



# The Great Eastern Shipping Company

*Sailing past every challenge*  
*15<sup>th</sup> June 2022*



# FORWARD LOOKING STATEMENT

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.





# Agenda


1. Company Overview
2. Business Segments
3. Investment Thesis
4. Current Shipping Market
5. Current Offshore Market



# Company Overview







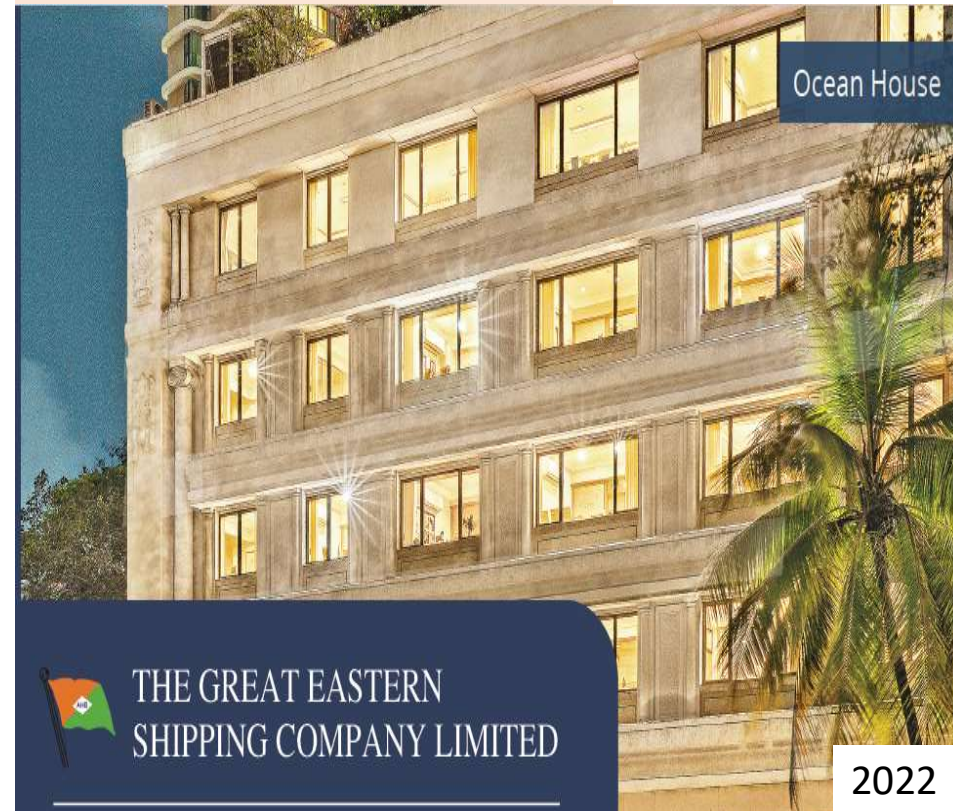
# GESCO – 70+ years of Excellence

*Building a global brand...*

From a modest beginning...



..to most admired globally





# Management Philosophy

Focussed on the same business for 70+ years...

Creating Superior Stakeholder Value



Committed to health & safety; Maintain superior fleet

Focus on Quality



Maintain high cash balances;  
Opportunistic mindset

Patient Capital Allocation



Sector Agnostic;  
Value based approach  
not momentum  
based

Counter Cyclical Growth  
Philosophy



Low balance sheet  
leverage; High  
operating leverage

Disciplined use of Leverage



# Successful capital allocation, supported by strong balance sheet

**02**

Effective Cost of Debt

**< 3.5%**



**04**

Low B/S Leverage  
Net Debt/Equity

**0.12x**



**01**

High Un-levered  
Dollar Returns on  
investments since

FY17 = **17.7%**



**03**

Strong Liquidity Position  
Cash Balance

**US \$400Mn**



**05**

5 Year NAV based Dollar  
Return (excluding GIL)

**15.8%**





# Business Segments

## Shipping

- Presence - Global presence with different asset classes
- Business Model - Tramping, Mix of spot and time, Dynamically managing asset purchase & sales

## Offshore

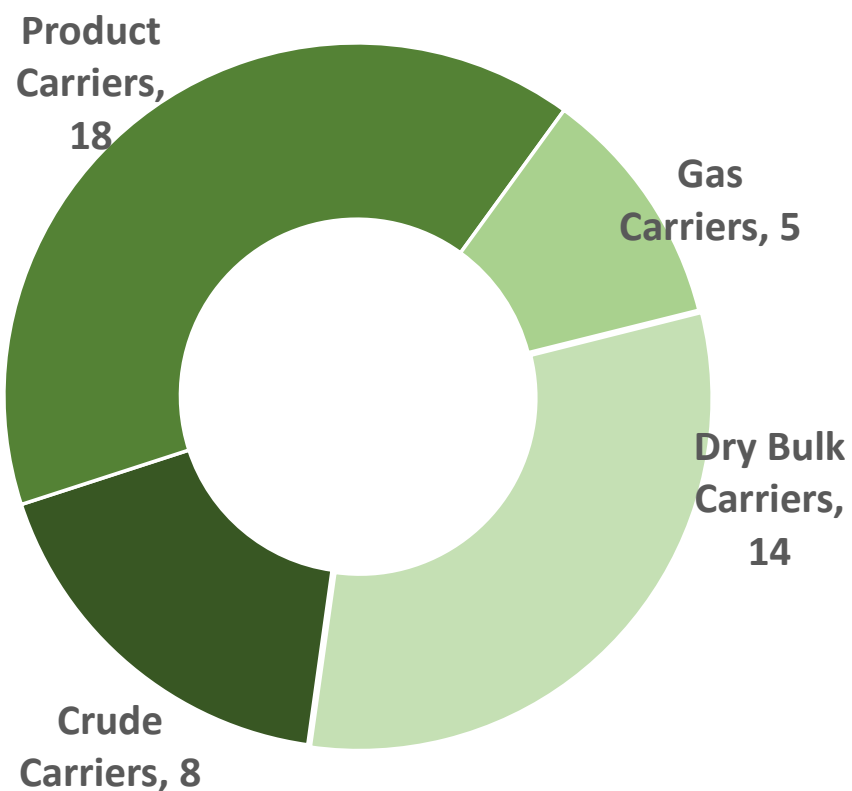
- Presence – Global, but majority of assets in India
- Business model - Efficiently managing portfolio by fixing long term charters with quality counter parties. Managing cost, efficient operations, maintaining younger & high quality of assets





