Press Release

December 27, 2012

CARE REVISES /REAFFIRMS THE RATINGS ASSIGNED TO FACILITIES/INSTRUMENTS OF ESSAR SHIPPING LIMITED

Ratings Assigned

acilities/Instruments	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities	622.46	**'CARE A' (Single A)**	Revised from **'CARE A+'**
Short-term Bank Facilities	50.00	**'CARE A1' (A One)**	Withdrawn
Total facilities	**672.46**		
NCD	700.00	**'CARE A' (Single A)**	Revised from **'CARE A+'**
NCD	90.00	**'CARE A' (Single A)**	Revised from **'CARE A+'**
CP/STD/NCD	150.00	**'CARE A1' (A One)**	Reaffirmed
Total Instruments	**940.00**		

Rating Rationale

The revision in long-term ratings factor in moderate revenue visibility, substantial exposure in subsidiaries having weaker credit profile, moderation in financial profile of key off-taker and dip in ESL's financial performance in H1FY13.

The ratings derive strength from ESL's experienced management, long track record of operations, its diversified presence across dry bulk and tanker segments and improvement in the international oilfields services business.

However, the ratings are constrained by high gearing in the consolidated business, moderate debt coverage indicators, the industry wide decline in charter rates and the inherently cyclical nature of shipping industry.

ESL's ability to see through the industry wide slowdown by deploying its fleet in long term contracts at viable rates and reducing its exposure in weaker subsidiaries are the key rating sensitivities. At the same time any further drop in charter rates, hampering the revenue visibility may have negative impact on the ratings.

Company Profile

In May 2011, the Essar group restructured its ports and shipping business which were hitherto carried out under a common company viz Essar Shipping Ports & Logistics Limited (ESPLL). As per the demerger scheme, the Shipping, Oilfields & Logistics businesses were hived off into a separate entity viz. Essar Shipping Limited while ESPLL was renamed as Essar Ports Limited (EPL) to look after port business of the group. The demerger scheme was effective from October 01, 2010.

As on November 15, 2012, ESL owned 25 vessels having an aggregate Dead Weight Tonnage (DWT) of 1.98 million tonnes. In its oilfields services business, ESL has 1 semi submersible offshore rig (wildcat) and 12 land rigs. In its logistics business, ESL operates fleet of 5,000 chartered trucks & owns a few transhipment assets such as tugs, barges etc.

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

On a standalone basis, during FY12, ESL achieved total income of Rs.1,303 crore and PAT of Rs.96 crore. ESL registered net loss of Rs.48 crore on total operating income of Rs.806 crore in H1FY13.
On a consolidated basis, ESL registered PAT of Rs.18 crore on an operating income of Rs.1,723 crore in H1FY13 as against PAT of Rs.37 crore on operating income of Rs.2,846 crore in FY12.

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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.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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