



## **Great Eastern Shipping posts robust results: profits up by 60%**

November 01, 2001

The Board of Directors of The Great Eastern Shipping Company Limited at its meeting held on October 30, 2001 approved the Unaudited Financial Results for the quarter ended September 30, 2001 and for the half year ended on that date.

The Q2 FY 2001-02 registered a total income of Rs. 30,179 lacs. an increase of around 20 % as compared to Rs. 25,152 lacs. of corresponding quarter of the previous year. Net Profit after current tax at Rs. 5,240 lacs jumped by 60% as against Rs. 3,275 lacs in the corresponding quarter of the previous year, while interest cost as a percentage of total income reduced significantly to 4.95% as compared to 7.47 % for the Q2 FY 2000-01.

The H1 ended 30th September 2001, saw a total income of Rs. 64,423 lacs. recording 24 % growth as compared to the corresponding H1 of the previous year (Rs.51,977 lacs.). Net Profit after current tax of Rs.11,872 lacs. was up by 46 % as against Rs.8,127 lacs. in the corresponding H1 FY 2000-01.

The H1 FY 2001-02 operating profits of the Shipping division stood at Rs. 13,277 lacs registering a 25% growth on a y-on-y basis. Shipping division contributed to around 73.8 % of the Q2 FY 2001-02 revenues and 70 % of the profits, with more than three fourths being contributed by tankers. Global economic downturn, weakened oil demand and consequent OPEC supply cuts resulted in falling freight rates for the tanker markets. In the medium term, G E Shipping is considerably hedged against future weaker earnings with substantial coverage through period fixtures. The dry bulk earnings was impacted due to drop in industrial production which significantly

reduced demand for raw materials while the grain trade was also affected by reduced tonne mile demand for Asian grains imports.

The H1 FY 2001-02 operating profits of the Offshore division stood at Rs. 3760 lacs registering a 35.8 % growth on a y-on-y basis. The division contributed to around 18.5% of the Q2 FY 2001-02 revenues and 22.83% of the profits at Rs. 1797 lacs. ( up by 55% on a y-on-y basis ). Rupee depreciation and better day rates in the case of drilling rigs and better utilisation of the Offshore Support Vessels largely lead to increased gross revenues and operating profits. During the quarter, the division commenced its first major international contract with an AHTSV being deployed with Saudi Aramco.

The year commenced amidst downturn faced by the global economy while the September 11, 2001 attack on the US catalysed the uncertainty affecting market sentiments. With economic sentiment being impacted there is a significant slowdown in the overall activity of the business. In the face of a dismal worldwide oil demand scenario and anemic economic activity, depressed tanker rates may continue in the medium term. Energy security will play a vital role in determining E&P strategy giving impetus to the future of offshore business. We hope to participate not only in improving productivity from existing fields but also in aggressively exploring new E&P resources especially in light of opportunities emanating from the NELP I & II.

During the quarter, the company acquired one 1995 built Panamax bulk carrier and one 1989 built Harbour tug at an aggregate cost of USD 15.72 mn. The quarter saw 10,92,553 equity shares being bought back and extinguished under the second buy back scheme reducing the share capital to Rs. 21,481 lacs., recording an EPS of Rs.4.70 per share for the H1 FY 2001- 02 ( Rs.3.2 for H1 FY 2000-01).