

# The Great Eastern Shipping Co. Ltd.

September 2006

# 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.

# Business Focus

- Servicing the “energy sector”
- “Oil” key to economy development
- Aid in “finding” oil
- Help in transporting “more” oil

**Aim to service the “upstream” and “downstream” segments of the energy chain**

# Business Philosophy

Strive to deliver through the cycle

## ➤ Risk Management is core

- Identifying risk and depicting through a matrix
- Assessing the impact of risk
- Limiting risk through informed decisions

## How do we do this?

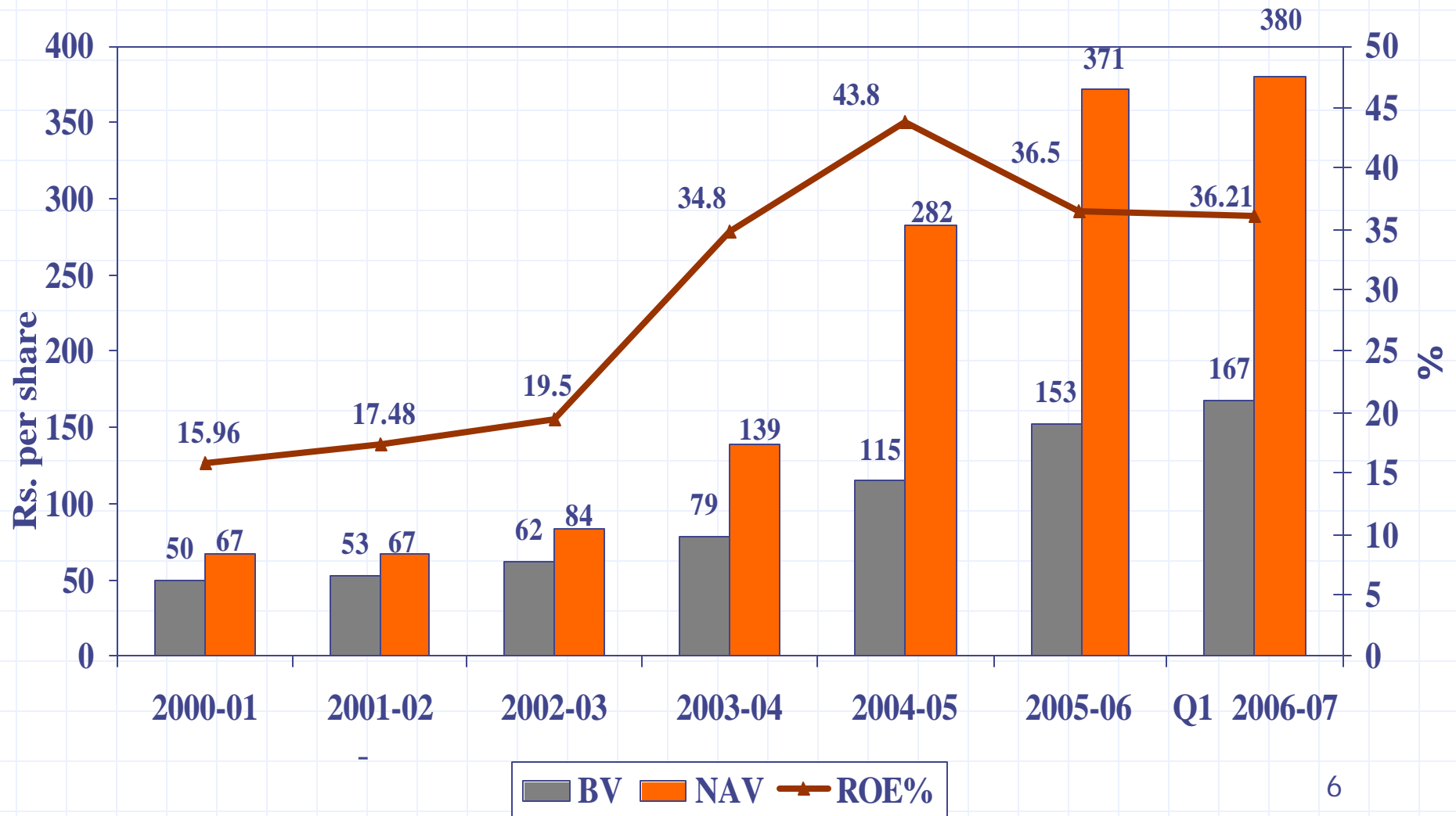
- Plan for rather than forecast the future
- Avert unforeseen hits instead of surpassing market expectation
- Adopt long term planning rather than short term decisions