# Shipping Business

Number of Vessels



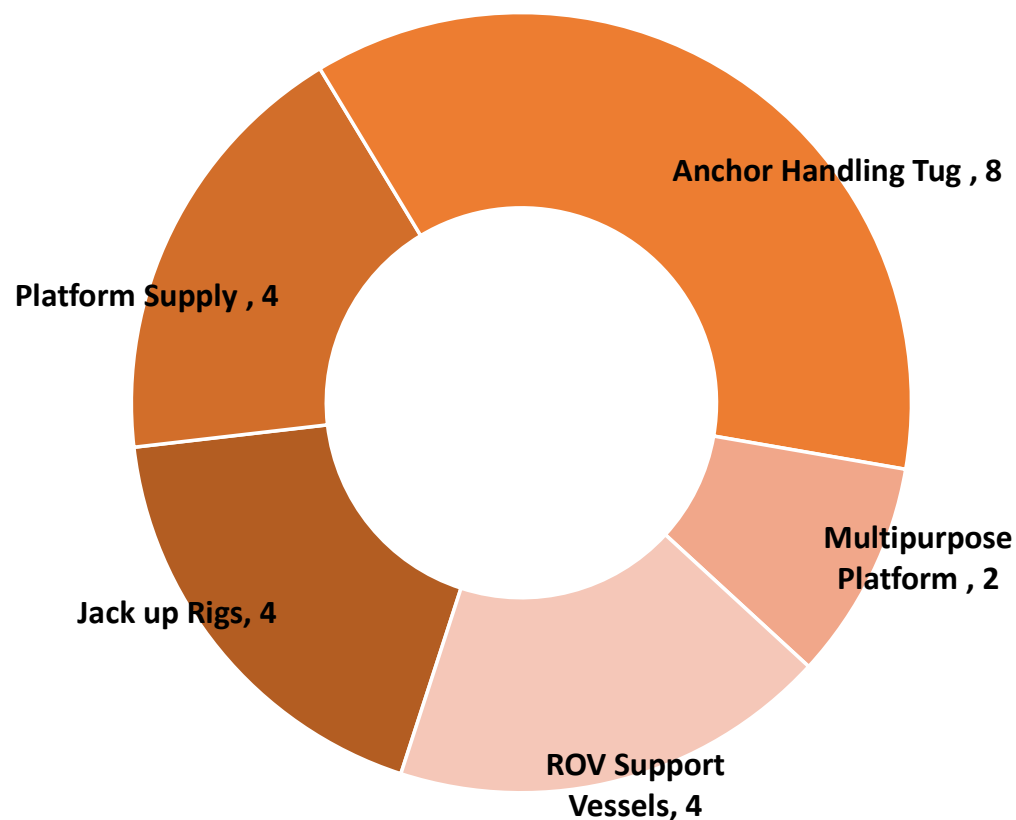
## Key Strengths

- Dynamically Managing cycles
- Diversified fleet
- In-House technical & commercial management
- Healthy balance sheet & low cost of debt
- Stringent adherence to risk management



# Offshore Business – Greatship (India) Ltd. (GIL)

**Number of Assets**



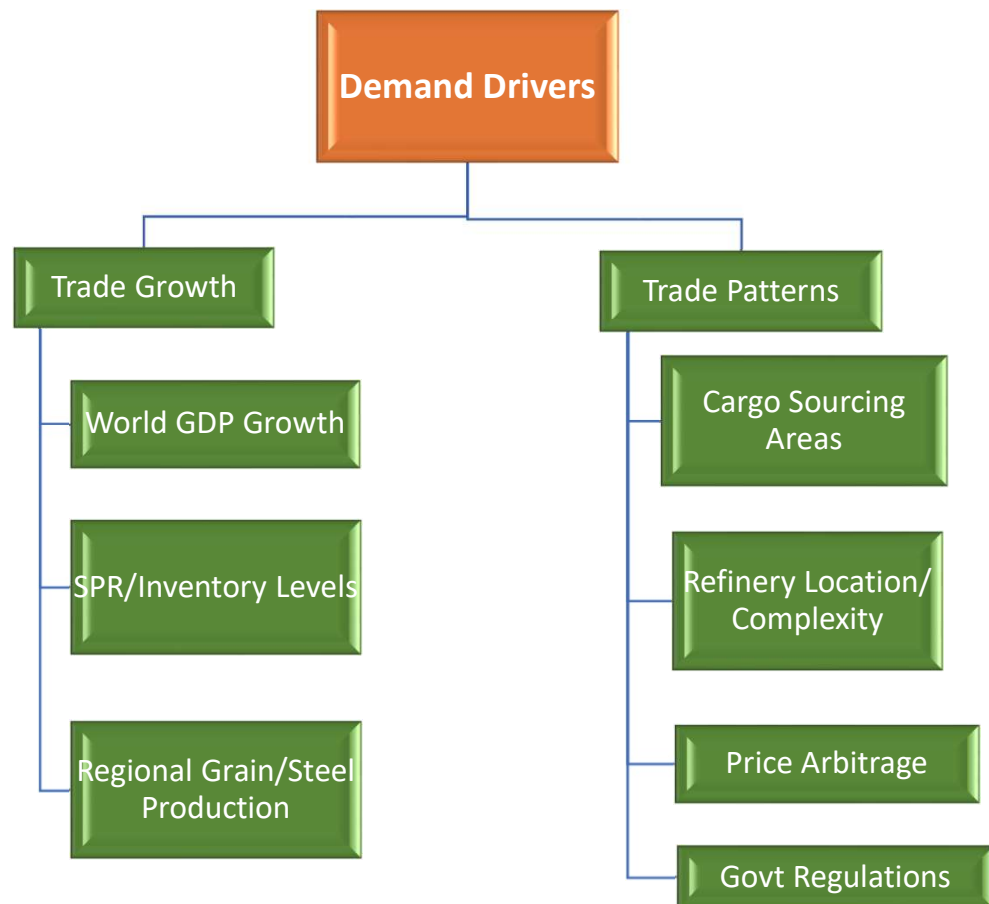
## **Key Strengths**

- One of the very few companies globally to have deleveraged without restructuring
- Focus on maintaining utilization and paying down debt in the down cycle of the last 7 years
- Good quality modern assets

