



# **The Great Eastern Shipping Company Ltd.**

## **A Review of Financial Year 2003-04**

**April 30, 2004**

# Forward Looking Statement

This presentation contains certain forward looking information through statements, which are based on management's current expectations and observations. The Company cannot guarantee the accuracy of these assumptions.

There are a number of risks and uncertainties which may impact the actual results to differ materially from these forward looking statements. 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.

# Highlights of 2003-04

- **Total income grew by 42%**
- **PAT grew by 116% to Rs. 467.47 crs (USD 101.38 Mn)**
- **EPS of Rs. 24.3**
- **Return to shareholders 19.1 % on market capitalisation**
- **Equity Dividend of Rs 139.56 crores ( includes tax)**

# Highlights of 2003-04

contd...

- **Total tonnage (dwt) grew by 87 % whilst capital employed increased by 35 %**
- **Book value Rs. 78 per share, NAV Rs. 140 per share**
- **Currency and interest rates movements figured as a major risk: Proactively managed**
  - presold USD revenues (current position USD 117 Mn at an average rate of Rs.46)
  - swapped 46 % of dollarised debt to fixed rates

# Financial Comparison

*Year on Year*

In Rs. Cr.

	<b>FY04</b>	<b>FY03</b>	<b>% increase</b>
<b>Total Income</b>	<b>1426</b>	<b>1007</b>	<b>42%</b>
<b>EBIDTA</b>	<b>740</b>	<b>453</b>	<b>63%</b>
<b>Interest</b>	<b>47</b>	<b>39</b>	<b>20%</b>
<b>Depreciation</b>	<b>201</b>	<b>168</b>	<b>20%</b>
<b>PBT</b>	<b>492</b>	<b>246</b>	<b>100%</b>
<b>Net Profit *</b>	<b>471</b>	<b>227</b>	<b>107%</b>

\* includes prior period adjustments

# Financial Comparison

*Corresponding Quarter*

In Rs. Cr.

	<b>Q4 FY04</b>	<b>Q4 FY03</b>	<b>% increase</b>
<b>Total Income</b>	<b>479</b>	<b>279</b>	<b>71%</b>
<b>EBIDTA</b>	<b>265</b>	<b>146</b>	<b>82%</b>
<b>Interest</b>	<b>15</b>	<b>9</b>	<b>67%</b>
<b>Depreciation</b>	<b>61</b>	<b>40</b>	<b>53%</b>
<b>PBT</b>	<b>190</b>	<b>97</b>	<b>96%</b>
<b>Net Profit *</b>	<b>185</b>	<b>93</b>	<b>98%</b>

\* includes prior period adjustments

# **A Five Year Perspective**

# Performance over the years.....

<b>Financial Year</b>	<b>Tonnage (Mn dwt)</b>	<b>RONW (%)</b>	<b>EPS (Rs.)</b>
<b>1999-00</b>	1.34	10.0	4.3
<b>2000-01</b>	1.37	16.0	6.9
<b>2001-02</b>	1.28	17.5	8.8
<b>2002-03</b>	1.32	19.5	11.4
<b>2003-04</b>	2.47	34.8	24.3



# **Offshore Business**

# **Sector Overview 2003-04**

- **Disconnect between oil/gas prices and investments in exploration activities continued**
- **Increased activities in Asia Pacific, Arabian Gulf and West Africa**
- **North Sea and US Gulf remained subdued**
- **Premium Jack-ups ordered**
- **Demand for large, modern and high spec support vessels**

# **Domestic Developments 2003-04**

- **Thrust on NELP continues**
  - Significant oil and gas finds (ONGC/RIL/Cairn/British Gas/GSPCL)
- **Deepwater programme ‘Sagar Samridhi’ launched**
- **ONGCs marginal oil fields on offer**
- **Committed investments over Rs. 17,500 crores spread over 3 years**

