

**THE GREAT EASTERN
SHIPPING COMPANY LIMITED**
CIN: L35110MH1948PLC006472



OCEAN HOUSE, 134/A, Dr. Annie Besant Road, Worli, Mumbai - 400 018, INDIA. Tel.: +91(22) 6661 3000 / 2492 2100 Fax : +91(22) 2498 5335

Our Ref.: S/2020/JMT

August 19, 2020

BSE Limited

1st Floor, Phiroze Jeejeebhoy Towers,
Dalal Street,
MUMBAI – 400 001

National Stock Exchange of India Limited

Exchange Plaza, 5th Floor, Plot No. C/1,
Bandra Kurla Complex, Bandra (East),
Mumbai – 400 051

Dear Sir,

We enclose copy of updated presentation to be made by us in Investor/Analyst Meeting.

You are requested to kindly take note of the same.

Thanking You,
Yours faithfully,
For **The Great Eastern Shipping Co. Ltd.**

Jayesh M. Trivedi
President (Secl. & Legal) & Company Secretary



The Great Eastern
Shipping Co. Ltd.

INVESTOR PRESENTATION – AUGUST 2020



19 August 2020

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.

3 MAJOR CONCERNS RAISED

MTM Impact

**Too much cash on
our balance sheet**

Offshore business



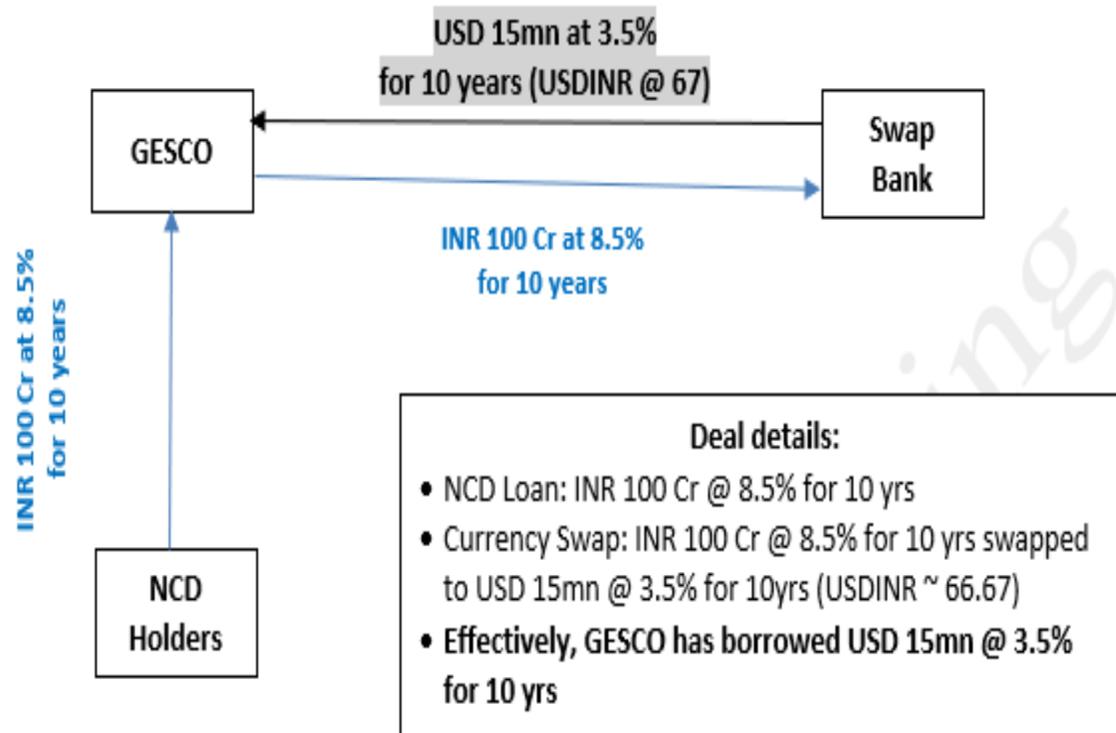
THE QUARTERLY MTM ISSUE

WHY BORROW IN US DOLLARS

- 1. Almost all of our revenues are denominated in US Dollars, and our assets are denominated and traded in US Dollars
- 2. Therefore, in order to avoid a mismatch between the currency of the assets and liabilities, we borrow in dollars rather than rupees
- 3. These are normally loans from ship finance specialists, which are done on an amortising basis
- 4. As per the accounting standards. Foreign currency loans are to be revalued in every accounting period, and the effect is to be taken to the P & L account
- 5. However, the corresponding impact on the assets side (revaluation of ships) does not flow into the P & L account except on sale

