

# The Great Eastern Shipping Co. Ltd.

## **Business & Financial Review**

**March 2008**



# Forward Looking Statements

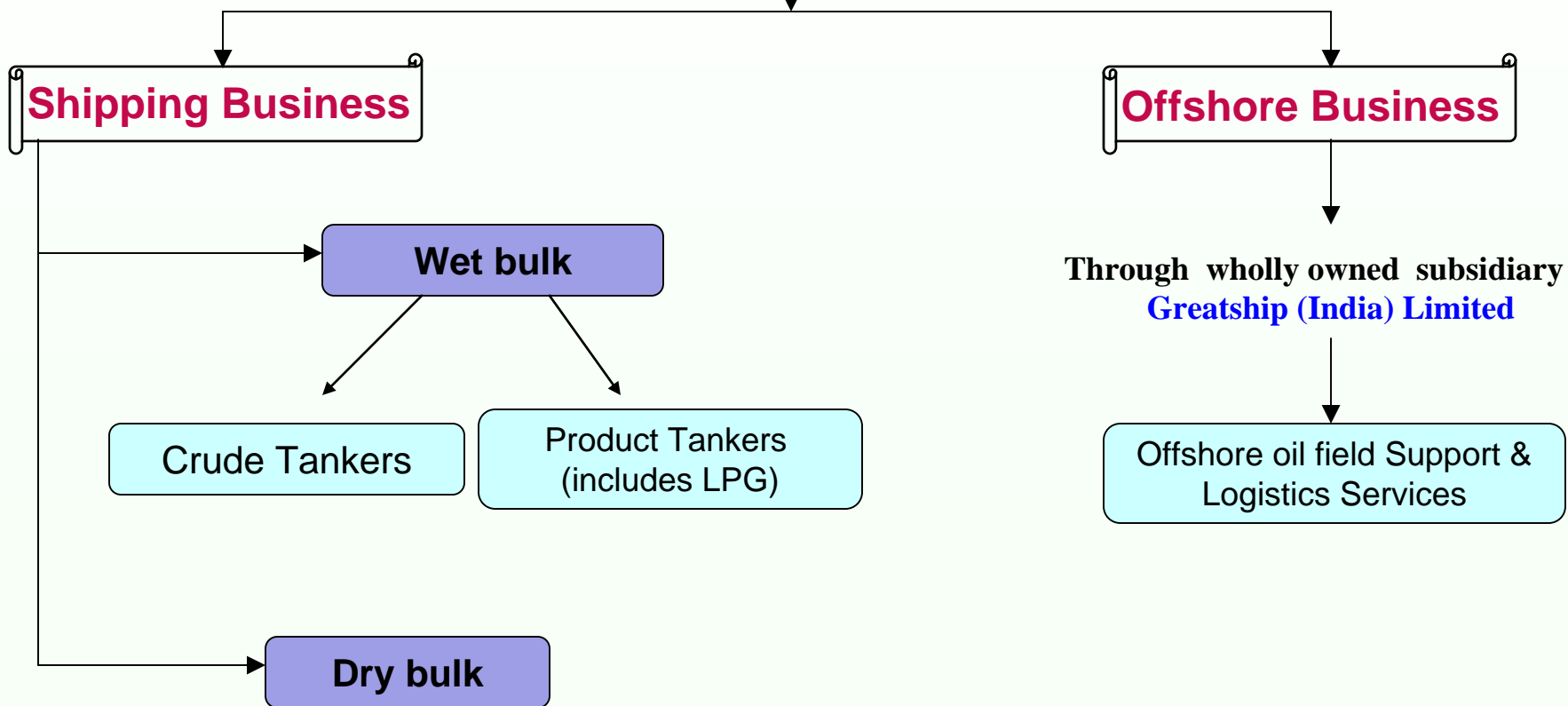
Except for historical information, the statements made in this presentation constitute forward looking statements. These include statements regarding the intent, belief or current expectations of GE Shipping and its management regarding the Company's operations, strategic directions, prospects and future results which in turn involve certain risks and uncertainties.

Certain factors may cause actual results to differ materially from those contained in the forward looking statements; including changes in freight rates; global economic and business conditions; effects of competition and technological developments; changes in laws and regulations; difficulties in achieving cost savings; currency, fuel price and interest rate fluctuations etc.

The Company assumes no responsibility with regard to publicly amending, modifying or revising the statements based on any subsequent developments, information or events that may occur.

# Corporate Profile

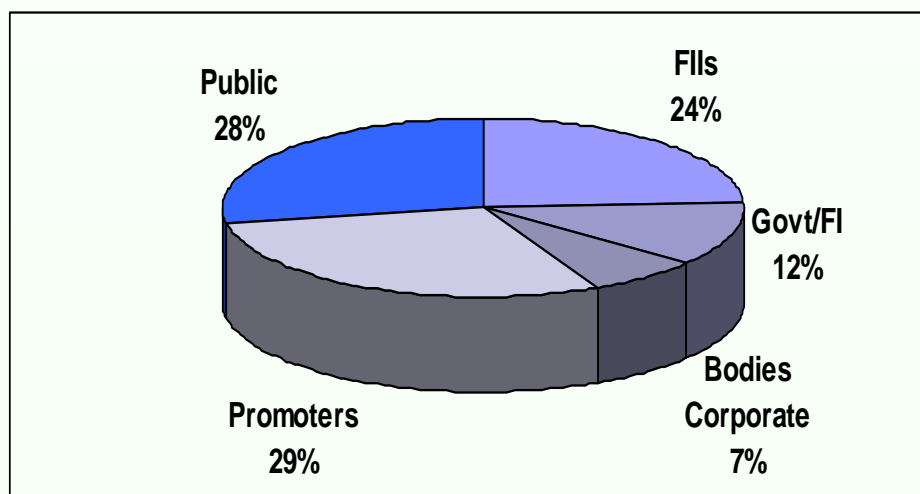
**The Great Eastern Shipping Co. Ltd.**  
Incorporated in 1948



