

The Great Eastern Shipping Co. Ltd.

**Business & Financial Review**

**August 2014**

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## 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.

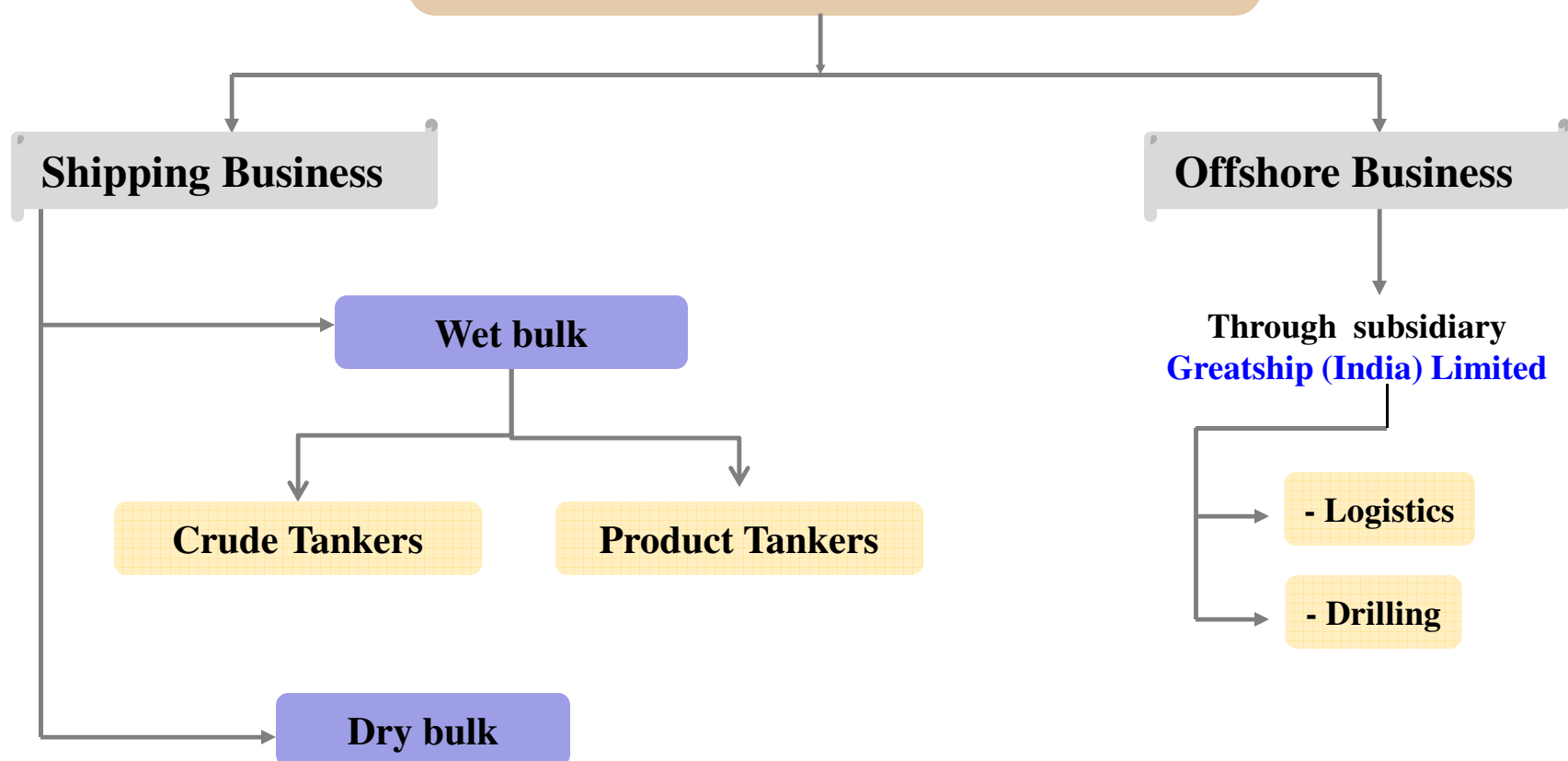
Certain factors may cause actual results to differ materially from those contained in the forward looking statements; including changes in freight rates; global economic and business conditions; effects of competition and technological developments; changes in laws and regulations; difficulties in achieving 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.

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# Corporate Profile

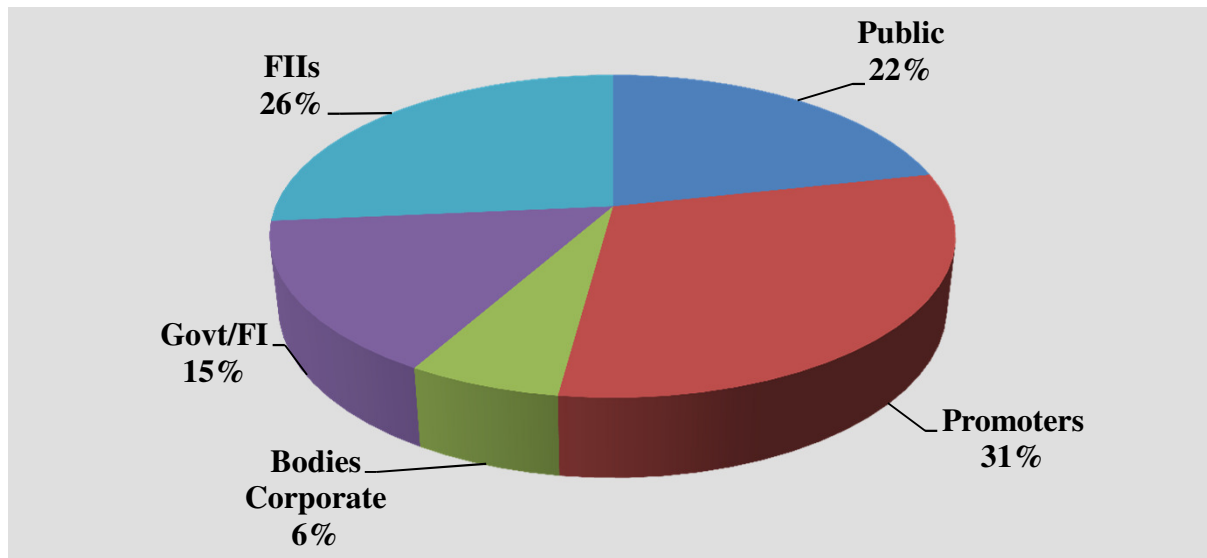
**The Great Eastern Shipping Co. Ltd.**  
Incorporated in 1948



## Company at a glance

- ✎ *India's largest private sector Shipping Company*
- ✎ *Diverse asset base with global operations*
- ✎ *Completed 66 years of operations*
- ✎ *30 years of uninterrupted dividend track record*

### Shareholding Pattern as on June 30, 2014



# Shipping business-owned fleet

**30 ships aggregating 2.42 Mn dwt, avg.age 10.0 years**

❑ **22 Tankers** avg.age 10.6 years

- **8 Crude carriers (4 Suezmax, 4 Aframax)** avg.age 11.2 years

- **12 Product tankers (4 LR1, 7 MR, 1 GP)** avg.age 7.9 years

- **2 Very Large Gas Carrier** avg.age 22.0 years

❑ **8 Dry bulk carriers** avg.age 8.5 years

- **1 Capesize** - avg.age 18.0 years

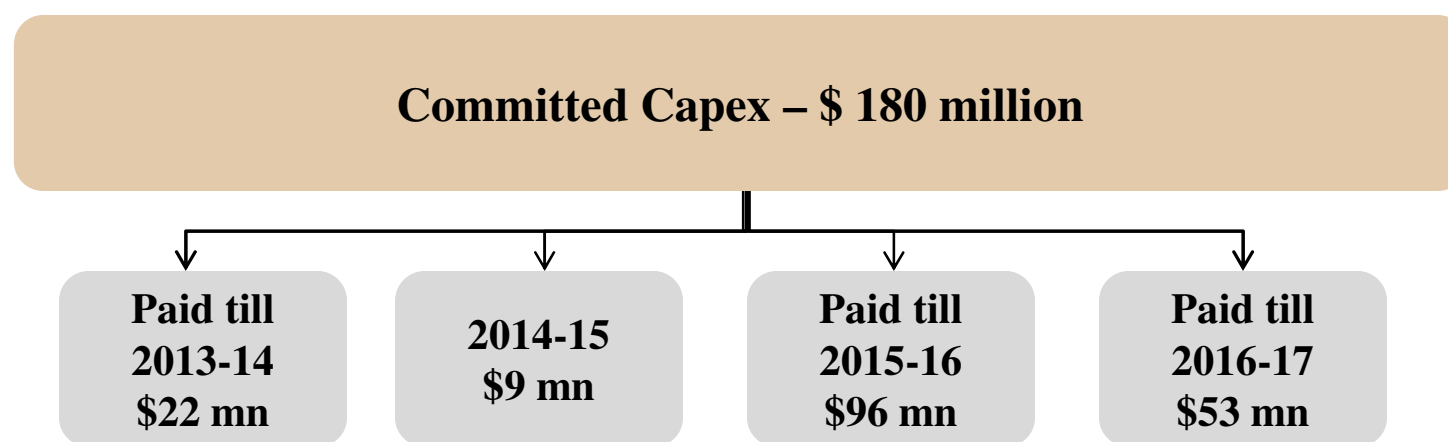
- **3 Kamsarmax** - avg.age 3.0 years

- **4 Supramax**- avg.age 7.3 years

**Note:** Fleet profile includes Very Large Gas Carrier 'Jag Vidhi' which has been contracted for sale in July 2014. The delivery of the vessel is due in H2 2014-15.