# Performance over last 5 years.....

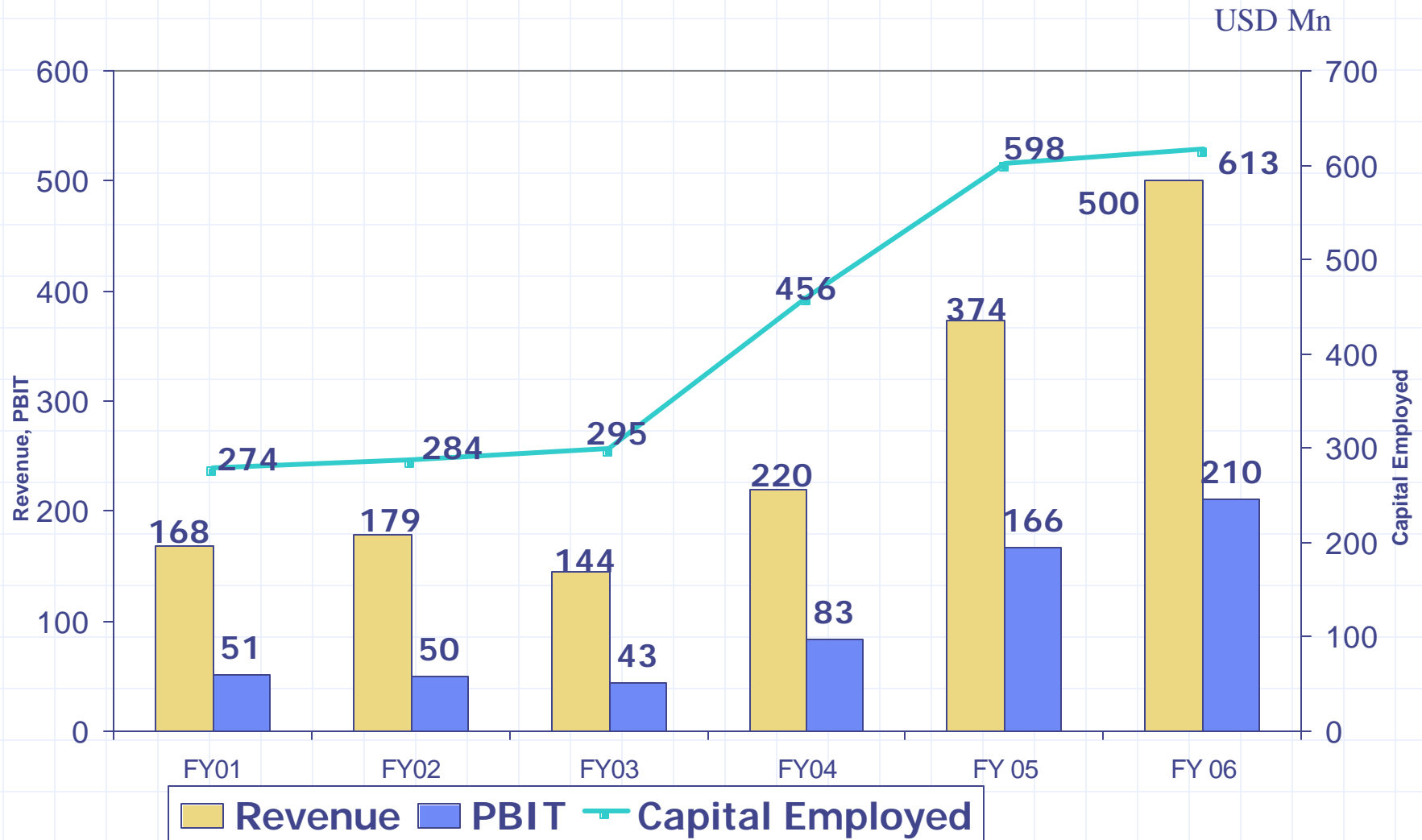
<b>Financial Year (Apr-Mar)</b>	<b>Tonnage (Mn dwt)</b>	<b>Earnings per share (USD)</b>	<b>Cash Earnings per share (USD)</b>	<b>Dividend per share (USD)</b>
<b>2000-01</b>	1.37	0.15	0.32	0.06
<b>2001-02</b>	1.28	0.18	0.38	0.08
<b>2002-03</b>	1.32	0.23	0.42	0.08
<b>2003-04</b>	2.47	0.56	0.80	0.14
<b>2004-05</b>	3.02	0.94	1.28	0.20
<b>2005-06*</b>	2.92	1.11	1.15	0.22