## Company at a glance

- India's largest private sector Shipping Company
- In its 60<sup>th</sup> year of operations
- Diverse asset base with global operations
- 25 years of uninterrupted dividend track record
- Rated 'AAA' (Domestic Currency Debt) since 1996
- High liquidity; adequate floating stock

Shareholding Pattern as on Dec 31<sup>th</sup>, 2007



# Asset Profile Shipping business

- ❑ **46 ships aggregating 3.07 Mn dwt, avg.age 10.4 years**
  - ❑ **33 Tankers** avg.age 9.5 years (77% in tonnage terms)
    - ❑ **12 Crude oil carriers (6 Suezmax, 6 Aframax)** avg.age 7.5 years ( 2 single hull)
    - ❑ **19 Product tankers (1 Panamax ,11 MR, 7 GP)** avg.age 12.7 years (10 single hull)
    - ❑ **2 LPG carriers** – avg.age 24 years (both single hull)
  - Double hull status – 19 tankers representing 72% in dwt terms**
  - ❑ **13 Dry bulk carriers** avg.age 13.5 years
    - ❑ **1 Capesize** - avg.age 11 years
    - ❑ **2 Panamax** - avg.age 12 years
    - ❑ **2 Supramax**- avg.age 5 years
    - ❑ **5 Handymax** - avg.age 14 years
    - ❑ **3 Handysize** - avg.age 29 years
  - Contracted to sell – 1 Panamax Dry Bulk Carrier aggregating 0.07 mn dwt, delivery in Q1 FY09.**
    - 1 Panamax Tanker aggregating 0.07 mn dwt, delivery in Q4 FY08.**
    - 2 MR Product Tankers aggregating 0.07 mn dwt, delivery in Q1 FY10.**
    - 1 Handysize Dry Bulk Carrier aggregating 0.03 mn dwt, delivery in Q1 FY09.**
    - 1 General Purpose Tanker aggregating 0.03 mn dwt, delivery in Q1 FY09**

## Committed CAPEX - Shipping Business

### Committed Capex of around USD 589 Mn

- 12 new building contracts aggregating 0.85 mn. dwt

✓ FY 2009

- 2 NB, LR 1 Product Tankers (Q2)

✓ FY 2010

- 2 NB, LR 1 Product Tankers (Q3)

- 2 NB, Supramax Dry Bulk Carriers (Q4)

✓ FY 2011

- 1 NB, Kamsarmax Dry Bulk Carrier (Q4)

- 2 NB, Supramax Dry Bulk Carriers (Q1, Q2)

✓ FY 2012

- 3 NB, Kamsarmax Dry Bulk Carrier (Q1)

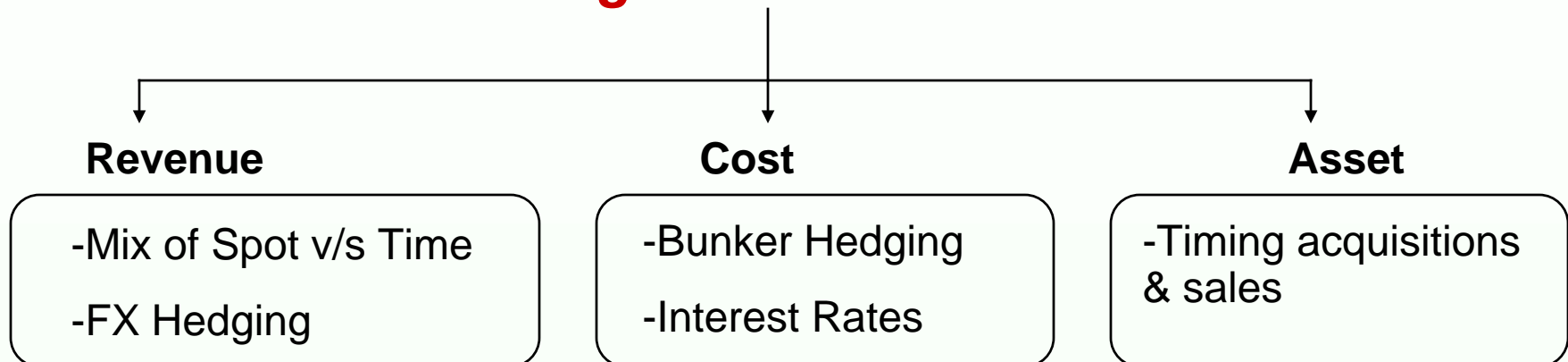
Delivery schedule as at end of period	Q3FY08	FY 08E	FY 09E	FY 10E	FY 11E	FY 12E
Cumulative Mn.dwt*	3.14	3.01	2.97	3.05	3.14	3.39
Avg.Age (yrs)	10.7	10.2	10.1	9.4	9.4	9.7

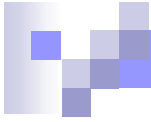
\* basis current committed capex & no sale envisaged

