

May 4, 2010

**CARE ASSIGNS 'BBB' & 'PR3' RATING TO THE BANK FACILITIES OF
ESSAR OILFIELD SERVICES INDIA LTD.**

CARE has assigned the '**CARE BBB**' (**Triple B**) rating to the Long-term Bank Facilities of Essar Oilfield Services India Ltd. (EOSIL). This rating is applicable to all facilities having tenure of more than one year. Facilities with this rating are considered to offer moderate safety for timely servicing of debt obligations. Such facilities carry moderate credit risk. Further, CARE has assigned a '**PR3**' (**PR Three**) rating to the Short-term Bank Facilities of EOSIL. This rating is applicable to facilities having a tenure upto one year. Facilities with this rating would have moderate capacity for timely repayment of short-term debt obligations at the time of rating and carry higher credit risk as compared to facilities rated higher.

CARE assigns '+' or '-' signs to be shown after the assigned rating (wherever necessary) to indicate the relative position within the band covered by the rating symbol.

Bank Facilities / Instruments	Amount (Rs. crore)	Rating
Long-term Bank Facilities	1,280	'CARE BBB'
Long/Short-term Bank Facilities	30	'CARE BBB/ PR3'
Total	1,310	

Rating Rationale

The rating derives strength from the experienced and professionally qualified management, strong financial support from the parent company, financial closure for 'under construction' jack-up rigs and the long-term contracts for seven land rigs.

However, the ratings are constrained by substantially high age of land rigs, risk associated with timely delivery of the jack-up rigs, absence of any long-term tie-up for deployment of five of its land rigs as well as jack-up rigs under construction.

Any cost escalation of the jack-up rigs under construction and the gainful deployment of the same, besides EOSIL's ability deploy its balance land rigs are the key rating sensitivities.

Company Profile

EOSIL, set up in April 2006, is a wholly-owned subsidiary (WOS) of Essar Oilfield Services Mauritius Ltd., which in turn is a WOS of Essar Shipping, Ports & Logistics Ltd. EOSIL currently owns 12 land rigs, acquired from the Essar group companies, with an average age of 32 years. Seven of the 12 land rigs have long-term contracts. Besides, EOSIL has two jack-up rigs under construction to be delivered in March 2011 and September 2011. The total cost of these two rigs is Rs.2,420 crore which is being funded by debt and equity in the ratio 50:50. Though, EOSIL has already tied up for the entire debt portion of the said rigs, the company does not have any deployment contract for five of its land rigs as well as the two jack-up rigs under construction.

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CARE 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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