the members, the Annual Report for the year 2010-11, Notice for the Annual General Meeting, etc. are being sent in electronic mode at their e-mail addresses made available with the Company.

    Members are requested to whole-heartedly support this initiative of Greener Environment by registering/ updating their e-mail addresses, with the Depository Participant (in case of Shares held in dematerialised form) or with Registrar & Transfer Agent (in case of Shares held in physical form).

The Notice of this meeting along with Explanatory Statement, Balance Sheet, Profit & Loss Account, Auditor's Report, Director's Report, etc., are available on the website of the Company www.mercator.in; and the said documents will also be made available for inspection at the Registered Office of the Company, during the office hours.

13. Details of Directors Seeking Appointment/Re-appointment at the Annual General meeting is as under:

Name of the Director	Mr. K. R. Bharat	Mr. M. M. Agrawal
Date of Birth	23/06/1962	04/08/1950
Date of Appointment	30/07/2007	12/08/2011
Qualifications	MBA from Indian Institute of Management, Ahmedabad	Bachelor of Engineering from Nagpur University
Expertise in specific functional area	26 years experience in Merchant Banking, Equities and Investment banking, Risk management, Research etc.	35 years of vast experience in Banking and Finance Industry.
Directorship held in other Companies	Advent Advisory Services Private Ltd. BSR Advent Advisors Ltd. Uttaranchal Biodiesel Ltd. Maruti Koatsu Cylinders Ltd. Vaitarna Marine Infrastructure Pvt.Ltd. (Erstwhile Mechmarine Engineers Pvt. Ltd.)	Karuturi Global Ltd. Jaguar Overseas Ltd. Axis Private Equity Ltd. Coastal Projects Ltd. Essar Power Ltd. Bombay Rayons Fashion Ltd.
Membership/Chairmanships of committees of other public companies (Includes only Audit Committee and Shareholders/ Investors Grievance Committee)	-	-
No. of shares held in the Company	-	-
No. of warrants held	25,00,000 (through a company in which Mr. Bharat is interested)	-

No Director of the Company, including those mentioned above, is *inter-se* related to other Directors of the Company.

By Order of the Board
For Mercator Lines Limited

H. K. Mittal
Executive Chairman

Regd. Office:
3rd Floor, Mittal Tower, B-wing,
Nariman Point, Mumbai -400021.
Dated: August 12, 2011.

EXPLANATORY STATEMENT

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 ANNEXED TO AND FORMING PART OF THE NOTICE:

ITEM NO. 5:

Mr. M. M. Agrawal was appointed as an Additional Director of the Company on August 12, 2011 by the Board of Directors of the Company. According to the provisions of Section 260 of the Companies Act, 1956, he holds the office up to the date of this Annual General Meeting. As required under Section 257 of the Act, a notice has been received from a member signifying his intention to propose the appointment of Mr. Agrawal as a Director alongwith the requisite deposit.

In the interest of the Company, the Board recommends the resolution at item no. 5 for your approval.

Mr. Agrawal, who is proposed to be appointed as a Director of the Company, is interested in the resolution relating to his appointment to the extent of the benefits that he may derive from the office of the Director. Except him, no other Director of the Company is in any way concerned or interested in this Resolution.

ITEM NO. 6:

To strengthen its business plans as well as to augment long term working capital/general corporate requirements including organic and inorganic expansions, whether directly or through subsidiaries/Joint Ventures, etc. the Company is proposing to raise funds at low cost, by issue of shares and/or other securities in Domestic and/or international market, which could be converted into equity, facilitating implementation of the plans with speed and economy.

The Board of Directors of the Company has therefore, at its meeting held on August 12, 2011 proposed that the said fund requirement be either met from international market through issue of Foreign Currency Convertible Bonds (FCCBs), or Global Depository Receipts (GDRs) or issue of securities/shares under the Qualified Institutional Placement (QIP) route, or such other Securities/instrument(s), as may be finalised by the Board or its duly authorised Committee, to the extent of USD 50 mn or equivalent sum in Indian Rupees in the manner as set out in resolution under this Item of the notice.

The said resolution is enabling resolution seeking approval of the members of the Company for proposed issue(s) of Securities and is proposing to confer authority on the Board to do all acts and deeds which may be required to offer, issue and allot securities of appropriate nature at opportune time, including the size, structure, price, timing and other terms and conditions of the offer/issue.

The pricing of the issue will be subject to applicable Indian law. The same would be the case if the Board of Directors decide to undertake a QIP under Chapter VIII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.

As the pricing of the offering cannot be decided except at a later stage, it is not possible to state the price or the exact number of Securities to be issued, which in all cases, be subject to the applicable rules, regulations, guidelines and other statutory provisions. For the reasons aforesaid, an enabling resolution is therefore proposed to be passed to give adequate flexibility and discretion to the Board to finalise the terms of the issue. The Securities issued pursuant to the offering(s) would be listed on the stock exchanges in India or outside India and on their conversion into shares, on the stock exchanges on which the Company's equity shares are listed.

The other terms and conditions of the QIP or the detailed terms and conditions for the international offerings (as the case may be, depending upon which mode of issue of securities the Board decides to opt for), will be determined in consultation with the lead managers, consultants, advisors, underwriters and/or such other intermediaries as may be appointed for the issue/offer. Wherever necessary and applicable, the pricing of the offer/issue will be finalised in accordance with applicable Regulations in force of the Government of India, Securities and Exchange Board of India, the Reserve Bank of India and other appropriate authorities.