**India: emerging on the world E&P map**

# **Offshore Division**

# **The Year 2003-04**

- **Drilling rigs utilisation improved by 85%**
- **Support vessels' average day rates up by 6%**
- **Executed two offshore construction projects**
- **Placed 6 New building orders**
  - 4 AHTSVs and 2 PSVs

# “Leveraging” on Asset Mix

*The business- a binary function with asset deployment being key*

- **High end vessels:**
  - meeting emerging market needs
- **High yield assets:**
  - ensuring healthy cash flows

# **Global Market Outlook 2004-05**

- **Both E&P activities expected to increase**
  - Asia Pacific, Arabian Gulf and West Africa to drive the markets
- **Jackup market in Asia Pacific to tighten**
- **Support vessels' replacement**

# **Domestic Market Outlook 2004-05**

- **Increased market opportunities envisaged**
  - **Deepwater activities pace to continue**
  - **ONGC to commission 5 new platforms**
  - **Redevelopment programs**



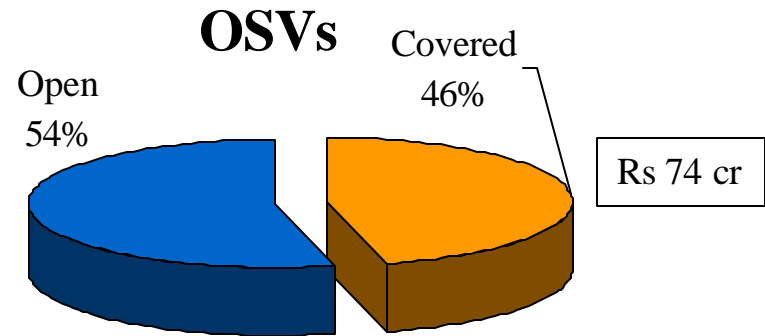
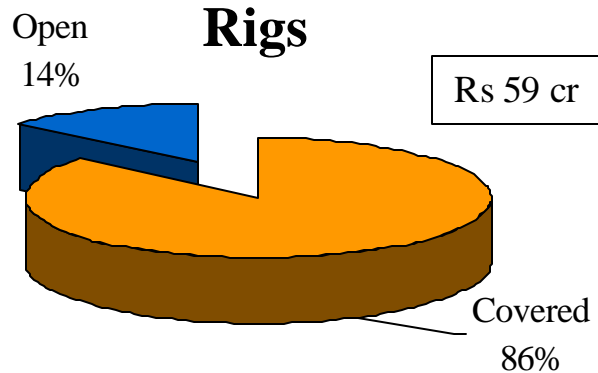
# What is in it for GE Shipping?

- Demand for exploration and development drilling rigs
- Demand for support vessels
- Boost to marine construction activities