# Shipping business- CAPEX plan

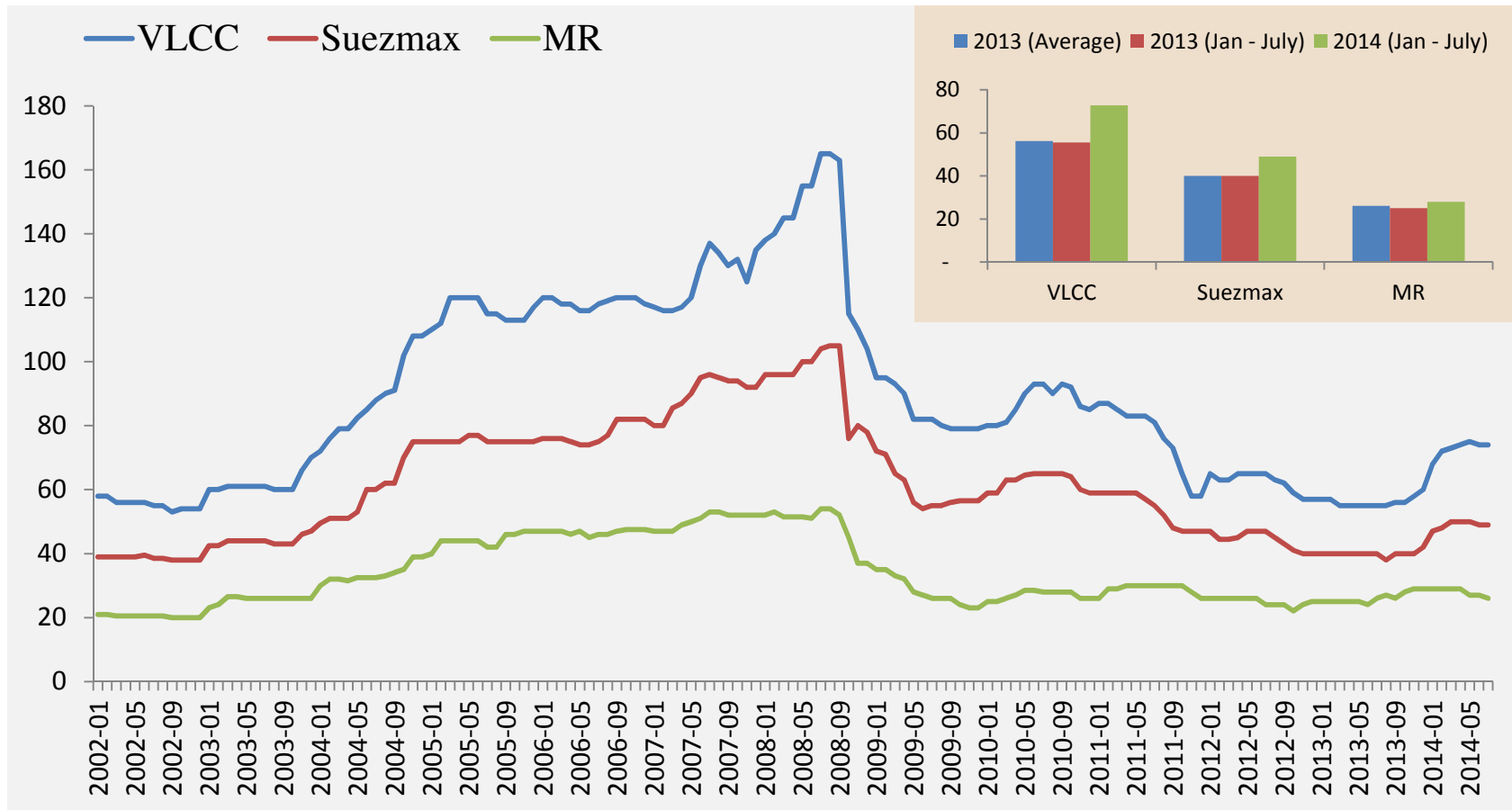
Vessels on Order		
Vessel	Yard	Expected Delivery
1 Medium Range Product Tanker	STX Group	Q4FY16
2 Kamsarmax Dry Bulk Carriers	Tsuneishi Shipbuilding	H1FY16
3 Kamsarmax Dry Bulk Carriers	Jiangsu New Yangzi Shipbuilding Co. Ltd, China	Q2 & Q3 CY2016