EFFECTIVE STRUCTURE OF NCD & CURRENCY SWAP

Pictorial example:



Sometimes, we get an opportunity to borrow in a more efficient way, which suits business requirements better

This is through the issue of Non-Convertible Debentures in Rupees, which are later swapped into US Dollars, creating synthetic US Dollar debt. All of our debentures have been swapped into fixed rate dollar debt

WHY THE DERIVATIVES MTM

While this may have a similar effective cost to US Dollar debt, it has some big advantages:

- Non-amortizing, and so reduces pressure on cash flow in the short term
- Therefore enables larger capital expenditure
- In many cases, this is unsecured and so gives trading/age flexibility as the ship is not mortgaged
- No withholding tax as in the case of ECBs

The disadvantages are:

- The original (rupee) interest reflects as the interest cost, thus overstating the actual financing cost
- The impact of a change in USD interest rates or MIFOR reflects as derivative MTM



CASH ON OUR BALANCE SHEET

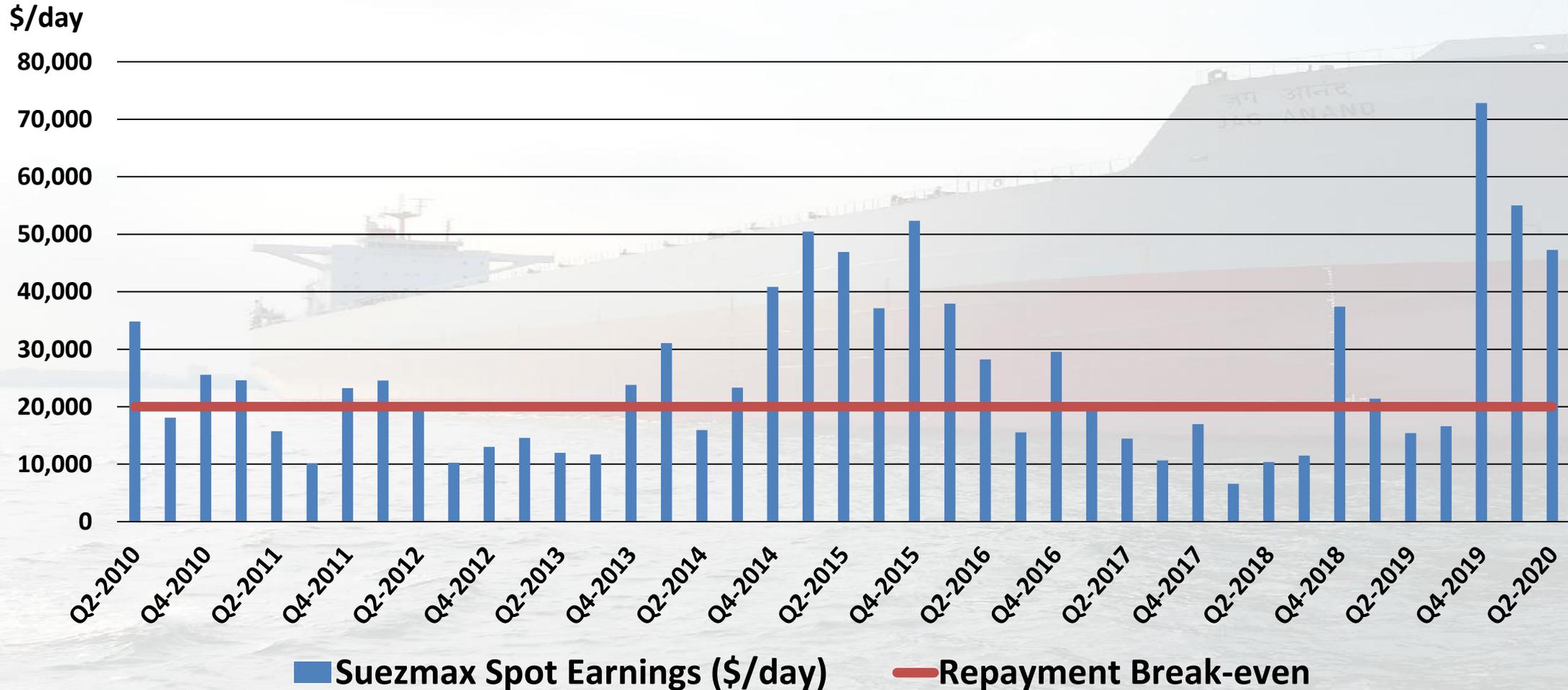
WHY DO WE NEED TO HOLD THIS CASH?