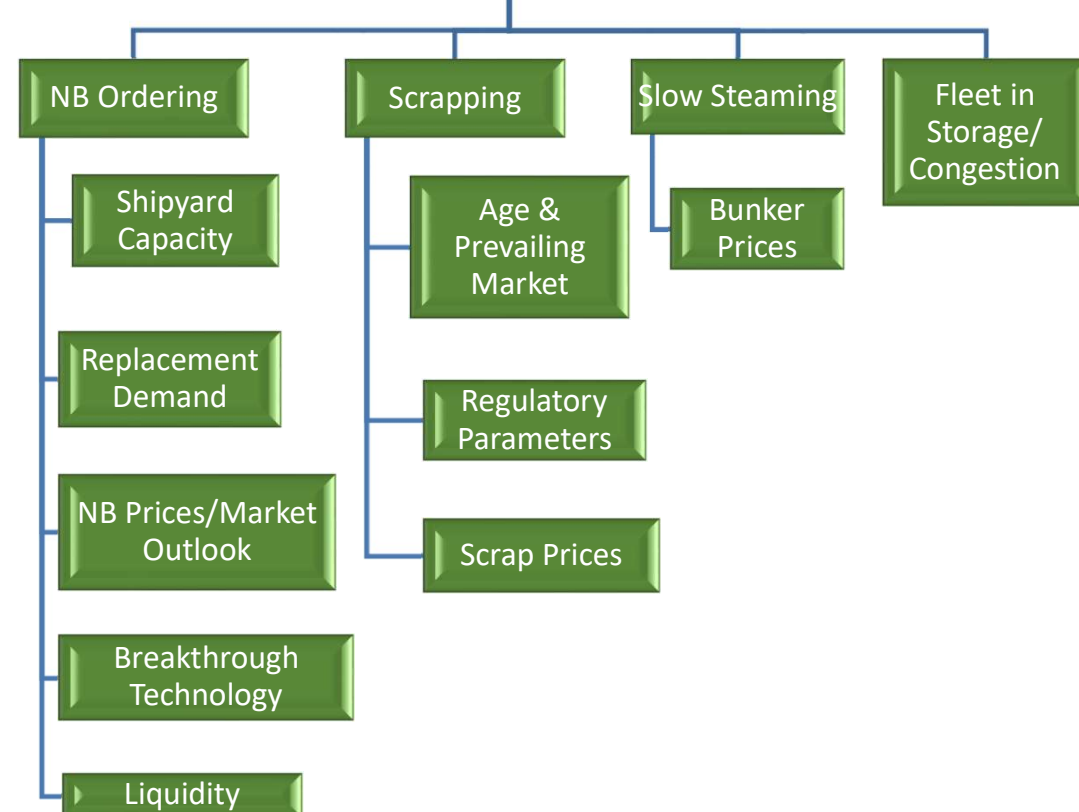


# Demand Drivers & Supply Drivers

## Demand Drivers

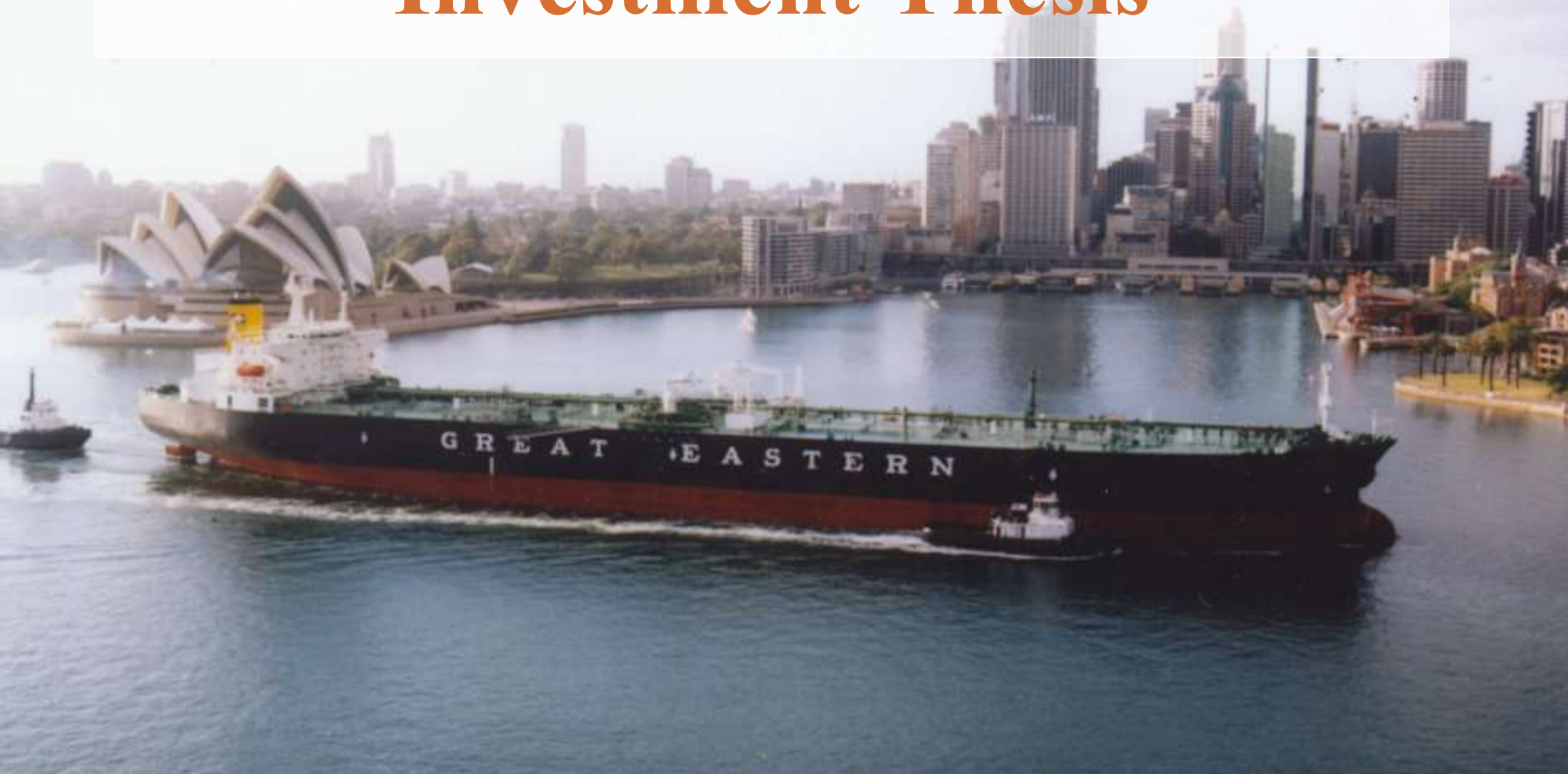


## Supply Drivers





# Investment Thesis





# Investment Thesis

**Fleet operated at global standards, with a large number of international customers**

**Offshore fleet – quality operations with low balance sheet leverage**

**Prudent Capital Allocation across a diversified fleet**

**Strong cash flows**



**Strong balance sheet enables capacity expansion in low markets**

**High level of operating leverage in shipping to take advantage of high freight markets**



# International standards/ no. of customers

## Port State Control

54 inspections with nil observations

Total Inspection 66

## Unplanned technical downtime

FY22 – 0.46%



- 78 inspections carried out by oil majors with an average of 2.74 observations per inspection

In FY 22, we carried cargo for a total of 95 customers, predominantly international