# Asset Price Movement (5 yr old)- Tankers

Timeline- Jan 2001 till July 2014

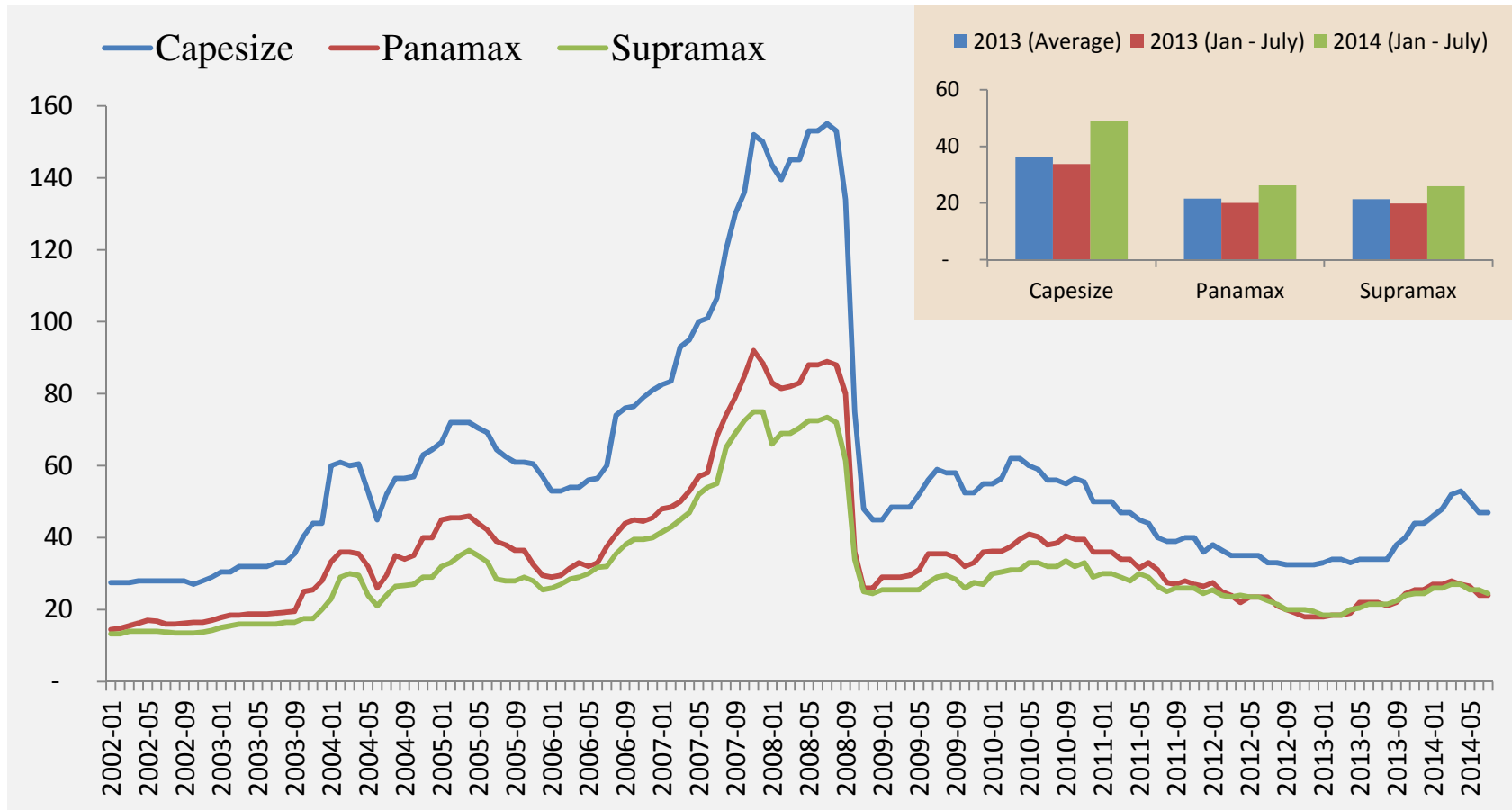
Amt in US\$ mn



# Asset Price Movement (5 yr old) – Dry Bulk

Timeline- Jan 2001 till July 2014

Amt in US\$ mn



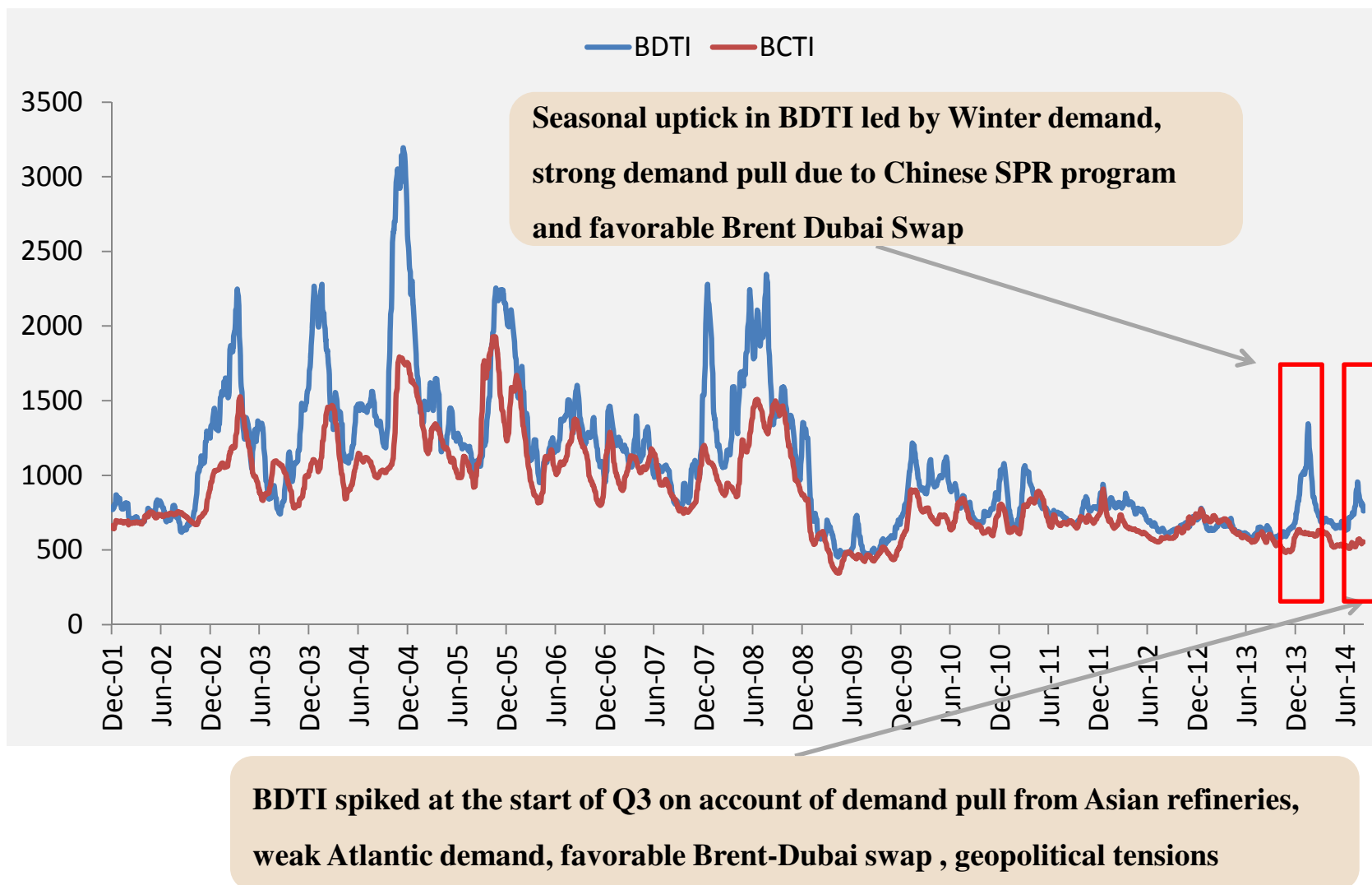


# Asset Price Movement

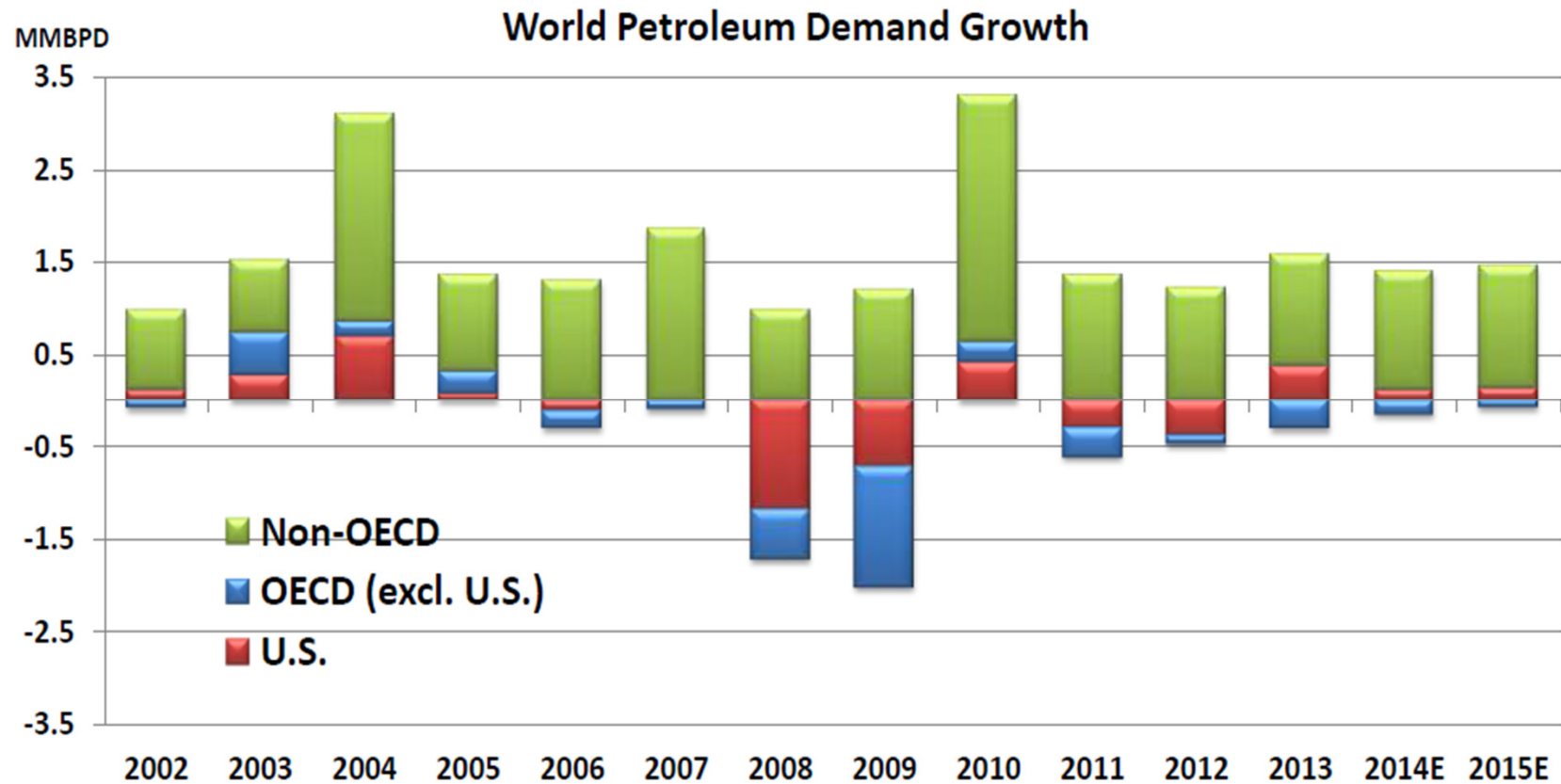
**20 year High /Low: (5 year old assets)**

(Amt in \$mn)	High	Low	Current
<u><b>Tankers</b></u>			
VLCC	165	49	74
	(2008)	(1994)	
Suezmax	105	32	49
	(2008)	(1993)	
MR	46	20	26
	(2007)	(1999)	
<u><b>Dry Bulk</b></u>			
Capesize	155	25	47
	(2008)	(1999)	
Panamax	92	14	24
	(2007)	(1999)	
Supramax	75	13	25
	(2007)	(1998)	

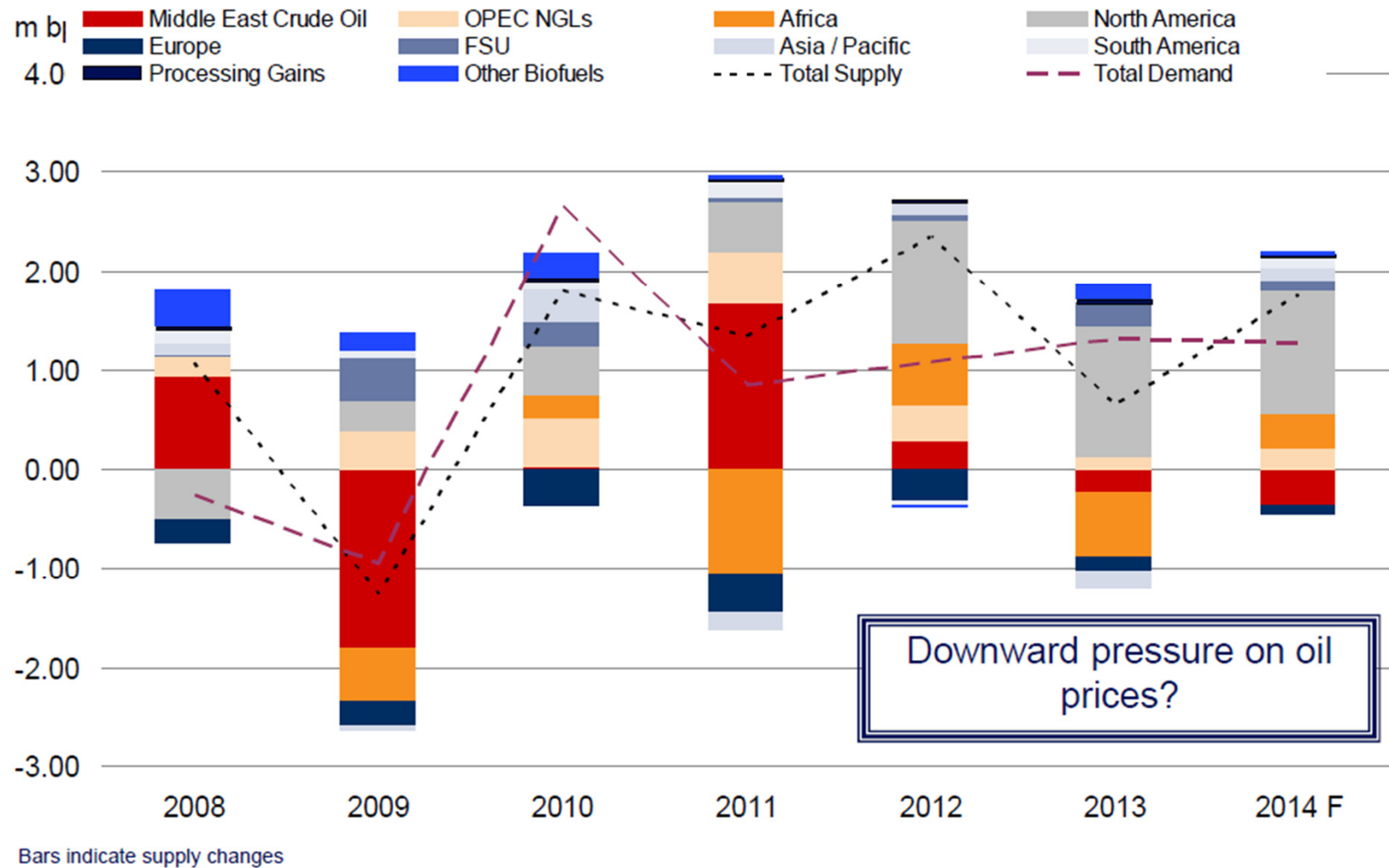
## BDTI & BCTI Movement (Jan 2001 to July 2014)



## Non OECD driving oil demand



## Its about demand now...not peak oil supply!!!



# Crude Oil Trade – Changing patterns...

## Oil supply dynamics changing

US – Shale revolution  
Canadian- Heavy sands  
Iran – Uncertainty on Sanctions  
North Sea – Decreasing Supply  
Venezuela – Diversifying Customer base  
West Africa – Supplying to Europe & East  
Angola , Algeria – Production inching up  
Nigeria – Increasingly unstable  
Libya- Coming back???

