THE GREAT EASTERN
SHIPPING COMPANY LIMITED

PRESS RELEASE

G E Shipping posts net profit of Rs. 177.45 cr.

Declares an interim equity dividend of Rs. 4 per share.

The Board of Directors of The Great Eastern Shipping Company Ltd. (G E Shipping) today approved the Unaudited Financial Results (Provisional) for the second quarter and the half-year ended on September 30, 2005.

In Q2 FY 2005-06, G E Shipping reported a total income of Rs.550.64 crores (corresponding quarter Rs. 497.78 crores) an increase of around 10% while net profit of Rs.177.45 crores (corresponding quarter Rs. 167.18 crores) registered a rise of 6%.

For the quarter, the shipping division contributed around 80% to the total revenue and 79% to the profit before tax and interest whereas the offshore division contributed around 14% to the total revenue and 11% to the profit before tax and interest.

The first half of the FY 2005-06 registered a total income of Rs.1321.57 crores, a rise of 44% when compared to the H1 FY 2004-05. Net profit rose by 96% over the corresponding period and stood at Rs.530.87 crores.

The Board has declared an Interim Equity Dividend of Rs.4 per share, which would result in an outflow of Rs. 86.82 crores (including tax thereon).

Corporate Development during the Quarter

On September 15, 2005, the Board of Directors of the Company approved the Scheme of Arrangement for demerger of the offshore services business into a separate new Company, “Great Offshore Limited” with effect from April 1, 2005 subject to the approval of High Court of Bombay and other necessary approvals. Subsequently, on October 7, 2005 the Hon’ble High Court of Bombay passed an order to convene separate meetings of equity shareholders and secured creditors (including debenture holders) of the Company. The meetings are scheduled to be held on November 16, 2005 for considering and, if thought fit, approving with or without modification, the Scheme of Arrangement of demerger.

Business developments during the quarter

SHIPPING BUSINESS:

During the quarter, revenue days at 3838 were higher by around 10% as compared to 3484 days of Q2 FY 2004-05 while tonnage grew by 5.7%. Crude carriers earned an average TCY of USD 19,847/day (corresponding quarter USD 26,539/day). The product tankers earned an average TCY of USD 20,293/day, an increase of 40% when compared to USD 14,466/day of Q2 FY 2004-05. The division's 12 dry bulk carriers earned an average TCY of USD 15,545/ day as compared to USD 17,914 / day in Q2 FY 2004-05.

OFFSHORE OIL FIELD SERVICES BUSINESS:

The quarter recorded reduction in revenue contribution from the rigs primarily because of low asset utilisation. "Kedarnath" the Jackup rig was undergoing dry-docking and refurbishment while "Badrinath", the floater sustained damages as a consequence of bad weather during Q1 FY 2005-06 and became operational only towards the end of Q2 FY 2005-06. The OSVs and the construction barge recorded higher yields as compared to the corresponding period. For the quarter under review, contribution from the harbour tugs was flat compared to the corresponding quarter.

Sale & Purchase activities during the quarter

- The Company took delivery of "Malaviya Twenty Four" a new built Platform Supply Vessel
- Delivered "Jag Laila", a single hull Aframax Crude Carrier (contracted to be sold in Q1 FY 2005-06).
- Contracted to sell "Jag Prakash" a double hull MR Product carrier and two Handysize drybulk carriers "Jag Ratna" & "Jag Radha". While "Jag Ratna" was delivered in October 2005, "Jag Prakash" and "Jag Radha" are due for delivery during Q3 FY 2005-06.

G E Shipping's current fleet of 75 vessels comprises 43 ships (an aggregate tonnage of 2.93 mn dwt with an average age of 12.4 years) and 32 offshore units. Currently, the company has a committed capex of around USD 242 mn in new building orders. The Shipping division's order book of around USD 166 mn comprises 5 MR Product tankers (aggregating 0.22 mn dwt) to be delivered during CY 2007 while the offshore division has on order 6 OSVs aggregating USD 76 mn to be delivered during CY 2006.

Market Scenario:

In case of tankers, average freight rates were lower than that of the corresponding quarter. A noticeable feature being an increased demarcation between freight rates earned by single hull and double hull carriers creating a distinct two tier market. However, towards the end of the quarter tanker freight rates improved. The change was more pronounced for product tankers as the devastation caused by the hurricanes Katrina and Rita to the oil refining facilities in the Gulf of Mexico, gave a sudden impetus to the product trade. Even in case of crude oil carriers freight rates improved due to the disruption in oil production facilities and also in anticipation of winter demand. The Baltic Clean Tanker Index, which was at 1127 on July 1, 2005 (1110 as on July 1, 2004) dipped to a low of 920 during the quarter under review and then scaled up by 95 % to 1797 on September 30, 2005 (1052 as on September 29, 2004). The Baltic Dirty Tanker Index, which was at 1194 on July 1, 2005, (1442 as on July 1, 2004) dipped to a low of 973 during the quarter and then scaled up by 56% to 1514 on September 30, 2005 (1962 as on September 29, 2004). As on October 26, 2005 the Baltic Clean Tanker Index and the Baltic Dirty Tanker Index were at 1920 and 2254 respectively (1581 and 3016 respectively as on October 26, 2004).

Average dry bulk earnings were also much lower than the corresponding quarter. However towards the end of the quarter and in line with seasonal adjustments there was a marked improvement in earnings as reflected in the indices. As per International Iron and Steel Institute, the first nine months of CY 2005 saw a 6.3% yoy increase in global steel production. Production increased by an impressive 27.4% in China and 14.6% in India. This resulted in increased dry bulk trade. Also, China is shipping most of its iron ore requirements from Brazil further strengthening the trade. The Baltic Handymax Index (BHMI), which was 19169 on July 1, 2005, (19196 as on July 1, 2004) dipped to a low of 12401 during the quarter under review and then scaled up by 40% to 17327 on September 30, 2005 (27567 as on September 30, 2004). As on October 26, 2005 the BHMI stood at 19138 (30035 as on October 26, 2004).

The hurricanes Katrina and Rita disrupted the offshore exploration and production facilities significantly. However, owing to sustained high oil and gas prices the E & P activities across the globe were on the rise.

Outlook:

Market

Current estimates that the oil production facilities and refineries in the Gulf of Mexico would take time to be fully operational, indicate that product freight rates may stay strong in the near term. With winter setting in, even the crude oil carrier freight markets are expected to remain firm in the coming months.

Driven by the steel related trade, the momentum in the dry bulk trade is expected to continue with iron ore and coal movement being the primary contributors.

The petroleum ministry is preparing a policy for ensuring timely exploration and exploitation of blocks offered under various rounds of the New Exploration and Licensing Policy.

Company

As on October 27, 2005, for the balance period of FY 2005-06, crude carrier tonnage has a period cover of around 60% of the operating days. Product carriers have a period cover to the extent of 86% of the operating days while the gas carriers are fully covered. 35% of the dry bulk fleet's operating days is covered. This aggregates to a revenue visibility of around Rs.430 crores for the shipping division. For the balance period of FY 2005-06, the offshore division has a revenue visibility aggregating Rs.150 crores with the drilling rigs fully covered for the next two quarters. The offshore support vessels, the construction barge and the harbour tugs are covered to the extent of 64%, 83% and 73% of their operating days respectively.

Place: Mumbai

Date: October 27, 2005