Section 81(1) of the Companies Act, 1956 inter-alia provides that whenever it is proposed to increase the subscribed capital of the Company by issue of further shares, such shares shall first be offered to the existing shareholders of the Company in the manner laid down in the said Section; unless the Shareholders decide otherwise by a special resolution. Accordingly, consent of the members of the Company is being sought pursuant to the provisions of

Section 81(1A) and all other applicable provisions of the Companies Act, 1956 and in terms of the provisions of the listing agreements executed by the Company with the Stock Exchanges, and other applicable laws, rules, regulations and Regulations, authorising the Board to create, offer, issue and allot securities as stated in the said resolution, which would result in issuance of further securities of the Company to persons other than the existing members, in accordance with the terms and nature of the securities.

Your Directors recommend the said special resolution for your approval, as they feel the same to be in the interest of the Company.

None of the Directors of the Company is in any way concerned or interested in the proposed resolution.

ITEM NO. 7:

Your Company was incorporated under the name "Mercator Lines Limited", with a view to carry on shipping and relative activities. It initially specialised in coastal shipping. Later on the Company expanded its activities in other areas of shipping such as tankers, bulkers, etc.; and over a period of time, it well established itself in shipping.

The shipping industry is cyclical in nature. To insulate itself from this cyclicality, your company implemented diversification during past some years and today has well established itself in strong business verticals such as Shipping, Oil & Gas, Coal Mining; Procurement, and Logistics. With the Company achieving success in all the diversified activities, it is popularly known as "Mercator" in all the business activities it is engaged.

With the help of well diversified activities under its fold, the Company has grown many fold, with its turn over for the year ended March 31, 2011 touching ₹ 2829 cr on consolidated basis and Shipping business contributing to 43% of the business and other segments contributing to 57%; the present name, though well recognised is largely representative of the shipping business, which though an important vertical of the company today, is no longer only one or the largest.

In view of the above, the word "Lines" in its present name is now felt as restricting and limiting about its scope of activities. As a result, your Board of Directors at its meeting held on August 12, 2011 decided to accordingly take advantage of well established corporate and group identity and Trademark of your Company; and to change the name of your Company from "Mercator Lines Limited" to "Mercator Limited", or any other name that may be allowed by the Registrar of Companies, Maharashtra, Mumbai, to whom necessary application is being made for obtaining availability of the said new name. Upon receipt of approval from the Registrar of Companies, Maharashtra, Mumbai, for the same; as per the provisions of Section 21 of the Companies Act, 1956, approval of the Central Government will be applied for Change of Name of the Company.

As required under provisions of Section 21 of the Companies Act, 1956, approval of the members of the Company is therefore sought by special resolution under this head of item for changing the name of the Company as proposed in the said resolution.

This business decision regarding the change in the name of the Company is part of our branding strategy for the Mercator Group and in no way a change in constitution/control/management of the Company.

Your Directors feel the said resolution to be in the interest of the Company and recommends the same for your approval.

None of the Directors of the Company is any way concerned or interested in the proposed resolution.

By Order of the Board
For Mercator Lines Limited

H. K. Mittal
Executive Chairman

Regd. Office:
3rd Floor, Mittal Tower, B-wing,
Nariman Point, Mumbai -400021.
Dated: August 12, 2011.

Notes

MERCATOR LINES LIMITED

Regd. Office: 3rd Floor, Mittal Tower, B-Wing, Nariman Point, Mumbai-400 021.

DP ID* .... R.F. No. ....

Client ID* .... No. of share(s) held ....

ATTENDANCE SLIP

I/We hereby record my/our presence at the 27th Annual General Meeting of the Company to be held at C. K. Nayudu Hall, The Cricket Club of India Limited, Brabourne Stadium, Churchgate, Mumbai - 400020 on Thursday, September 22, 2011 at 4:00 p.m.

NAME OF THE SHAREHOLDER
(IN BLOCK LETTERS) ....

SIGNATURE OF THE SHAREHOLDER ....

NAME OF THE PROXY
(IN BLOCK LETTERS) ....

SIGNATURE OF THE PROXY ....

NOTES:

1. You are requested to sign and hand over this slip at the entrance.
2. If you intend to appoint a proxy to attend the meeting instead of yourself, the proxy form must be deposited at the Registered Office of the Company at 3rd Floor, Mittal Tower, B-Wing, Nariman Point, Mumbai - 400 021, not less than 48 hours before the time for holding the meeting.

MERCATOR LINES LIMITED

Regd. Office: 3rd Floor, Mittal Tower, B-Wing, Nariman Point, Mumbai-400 021.

DP ID* .... R.F. No. ....

Client ID* .... No. of share(s) held ....

FORM OF PROXY

I/We.. of ....in the district of ....being a member / members of the above named Company hereby appoint..of .... in the district of .... or failing ....as my/ our proxy to vote for me / us on my / our behalf at the 27th Annual General Meeting of the Company to be held on Thursday, September 22, 2011 at 4:00 p.m. and at any adjournment thereof.

Signed this .... day of 2011

Signature ....

Please Affix Revenue Stamp

Note: The proxy form must be deposited at the Registered Office of the Company at 3rd Floor, Mittal Tower, B-Wing, Nariman Point, Mumbai – 400 021, not less than 48 hours before the time for holding the meeting.

* Applicable in case of Shares held in de-mat form.

MERCATOR LINES
LIMITED

Registered office
3rd Floor, Mittal Tower, B-wing, Nariman Point, Mumbai-400021, India.
Tel : 91-22-66373333 / 40373333 Fax : 91-22-66373344
Website: www.mercator.in
Email : mercator@mercator.in