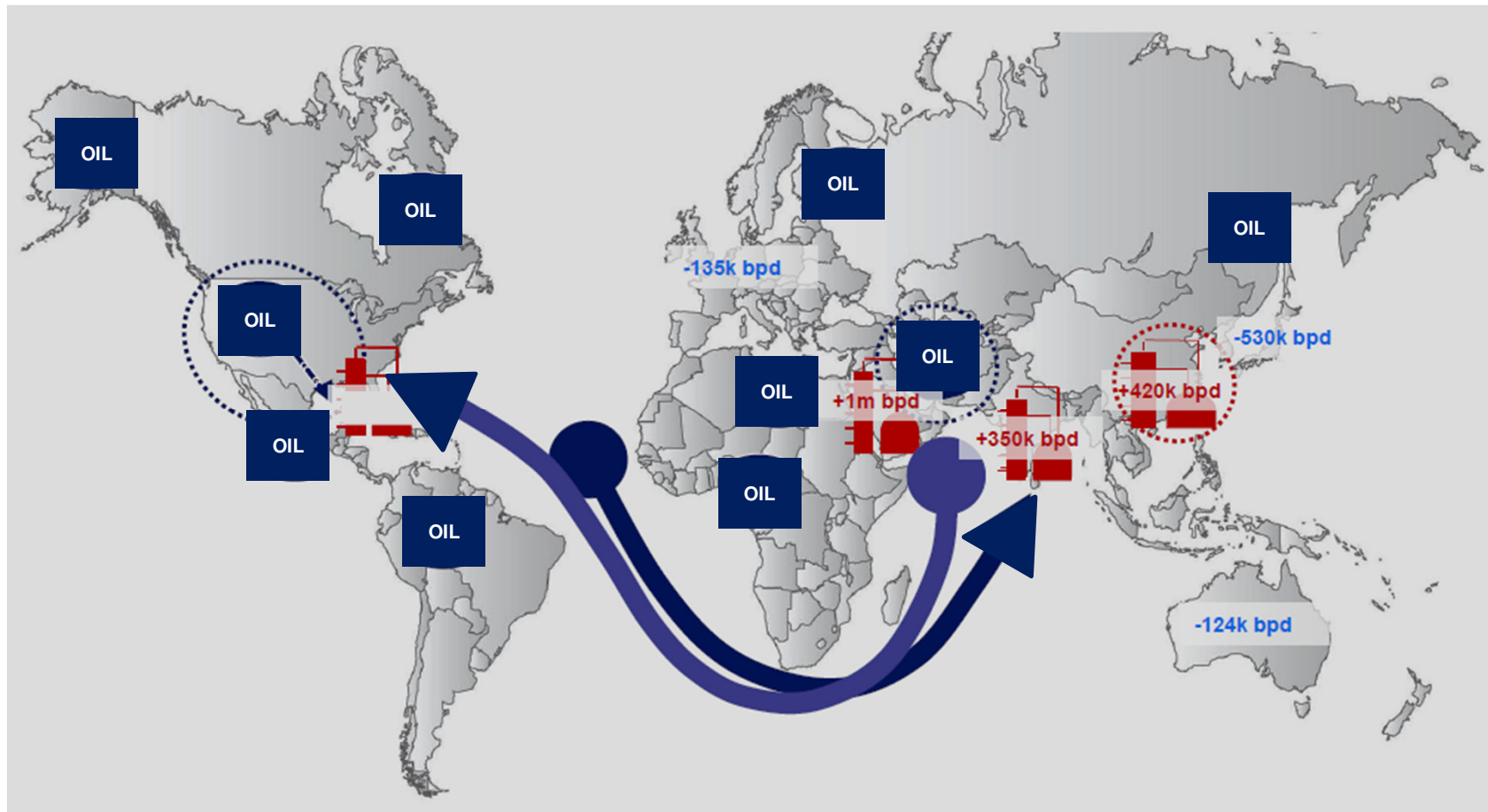
## Oil demand sourcing matrix changing

China & India in forefront  
US refineries operating at record utilization  
Refinery closures in OECD Europe,  
Australia, Japan

## Other Market Developments

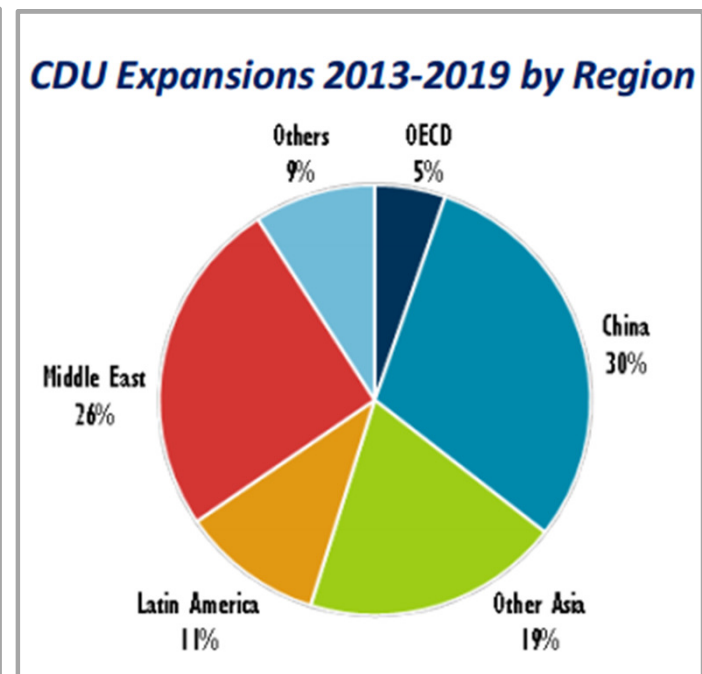
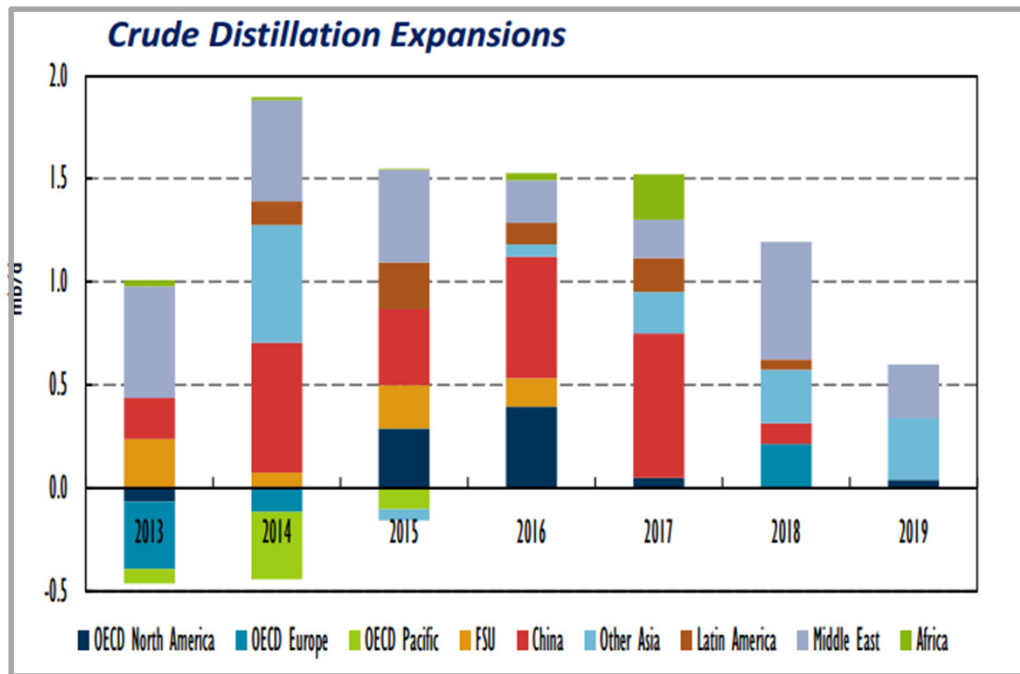
Political Risk - MENA, Russia/Ukraine  
& Venezuela  
Significant Middle East refinery expansion  
Brent crude contango structure  
and potential offshore storage on tankers

## Crude Oil Trade – Changing patterns...



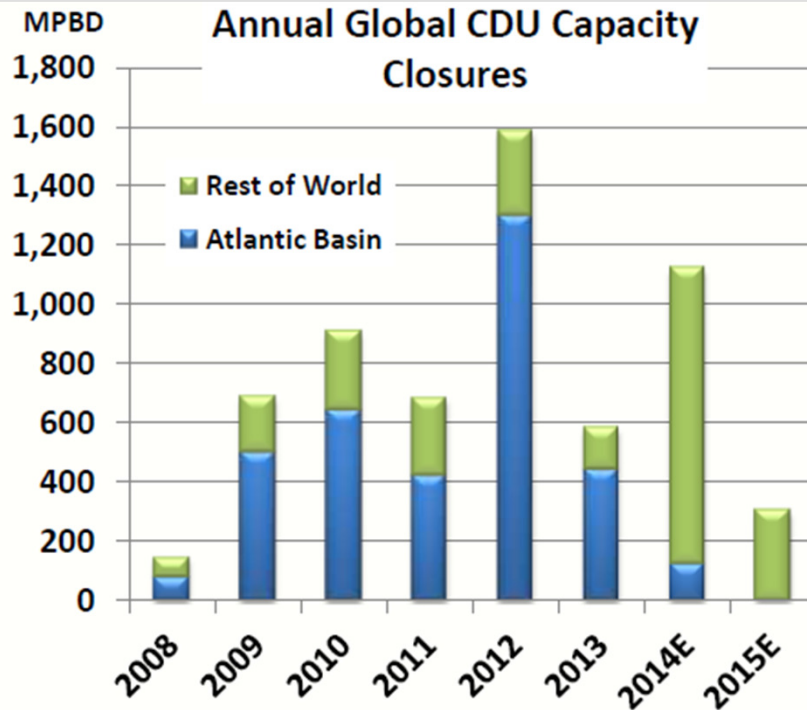
## Significant new Refining capacity additions coming up in Asia and Middle East...

- **Global refinery crude distillation capacity set to rise by 8.6 mb/d** from 2013 to 2019
- Asia-Pacific to account for about ~50% and M.E ~26%.
- **Global crude processing capacity is forecast to increase by 7.7 mb/d, reaching nearly 105 mb/d in 2019.**
- **US refining sector to continue benefit**, due to increasing exports of distillates to Latin America and Europe.

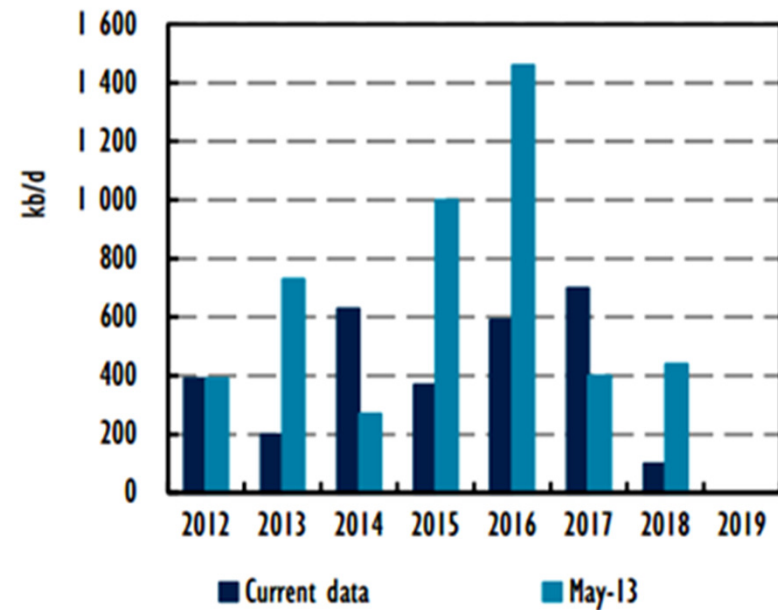


## Leading to overcapacity, potential closures in the OECD region, lower utilization along with scaling back of certain planned expansions