**Leveraging on domain expertise**

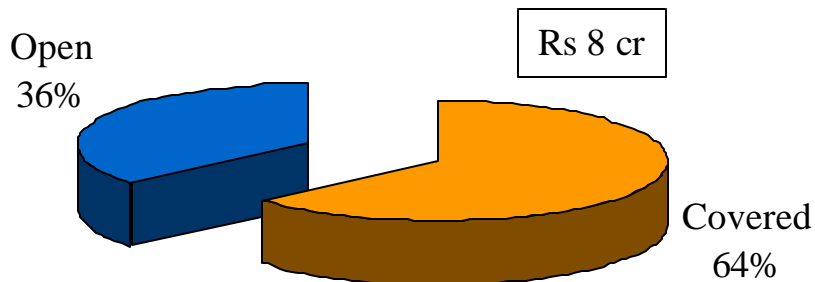
# Revenue Visibility 2004-05

## *Operating days coverage*

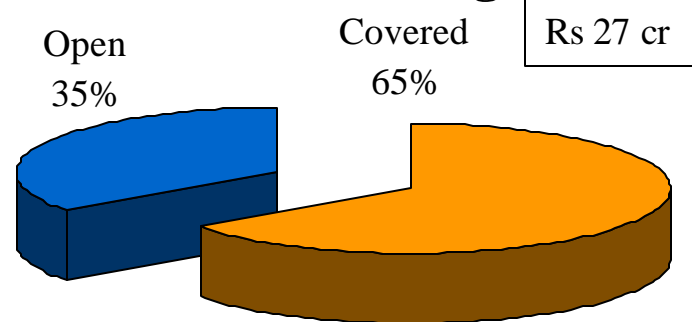


**Revenue of Rs. 168 crores covers ...