PRESS RELEASE

The Board of Directors of The Great Eastern Shipping Company Ltd. (GE Shipping) today approved the Unaudited Financial Results (Provisional) for the third quarter and nine months ended on December 31, 2002.

GE Shipping reported a total revenue of Rs. 240.91 crores and a net profit of Rs. 47.74 crores for the third quarter ended December 31, 2002, a decrease of 18% in total revenue and 32% in net profits respectively.

For the nine month period ended December 31, 2002, on a total income of Rs. 733.79 crores net profits were Rs. 134.18 crores as against Rs. 937.9 crores and Rs. 173.01crores respectively in the corresponding period of the previous year.

For the quarter, shipping division contributed around 74% to the operating income and 77% to the profits before tax and interest whereas offshore division contributed around 24% to the operating income and 18% to the profits before tax and interest.

<u>Company Performance</u>

The Company's performance during the quarter can be attributed to the following factors:

1. The Company's revenues were impacted due to its significant exposure to the tanker segment. (Of the current fleet of 27 ships, 17 are tankers)

- During the quarter under reference, the crude carriers, earned an average TCY of USD 21,900 per day, a fall of around 37% from the historical highs in Q3 FY02 (USD 34,700 per day). However, as compared to the previous quarter of FY03, the average TCY was higher by around 14%.

- As regards product carriers: GPs recorded an average TCY of USD 10,100 per day for the quarter, 22% lower than that in Q3 FY02 (USD 12,900 per day) but 10% higher than that of the previous quarter. During Q3 FY03, MRs earned an average TCY of USD 13,900 per day 9% lower than that in Q3 FY02 (USD 15,400 per day) and 0.4% lower than Q2 FY03 (USD 14,000 per day).

2. At an average TCY of USD 8,000 per day, the drybulk segment saw an increase of 35% as compared to Q3 FY02 (USD 5,900 per day).

The increase was 27% when compared to the previous quarter of FY 03. Inspite of increased earnings drybulk business failed to influence the Company's overall performance due to its relatively smaller share in aggregate tonnage.

3. Since the end of Q3 FY02, the Company sold 4 ships and a newbuilding tanker, of which 3 were dry bulk carriers. This shrunk the operating capacity by 0.17 mn dwt impacting operating days as well, which stood at 2,381 days in Q3 FY03 as compared to 3,281 days in Q3 FY02.

4. During the quarter, offshore division's performance was affected primarily due to idling of one of the rigs. There was a decline in the operating days of the other rig, which underwent refurbishment and preparatory work prior to commencement of long term charter with ONGC. The marine logistics business registered a growth in revenues as well as operating profits by 39% and 60% respectively as compared to the corresponding quarter of FY02.

GE Shipping owns and operates a fleet of 27 ships aggregating 1.21mn dwt and 31 offshore vessels. The shipping division's operating tonnage comprises 2 crude carriers in-chartered on time charter and a crude carrier on spot to meet COA requirements. The shipping division has a period cover (time charter) to the extent of around 93% of its tanker tonnage and 65% of its drybulk tonnage for balance period of FY03. The offshore division has a period cover to the extent of 81% of its fleet for the balance period of FY03. The company has on order 4 tankers aggregating 0.30 mn dwt and is further evaluating fleet expansion opportunities.

Market scenario:

➢ **Tanker:**
During the quarter, the tanker freight rates witnessed significant rise, which was a consequence of:

- Venezuelan Strike.
- Sinking of "Prestige".
- Oil stock piling on account of political uncertainty in the Middle East and in anticipation of winter demand.
- Increased oil production.
- Spurt in oil demand in Far East Asia.

The current strong freight rates is a function of many short-lived events and its sustainability remains debatable.

- **<u>Dry Bulk:</u>**
  The dry bulk sector continued its northward movement primarily due to high demand. Marginal tonnage accretion during the quarter contributed positively, giving impetus to the freight markets. Major demand side contributors were:

- Increased steel and steel related trade.
- Increased coal trade especially in Japan - Kyoto protocol.

- **<u>Offshore:</u>**
  Major developments in the domestic offshore sector were:

- Blocks under NELP III awarded – 15 offshore out of the total 23 blocks.
- Gas discovery in KG Basin (block awarded under NELP I).
- Investment in oil equity abroad.

Government's optimism and positive stance on the development of the domestic oil and gas sector is expected to open avenues for the offshore oil field services.

<u>Outlook:</u>

Economic indicators are suggesting that the global recovery is yet to gain the desired momentum. However, due to other fundamental developments influencing the market, freight rates seem to remain stable in the short run.

The dry bulk segment is expected to stay buoyant in the near future mainly due to strong steel and steel related trade and lower fleet supply. As regards wet bulk, where huge influx of tonnage is expected, market may remain firm if not at current highs.

Recent gas discoveries by leading E & P operators should foretell a promising future in the offshore sector once the fields are fully developed.

Baring any unforeseen circumstances, we expect the fourth quarter of FY 03 to be better than the third quarter both for shipping and offshore.

Place: MUMBAI
Date: January 16, 2003

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