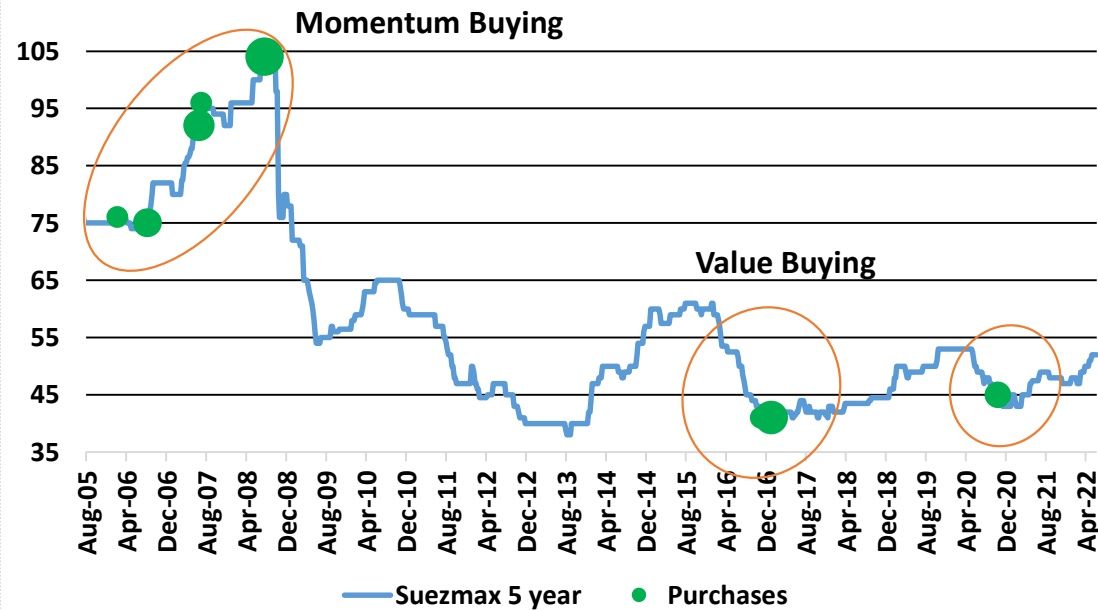




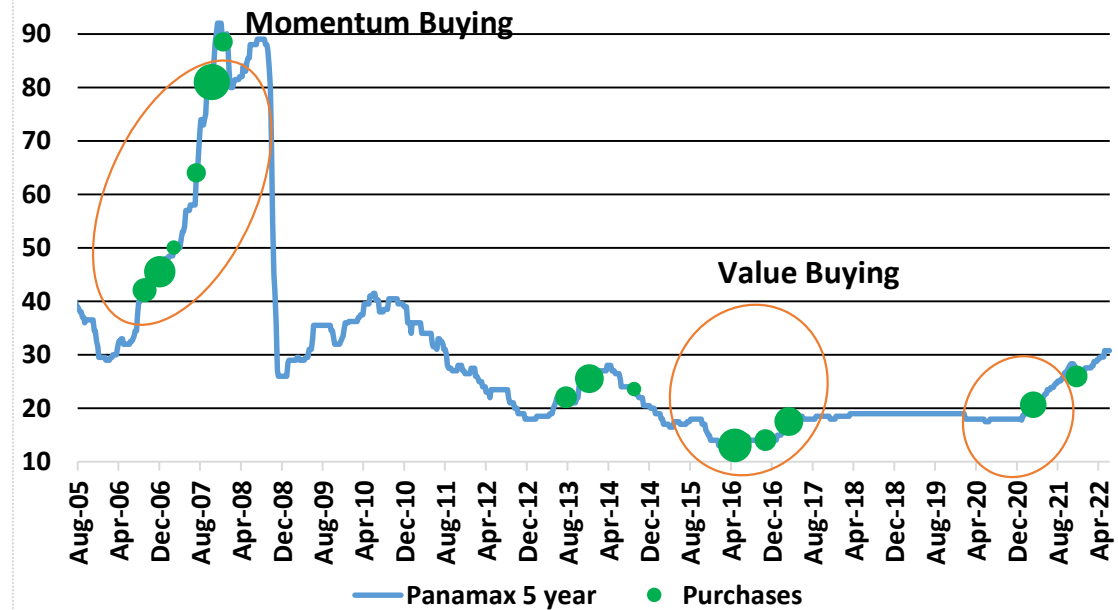
# Prudent Capital Allocation

## Transformation from Momentum Buying to Value Buying

Sales & Purchase (Oil Tankers) vs Suezmax 5 year old



Purchase (DryBulk) Vs Panamax Drybulk 5 year old



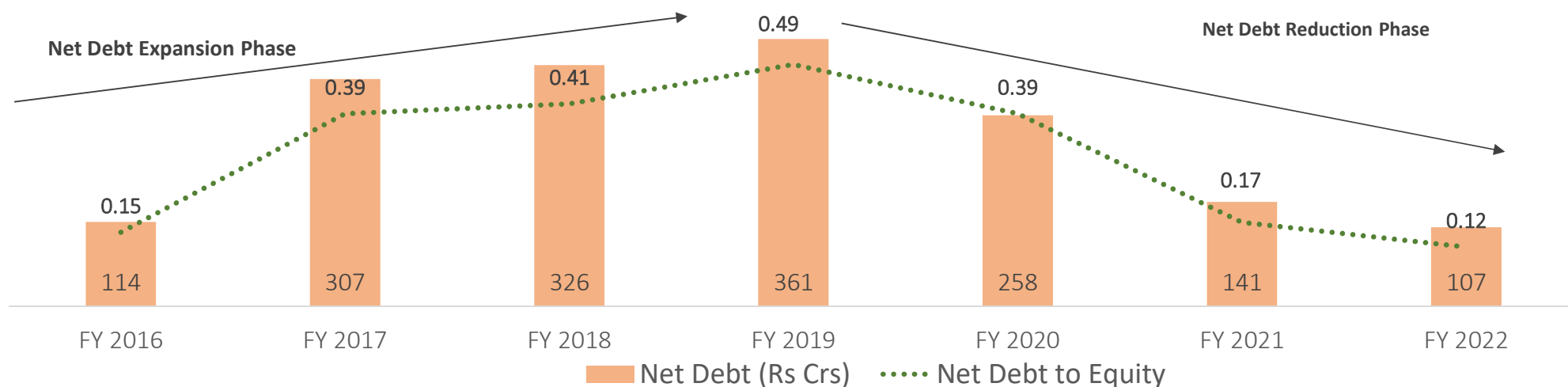


# Balance Sheet Discipline

## Net Debt to Fleet Ratio

GESCO	0.1
PEERS	0.42

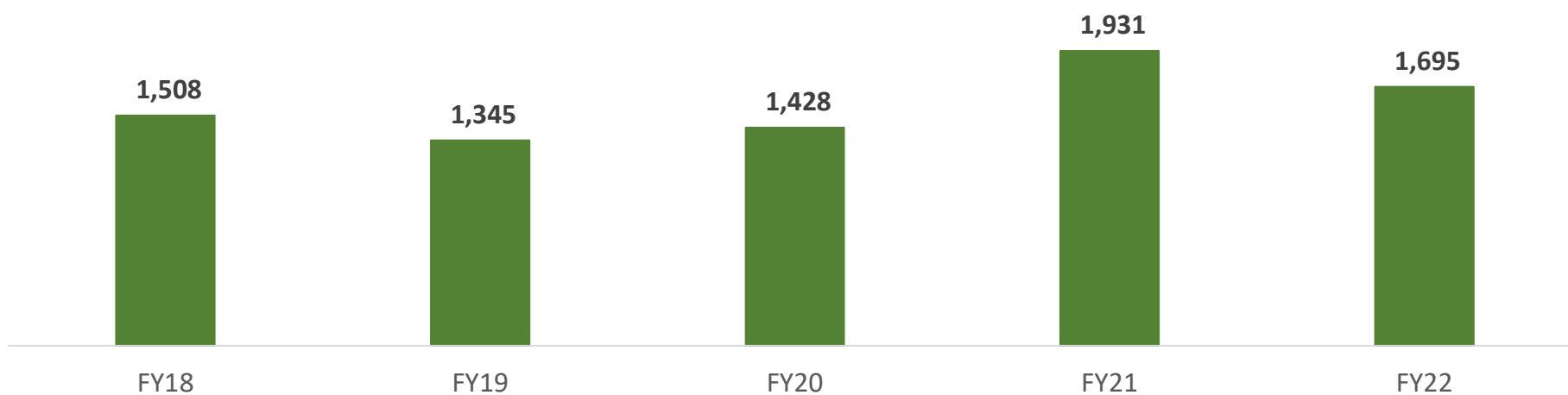
- NCD Ratings – CARE ratings AA+; BRICKWORK AAA
- Effective cost of debt <3.5%; lowest amongst peers