**

### Construction Barge



### Harbour Tugs



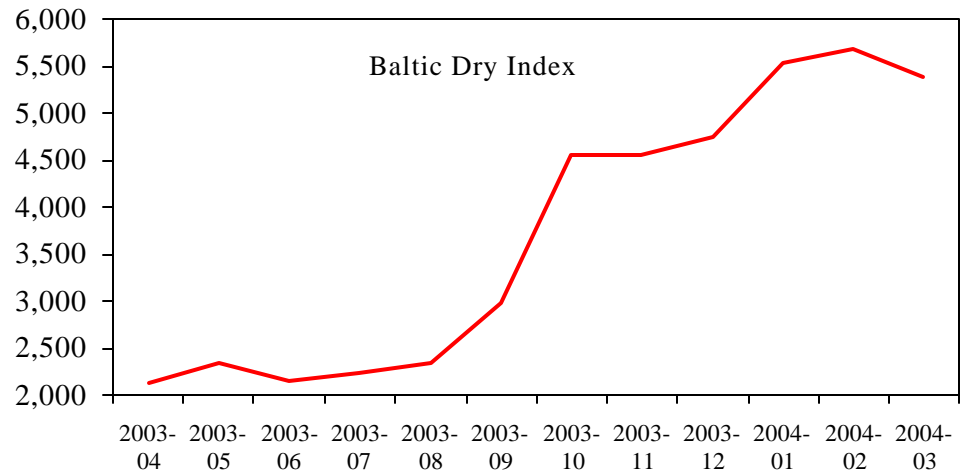
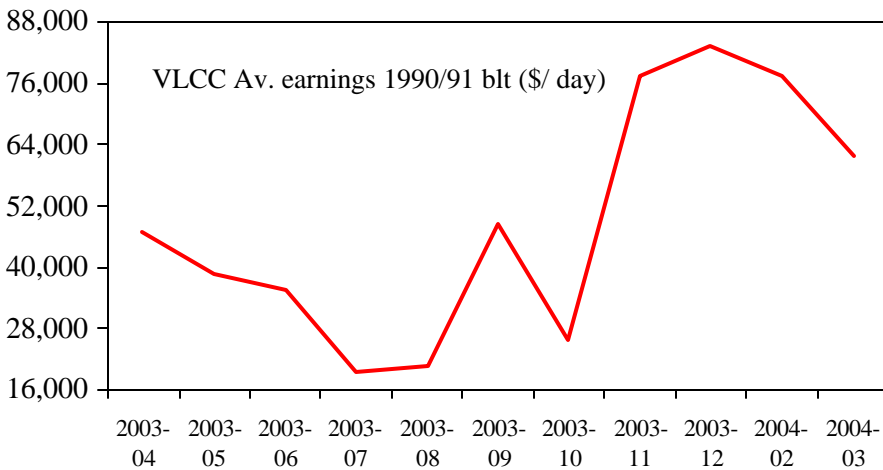
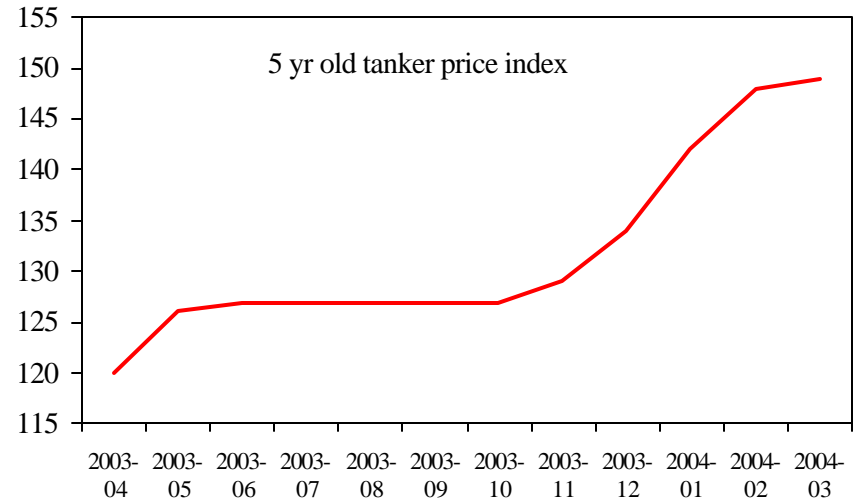
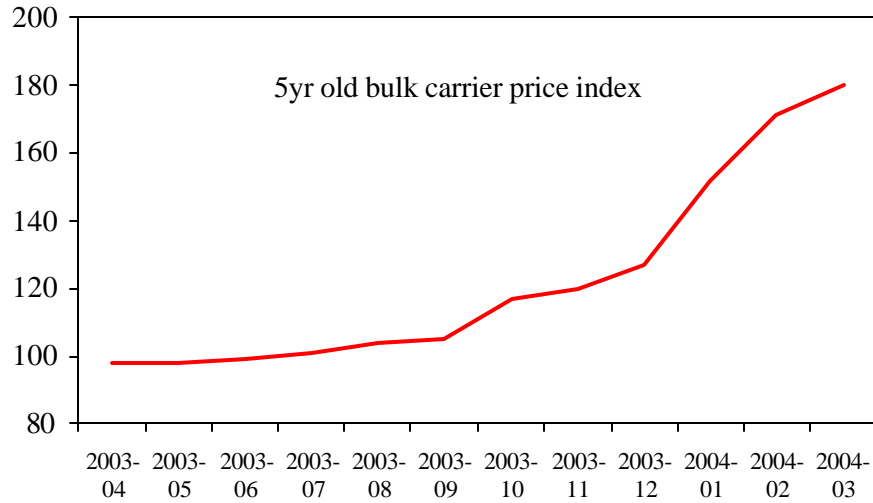
**.... opex of offshore fleet by 1.2 x**