### Refining Capacity Rationalization



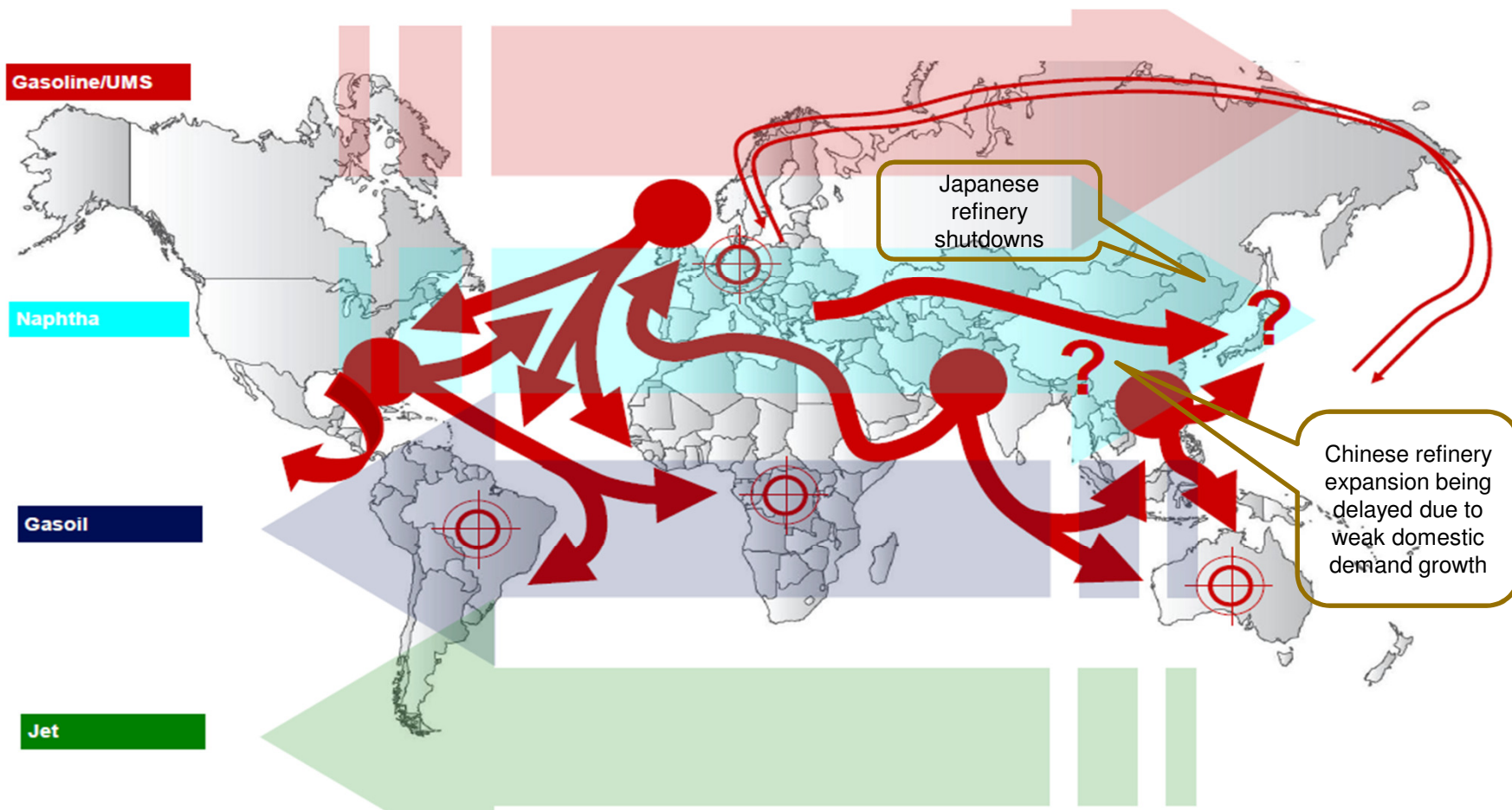
### Chinese CDU expansions vs. previous projections



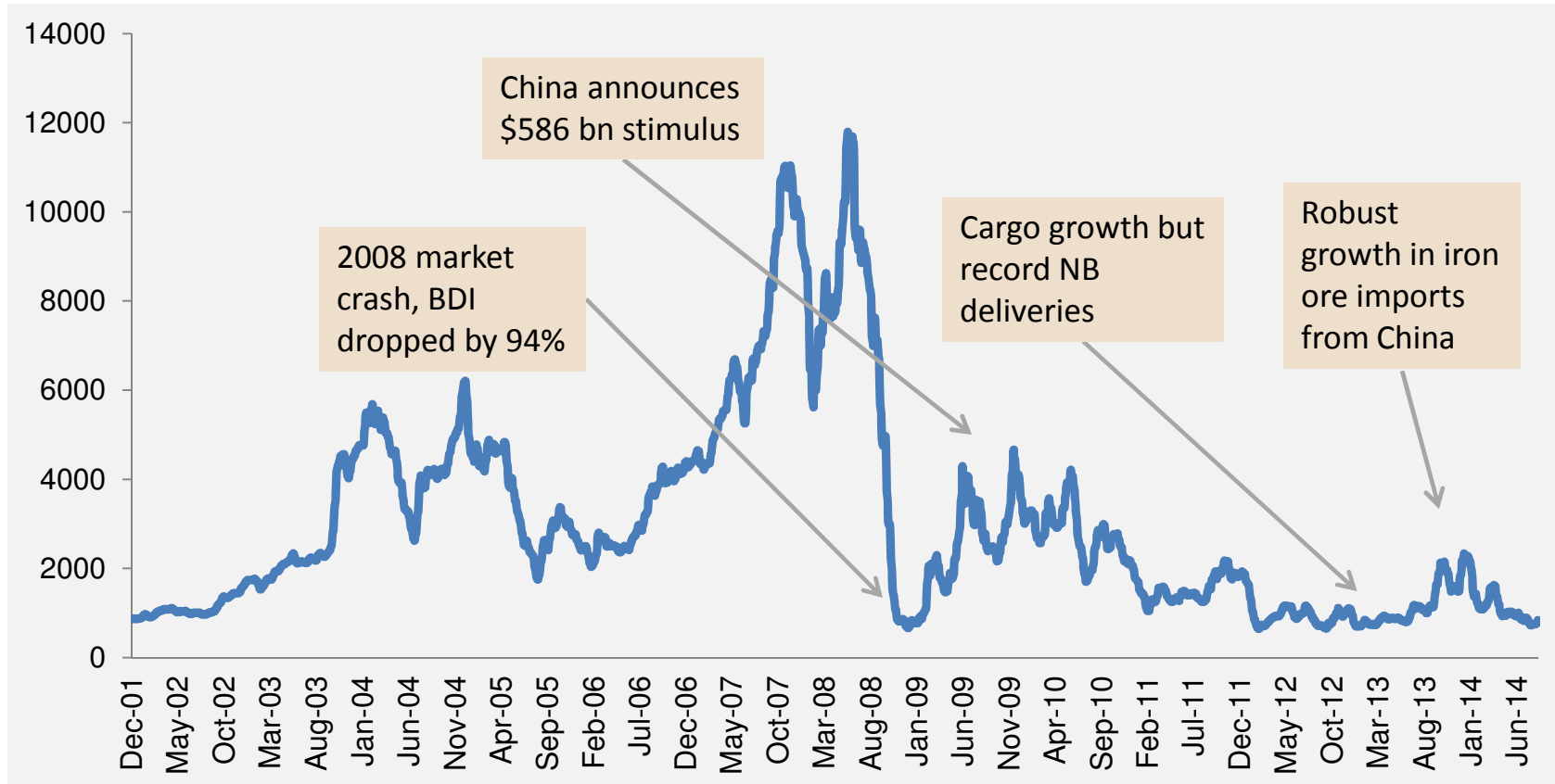
- Expansion in Latin America could witness delays
- China stalls new projects on looming surplus capacity, corruption scandals and pollution concerns
- Expect continued refinery shutdowns primarily in Europe, Australia and Japan



## Growing Product trade... Increasing volumes, distances and triangulation opportunities



## BDI Movement (Jan 2001 to July 2014)

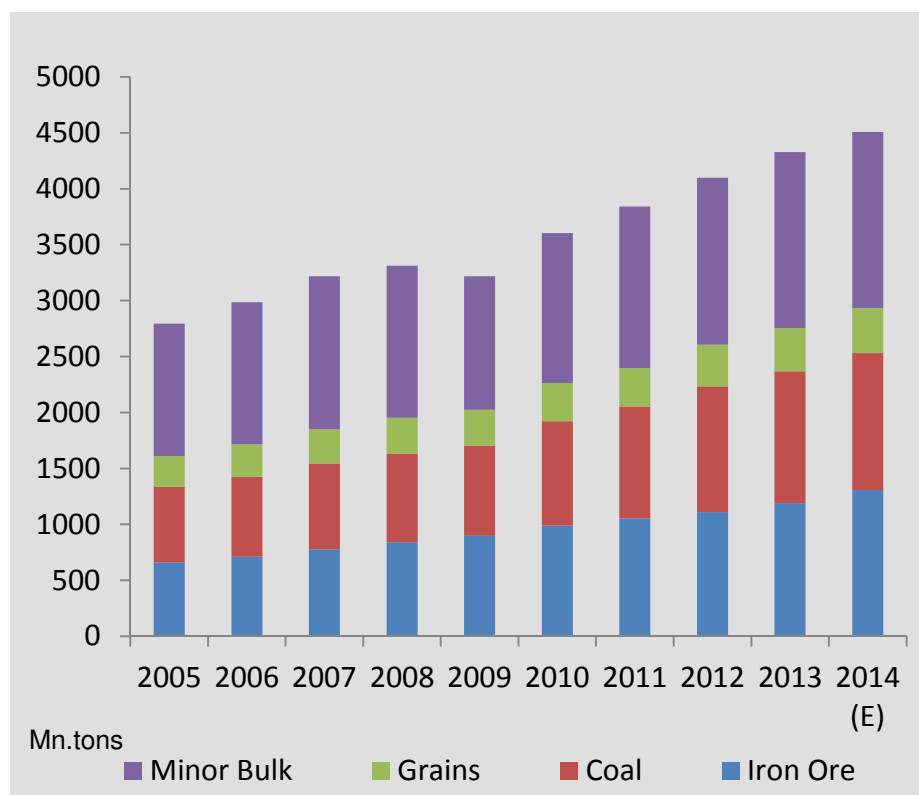
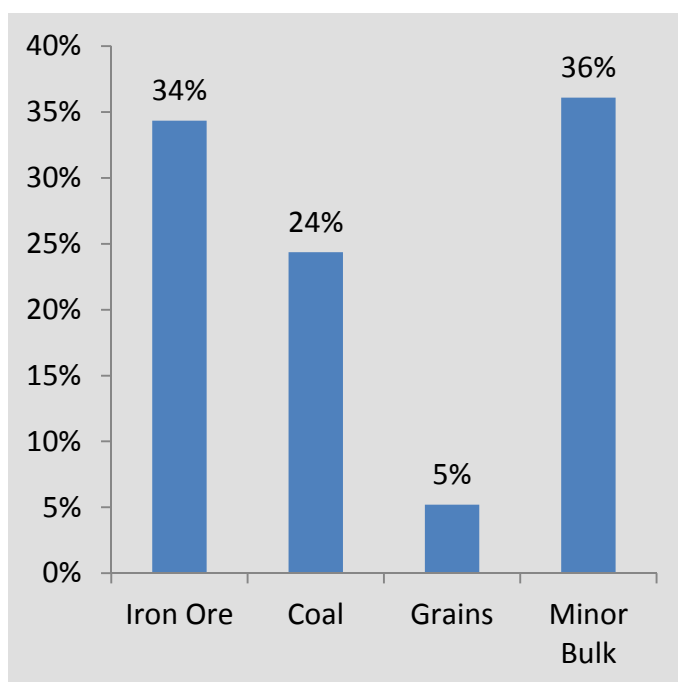