# Business Philosophy

Strive to deliver through the cycle

## *Risk Management Mechanism*

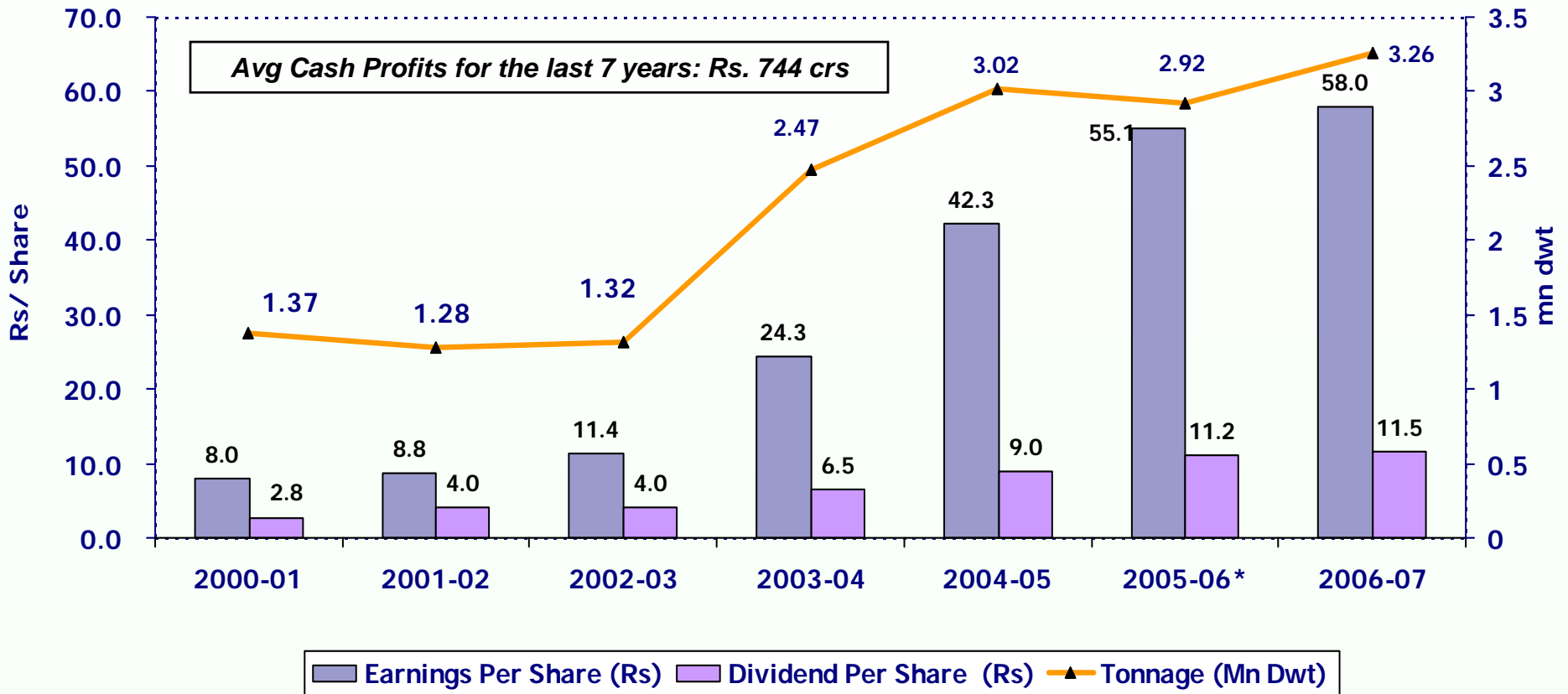




# *Financial Review*

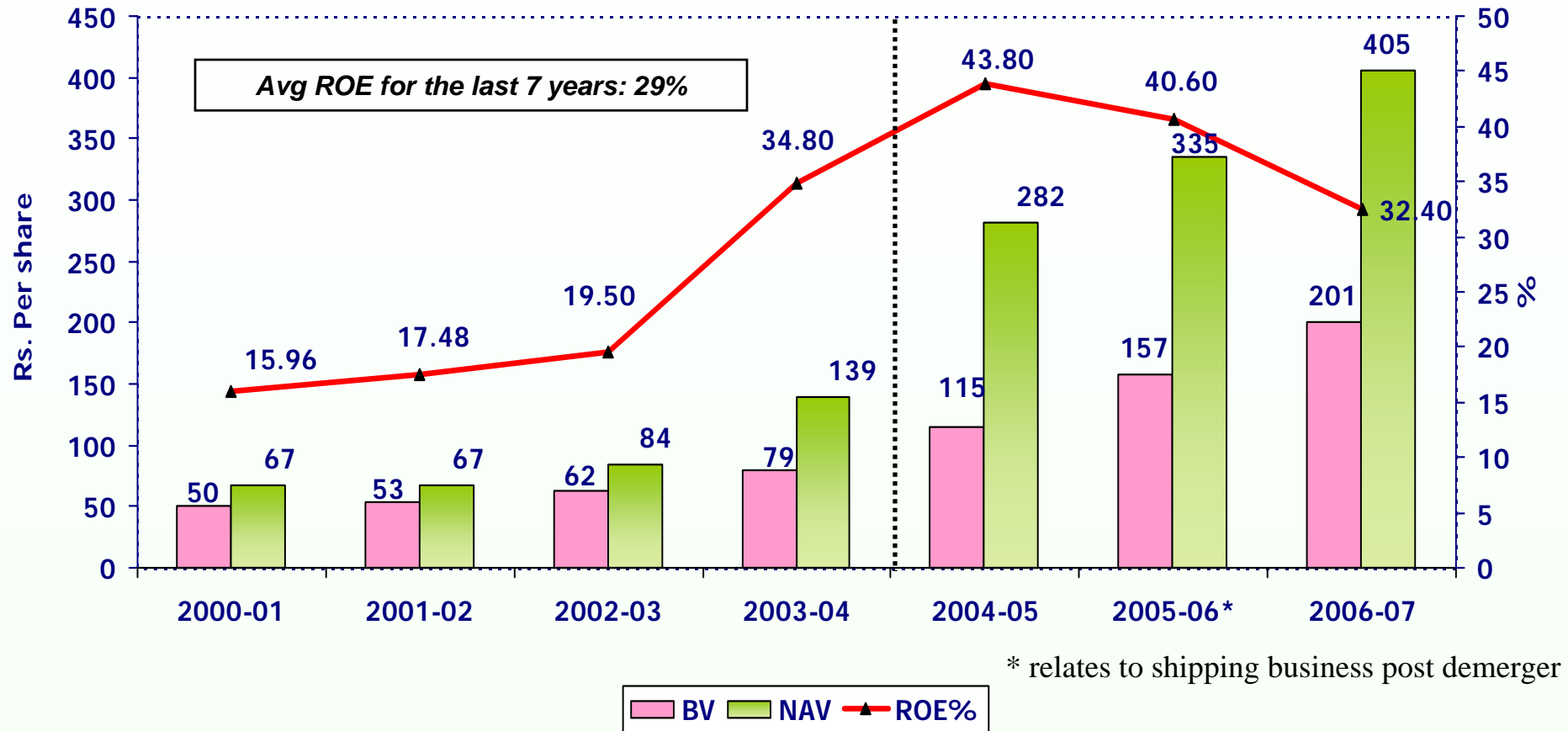


# Performing through the years...



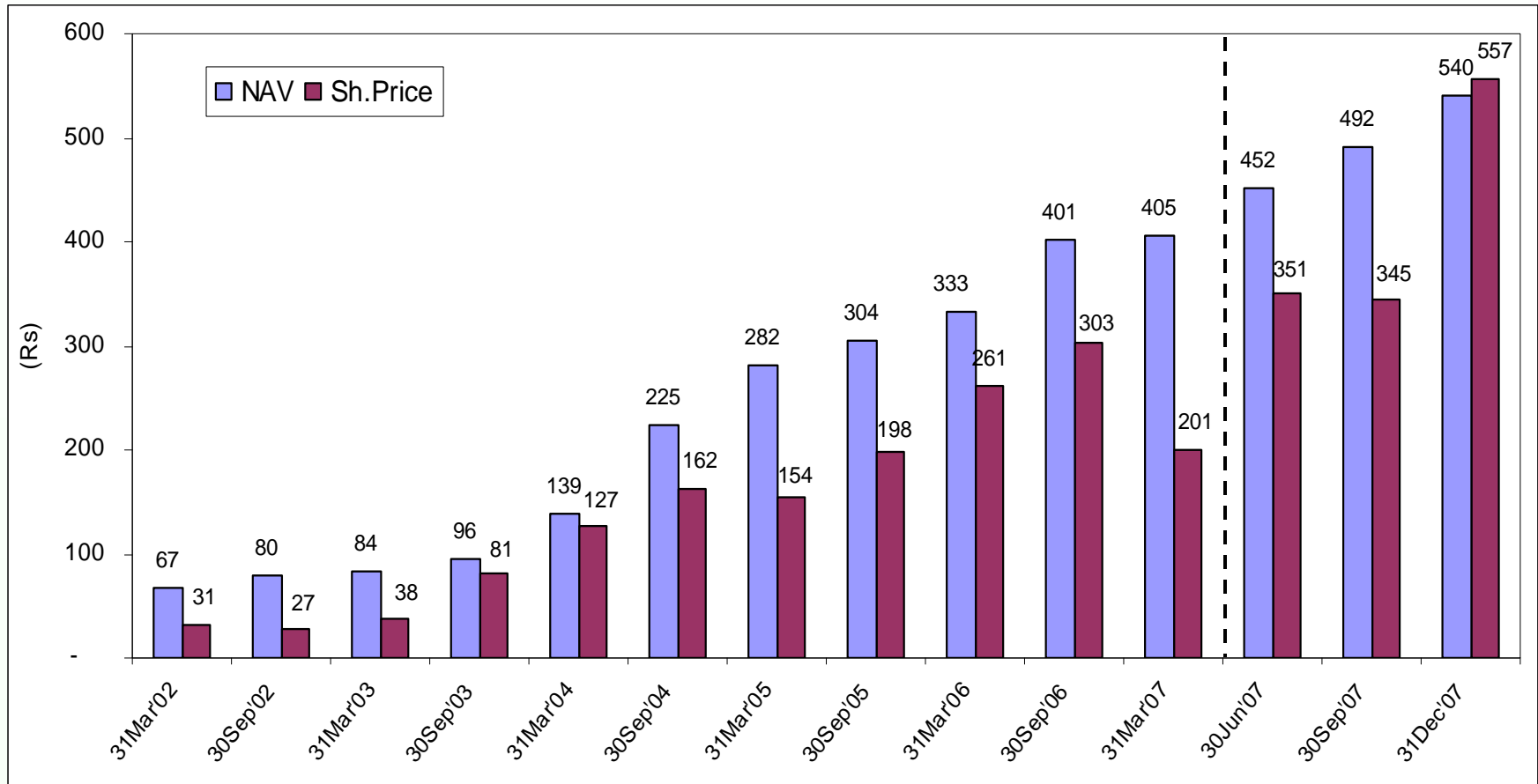
\* relates to shipping business post demerger

# Performing through the years...



**NAV as on 31 Dec'07 Rs.540**

# Movement of Share Price v/s NAV



## Financial Highlights of Q3 FY08 performance

(Rs.crs)	Q3 FY08	Q3 FY07	% change	9mths FY08	9mths FY07	% change
Income from Operations	604	490	23%	1842	1446	27%
Operating Profit	290	224	29%	881	722	22%
<i>Operating Margin</i>	<i>48%</i>	<i>45%</i>		<i>48%</i>	<i>49%</i>	
PAT (excl. AS 11 impact)	272	165	64%	885	642	37%
Cash Profit*	359	224	60%	1142	836	36%
EPS (in Rs)*	17.8	10.8		58.2	42.2	
Gearing as on 31/12/07	0.69					

\*Excl. AS 11 impact,

👍 Sharp spike in drybulk rates offsetting steep drop in tanker rates.