# EBITDA Over the Years

**Consolidated EBITDA (Rs. Crores)**





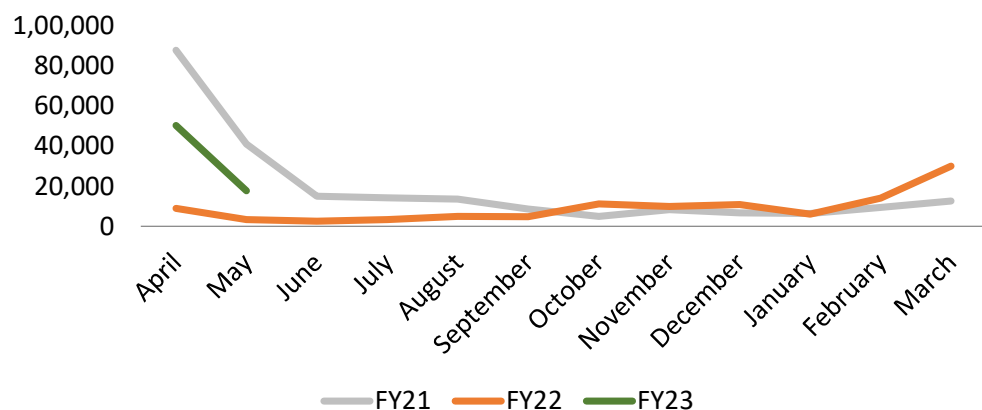
# Current Shipping Market





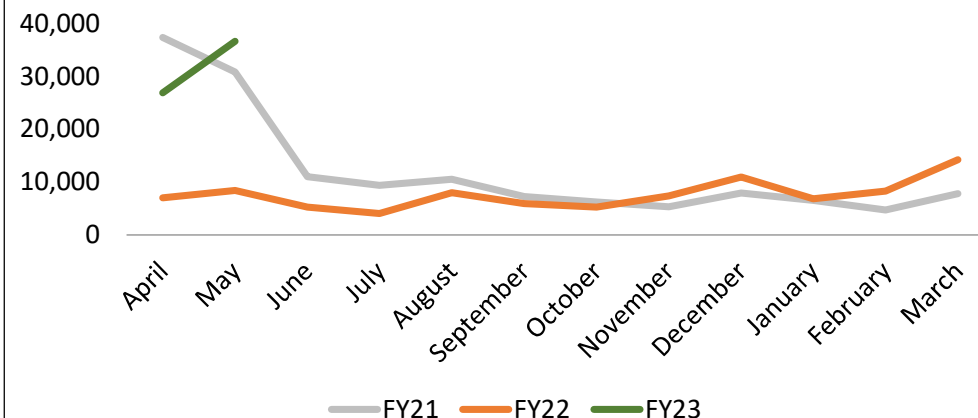
# Tanker Market

**Avg Suezmax Earnings (USD/Day)**



USD/Day	FY21	FY22	% Change
12M	18,970	9,079	-52%

**Avg MR Earnings (USD/Day)**

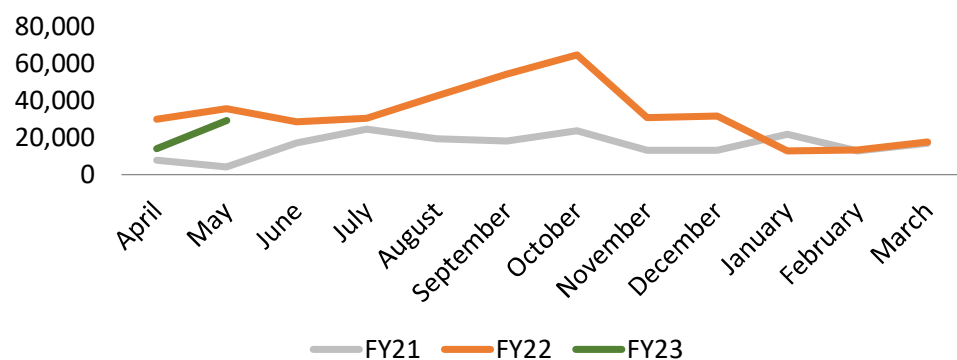


USD/Day	FY21	FY22	% Change
12M	12,040	7,597	-37%



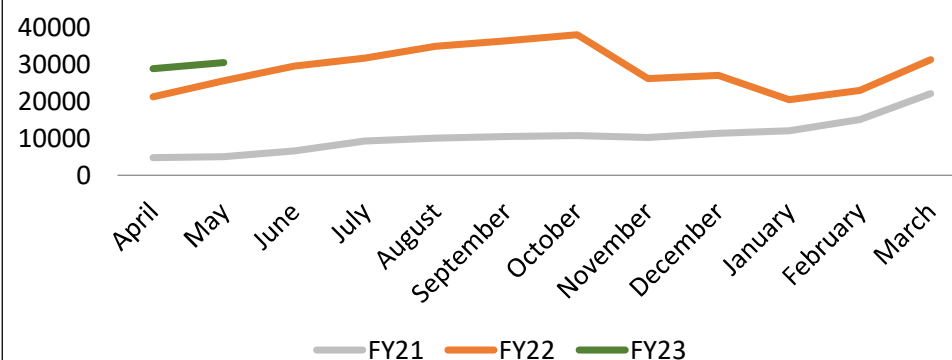
# Dry Bulk Market

**Avg Baltic Capesize 5T/C  
Earnings(USD/Day)**