- Ban on nickel ore and bauxite exports from Indonesia, weak Chinese coal demand
- Bumper U.S. grain harvest season, higher ton mile demand on account of Brazil-China iron ore trade could lead to an improvement in H22014

# Seaborne Bulk Trade ... growing steadily

**Global dry bulk seaborne trade reached 4.3 bn tons in 2013**

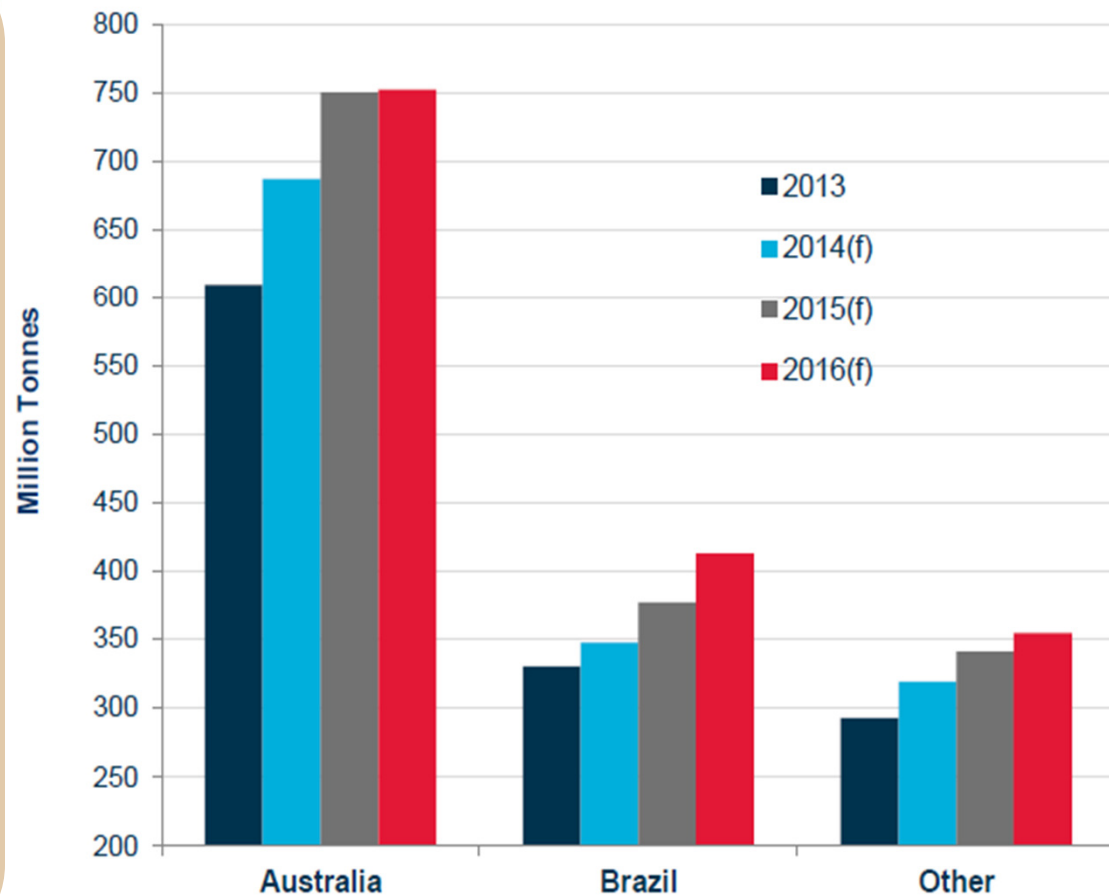
Contribution to seaborne trade growth by commodity



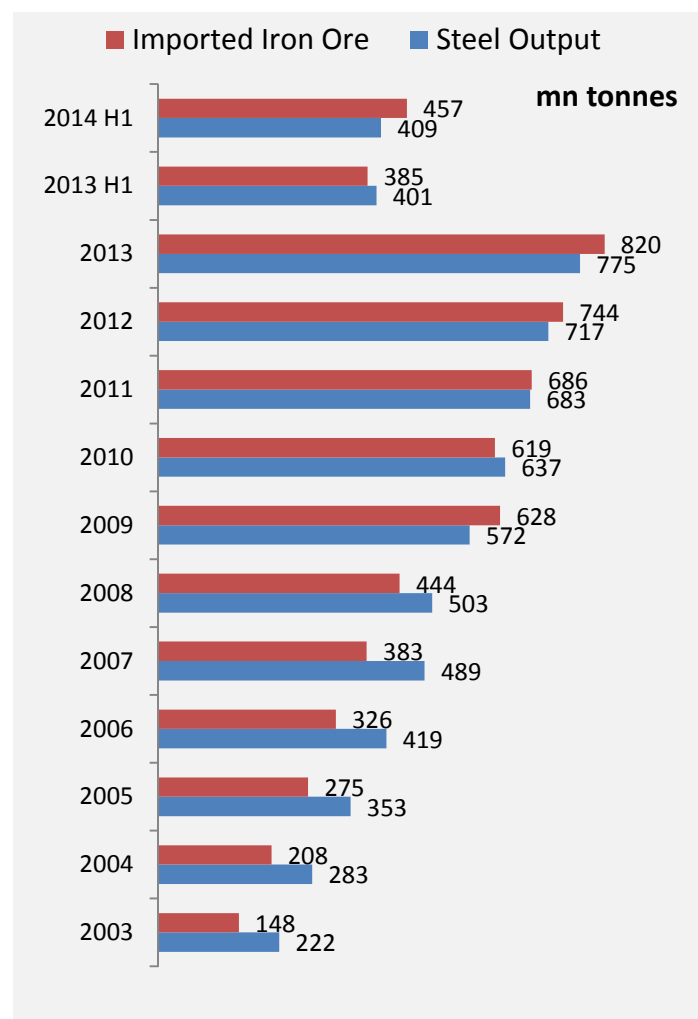
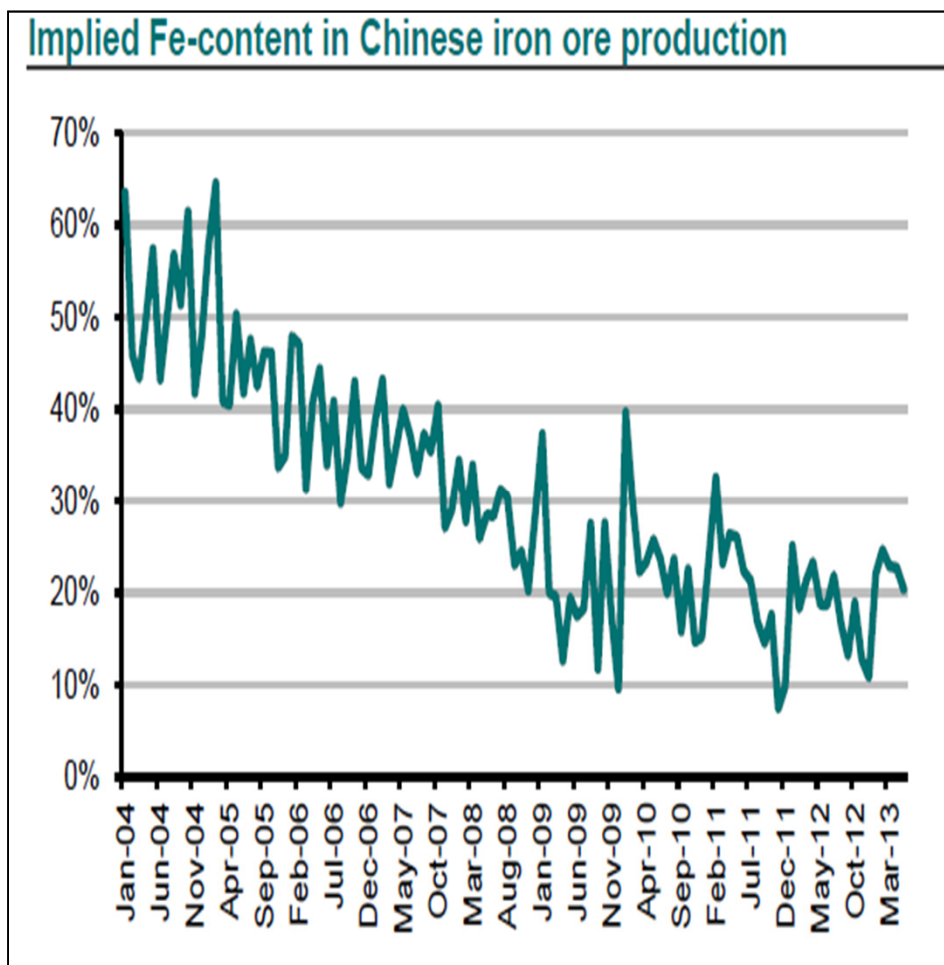
**Seaborne trade expected to grow at 4-5% in 2014**

# Dry Bulk Trade ...Driven by Iron Ore Volumes

- ❑ Until 2016, iron ore seaborne trade will be a function of available international supplies
- ❑ Additional supplies
  - Australia – 142 mt
  - Brazil- 82 mt
  - Other 61 mt
- ❑ Post 2016, iron ore seaborne trade to be directed by demand and price arbitrage