- ✓ Dry Bulk : 155%
- ✓ Crude : -21%
- ✓ Product : -1%

# Earnings Mix

## Mix of Spot & Time

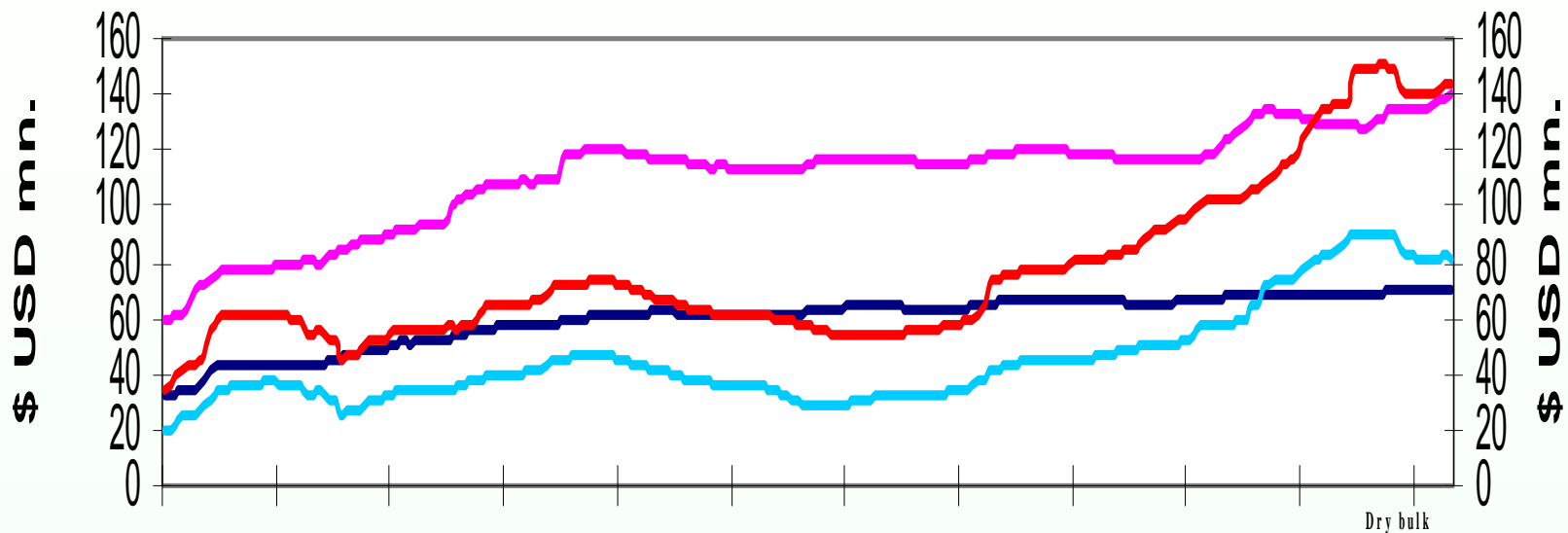
Days	Q3 FY08	Q3 FY07
<b><u>Dry Bulk</u></b>		
Spot %	<b>57%</b>	<b>54%</b>
Time %	<b>43%</b>	<b>46%</b>
<b><u>Tankers</u></b>		
Spot %	<b>30%</b>	<b>33%</b>
Time %	<b>70%</b>	<b>67%</b>
<b><u>Total</u></b>		
Spot %	<b>38%</b>	<b>38%</b>
Time %	<b>62%</b>	<b>62%</b>

## GE Shipping Average TCY Details – Q3 FY08

	Q3 FY08	Q3 FY07	% change
AverageTCY (\$ per day)			
Crude Carriers	23,564	29,768	-21%
Product Carriers	19,512	19,611	-1%
Gas Carriers	17,886	16,492	8%
Dry Bulk Carriers	45,148	17,735	155%

# Ship prices continue to be firm

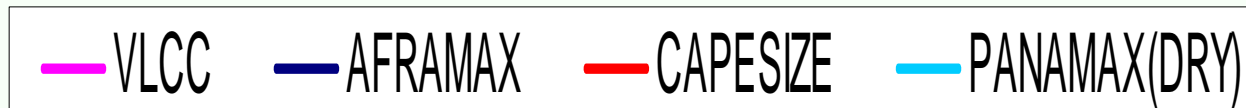
## Asset Price Movement (5 yr old)