# Way Forward

- **Focus on core activities**
  - **drilling**
  - **logistics**
- **Reorientation of support vessels fleet**
- **Continue participation in EPC offshore projects**
- **Expand operations in international markets**

# **Shipping Business**

# 2003-04: The return of Optimism



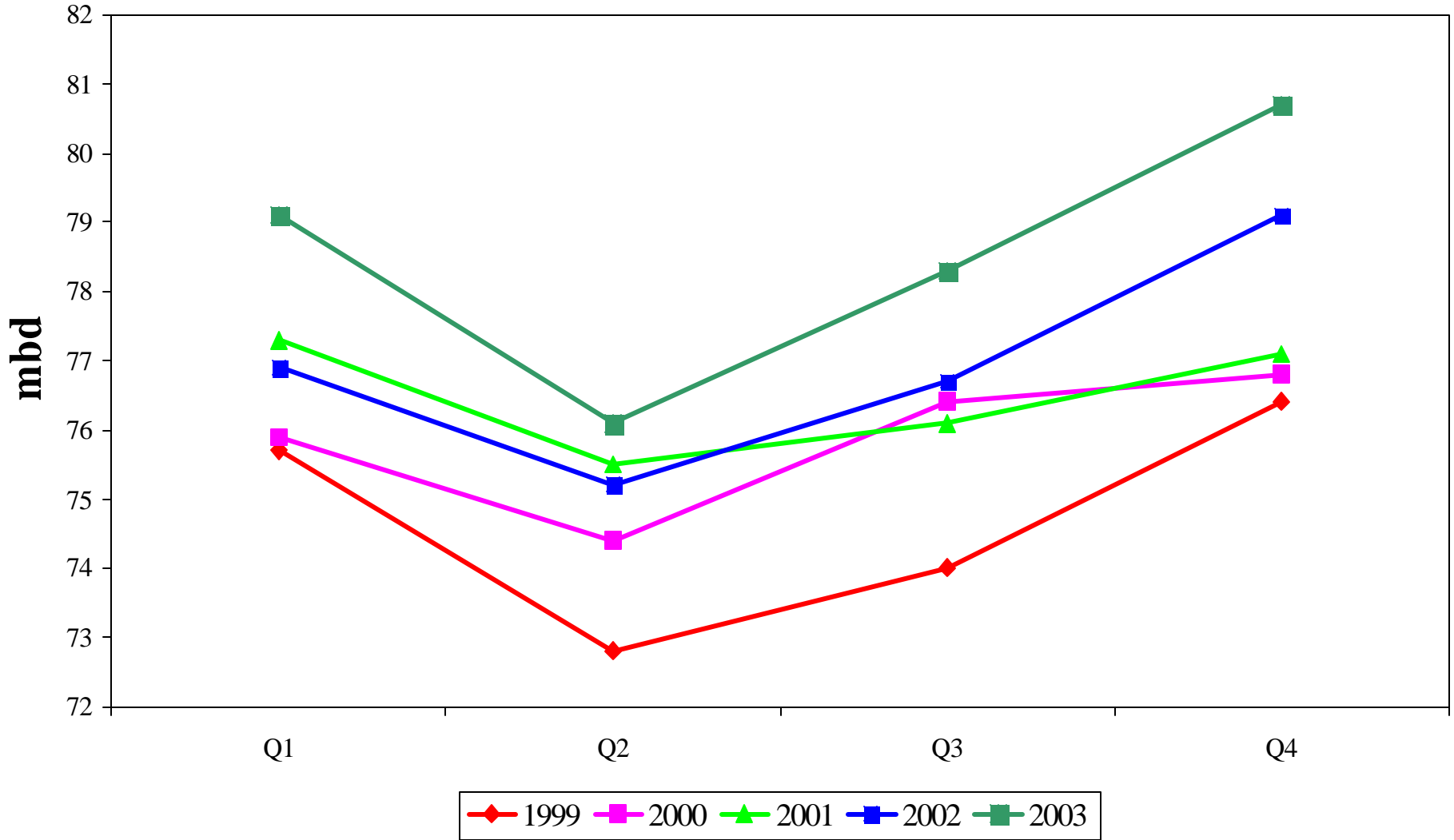
# 2003-04: The return of Optimism

- **Dry bulk carriers**
  - **Earnings touched record highs**
  - **Freight rates overtook commodity prices**
  - **Asset values**
    - **New building prices went up by more than 40% in all asset classes**
    - **Values of older bulkers went up between 150 and 200% in all asset classes**
- **Tankers**
  - **Another very strong year**
  - **Asset values**
    - **New building prices went up by around 30% in all asset classes**
    - **Values of older tankers increased by around 70% in all asset classes**

# What Drove the Markets ?

- **Dry Bulk:**
  - **China factor/ Global economic growth**
  - **Port congestion**
  
- **Tankers:**
  - **Increasing oil demand**
  - **Finely balanced demand/supply**