\* Unaudited

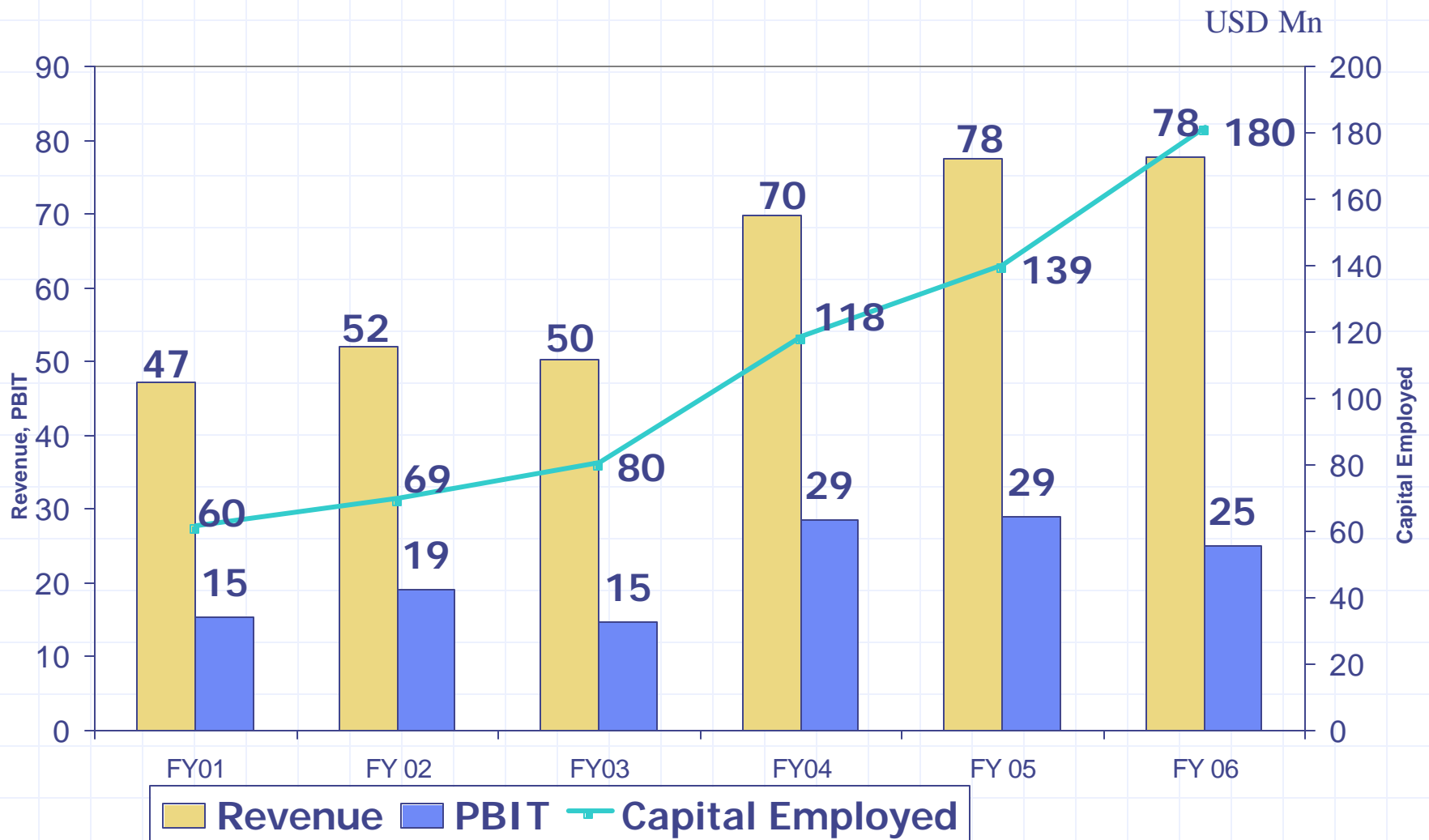
# Delivering through the years ..



