PRESS RELEASE

Buoyant dry bulk earnings drive GE Shipping's Q2 earnings: Net Profit up by 41.2%

The Board of Directors of The Great Eastern Shipping Company Ltd. (GE Shipping) today approved the Unaudited Financial Results (Provisional) for the second quarter and the half year ended on September 30, 2003.

In Q2 FY 2003-04, GE Shipping reported a total income of Rs. 293.77 crores (corresponding quarter Rs. 261.55 crores) an increase of 12.3% while net profit at Rs. 80.12 crores (corresponding quarter Rs.56.73 crores) registered a rise of 41.2%.

For the quarter, the shipping division contributed around 68% to the total revenue and 65% to the profit before tax and interest whereas the offshore division contributed around 23% to the total revenue and 22% to the profit before tax and interest.

The first half of the financial year 2003-04, saw a total income of Rs. 597.87 crores, an increase of 21% when compared to the H1 2002-03. Net profit rose by 104% and stood at Rs. 176.35 crores.

For the half year, the shipping division contributed around 68% to the total revenue and 60% to the profit before tax and interest whereas the offshore division contributed around 24% to the total revenue and 27% to the profit before tax and interest.

Business developments during the quarter

Company's performance can be attributed to the following:

SHIPPING BUSINESS:

During the quarter, tanker freight rates softened compared to the previous quarter and were well off the "highs" seen in Q4 of FY 2002-03 impacting the fresh renewals of the Company's charter rates. Crude carriers earned an average TCY of USD 18,440/day (corresponding quarter USD 19,319/ day). The lower per day earnings were partly offset by net accretion to tonnage which increased operating days by around 56%. However, increased layups during the quarter 112 days vis-à-vis 23 days in Q2 FY 2002-03 tempered the overall increase in the revenue days to only 30%.

The product tankers reported an average earnings of USD 12,756 /day, an increase of 9% in TCY when compared to Q2 FY 2002-03.(USD 11,745 /day). The higher earnings were further helped by an increase in revenue days by 17%.

In contrast to the average tanker market conditions, the strong steel and steel related trade coupled with limited tonnage growth positively impacted the dry bulk freight rates. As most of the Company's dry bulk vessels were trading spot, the Company was able to capitalise on improved dry bulk rates. The average TCY of dry bulk carriers in Q2 FY 2003-04 at USD 10,376/day recorded a significant increase of 64% (USD 6,320 /day) as compared to the corresponding quarter of FY 2002-03.

OFFSHORE BUSINESS:

The Indian oil field services sector has been growing, offering new avenues. The company's drill barge 'Badrinath', which was idling throughout FY 2002-03 and was undergoing refurbishment till recently, commenced a three year charter with ONGC at the end of the Q2 FY 2003-04. As compared to the corresponding quarter, the offshore division registered overall improvement in the utilisation level as well as in the day rates.

Sale &Purchase activities (includes agreements executed) during the quarter

Acquired two second hand Aframax crude tankers - a 1985 built, 95,007 dwt and a 1987 built, 98,214 dwt. Contracted a second hand 1987 built, 96,967 dwt Aframax crude tanker and a 1990 built 2,61,167 dwt VLCC crude tanker.

Sold a 1985 built 45,345 dwt Handymax dry bulk carrier and a 1996 built, 44,124 dwt MR product tanker.

New building orders were placed for two Platform Supply Vessels and two Anchor Handling Tug Supply Vessels capable of catering to deep water.

GE Shipping's current fleet of 62 vessels comprises 32 ships (an aggregate tonnage of 1.64 mn dwt with an average age of 12.9 years) and 30 offshore units (17 Offshore Supply Vessels, 2 Drilling Rigs, 1 Construction Barge, 10 Harbour Tugs). By mid November 2003, with incorporation of an Aframax and a VLCC (which are already contracted) in its fleet, the company's shipping division will own an aggregate tonnage of 1.99 mn dwt, a rise of around 21%.

Currently, the Company has a new building order book comprising 4 tankers (aggregating 0.47 mn dwt), 4 AHTSVs and 2 Platform Supply Vessels, with a committed capex of around $ 240 mn. These vessels are scheduled for delivery intermittently between January 2004 and September 2005.

Market Scenario:

Tankers: The tanker market was subdued compared to the previous quarter, but still was above the “lows” observed in the corresponding quarter. The reason behind soft tanker freight rates was the changing structure of global oil trade coupled with increased fleet supply. OPEC's efforts to sustain oil prices is resulting in depletion of its market share, which is being taken away by the Non OPEC suppliers thereby increasing shorter haul trade.

The Baltic Clean Tanker Index and the Baltic Dirty Tanker Index, which were at 878 and 916 respectively on July 1, 2003, went up to 888 and 1055 respectively on September 30, 2003. As on October 29, 2003 the Baltic Clean Tanker Index and the Baltic Dirty Tanker Index were at 828 and 1173 respectively.

Dry bulk: The dry bulk trade grew at a frenetic pace. Apart from increasing steel, iron ore and coal demand from China, coal demand in Japan and Europe also witnessed massive growth. Simultaneous surge in iron ore and coal demand led to significant increase in tonne mile demand. On the tonnage supply side limited new building deliveries coupled with port congestion led to a reduction in tonnage availability.

The Baltic Handymax Index (BHMI) which was 13132 on July 1, 2003 scaled up to 15041 on September 29, 2003. As on October 29, 2003 the BHMI stood at 22504.

Oil field services Sector: Indian oil field services market is experiencing presence of international players resulting in competition to domestic companies. During the quarter, ONGC launched deep water drilling programme, 'Sagar Samridhi". Composite (turnkey) contracts worth nearly USD 760 mn have already been signed for the work to be completed over the next three years. This has placed India firmly in the global E&P arena.

Outlook:

Market

The crude tanker market is expected to firm up due to the winter demand. However, the extent of pick up will be contingent to severity of winter in the Northern Hemisphere. With OPEC cutting production from November 1, 2003 onwards, Non OPEC countries will stem the supplies, which may impact haulage. The product tanker market in sympathy with the crude tanker market may also see improved earnings for the remaining part of the year. The tanker orderbook at 72 mn dwt, is about 24% of the existing fleet. This is the highest orderbook level ever in absolute terms and may dampen the extent to which freight rates could strengthen.

With the sustained rise in the China's economic growth expected to continue, the dry bulk freight rates could on an average be stronger for the balance part of the year.

Intensive action in Indian E&P sector has invigorated the outlook for oil field services sector.

Company

The Company continues to judicially balance its fleet on period and spot fixtures. As on October 30, 2003, for the balance period of FY 2003-04, crude carrier tonnage has a period cover of around 47.44% of the operating days. Product carriers have a period cover of 54.44% while the gas carrier is covered to the extent of 52.67% of their operating days respectively. In the dry bulk segment 32.36% of the fleet's operating days are covered. This aggregates to a revenue visibility of around Rs. 155.2 crores for the shipping division.

For the balance period of FY 2003-04, the offshore division has a revenue visibility aggregating Rs.103.5 crores with both the drilling rigs fully covered. The offshore support vessels, the construction barge and the harbour tugs are covered to the extent of 53%, 61% and 67% of their operating days respectively.

Place: Mumbai

Date: October 30, 2003