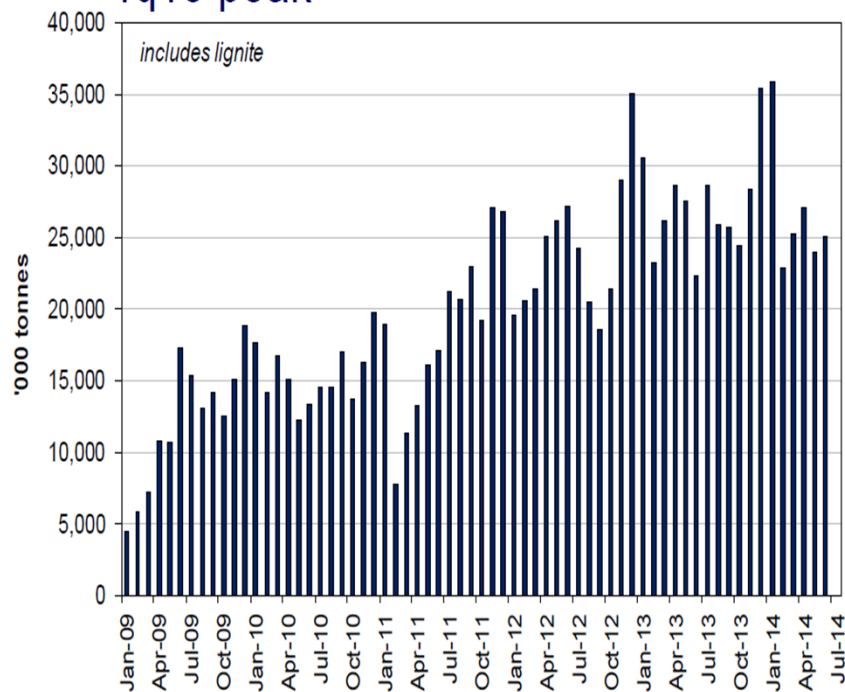


# Dry Bulk Trade ...Declining Chinese iron ore quality

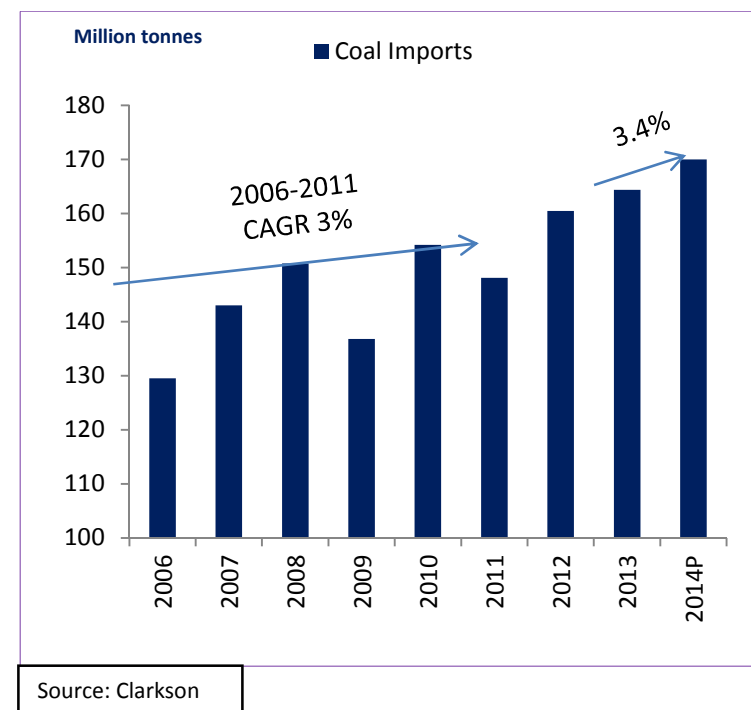


# Dry Bulk Trade ...Lack luster Chinese coal imports take the sheen off !!!...India to become the growth driver..

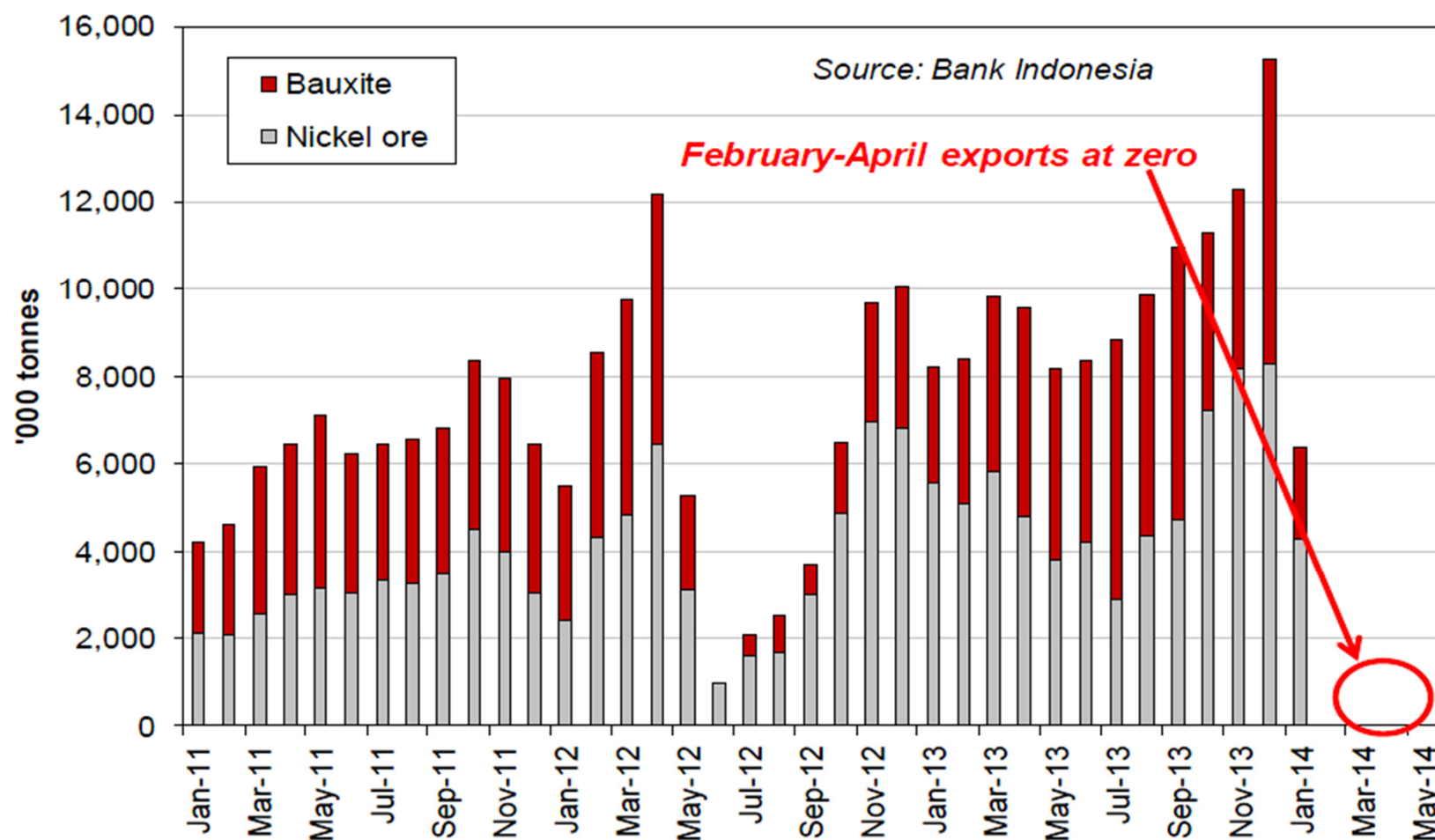
Chinese coal imports decline from their 4q13 peak



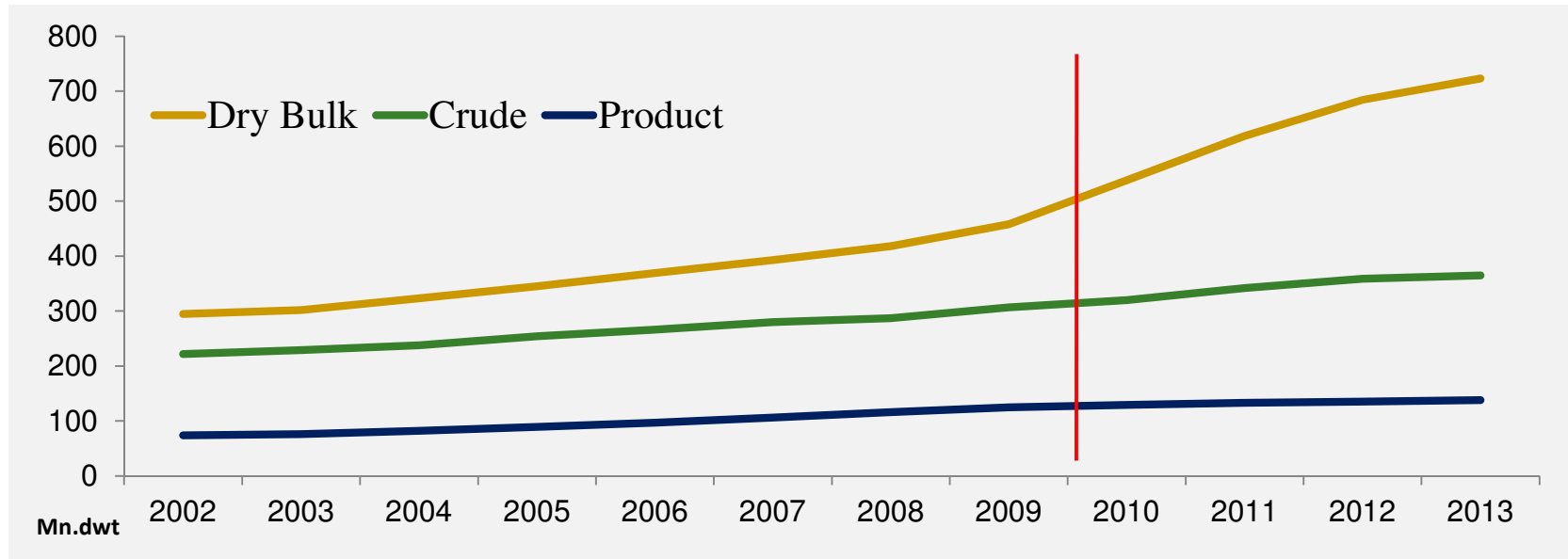
India coal imports



## Dry Bulk Trade ...Indonesian bauxite & nickel ore exports plunged to zero following the ban



# World Fleet Growth



## Fleet growth 2002-2013

(mn dwt)	2003	2008	2013	% change (2013 over 2003)	Fleet (1 <sup>st</sup> August'14)	% change over 2013
Dry	302	418	724	240%	746	3.0%
Crude	229	287	363	159%	364	0.3%
Product	76	116	138	182%	141	2.2%



## ... Fleet expected to grow

World Fleet addition*	Fleet	CY2014	CY2015	CY2016+
	(1 <sup>st</sup> August'14)			
	(in mn dwt)			
Crude tankers	364	3%	3%	7%
Product tankers	141	4%	6%	7%
Dry bulk carriers	746	5%	9%	9%

\*includes only new building from yards

... but high slippages may happen

## Scrapping... too little to cheer

### Scrapping as % of world fleet (year wise)

Fleet as on 1 <sup>st</sup> Aug'14	Scrapping (Jan-Jul) 2014)	Vessel Category	CY2010	CY2011	CY2012	CY2013
(in mn dwt)	(in mn dwt)					
364	5.0	Crude	2%	2%	3%	2%
141	1.1	Product	5%	2%	2%	2%
746	8.6	Bulk	1%	4%	5%	3%

***Require acceleration in  
scrapping to minimize the  
demand supply mismatch***

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# **Greatship (India) Limited**

**(a 100% subsidiary)**

## **Business & Financial Review**

### **August 2014**

# Offshore business- Fleet Profile

## *The Greatship Group*

### ➤ *Current Owned Fleet*

- ✓ **3 Jack Up Rigs (350ft)**
- ✓ **4 Platform Supply Vessels (PSV)**
- ✓ **9 Anchor Handling Tug cum Supply Vessels (AHTSV)**
- ✓ **2 Multipurpose Platform Supply and Support Vessels (MPSSV)**
- ✓ **6 Platform / ROV Support Vessels (ROVSV)**