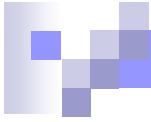
16/09/2003

Tankers

Time line- Sep 2003 till Mar 25, 2008

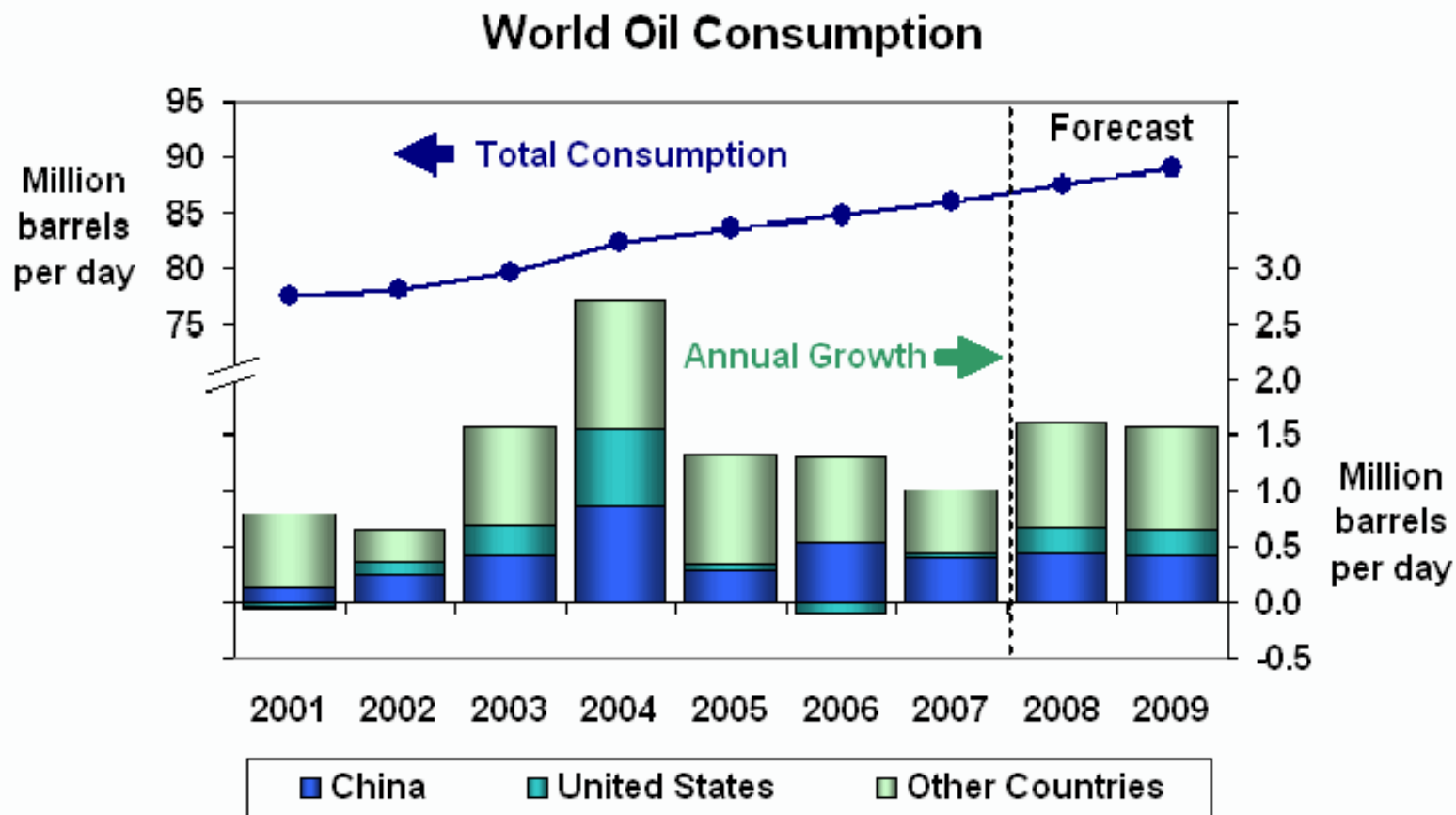


Source: Baltic Sale & Purchase Assessment



# Shipping Industry Outlook

# Global Oil consumption-growth forecast

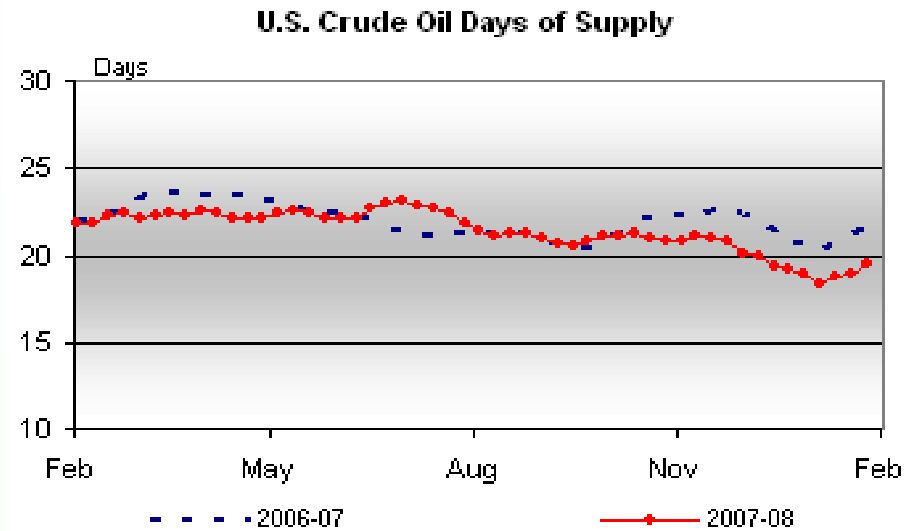
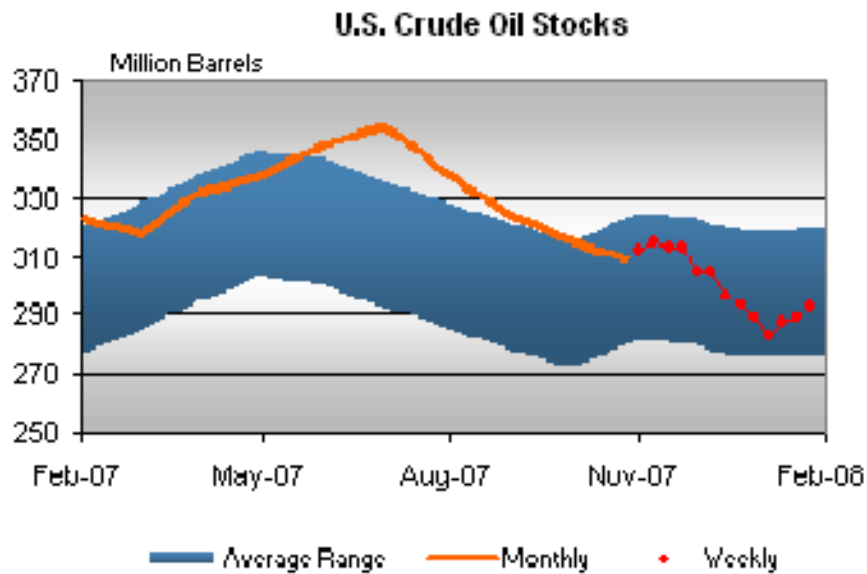


