

CRISIL places GE SHIPPING's rating on Rating Watch following restructuring proposal

Aggregating Rs. 3,835 Million Non Convertible Debentures	AAA (Rating Watch with developing implications)
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Analytical Contacts:
Raman Uberoi
 Tel: +91-11-2372 1603
 E-mail: ruberoi@crisil.com
P Ramesh
 Tel: +91-22-5691 3096
 E-mail: pramesh@crisil.com

CRISIL Rating Desk:
 Tel: +91-22-5691 3047 / 5691 3064
 Email: CRISILratingdesk@crisil.com

CRISIL has placed the outstanding ratings of 'AAA/Stable' on The Great Eastern Shipping Company Limited's (GE Shipping) non convertible debentures issues on 'Rating Watch with developing implications'. CRISIL's rating action follows the announcement that the company has scheduled a board meeting on August 31, 2005, to consider proposals for restructuring of the company.

CRISIL's ratings are driven by the company's strong market presence in the Indian shipping industry and the revenue stability offered by the offshore supply division. The ratings derive significant comfort from the favourable operating track record of the management and the financial flexibility enjoyed by the company because of its strong cash balances (estimated Rs. 12 billion as on date) and liquid shipping assets.

CRISIL continues to maintain a dialogue with GE Shipping's management to understand the likely impact of the restructuring proposals on the credit profile of the company, once approved by the Board of Directors. A resolution of the 'Rating Watch' would require clarity on the final restructuring, which could potentially include transfer of assets (possible cash outflow, if any) and liabilities (including CRISIL rated debt).

About the company: GE Shipping is the largest private sector shipping company in India today. It has two main businesses, shipping (79 per cent of total revenues in 2004-05) and offshore (16 per cent). The shipping business (tanker and dry bulk) is inherently risky, given the high volatility in charter rates and asset values. The offshore business is relatively stable as it is marked by long-term contracts and a large proportion of repeat business.

For the year ended March 31, 2005, GE Shipping reported a net profit of Rs. 8.1 billion on net sales of Rs. 20.5 billion as against a net profit of Rs. 4.7 billion and net sales of Rs. 12.9 billion in the previous year. For the quarter ended June 30, 2005, GE Shipping reported a net profit of Rs. 3.5 billion (including profit on sale of ship) on net sales of Rs. 5.8 billion as against a net profit of Rs. 1.0 billion and net sales of Rs. 4.1 billion in the previous corresponding period.

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