**On Order: 1 Jackup Rig (350 ft) – expected delivery in CY2015**

# Greatship's Modern & Technologically Advanced Fleet

## Young Fleet

- Young fleet with an average age of approx. 4 years by FY 2013-14
- Demand shifting to modern vessels, especially as safety becomes a major concern for oil companies

## Technologically Advanced

- Specialized/technologically advanced vessels equipped with DP I/DP II (Dynamic Positioning) and FiFi I (Fire Fighting) technologies
- Equipped to operate in challenging environments
- Efficient and versatile vessels

## Revenue Efficiencies

- Higher utilization rates
- Minimum down time

## Cost Efficiencies

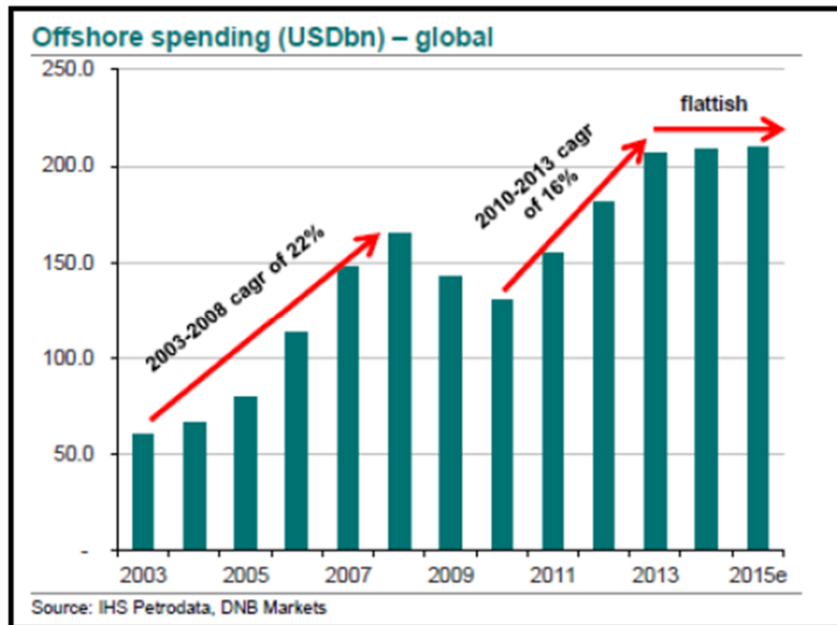
- Lower Operating costs
- Reduced maintenance capex & opex

# Offshore Service Value Chain

	Exploration	Development	Production
Length of Typical Cycle	- 3 to 5 years	- 2 to 4 years	- 5 to 55 years
Description	<ul style="list-style-type: none"> <li>- Collection of survey data</li> <li>- Analysis &amp; interpretation</li> <li>- Identification of oil &amp; gas reserves</li> </ul>	<ul style="list-style-type: none"> <li>- Construction &amp; installation of production platforms, pipelines &amp; equipment</li> <li>- Preparation for production</li> </ul>	<ul style="list-style-type: none"> <li>- Management of oil &amp; gas production</li> <li>- Operations &amp; Maintenance</li> <li>- Retrofit work</li> </ul>
Vessels	<ul style="list-style-type: none"> <li>- AHTV, <b>AHTSV</b>, <b>MPSSV</b>, Tugs</li> <li>- <b>PSV</b>/ Supply, Crewboats</li> <li>- <b>ROV Support Vessels</b></li> <li>- Seismic survey &amp; support hydrographic survey (for pipeline routes)</li> <li>- Chase boats</li> </ul>	<ul style="list-style-type: none"> <li>- AHTV, <b>AHTSV</b>, <b>MPSSV</b>, Tugs</li> <li>- <b>PSV</b>/ Supply, Crewboats</li> <li>- Derrick/ Crane Vessels</li> <li>- Cable &amp; pipe-lay vessels</li> <li>- Heavy Lift Transport</li> <li>- Offshore Dredgers</li> <li>- Accommodation units</li> </ul>	<ul style="list-style-type: none"> <li>- <b>AHTSV</b>,</li> <li>- <b>PSV</b>/ Supply</li> <li>- <b>MPSSV</b>/ Production Support Vessels</li> <li>- Emergency Rescue &amp; Response Vessels</li> <li>- Crewboats</li> <li>- Accommodation units</li> </ul>

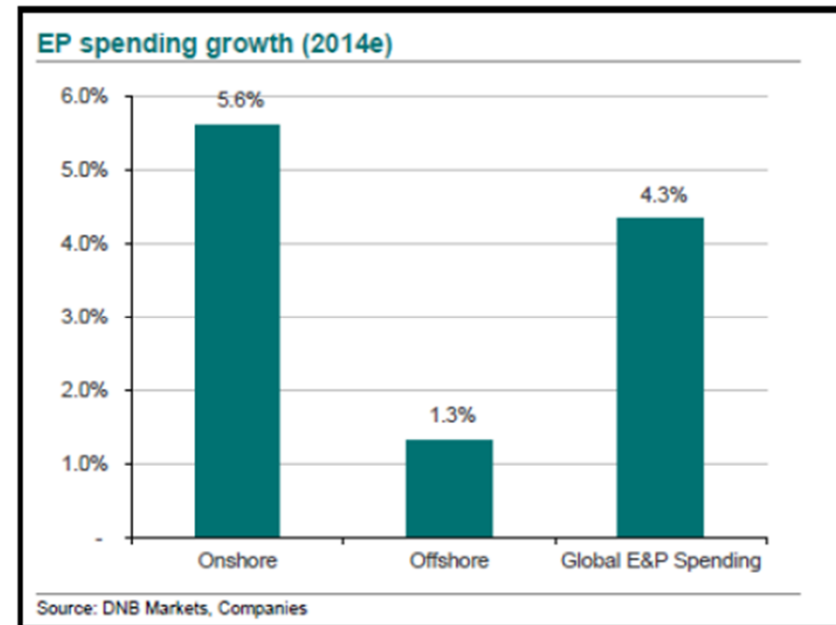
# E&P Activities – Steady Growth

Global E&P Spending



- Global E&P spending to increase by 4% in 2014
- However, growth in offshore spend could be flat

2014 E&P spending breakup



- National Oil Companies remain the largest contributor to the E&P spending
- Energy security: key concern for every nation

# Global Fleet Supply -Offshore

Average age of existing jackup rig fleet is about **21 years**

(Nos)	Jackup Rigs	AHTSVs	PSV/Supply
Current Fleet	496	2,029	1,416
Orderbook	142	150	362
% of O/B to current fleet	29%	7%	26%

- ***With increased focus on safety and efficiency, utilization for modern assets expected to remain healthy***
- ***Current world fleet profile skewed towards older fleet. Hence, replacement demand should remain strong for jack-ups***
- ***However, moderation in E&P spending growth coupled with rising supply could impact rates marginally***



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# **FINANCIAL HIGHLIGHTS**

## **Q1 FY 2015**

## Q1FY 2015 Financial Highlights

Standalone			Key Figures	Consolidated		
Q1 FY15	Q1 FY14	2013-14	(Amount in Rs. crs)	Q1 FY15	Q1 FY14	2013-14
<b>Income Statement</b>						
494	548	1,780	Revenue (including other income)	906	919	3,333
218	296	781	EBITDA (including other income)	469	524	1,677
88	142	205	Net Profit	223	244.98	574
<b>Balance Sheet</b>						
9,442	9,836	9,390	Total Assets	14,693	15,086.	14,377
4,935	5,035	4,806	Equity	7,048	6,688	6,773
3,244	3,655	3,312	Total Debt (Gross)	6,149	6,943	6,119
224	228	476	Long Term Debt (Net of Cash)	2,453	2,582	2,577
<b>Cash Flow</b>						
109	128	109.40	From operating activities	302.24	324.45	1,358
67	(165)	66.70	From investing activities	(154.59)	(124.41)	(348)
-112	(196)	(112.07)	From financing activities	(59.97)	(351.82)	(1,697)
64	-232	64.03	Net cash inflow/(outflow)	87.68	(151.78)	(688)

## Q1FY 2015 Financial Highlights

Standalone			Key Figures	Consolidated		
Q1 FY15	Q1 FY14	2013-14		Q1 FY15	Q1 FY14	2013-14
44.22%	53.98%	43.86%	EBITDA Margin (%)	51.72%	56.99%	50.32%
7.19%	11.32%	4.17%	Return on Equity (ROE) (%)	12.90%	15.04%	8.75%
6.61%	9.06%	4.99%	Return on Capital Employed (ROCE) (%)	9.15%	10.08%	7.34%
0.66	0.73	0.69	Gross Debt/Equity Ratio (x)	0.87	1.04	0.90
0.05	0.05	0.10	Net Debt/Equity Ratio (x)	0.35	0.39	0.38
59.74	54.83	60.30	Exchange rate USD/INR, average (Rs)	59.74	54.83	60.30
60.18	59.40	59.92	Exchange rate USD/INR, end of period (Rs)	60.18	59.40	59.92
			Share related figures			
5.81	9.32	13.5	Earnings per share, EPS (Rs)	14.79	16.08	37.87
5.80	9.30	13.48	Diluted earnings per share (Rs)	14.76	16.05	37.79
10.63	15.22	37.20	Cash Profit per share (Rs)	24.24	26.46	81.76
4.0	-	9.0	Dividend per share (Rs)	4.00	-	9.0

# Q1 FY 2015 Performance Highlights

## Breakup of revenue days

Revenue Days	Q1'FY15	Q1'FY14
Owned Tonnage	2,602	2,691
Inchartered Tonnage	133	27
<b>Total Revenue Days</b>	<b>2,735</b>	<b>2,718</b>
<b>Total Owned Tonnage (mn.dwt)*</b>	<b>2.37</b>	<b>2.43</b>

\* As on 30th June, 2014

## Average TCY Details

Average (TCY \$ per day)	Q1'FY15	Q1'FY14	% Chg
Crude Carriers	16,477	16,132	2%
Product Carriers (Incl. Gas)	15,554	18,825	(17)%
Dry Bulk	12,878	10,289	25%

## Mix of Spot & Time

Days (in %)	Q1'FY15	Q1'FY14
<b><u>Dry Bulk</u></b>		
Spot %	83%	56%
Time %	17%	44%
<b><u>Tankers</u></b>		
Spot %	56%	49%
Time %	44%	51%
<b><u>Total</u></b>		
Spot %	62%	51%
Time %	38%	49%

## Book Value & Net Asset Value (NAV) comparison

### Last 4 quarters

	Consol. Book Value (Rs. Per share)	Consol. NAV (Rs. Per share)
June 2014	468	560
March 2014	449	550
December 2013	454	539
September 2013	444	532

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# THANK YOU

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