**Risk Capital to deal
with market
volatility**

**Freedom to act – to
make decisions
without lender
pressure**

**Ability to act
swiftly when asset
prices are
attractive**

VOLATILITY IN FREIGHT SPOT EARNINGS



Note: Repayment break-even is based on the average Suezmax price of the last 10 years, and 70% debt on standard terms

FREEDOM TO ACT WITHOUT LENDER PRESSURE TO FIX OR SELL

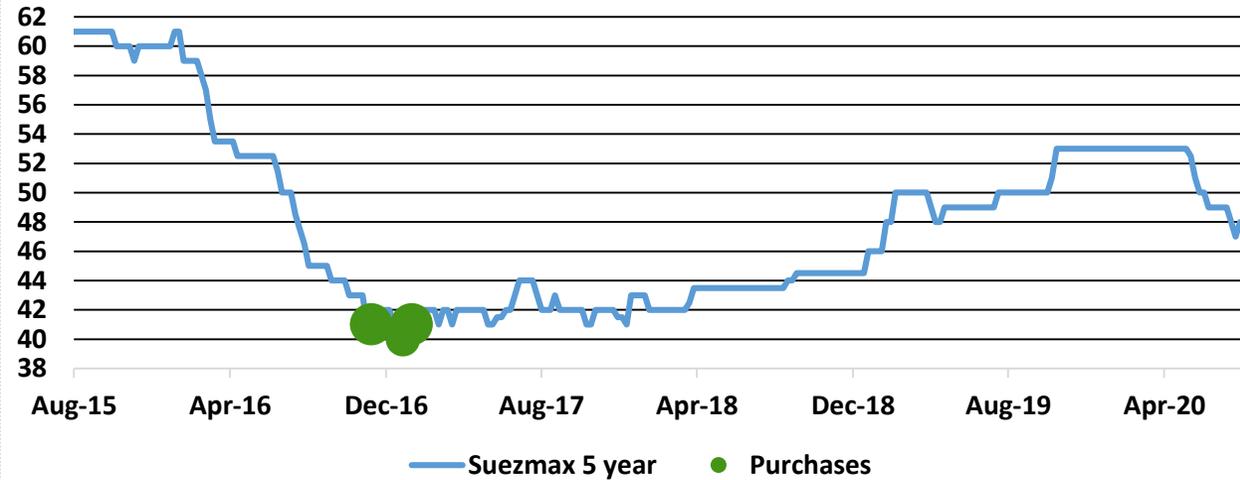
When freight markets are weak, long term rates are in contango, which can make lenders more comfortable with time charters. But fixing time charters at that time may not be the right decision

As an example:

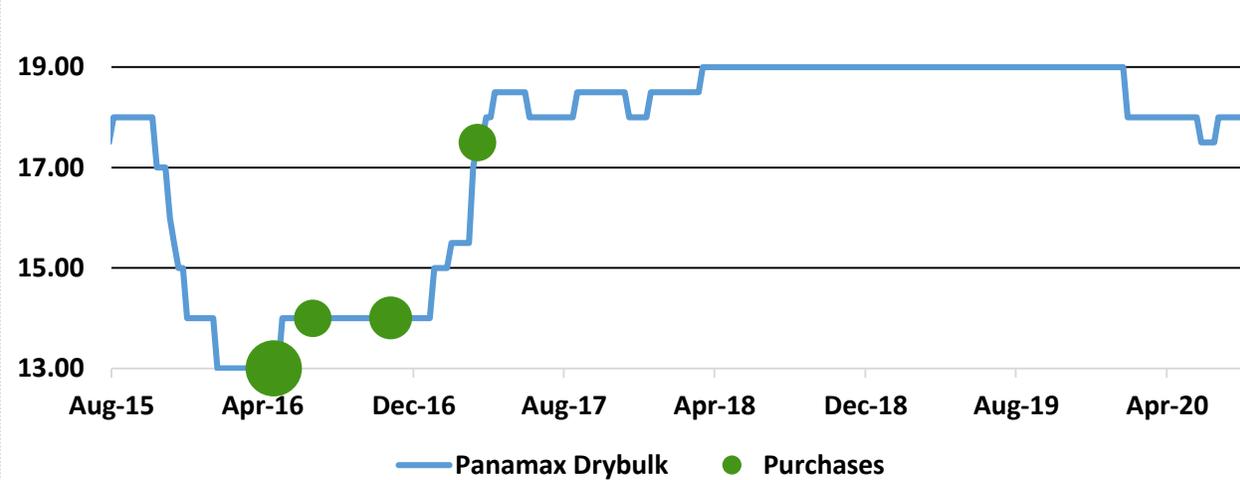
- a) In April 2016, Capesize bulk carriers were earning about **USD 2000/day** in the spot market (below opex)
- b) At the same time, the 3 year Time charter was at about **USD 8000/day** (a rate at which there would be a positive EBITDA contribution)
- c) Actual 3 year spot earnings from then on were about **USD 13,500/day**

ABILITY TO EXECUTE PURCHASE OF VESSELS

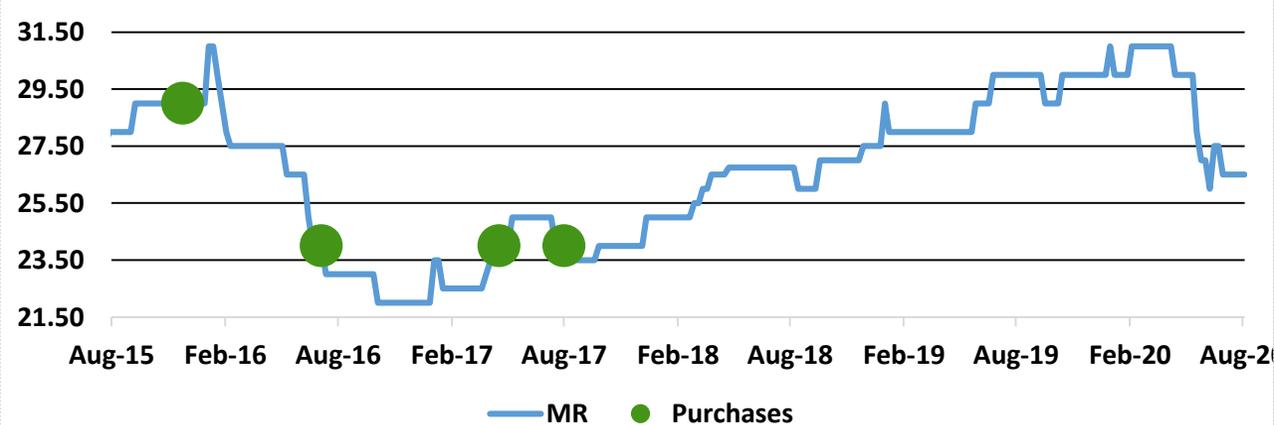
Purchase (Oil Tankers) vs Suezmax 5 year old