USD/Day	FY21	FY22	% Change
12M	16,012	32,642	104%

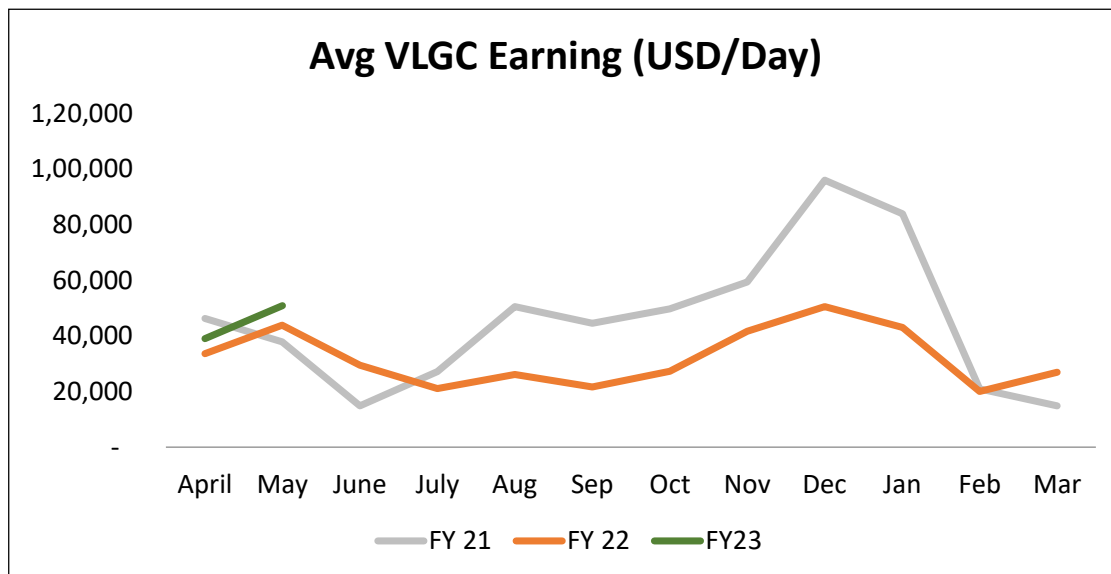
**Avg Baltic Supra Earnings BSI-58 10T/C  
(USD/Day)**



USD/Day	FY21	FY22	% Change
12M	10,631	28,728	170%



# LPG (Gas) Market



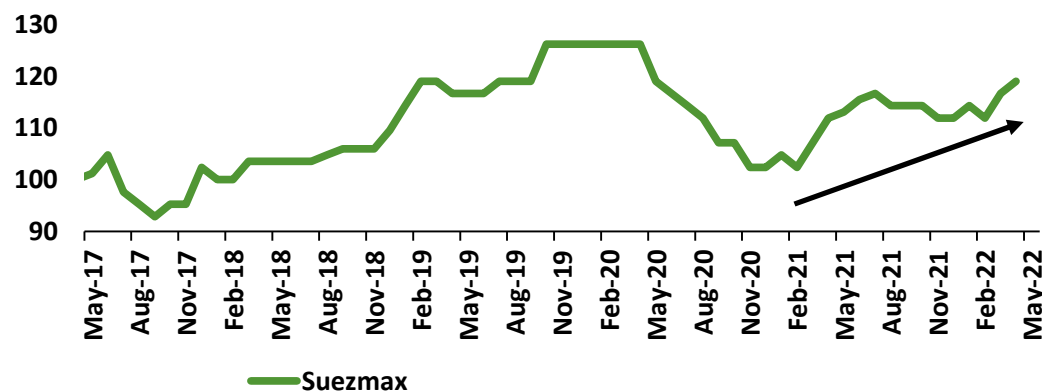
USD/Day	FY21	FY22	% Change
12M	45,500	32,100	-29%

Sources – Industry Reports

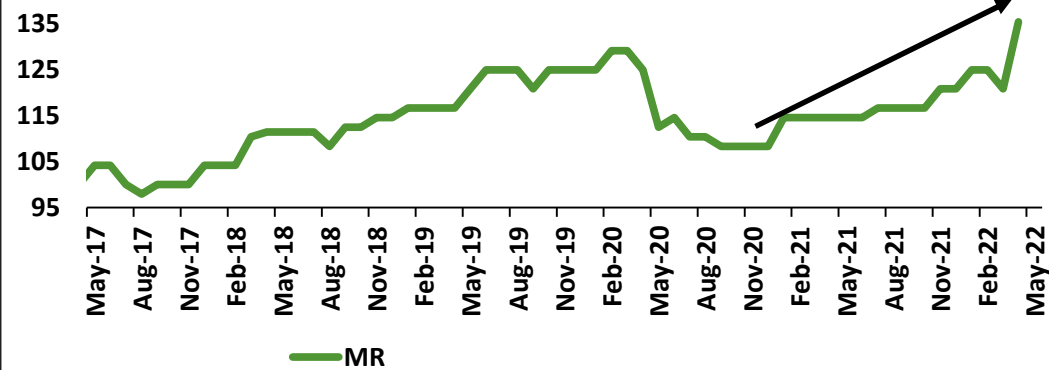


# Asset Price Movement (Over the Last 5 Years)

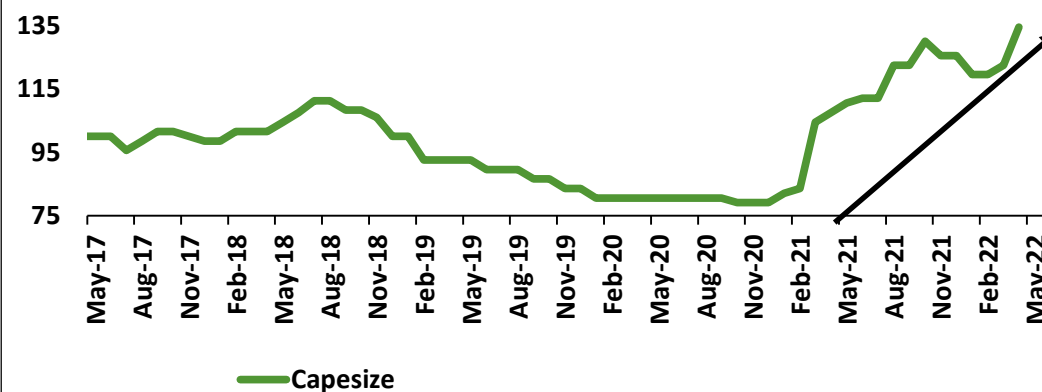
5 Yr Old Asset Value Movement (Crude)