# Performance over five years - Shipping

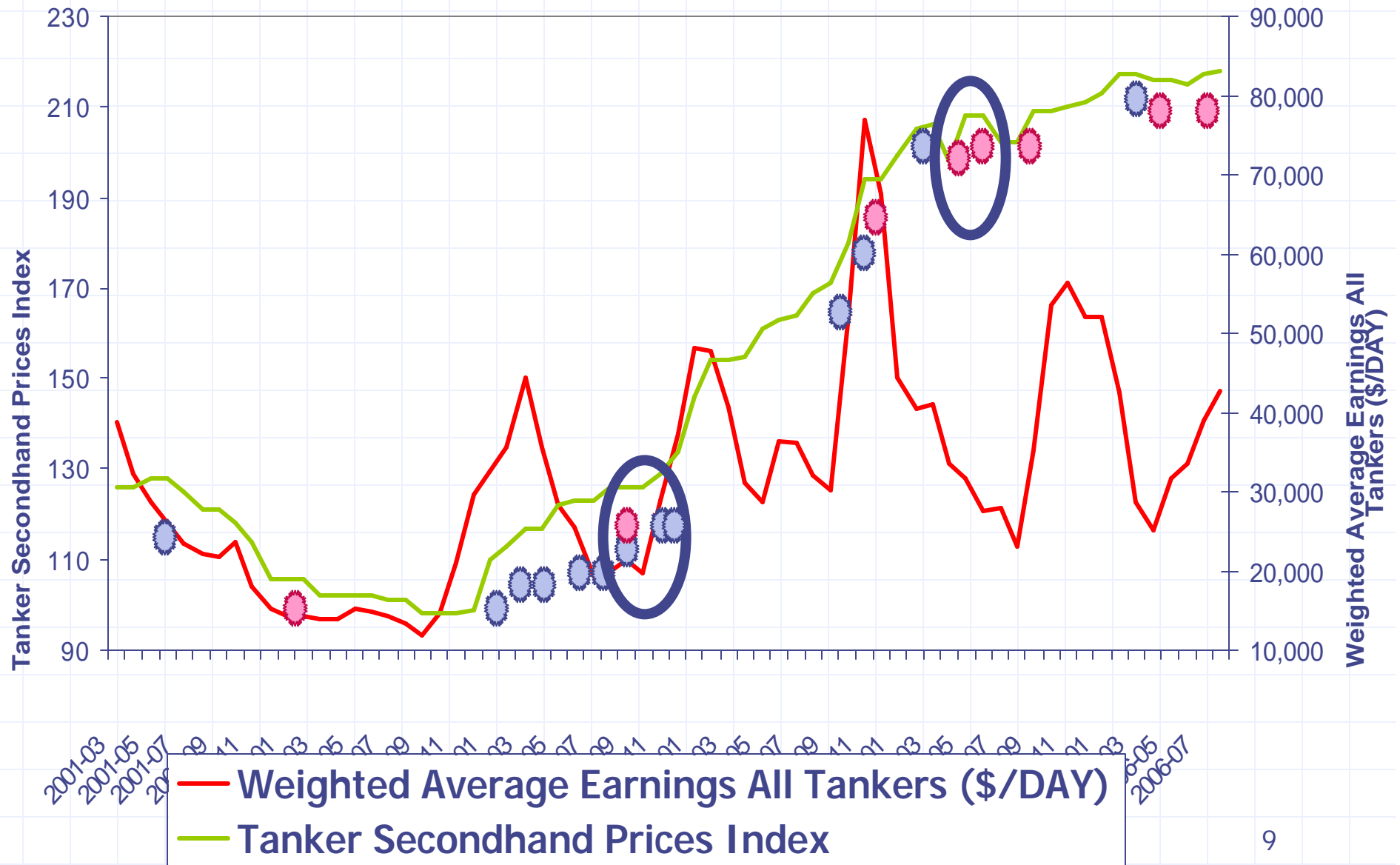


# Performance over five years - Offshore





# Timing Sale and Purchase is critical



# Business Profile

## ➤ Shipping

- Transportation of bulk commodities
  - Crude, Petroleum products, LPG, Dry bulk commodities

## ➤ Offshore oil field services

- Offer support to offshore oil field Exploration and Production activities through a wide asset spectrum
  - Exploratory rigs, OSVs, Construction Barge, Harbour Tugs

Demerger of offshore oil field services  
business is underway

## Financials (as on April 1,2005 - "Appointed Date")

USD Mn.

	G E Shpg. Status Quo	G E Shpg. Residual	Great Offshore Ltd.
<b>Balance Sheet</b>			
Share Capital	44	35	9
Reserves	457	363	94
Debt	475	423	52
<b>Ratios</b>			
Net Gearing	0.48	0.50	0.39
ROCE	20.5%	20.7%	19.3%
NAV/ Share (USD)	6.5	6.9*	4.6*
BV/ Share (USD)	2.6	2.6*	2.7*

\* Basis revised share capital

# Shipping Fleet

- **39 ships aggregating 2.77 Mn dwt**

- 30 Tankers (double hull about 43%)

- 13 Crude oil carriers

- 15 Product carriers

- 2 LPG carriers

- Tanker comprise 86% of tonnage**

- 9 Dry bulk carriers:

- 1 Panamax

- 5 Handymax

- 3 Handysize

- Dry bulk carrier comprise 14% of tonnage**

- **Av. Age of fleet 12.4 years**

- **Current Committed Capex (including secondhand acquisitions) around USD 505 Mn**

- 9 Tankers – 4 LR1s & 5 MRs Product Carriers aggregate 0.51 mn. Dwt, 3 MRs to be delivered in Q4 FY 2006-07 1 MR each in Q1 & Q2 FY 2007-08, 2 LR1 each in Q3 FY 2008-09 & Q1 in FY 2009-10

- 1 secondhand Suezmax and 1 secondhand Capsize to be delivered in Q3 and Q4 of FY 2006-07 respectively

# Offshore Fleet

## ➤ **35 Offshore vessels servicing offshore oil fields**

- 2 Exploratory drilling rigs
- 21 Offshore Support Vessels ( of which 8 cater to deep water)
- 1 Construction Barge
- 11 Harbour tugs

## ➤ **Current Committed Capex of around USD 220 Mn**

- 4 AHTSVs of which 3 to be delivered in FY 2006-07 and 1 in Q2 FY 2007-08
- A 350 ft Jack Up Drilling unit to be delivered in Q3 FY 2008-09



# Market Performance

# Shipping Markets in Q1 FY07

- **Tanker freight rates saw a steady rise**
  - Recovery of refineries post seasonal shut-down
  - Increase demand for gasoline and jet fuel
  - Change in trade pattern resulting in increased turn around time
- **Dry bulk freight rates scaled upward**
  - Rise in minor bulk trades
  - High demand in steel and cement
  - Grain trade saw a rise in Brazilian and US markets
- **Asset Prices for tankers continued to remain strong whereas the dry bulk prices improved**