Short-Term Energy Outlook, January 2008





# US Inventory level at lows



Source: EIA, 25 Jan'08



## Outlook for Crude Tankers

### Short Term :

- High volatility expected as there is tightness in supply/demand
- Number of tankers going out on a/c of conversions/FPSO's etc is key
- Lower levels of inventory as compared to CY07

### Long Term :

- Stricter compliance to IMO deadline
- Quantum of conversions causing supply shortage

**Concerns** : Impact of global financial crisis on the world energy demand

	2008	2009	2010
World Fleet addition	7.7%	13.8%	10.7%



## Outlook for Product Tankers

- Longer term structural shift of trade patterns to continue
  - Refining capacity to grow in the Mid East/India/Far East
- Increased long haul activity for distillate trades (Jetfuel, Diesel, Gasoil)
  - as net deficit in western markets is growing
- Significant demand for petrochemical in the Far East (fulfilled by AG/Med)
- Faster than anticipated shift to Double Hull
- **Concerns** : Excessive supply in the short run

	2008	2009	2010
World Fleet addition	9.9%	8.8%	4.3%



## Outlook of Dry Bulk Market

### Short Term :

- Uncertainty to prevail till Iron ore price negotiations final
- Normalising of port problems / capacities

### Long Term :

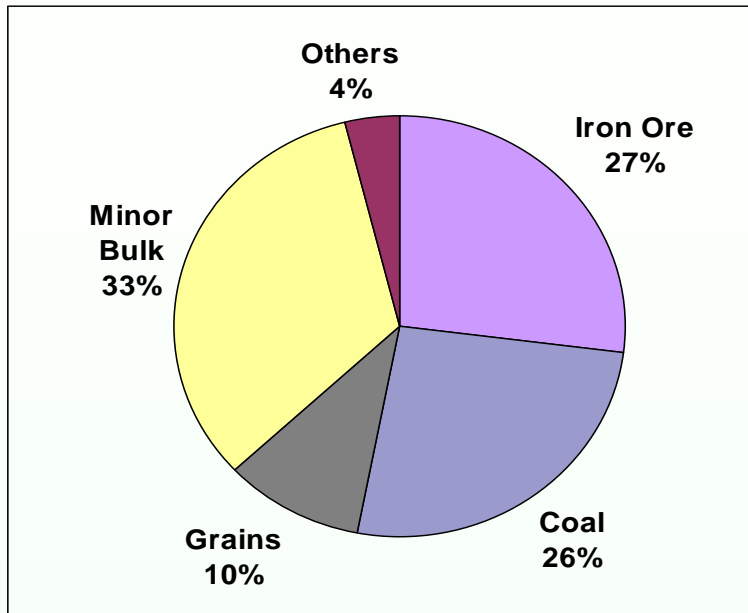
- Demand for raw material for infrastructure growth in India & China
- Aging fleet due to low level of scrapping

Risks: High order book position: 56% of current world fleet on order  
Impact of global financial crisis on growth in non OECD countries

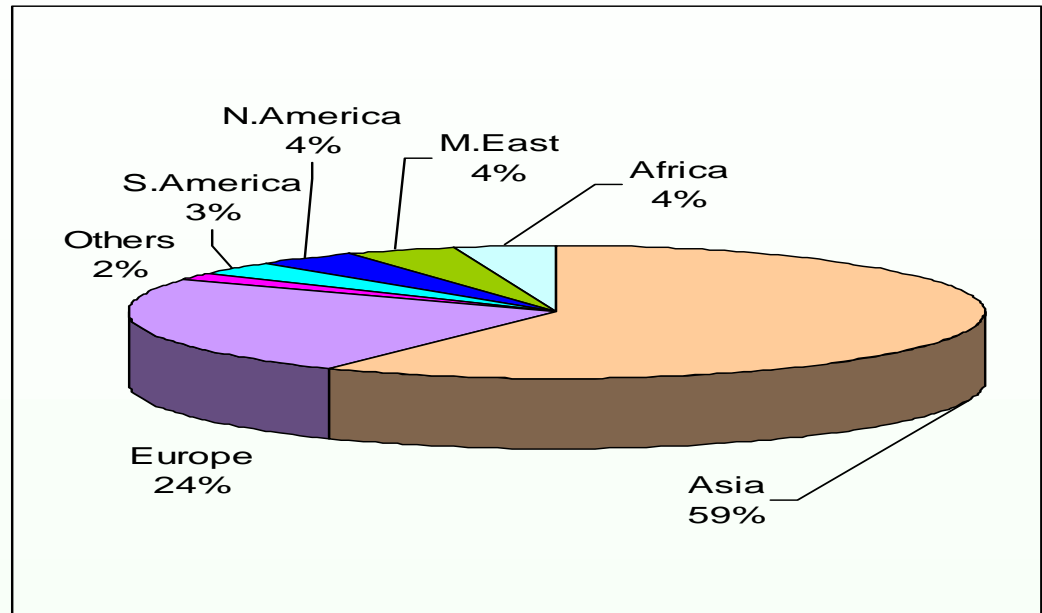
	2008	2009	2010
World fleet addition	7.4%	10.3%	12.9%

# Dry Bulk – Growth Driven by Asia

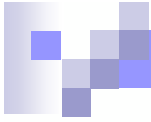
**Breakup of commodities transported**



**Imports - Regional Distribution**



**Asia contributes to 59% of dry bulk imports, whereas North America only 4%**



# Offshore Business



# Asset Profile

## Offshore business - Greatship (India) Limited & its subsidiary companies

➤ **Current Fleet**

- ✓ 3 Platform Supply Vessels (PSV)
- ✓ 1 Anchor Handling Tug cum Supply Vessel (AHTSV)

