

# PRESS RELEASE

## **G E Shipping reports Strong Second Quarter : Net Profit soars by 45 % at Rs. 56.73 crores.**

The Board of Directors of GE Shipping today approved the Unaudited Financial Results (Provisional) for the second quarter and half year ended September 30, 2002.

In the second quarter of FY 02-03, GE Shipping registered a total income and net profits of Rs. 261.55 crores and Rs. 56.73 crores as against Rs. 301.79 crores and Rs. 39.06 crores respectively in the corresponding quarter of the previous year. Interest cost as a percentage of total income reduced to 4.09 % as compared to 4.95% for Q2 FY 2001-02.

The first half of the year 2002-03 saw a total income of Rs. 492.88 crores and net profits of Rs. 86.44 crores as against Rs. 644.23 crores and Rs.102.50 crores respectively in the corresponding period of the previous year.

Commenting on the Company's quarterly performance, Mr. K.M.Sheth, Executive Chairman said, "We have achieved commendable business performance countering market adversities and competitive pressures. This is due to a mix of prudent risk management & fleet deployment, improved operating & financial efficiencies amidst challenging global economic & political scenario. This is especially gratifying in light of the reported financial results of reputed domestic and international shipping companies."

### Highlights of the Second Quarter:

- Fall in expenditure (20.9%) was steeper than the fall in income from operations (16.6%).
- Sale of assets resulted in a profit of Rs. 10.9 crores.
- Net Profit Margins rose by 8.8 %, PBIDT margins up by 5.25%.
- Steep drop in Interest rates reduced interest cost by 28.2 % while impacting other income.
- Provision for current tax lower by 50% due to amendment in Sec 33 AC
- 
- EPS (not annualised) of Rs. 2.90 partly due to buy back of shares.

GE Shipping has identified two segments in line with the Accounting Standards on Segment Reporting (AS -17). These are Shipping and Offshore. Shipping business contributed to around 74 % of the revenues and 71 % of the profits before tax and Interest for the quarter ended September 30, 2002. Offshore business contributed to around 22 % of the revenues and 24 % of the profits before tax and interest for the quarter ended September 30, 2002.

#### Market scenario and business environment :

During the quarter, "spot" earnings in tankers and dry bulk carriers moved in contraposition. The much-awaited pick up was observed in the dry bulk market. Increased steel production provided impetus to the dry bulk trade duly complemented by grain trade. Weakness in the tanker markets continued with "spot" rates falling to their lowest levels since 1999.

Increased domestic crude requirement and Government's emphasis on developing E&P activities have stimulated the offshore sector's growth.

#### Company Performance:

The Company's dry bulk earnings moved in tandem with the improved markets and as a consequence the per day rates achieved on the vessels were higher as compared to that in the previous quarter. However, the improved earnings during the quarter were impacted by lay-ups of three ships. The tanker earnings were able to significantly counter market adversities due to substantial number of operating days being covered under time charter.

As compared to the preceding quarter, earnings of the offshore division were more or less at the same level even amidst contemporary global milieu. Higher utilisation of assets and improved day rates largely contributed to the division's performance. The division's efforts to make a presence in the international markets of the North Sea and the Middle East have proved fruitful.

The Company owns and operates a fleet of 27 ships aggregating 1.21mn Dwt and 31 offshore vessels. It has additionally chartered 2 crude tankers. During the quarter, a 1984 built Handysize bulker - "Jag Rekha" and the newly built Aframax tanker at Samho were delivered to the respective buyers.

#### Outlook:

A strong dry bulk market is expected to continue over the next few months contingent to major unforeseen economic or political developments.

Simultaneously, crude oil inventory built up by the major economies has arrested the slide in the tanker freight rates and an increase has been observed over the past few weeks. However, the sustainability of this increase remains uncertain particularly in view of huge influx of new capacity envisaged during the final quarter of this year.

Increased Government emphasis on the oil field services post deregulation, together with emphasis on improving recovery factor and implementation of enhanced recovery programs should provide growth avenues.

GE Shipping is strategically focussed to explore business opportunities globally and prudently implement initiatives aimed at creating significant value for the stakeholders.

Place: MUMBAI

Date: October 29, 2002

---

For further details feel free to call: Rajat Dutta at 022-4613104