# Offshore Markets in Q1 FY07

- Continuing high oil & gas prices spurred operators to increase E&P efforts
- Demand for offshore rigs triggered new building orders
- Marine support services witnessed significant surge
- Longer term contracts opened newer markets
- Development drilling activity on a rise
- **Asset Prices were northbound with yards overbooked**



# Company Performance *Shipping*

- During the quarter revenue days were lower by around 4.5%
- Degrowth in Tonnage by 6.21%
- Moderate spot freight rates in tankers and dry bulk freight rates declined by 31.44% compared to corresponding quarter

**Shipping Operating profit was “flat”**

# Company Performance *Offshore*

- Increase in OSV fleet
- Continued higher yield on offshore assets
- The rig “Kedarnath” now on charter underwent major repairs during corresponding quarter last fiscal

**100% growth in PAT**

# Financial Comparison

(in USD mn.)

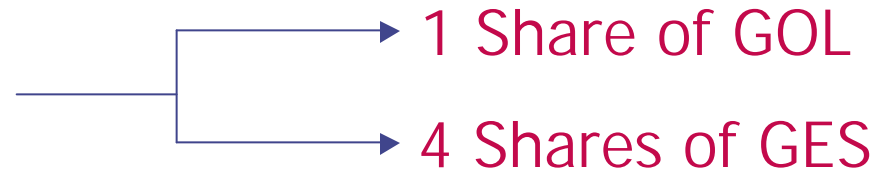
*Quarter on Quarter*

	Q1 FY 2006-07 (Reviewed)	Q1 FY 2005-06 (Reviewed)	% Change
Total Income	146	176	17.04% ▼
EBIDTA	90	108	16.6% ▼
Interest	7	6	16.6% ▲
Depreciation	19	18	5.5% ▲
PBT	64	85	24.7% ▼
PAT*	61	81	24.6% ▼

\* includes prior period adjustments

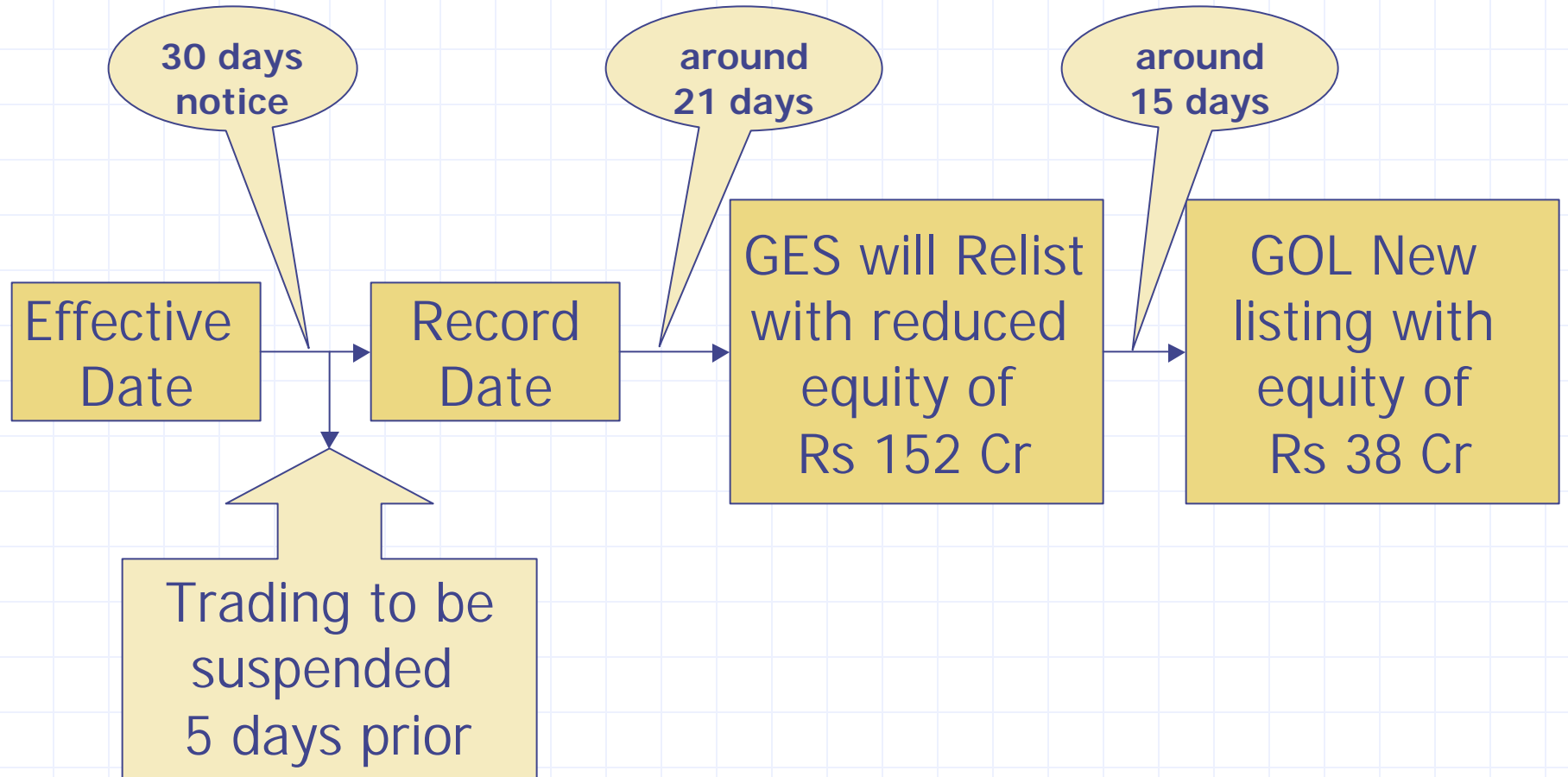
# Business Restructuring – status update