Fleet Growth	FY2008	FY2009	FY2010	FY2011
Fleet ( in nos)	4	10	20	22
Average Age (yrs)	3.3	2.3	1.5	2.2



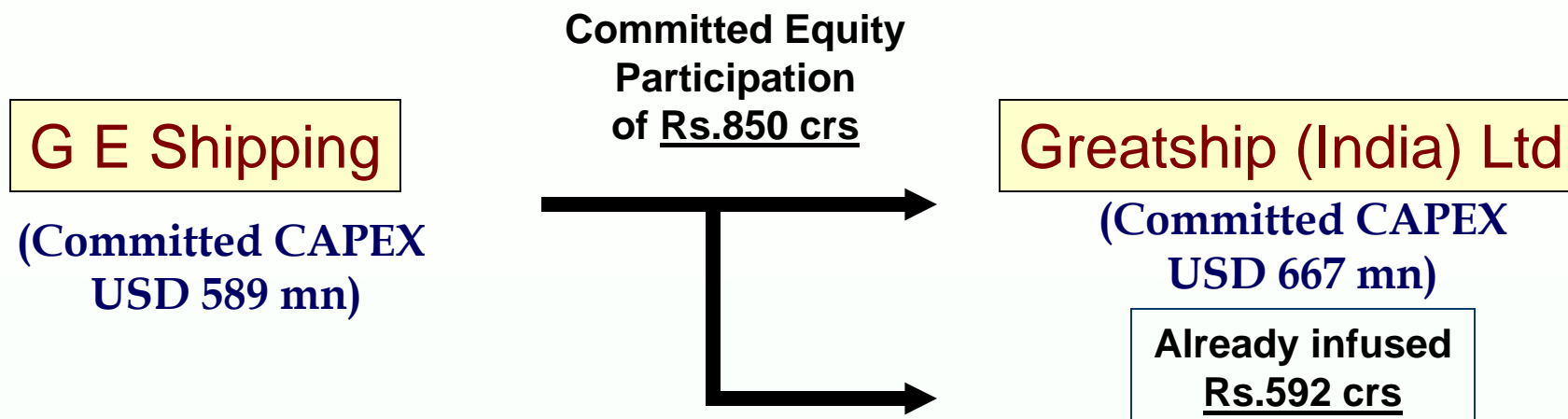
## Committed CAPEX – Offshore Business

- **Committed Capex of around USD 667 Mn\***
  
- ✓ **FY 2009**
  - 1 NB 80T AHTSV (CDL) (Q1)
  - 2 NB PSVs (Aker) delivery (Q2 & Q3)
  - 2 NB 80T AHTSVs (Labroy) (Q4)
  - 1 NB 80T AHTSV (CDL) (Q4)
  
- ✓ **FY 2010**
  - 2 NB 80T AHTSV (CDL, Labroy) (Q1)
  - 1 NB 80T AHTSV (Labroy) (Q2)
  - 4 NB MPSVs (Keppel Singmarine) [(2 in Q2 & remaining in H2FY10)]
  - 1 NB MSVs (Mazagon Dock) (Q4)
  - A New Building 350 ft Jack Up Rig (Keppel) (Q2)
  - 1 NB Construction Support Vessel (CDL) (Q4)
  
- ✓ **FY 2011**
  - 1 NB Construction Support Vessel (CDL) (Q1)
  - 1 NB MSVs (Mazagon Dock) (Q1)

\* basis current committed capex & no sale envisaged



# Committed Capex for the Group



**Total committed CAPEX of USD 1.26 bn  
Spread over next two & half years**

*To be financed with a mix of debt & internal accruals*

**Group D/E ratio around 0.7:1 (at the peak)**



## Outlook on Offshore Industry

- ✓ Under-investment in global E&P in the past
- ✓ Structural change in demand
- ✓ No commercially viable alternatives
- ✓ Shift from International oil companies to National oil companies
- ✓ Numerous new countries exploring
- ✓ Oil/Gas discoveries moving towards deeper waters

**Concerns-** - High level of orderbook  
- *Timing mismatch between supply & demand*  
- Availability of experienced manpower

# Offshore Supply Market

## OSV Fleet Summary

(Nos)	AHTSVs	PSVs	Others
Current Fleet*	2,138	1,566	1,587
Orderbook	504	241	197
% of O/B to current fleet	23.6%	15.4%	12.4%

\* Data as on Feb'08, Source: Clarkson

**Aging Fleet**  
 ✓ 52% of the total fleet  
 over 25 years old

## Offshore Installations Delivery Schedule

Type	Current Fleet	Orderbook	Delivery			
			2008	2009	2010	2011
Jackup	494	<b>77</b>	35	28	11	3
Inland Barge	93	<b>3</b>	3	-	-	-
Drillship	65	<b>23</b>	5	5	12	1
Semisub	212	<b>44</b>	13	21	7	3
In Tender	-	<b>3</b>	1	-	2	-
<b>Total</b>	<b>864</b>	<b>150</b>	<b>57</b>	<b>54</b>	<b>32</b>	<b>7</b>

• Figures in Nos, Source: Rigzone



# Business Strategy

## **Entry Strategy**

- ✓ Shallow water supply & towage

## **Growth Strategy**

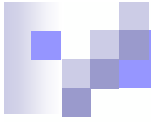
- ✓ Support to Deepwater and Construction

## **Special Area**

- ✓ Supporting deepwater activities in ECI

## **Approach**

- Build strong understanding of markets and customers
- Acquire assets based on customer requirements
- Develop USP in service in niche markets



**THANK YOU**

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