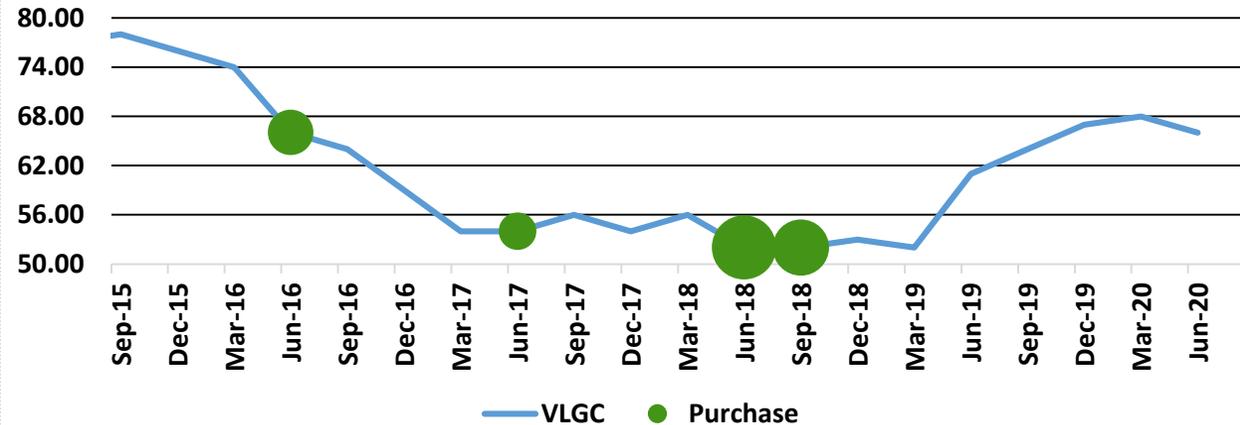
Purchase (DryBulk) Vs Panamax Drybulk 5 year old



Purchase (Clean Tankers) Vs MR 5 year old



Purchase (LPG Carriers) vs VLGC 5 year old





OFFSHORE BUSINESS

GREATSHIP EVOLUTION: THE LAST 5 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?

Cash on the balance sheet:

Mar 15 : USD
118 M

Mar 20: USD
138 M

Net Bank Debt to Equity:

Gross bank debt

Mar 15: USD
555 M

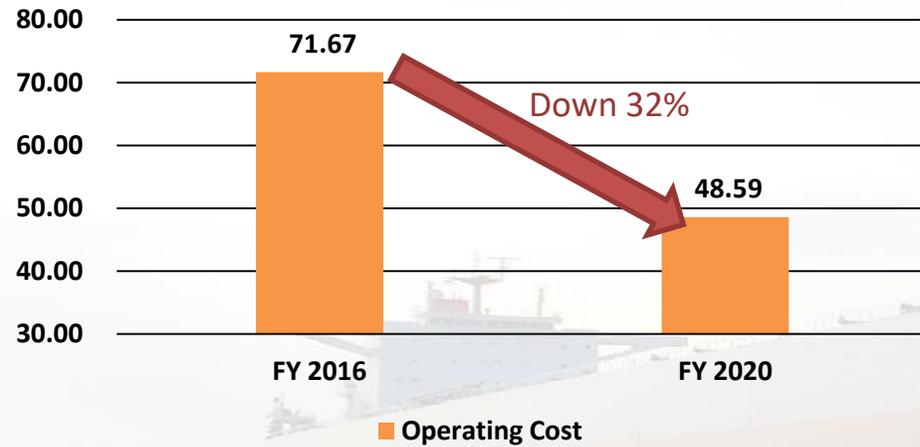
Mar 20: USD
225 M

Mar 15: 0.75

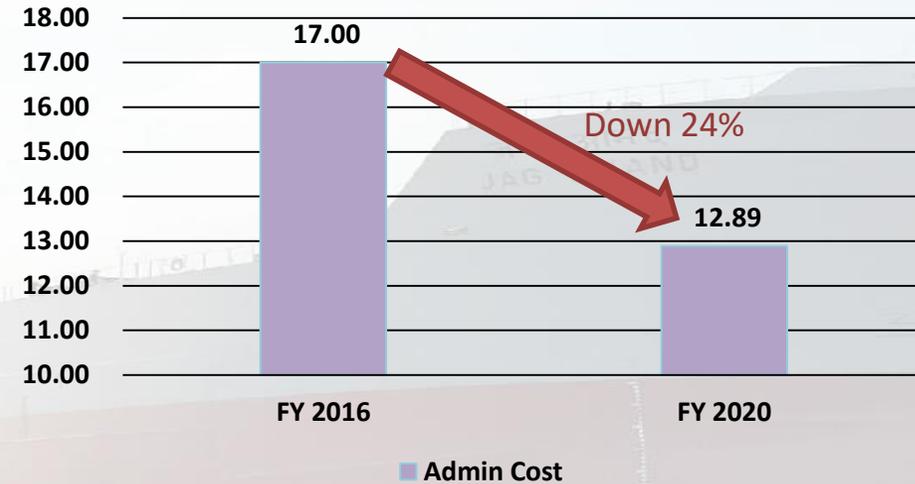
Mar 20: 0.22

COST REDUCTION: ENABLES CASH FLOW GENERATION EVEN WITH SHALLOW RECOVERY

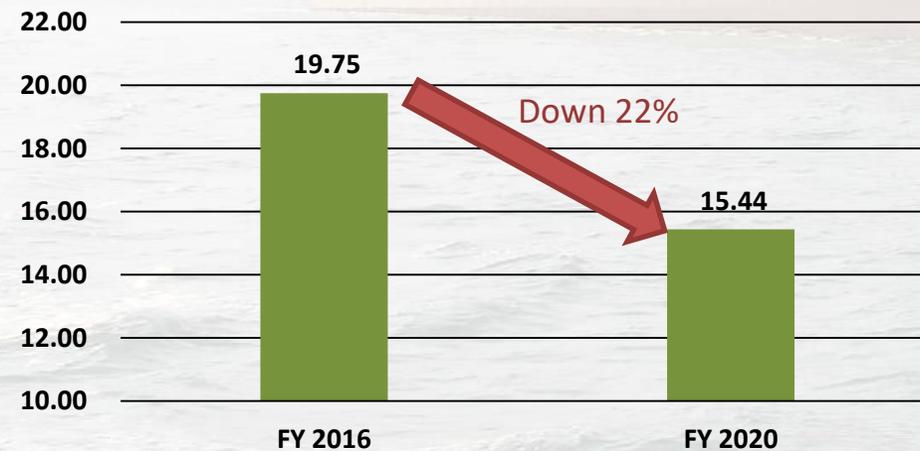
Operating Cost (US\$ Mn)



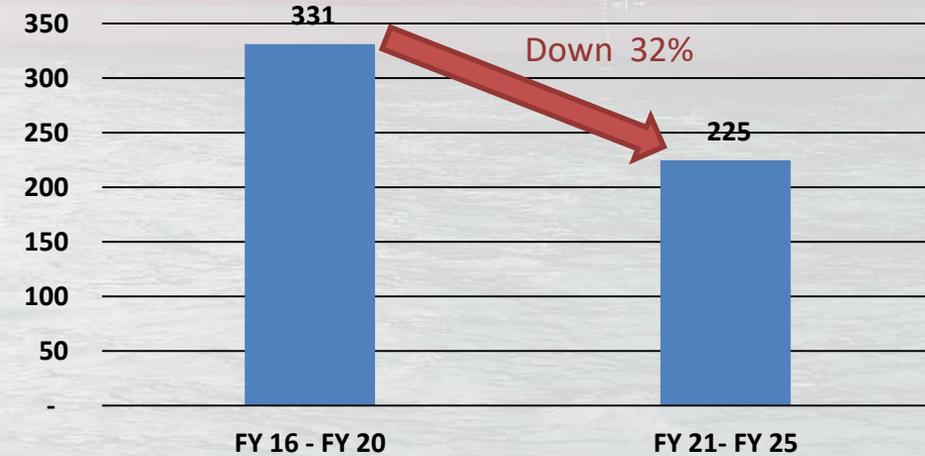
Admin Cost (US\$ Mn)



Interest Cost (US\$ Mn)

