# <u>PRESS RELEASE</u>

## G E Shipping registers record growth in Q on Q Net Profits

# Net Profits at Rs. 353 crores, up by 245%

The Board of Directors of The Great Eastern Shipping Company Ltd. (GE Shipping) today approved the unaudited Financial Results (Provisional) for the first quarter of FY2005-06 ended on June 30, 2005.

## Financial performance:
## <u>Q1 FY 2005-06 vs Q1 FY 2004-05</u>

- Total income of around Rs.771 crores up by 85 %.
- Operating Profit of around Rs.473 crores up by 119%.
- Net Profit of Rs.353 crores up by 245%.

Shipping division's contribution to total revenue and profit before tax and interest stood at 86 % and 91% respectively for the quarter while the offshore division contributed around 9% to the total revenue and 5% to the profit before tax and interest.

## Company's Performance

The Company's performance can be primarily attributed due to gain on sale of the VLCC, a 14% rise in shipping revenue days, improved day rates achieved on spot fixtures and due to time charter renewals at improved rates.

SHIPPING DIVISION

During the quarter, revenue days at 3,783 were higher by around 14% as compared to Q1FY 2004-05 (3311) while tonnage at 3.06 mn. dwt increased marginally by 9%.

Crude carriers earned an average TCY (average of period and spot fixtures) of around USD 26,922 /day as against USD 23,744/day in Q1 FY 2004-05, an increase of around 13%. Product tankers (average of period and spot fixtures) recorded a 32% rise in earnings at an average TCY of USD 19,437/day (corresponding quarter USD 14,734/day). Gas carriers registered a TCY of USD 16,505/ day in Q1 FY 2005-06. The average TCY of dry bulk carriers in Q1 FY 2005-06 at around USD 22,590/day recorded an increase of 10 % as compared to around USD 20,462/day in the corresponding quarter of FY 2004-05.

Below is a table providing category wise earnings breakup for the quarter under review:

| Ship Category | Spot Fixture | Period Fixture | Structured Fixture |
|---|---|---|---|
| | **AV. TCY (days)** | **AV. TCY (days)** | **AV. TCY (days)** |
| **TANKERS:** | | | |
| VLCC | 41,374 (190) | - | - |
| Suezmax | 39,051 (289) | - | - |
| Aframax | 25,028 (259) | 18,512 (685) | - |
| Panamax | - | 20,834 (133) | 12,500 (48) |
| MR | 27,406 (183) | 16,590 (517) | 23,644 (173) |
| GP | - | 18,386 (540) | - |
| LPG | - | 16,505 (176) | - |
| **DRYBULK:** | | | |
| Panamax | - | 30,450 (91) | - |
| Handymax | 22,322 (232) | - | - |
| Handysize | 20,610 (354) | 23,162 (89) | - |

OFFSHORE DIVISION

While the induction of PSVs contributed in the division's revenues, the same was offset due to the continued upgradation of the rig "Kedarnath" and non-operation of rig "Badrinath" during the last few days of the quarter. Rig "Badrinath" developed technical constraints due to continued bad weather and due to the severity of the weather the rig would be non operational for some more time.

**SALE & PURCHASE ACTIVITIES (including agreements executed) during the quarter**

During the quarter, the Company took delivery of "Jag Lalit", a new built Ice Class Suezmax Crude Carrier. Unfortunately due to damage suffered on the vessels main engine there was no contribution to earnings during the quarter. Apart from that, the Company took delivery of 3 modern Handymax dry bulk carriers, renamed "Jag Ravi", "Jag Reena" and "Jag Rahul" built in 1997, 2000 and 2003 respectively - all contracted in the last quarter of FY 2004-05.

The Company also took delivery of a new built AHTSV, named "Malaviya Twenty One".

The VLCC, "Vasant J Sheth" which was contracted to be sold in the beginning of the quarter, was delivered to the buyers by end June.

During the quarter, the Company also contracted to sell an Aframax Crude carrier "Jag Laila", which was delivered to the buyers on July 27, 2005.

**FLEET PROFILE**

GE Shipping's current fleet of 75 vessels comprises 44 ships (an aggregate tonnage of 2.96 Mn dwt and 31 offshore vessels (17 Offshore Support Vessels, 2 Drilling Rigs, 1 Construction Barge, 11 Harbour Tugs). The Company's current new building order book comprises 5 MR Product Tankers (aggregating 0.22 mn dwt) and 7 OSVs with an aggregate committed capex of around USD 250 Mn.

## MARKET

TANKER

The quarter witnessed a soft tanker market across all asset class, with fall in VLCC being most pronounced. Tight oil markets resulted in spiraling of oil prices with the average WTI price at around USD 53.2 / bbl for the quarter. During the quarter, tanker demand growth was unable to keep pace with the 1.9% growth in tanker fleet resulting in a sharp correction in the spot freight rates. The Baltic Clean Tanker Index and the Baltic Dirty Tanker Index, which were at 1276 and 1308 respectively on April 1, 2005 settled at 1122 and 1193 respectively on June 30, 2005. As on July 26, 2005 the Baltic Clean Tanker Index and the Baltic Dirty Tanker Index were at 1019 and 1140 respectively.

DRY BULK

During the quarter, dry bulk rates also softened. The fall in freight rates were primarily due to increased fleet growth and reduced port delays . The Baltic Handymax Index (BHMI) which was at 30058 on April 1, 2005 fell to 19486 on June 30, 2005. As on July 26, 2005 the BHMI stood at 14168.

OFFSHORE OIL FIELD SERVICES

The onset of the monsoons has slowed down offshore activities, off the Indian coast. However, international exploration companies have actively participated in the just concluded NELP V. Globally, the increase in oil and gas prices has led to increased exploration activity in all offshore regions resulting in increased demand for OSVs and rigs.

## OUTLOOK

MARKET

Tanker freight rates in the subsequent quarters are expected to remain healthy albeit with volatility primarily on the back of higher winter demand. However, the overall average tanker earnings are expected to be much lower than those recorded in FY 2004-05. The immediate outlook of the dry bulk sector is negative although some bounce back could be expected in the later part of the year. However, average dry bulk earnings for FY 2005-06 is expected to be much lower than that of the FY 2004-05.

Offshore oil field sector is expected to continue to draw importance especially on the back of higher oil prices and increased budgetary allocation towards Exploration and Production activities. Recently the Government of India awarded 18 blocks under NELP V with ONGC and Reliance getting the major blocks. ONGC's target to increase offshore exploratory drilling is encouraging for the offshore industry.

As on July 28, 2005, for the balance part of FY 2005-06, crude oil carriers and product carriers (including the gas carrier) and dry bulk carriers are covered to the extent of around 53%, 61% and 17% of the operating days respectively. This has resulted in revenue visibility for the shipping division of around Rs. 514 crores for the balance period of FY 2005-06.

In the offshore oil filed services division, drilling rigs, offshore support vessels, construction barge and harbour tugs enjoy a period cover of around 66%, 45%, 60% and 64% respectively of the operating days. Hence the offshore oil field services division has a revenue visibility aggregating around Rs.219 crores for the balance period of FY 2005-06.

Place: NEW DELHI

Date: July 28, 2005

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For further details feel free to call: Mr. Rajat Dutta 9820062488