# Global oil demand on the growth path





# **Shipping Division**

# Overview of the Year 2003-04

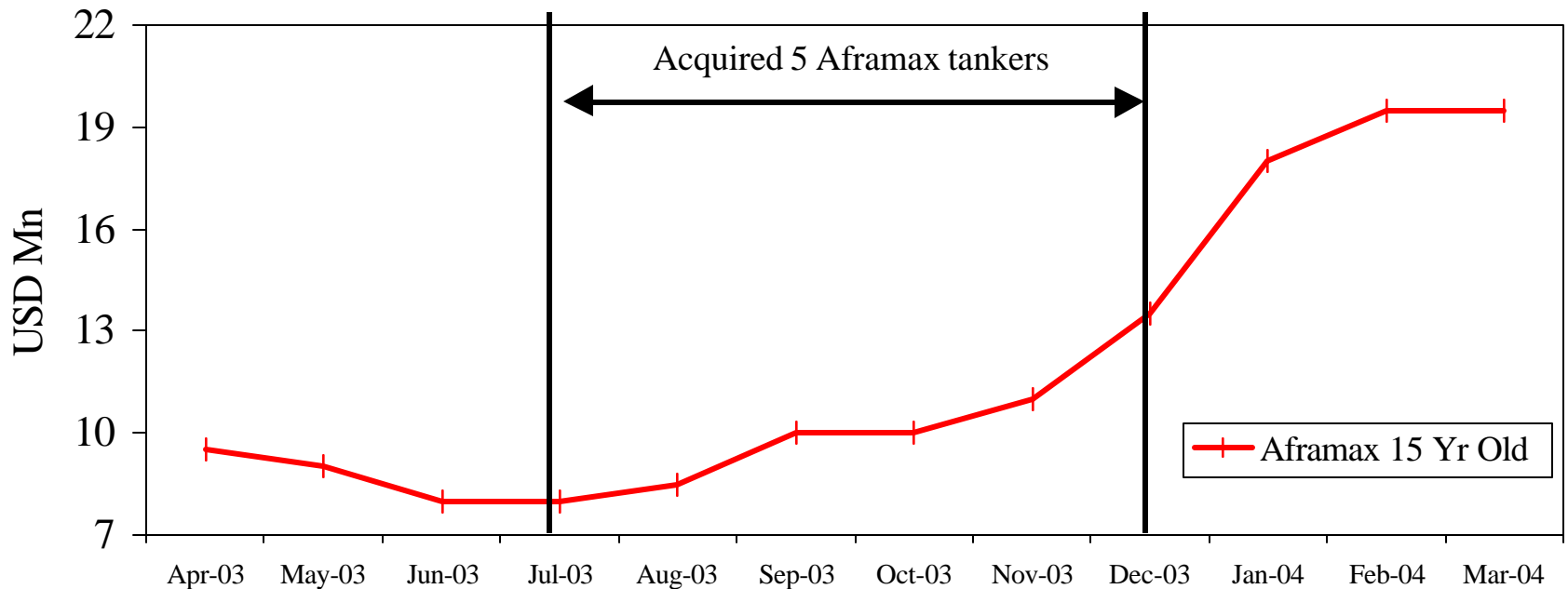
*A busy year indeed!*

- **Tonnage grew from 1.32 Mn to 2.47 Mn dwt**
  - 11 ships added - all tankers
- **Contracted 3 newbuilding orders**
  - Current order book stands at 6 tankers
    - *2 Ice class Suezmax and 4 MR product tankers*
- **Contracted 2 second hand dry bulk carriers**

**8 of the 11 tankers added were single hull tankers**

# Capitalised on “Price-Value Mismatch”

- Acquired 8 single hull tankers (avg. residual life of 7 yrs.) for Rs. 491 crores
- Book break evens well below 5 year average spot earnings
- Clocked PBDIT of Rs. 122 crores in a period of 5 months
- Current market value- Rs. 570 crores

