*Press Release*

July 11, 2011

## CARE ASSIGNS 'CARE A+' AND 'CARE A1' RATINGS TO THE BANK FACILITIES OF ESSAR SHIPPING LTD. (FOR ENHANCED AMOUNT)

### Ratings

| Facilities/Instruments | Amount (Rs. crore) | Ratings[1] | Remarks |
|---|---|---|---|
| Long-term Bank Facilities | 459.28 (enhanced from 318.40) | **'CARE A+' (Single A Plus)** | Reaffirmed |
| Short-term Bank Facilities | 50.00 | **'CARE A1' (A One)** | Assigned |
| **Total Facilities** | **509.28** | | |

### 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.

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

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. 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.

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***CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries /regulators or others are welcome to write to care@careratings.com for any clarifications.***

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