May 31, 2011

CARE ASSIGNS 'CARE A+' AND 'PR1' RATINGS TO THE BANK FACILITIES, NCDS AND COMMERCIAL PAPER ISSUE OF ESSAR SHIPPING LTD.

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities	318.40	**'CARE A+' (Single A Plus)**	Assigned
Total Facilities	**318.40**		
Non Convertible Debenture (NCD)	700	**'CARE A+' (Single A Plus)**	Assigned
Commercial Paper (CP)	160	**'PR1' (PR One)**	Assigned

Rating Rationale

The ratings derive strength from the experienced and professionally qualified management, long track record of the erstwhile ESPLL from which ESL is hived off, its diversified presence across dry bulk and tanker segment, and deployment of its vessels on time charter giving revenue visibility. However, the ratings are constrained by the cyclical nature of shipping industry and deteriorated performance of the oilfield services businesses.

ESL's ability to redeploy its Very Large Crude Carriers (VLCCs) and dry bulk vessels at favourable rates as well as profitable deployment of drilling rigs of its oilfield business are the key rating sensitivities.

Company Profile

ESL, a part of the Essar Group, was created by way of demerger of shipping, oilfield services and logistics business from erstwhile Essar Shipping, Ports and Logistics Ltd (ESPLL) with effect from October 1, 2010.

According to the scheme of demerger, all the assets pertaining to the sea transportation business along with the liabilities of ESPLL have been moved to the new entity viz ESL. Further, Essar Oilfield Service Ltd (EOSL) as well as Essar Logistics Ltd (ELL) became wholly-owned subsidiaries of ESL.

As on May 10, 2011, ESL owned 24 vessels with an aggregate dead weight tonnage (dwt) of 1.46 million and EOSL-owned one semi-submersible rig and 12 land drilling rigs on a consolidated basis.

[1]*Complete definition of the ratings assigned are available at www.careratings.com and in other CARE publications*

At a consolidated level, ESL earned total operating revenue of Rs.2,665 crore in FY11 with PBILDT of Rs.727 crore and PAT of Rs.59 crore.

Analyst Contact
Name: Milind Raje
Tel #: +91-22-67543482
Mobile #: +91- 9820495390
Email: milind.raje@careratings.com

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CARE is headquartered in Mumbai, with Offices all over India. The office addresses and contact numbers are given below:

HEAD OFFICE: MUMBAI

Mr. D.R. Dogra
Managing Director
Cell : +91-98204 16002
E-mail : dr.dogra@careratings.com

Mr. Rajesh Mokashi
Dy. Managing Director
Cell : +91-98204 16001
E-mail: rajesh.mokashi@careratings.com

Mr. P N Sathees Kumar
Exective Vice President – Marketing
Mobile: +91-9820416004
mail:sathees.kumar@careratings.com

Mr.Ankur Sachdeva
Vice President – Marketing (SME)
Mobile: +91-9819698985
E-mail: ankur.sachdeva@careratings.com

Mr. Vivek Palan
Manager – Banking & Finance
Mobile: +91-98206 06406
E-mail:vivek.palan@careratings.com

4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway,
Sion (East), **Mumbai 400 022** Tel.: (022) 67543456 Fax: (022) 67543457

Website: www.careratings.com

OFFICES

Mr.Mehul Pandya Regional Manager 32 TITANIUM Prahaladnagar Corporate Road, Satellite, **Ahmedabad - 380 015.** Tel – 079 4026 5656 Mobile - 98242 56265 E-mail: mehul.pandya@careratings.com	Mr.Sundara Vathanan Regional Manager Unit No. 8, I floor, Commander's PlaceNo. 6, Raja Ram Mohan Roy Road, Richmond Circle, **Bangalore - 560 025.** Tel – 080 2211 7140 Mobile – 98803 60878 E-mail: sundara.vathanan@careratings.com
Mr. Pradeep Kumar Regional Manager Unit No. O-509/C, Spencer Plaza, 5th Floor, No. 769, Anna Salai, **Chennai 600 002** Tel: 044 2849 7812/2849 0811 Mobile – 98407 54521 E-mail :Pradeep.kumar@careratings.com	Mr. Ashwini Jani Regional Manager 401, Ashoka Scintilla 3-6-520, Himayat Nagar **Hyderabad - 500 029** Tel – 040 40102030 Mobile – 91600 74789 E-mail: ashwini.jani@careratings.com
Mr. Sukanta Nag Regional Manager 3rd Floor, Prasad Chambers (Shagun Mall Building) 10A, Shakespeare Sarani **Kolkata - 700 071.** Tel – 033 2283 1800/1803 Mobile – 98311 70075 E- mail: sukanta.nag@careratings.com	Ms.Swati Agrawal Regional Manager 3rd floor, B-47, Inner Circle Near Plaza Cinema **New Delhi - 110 001.** Tel – 011 2331 8701/2371 6199 Mobile – 98117 45677 E-mail :swati.agrawal@careratings.com