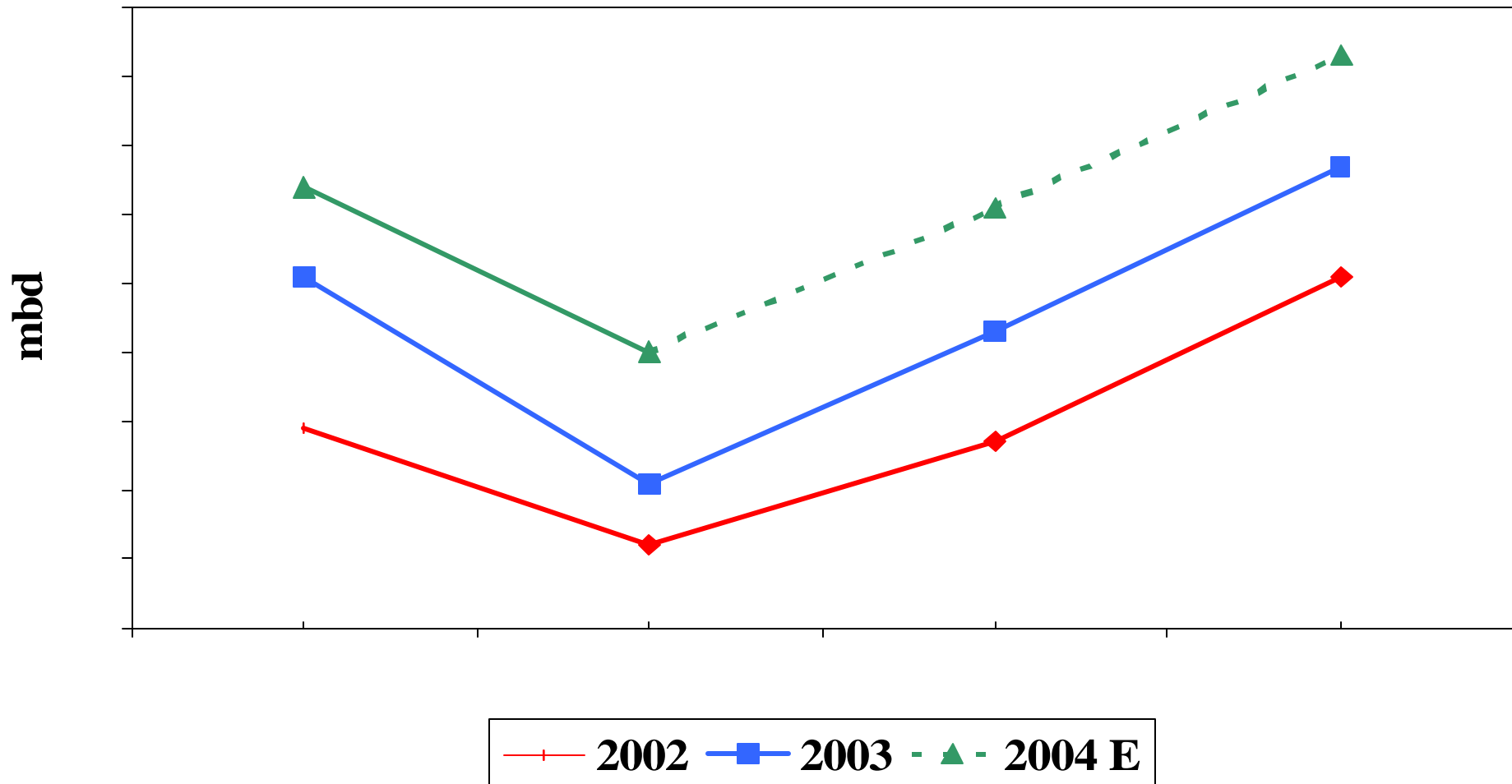


# Market Outlook 2004-05

- **Dry bulk:**
  - **freight rates to correct but may still be healthy**
    - Commodity demand from China expected to be strong
    - Net tonnage growth of around 4-5% expected
- **Tankers:**
  - **may witness another strong year**
    - Supply to be absorbed by demand
      - Oil demand is expected to increase by 2.1 %, which may result into incremental tanker demand of 3-4%
      - Net tonnage growth of around 3-4% expected

# Global oil demand ..

..to grow further



# Tight Global Tanker Market

	2004/2005 (Mn dwt)
Newbuilding deliveries	59
less: mandatory Scrapping*	<u>33</u>
Net fleet growth	26
Tanker demand growth	<u>23</u>
Change in supply/ demand balance	<u><u>3</u></u>