As on Record Date:  
for every 5 Shares of GES



- On August 9, 2006 the BOD unanimously decided to apply to the Hon'ble Bombay High Court seeking extension of time
- Hon'ble Bombay High Court granted a three months extension expiring on 2nd November, 2006 for completing all procedures related to demerger
- Both the companies, i.e. The Great Eastern Shipping Company Limited and Great Offshore Limited, will be headed by Mr. K.M. Sheth as "common Chairman" and will have "identical promoters"

# Demerger Process (tentative) Timeline



## Expansion through subsidiaries Greatship (India) Ltd

- **Participating in the promising offshore oil field services business**
  - Through wholly owned subsidiaries
  - Building a modern fleet through a mix of new building and secondhand acquisitions

**Global alliance to enable increase  
in operating tonnage**

# Greatship (India) Ltd Fleet

- **Currently one modern Platform Supply Vessel (PSV) operating in North Sea**
- **On order : Current Committed Capex of around USD 365 Mn**
  - **4, modern PSVs**
    - 2 Secondhand PSVs to be delivered in H2 FY 2006-07 and Q2 FY 2007-08 respectively
    - 2 New Building PSVs to be delivered during Q2 and Q3 FY 2008-09
  - **2, New Building 80T AHTSVs** to be delivered in Q3 and Q4 FY 2007-08
  - **A New Building 350 ft Jack Up Rig** to be delivered in Q3 FY 2009-10
  - **4, New Building 80 T AHTSVs** to be delivered, 2 in Q4 FY2008-09, one each in Q1 & Q2 FY2009-10

# Long Term Operating Strategy

- **Owning and operating wide asset spectrum providing earnings stability**
- **Continuous fleet evaluation through S&P activities**
- **Benchmarking with global standards**
- **Derisking**
  - through diverse asset base
  - long term employment

**Aim to be profitable through the cycle**



# In the years to come ....

- **Grow at the “right” price**
  - Lower break evens enabling sustenance through downturns with strong upside potential
- **Build capacity through “operating” leverage**



# Market Outlook

# Tanker trade fundamentals

- So far, markets in 2006 have been a surprise
- Strong economic forecast in most OECD countries creates increase in energy use
- No easy way to slow down the growth momentum in energy use
- China sourcing long haul crude

However, freight rates could correct:

- Projected fleet growth in 2007 could surpass incremental tanker demand
- With little spare capacity left, market vulnerable to potential shocks (terrorist attacks)
- High interest rates and continuing high oil prices may be deterrent to GDP growth

