THE GREAT EASTERN SHIPPING CO. LTD.

G E Shipping encashes on buoyant spot markets
reports Robust Q 3 net profit of Rs.110 crores, up 130 %

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, 2003.

GE Shipping reported a total income of Rs. 354.49 crores and a net profit of Rs.110.01 crores for the third quarter ended December 31, 2003, an increase of 48% in total income and an increase of 130% in net profits.

The Board has declared an Interim Equity Dividend of Rs. 2.50 per share, which would result in an outflow of Rs. 53.68 crores (including tax thereon).

For the nine month period ended December 31, 2003, on a total income of Rs.947.47 crores net profits were Rs. 286.36 crores as against Rs.727.6 crores and Rs. 134.18 crores respectively in the corresponding period of the previous year.

For the quarter, shipping division contributed around 71 % to the operating income and 66% to the profits before tax and interest whereas offshore division contributed around 24% to the operating income and 27% to the profits before tax and interest.

COMPANY PERFORMANCE

The main drivers of this performance have been increased revenue days in shipping, higher dry bulk earnings and better capacity utilisation of high yield drilling assets. This has resulted in around 85% increase in EBIDTA from around Rs. 97 crores in Q3 FY 2002-03 to around Rs.180 crores in Q3 FY 2003-04. For the 9-month period of FY 2003-04, ROE and ROCE on an annualised basis stood at 28% and 15% respectively.

SHIPPING DIVISION

Shipping tonnage increased by 96% as compared to Q3 FY 2002-03, which led to an increase in revenue days by 27% at 3030 days.
Crude carriers recorded an average TCY of around USD 22,600/day as against around USD 21,900/ day in Q3 FY 02-03 and around USD 18,400/day for the previous quarter.

Product carriers recorded an average TCY of around USD 12,300/day for the quarter, as against around USD 12,200/day in Q3 FY 2002-03 and around USD 12,700/day in the previous quarter.
The sole gas carrier continued to earn the same TCY of around USD 17,000 /day as compared to that of the corresponding quarter and the sequential quarter.
Spot fixtures in case of the dry bulk carriers reflected in stronger results for the quarter. The average TCY of dry bulk carriers in Q3 FY 2003-04 at around USD 12,900/day recorded a significant increase of 71 % as compared to around USD 7,500/day in the corresponding quarter of FY 2002-03. The rise was to the extent of 24% when compared to the previous quarter of FY 2003-04 at around USD 10,400/day.

OFFSHORE DIVISION

The quarter witnessed 100% utilisation of both of its rigs as against 16% in the corresponding quarter. Expenses were lower during this quarter, as one of the rigs had undergone major repairs in the corresponding quarter.

SALE & PURCHASE ACTIVITIES (including agreements executed) during the quarter

G E Shipping further strengthened its crude tanker fleet. During the quarter, the Company acquired five second hand crude carriers including a VLCC ramping up the shipping tonnage by 87% since the beginning of FY 2003-04. The decision to acquire single hull tankers in the last few months has factored the IMO stipulations of an accelerated single-hull tanker phase out schedule.

In the month of January 2004, a new building Platform Supply Vessel (PSV) 'M.V. Malaviya Nineteen' and an Aframax crude carrier 'Jag Lavanya' were delivered. Hence the newbuilding order book now stands at 8 vessels - 3 tankers and 5 OSVs, with a committed capex of around Rs.800 crores.

FLEET PROFILE

GE Shipping's current fleet of 69 vessels comprises 38 ships (an aggregate tonnage of 2.5 Mn dwt with an average age of 12.9 years) and 31 offshore vessels (17 Offshore Supply Vessels, 2 Drilling Rigs, 1 Construction Barge, 11 Harbour Tugs).
Having successfully carried out verification audits on some of the vessels, the Company is in the midst of complying to the International Ship & Port Facility Security (ISPS) Code for the entire fleet.

MARKET SCENARIO

TANKER:

Economic growth momentum led to an increase in oil demand. Tanker market witnessed buoyancy in freight rates after a relatively subdued second quarter. During the quarter, China surpassed Japan and became the world's second largest oil consumer. Increasing long-haul trades, strong winter demand in the Northern Hemisphere, congestion in the Bosphorus Strait and migration of Oil Bulk Oil (OBOs- capable of carrying both wet cargo and dry bulk) vessels to the drybulk trade positively impacted the tanker market earnings. Strong Asian oil demand also had its share in the freight rate surge.

The Baltic Clean Tanker Index and the Baltic Dirty Tanker Index, which were at 869 and 1006 respectively on October1, 2003, went up to 1099 and 2242 respectively on December 24, 2003. As on January 29, 2004 the Baltic Clean Tanker Index and the Baltic Dirty Tanker Index were at 1317 and 2048 respectively.

DRY BULK:

The third quarter has been exceptional for the dry bulk markets, as freight rates have been on a meteoric rise. In fact Capesize, Panamax and Handymax segments earned highest ever freight rates! The turbo charged growth engine of China undoubtedly continued to be the major factor behind the surge in freight rates.

The Baltic Handymax Index (BHMI) which was 15763 on October 1, 2003 rose to 26593 on December 31, 2003. As on January 29, 2004 the BHMI stood at 30213.

OFFSHORE:

Major developments in the domestic offshore sector were:
Blocks under NELP IV awarded - 11 deepwater offshore out of the total 21 blocks. Blocks were awarded to ONGC, ONGC Consortium, Reliance-Hardy, ENPRO Consortium, GSPC Consortium and Cairn Consortium.
During the quarter, ONGC embarked on its ultra deep water-drilling programme "Sagar Samridhi" in the Gulf of Kutch. Under this programme ONGC has committed to invest $7,50,000 per day in offshore exploration efforts for the next three years.

OUTLOOK

Economic indicators are suggesting that the recovery of global economy has finally taken hold after a drawn out period of fits and starts. Strong growth momentum achieved in Asia and North America got reflected in the firm freight rates across the markets. As per the OECD estimates, the CY 2004 seems to be a year of strong economic growth.

MARKET

Strong economic recovery led by China and the US is expected to boost world oil demand while Japan's nuclear plants continue to depend on oil and are yet not fully operational (6 of 17 are operational). High natural gas prices have resulted in switching to oil and with growth in refining capacities expected in China and India the outlook for the oil transportation sector is promising. On the oil supply side, Center for Global Energy Studies estimates that there exists genuine shortage of crude. Especially with US commercial petroleum stock levels at a 28 year low, the tanker freight rates are expected to remain healthy. Global recovery combined with surging commodity demand will aid to keep the dry bulk freight rates buoyant.

The domestic market saw positive developments in the oil and gas sector. ONGC has decided to offer its marginal fields to private operators. Such initiatives are endorsement of Government's priorities and present opportunities to grow the E&P sector in India.

COMPANY

As on January 30, 2004, for the balance period of FY 2003-04, crude carriers and product carriers are covered to the extent of around 64% and 83% of the operating days respectively while the gas carrier is fully covered. In the dry bulk segment, 38% of the fleet's operating days are covered. Hence the shipping division has an aggregate revenue visibility of around Rs. 124 crores for the balance period of FY 2003-04.

For the balance period of FY 2003-04, the offshore division has a revenue visibility aggregating around Rs.70 crores with both the drilling rigs fully contracted. The offshore support vessels, the construction barge and the harbour tugs have a period cover to the extent of 77%, 34 % and 78% of their operating days respectively.

Place: MUMBAI
Date: January 30, 2004