\* excludes any voluntary scrapping

# Risks

- **Dry Bulk**
  - **More than anticipated slow down in China**
- **Tankers**
  - **OPEC's action**
  - **Regulatory developments**

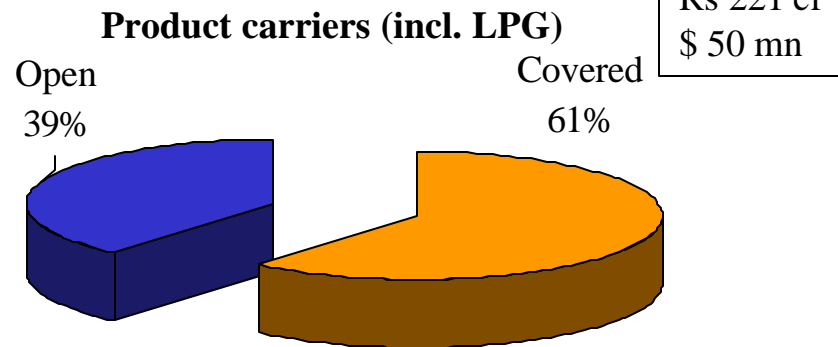
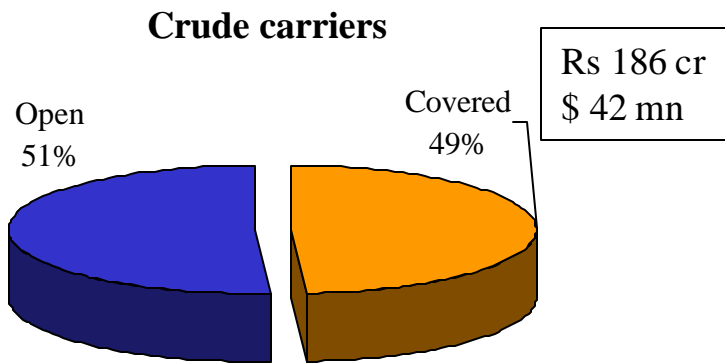
# Upside Potential

- **Dry Bulk**
  - China continues its pace of growth
- **Tankers**
  - Stronger demand growth
  - Voluntary scrapping for commercial considerations
  - Other wild cards
    - Political events (Iraq, Venezuela, Nigeria),
    - Weather,
    - Terrorism

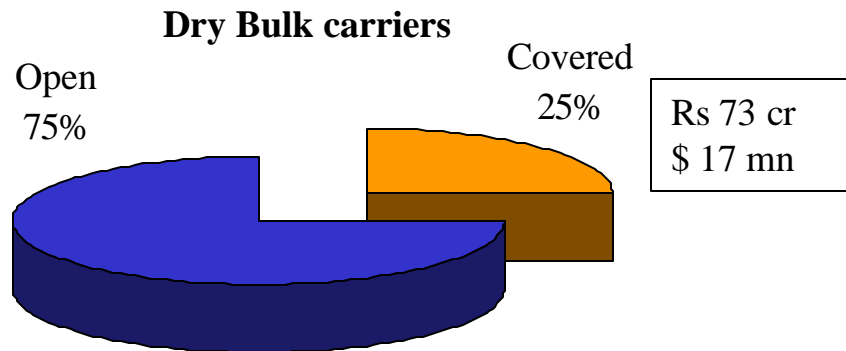


# Revenue Visibility 2004-05

## *Operating days coverage*



**Revenue of Rs. 480 crores covers opex of shipping fleet by 1.3 x**



**A change of USD 1000/day in spot rates will result in a PBT change of Rs. 30 crores**

# Way Forward

- **Continue a prudent growth-led strategy**
- **Remain profitable through the cycles by:**
  - timing acquisitions to build a low cost fleet
  - covering a fixed portion of revenue through period charters
- **Leverage core competencies by expanding chartered tonnage**

**Thank You**

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