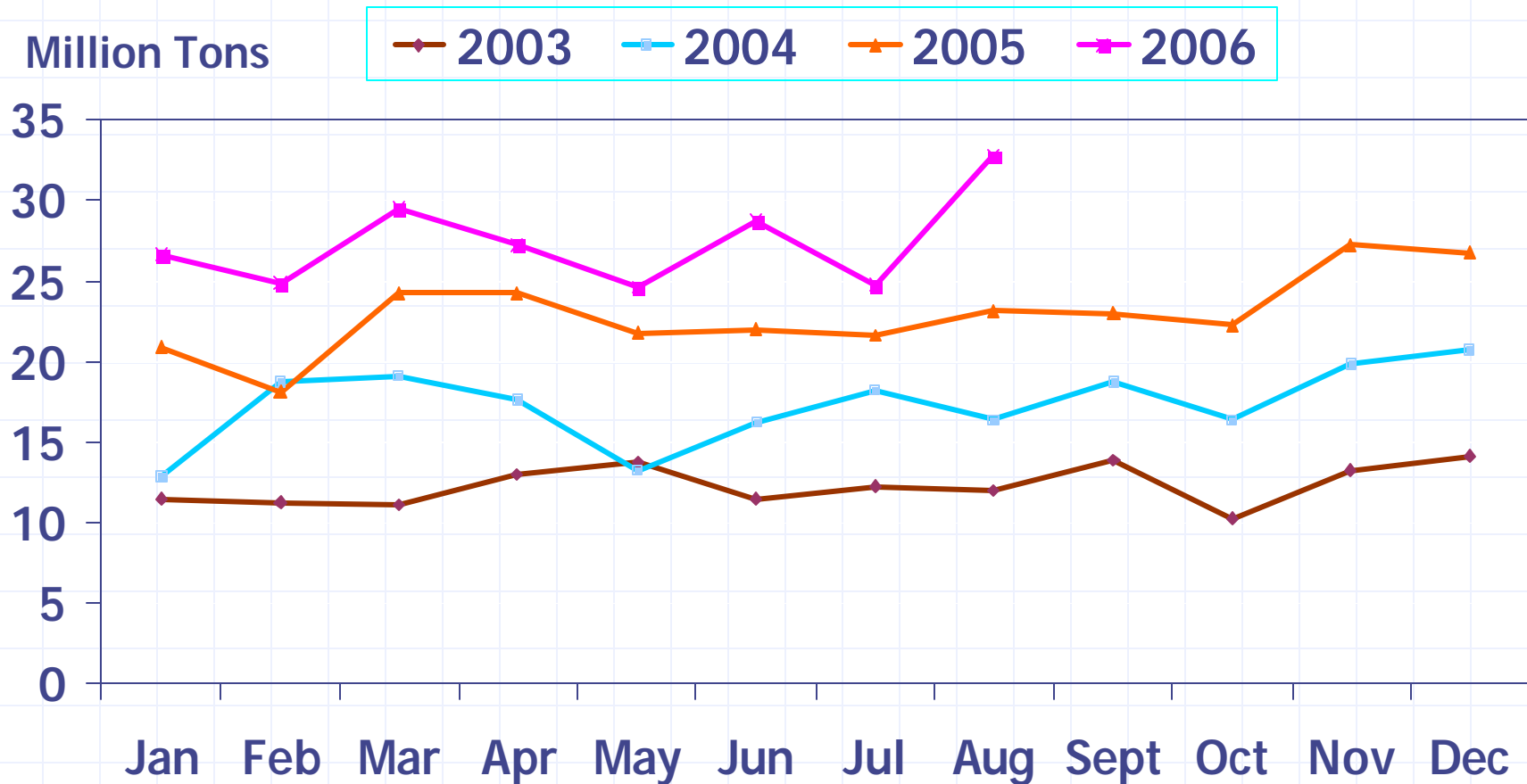
# Dry bulk trade fundamentals

- China is hub for Global steel production
- Strong steel imports into US – long haul
- Strong imports of cement into US from far east; pure additional demand
- Weaker iron ore exports from India resulting in longer haul for China

However, freight rates could correct:

- Severe slowdown in US economy
- Supply limitations in case of raw materials
- Tariff barriers over Chinese goods