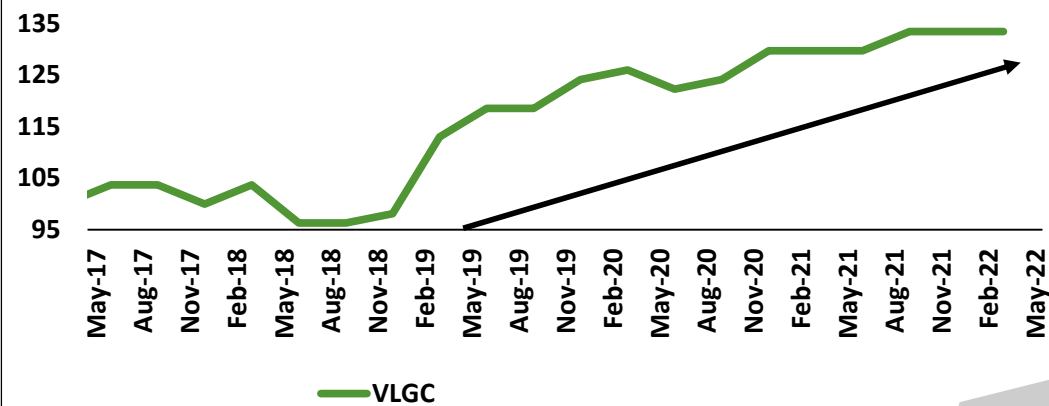
5 Yr Old Asset Value Movement (Product)



5 Yr Old Asset Value Movement (Dry Bulk)



5 Yr Old Asset Value Movement (LPG)



Sources – Industry Reports





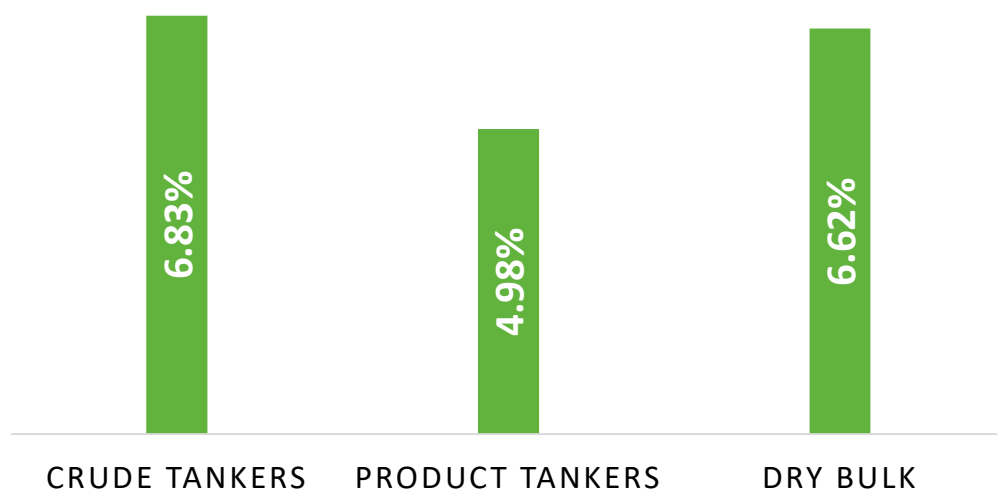
# Scrapping

Vessel Category	Fleet (mn Dwt)	Scrapping (% of beginning world fleet)								
	May 22	Q1CY2022	CY2021	CY2020	CY2019	CY2018	CY2017	CY2016	CY2015	CY2014
<b>Crude</b>	438	0.31%	2.47%	0.53%	0.55%	4.39%	2.43%	0.39%	0.38%	1.75%
<b>Product</b>	174	0.47%	2.11%	0.57%	0.60%	1.72%	1.22%	0.54%	0.62%	1.10%
<b>Dry Bulk</b>	953	0.11%	0.56%	1.74%	0.93%	0.54%	1.85%	3.78%	4.02%	2.24%