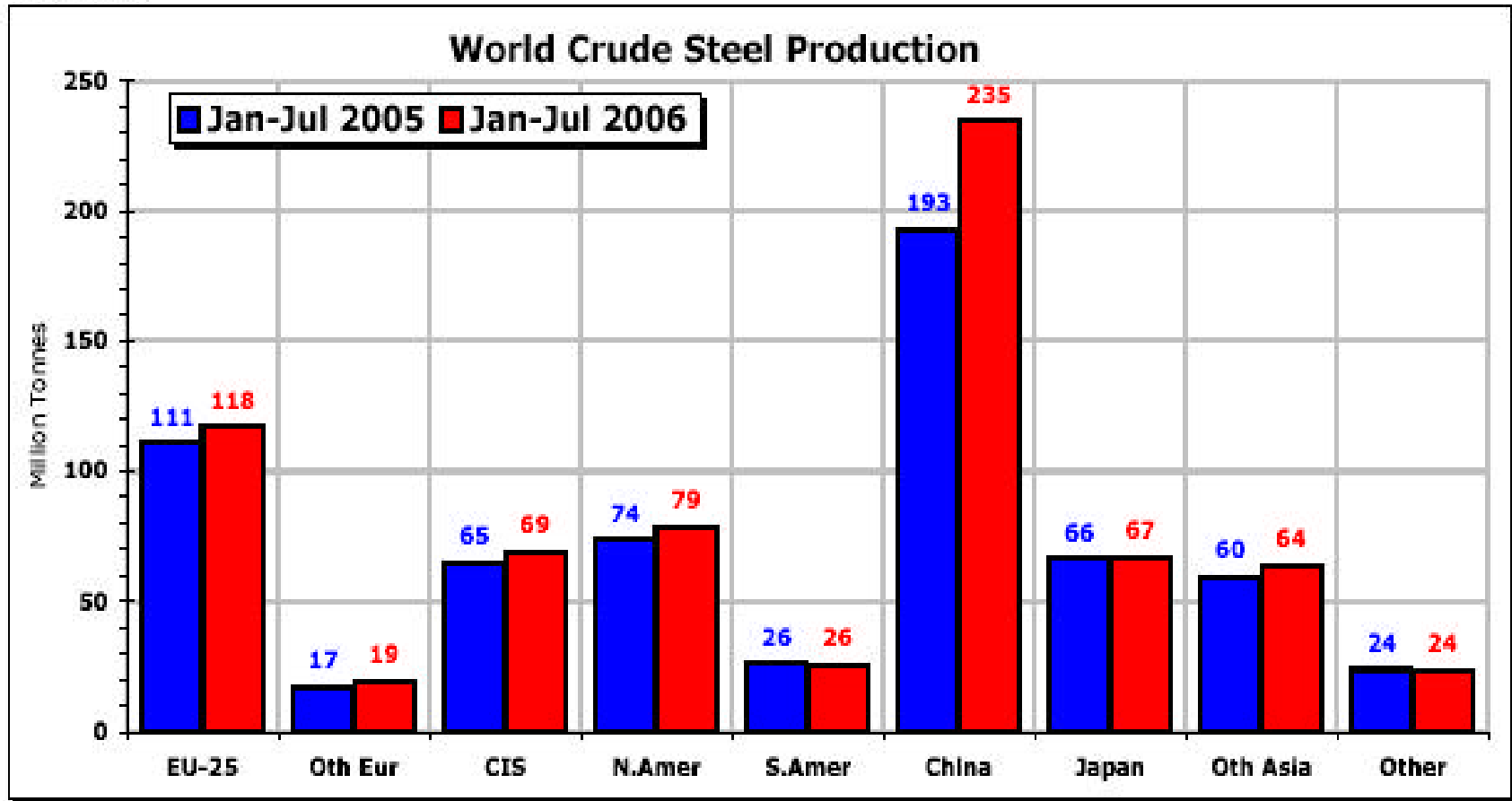
# Iron Ore Imports by China



China's iron ore imports - 32.8 mt in August, a rise of 33% over July and massive rise of 42% yoy

# China dominating Steel production

Source: IISI



China will continue to produce steel due to the imbalance in production and demand elsewhere

# Market Outlook - *Shipping*

- Tanker freight rates are expected to remain healthy, average TCY of H2 CY2006 will be greater than H1 CY2006
- Growing demand for steel and energy to continue
- Dry bulk sector is expected to be strong driven by China
- Asset prices expected to remain firm

# Offshore business fundamentals

- Accelerated investments planned for energy security
- Emergency preparedness remains crucial
- NELP pushing work commitments, thereby driving demand for assets
- 80% of acreage with potential (sedimentary basin) remain unexplored



# Increasing E&P Activity in India

	Onshore	Offshore		Total
		Deepwater	Shallow water	
<b>NELP I</b>	<b>1</b>	<b>7</b>	<b>16</b>	<b>24</b>
<b>NELP II</b>	<b>7</b>	<b>8</b>	<b>8</b>	<b>23</b>
<b>NELP III</b>	<b>8</b>	<b>8</b>	<b>7</b>	<b>23</b>
<b>NELP IV</b>	<b>10</b>	<b>11</b>	<b>-</b>	<b>21</b>
<b>NELP V</b>	<b>12</b>	<b>6</b>	<b>2</b>	<b>20</b>
<b>NELP VI</b>	<b>25</b>	<b>24</b>	<b>6</b>	<b>55</b>
<b>Total</b>	<b>63</b>	<b>64</b>	<b>39</b>	<b>166</b>

**165 Global Oil Majors participated in NELP VI**

# Industry Characteristics— *Offshore*

- Offshore oil field operations is an “orchestration”
  - Symphony of many players with diverse capabilities
  - Need a Supporting cast as well
- Activity hub amidst vast expanse of sea in harsh operating environment
- Rigs & Production platforms are expensive assets - cannot operate efficiently without 100% of their parts working perfectly
- A “drill bit ” comprises different types of bits – some with one time utility
- Tolerance mistake of > 1 inch could be catastrophic
- All parts are iron and erode ; some wear out in days/months

# Market Outlook - *Offshore*

- Oil service sector underwent severe depression
  - Between early 1982 & 1992 global Rig count fell close to 50%
  - Last new equipment arrived in 1982- 1984, thereafter new rigs were highly specialised
  - Low oil prices created massive consolidation in the industry with rig ownership being concentrated
- Globally drilling activities continue to remain strong
- Offshore Support vessels' earnings likely to remain strong
- Operators demanding newer, safer, higher specs vessels
- Demand for larger vessels increases in next 3 years as drilling moves deeper

# Outlook - Company

## ➤ **Shipping**

- Firm freight rates in case of spot market
- Tonnage growth

## ➤ **Offshore**

- OSV fleet to increase with newbuilding deliveries
- Day rates on an upward trend for vessels on spot



**Committed to value creation**

**Visit us at:  
[www.greatship.com](http://www.greatship.com)**