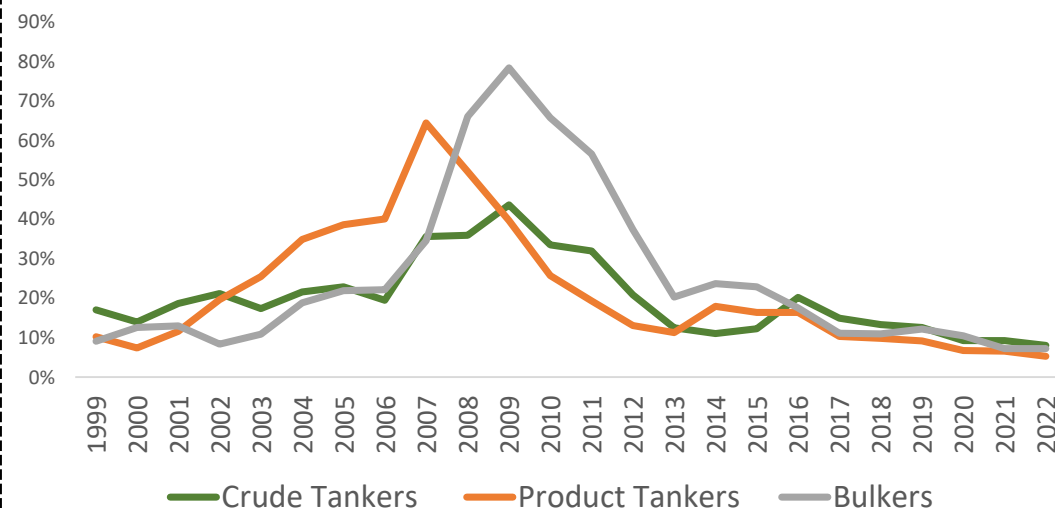


# Lowest Order Book to Fleet Ratio

## Order Book as a % of fleet



## Historical Order Book as a % of fleet



**This is one of the lowest order books for Product and Dry Bulk in the last 25 years**

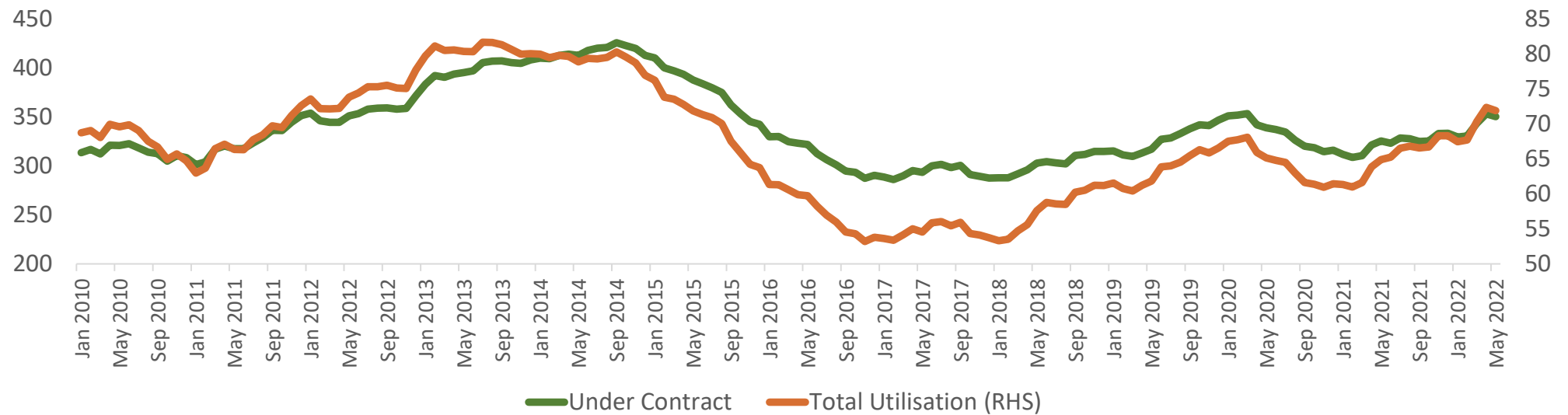
# Current Offshore Market





# Market Trends

Jack up utilisation: gradual improvement



- Firming Jack-up rig demand in the Middle East



# Fleet Supply

*Large number of Cold Stacked Rigs*

Number	Jackup Rigs	PSVs + AHTSVs
Current Fleet	488	3,515
Contracted Fleet	350	2,157
Orderbook	28	132
O/B to current fleet	5.7%	3.8%
Total Scrapping since January 2016 (nos.)	141	507
No. of Vessels/Rigs more than 20/30 years old (as %age of fleet)	33%	19%
Cold Stacked more than 3 years	50	661

**Large potential for removals over the next few years**

Sources – Industry Reports

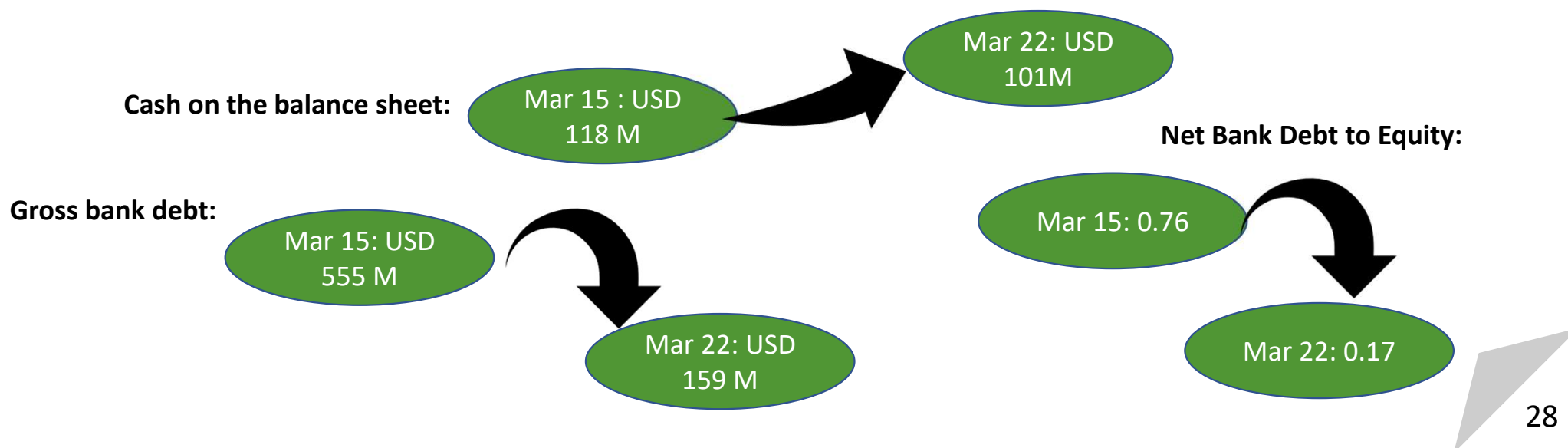




# Greatship Evolution

*Last seven years*

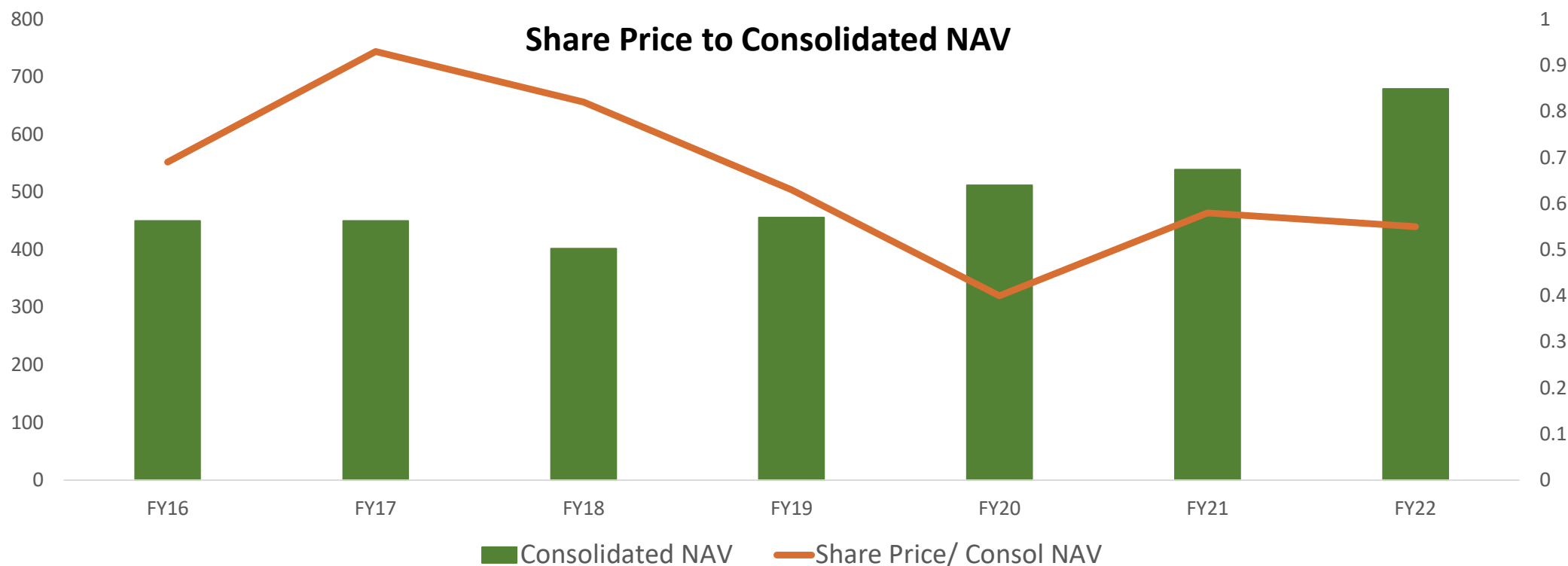
- Most challenging years for the offshore sector since the late 80s.
- Utilization levels across asset classes dropped to historic lows, charter rates came down to levels that barely generated any +ve EBIDTA.
- Large part of the industry went through financial restructuring/reorganization/forced consolidation.
- How did we fare?





# Price at a significant discount to NAV

At current P/Consolidated NAV, GESCO trades at 0.55



\* For FY22 we have taken share price as on 14th June 2022

# Thank You