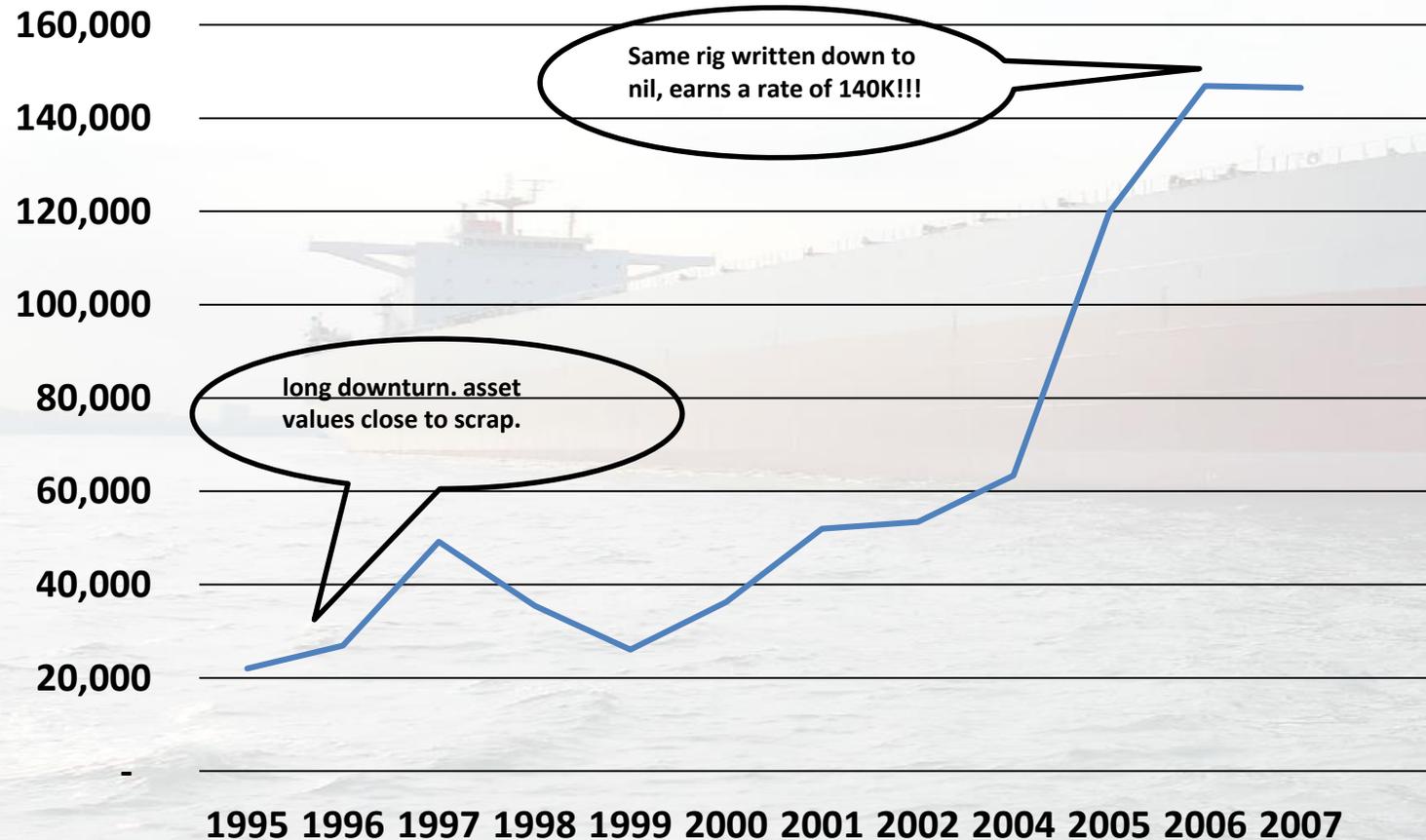


Debt repayment (principal) over next 5 years



LONG LIFE PROVIDES GREAT OPTIONALITY

Charter rate (USD/day): A typical 1980s blt rig chartered in India



Long residual life (avg rig fleet age: 8.5 yrs)

Great option value

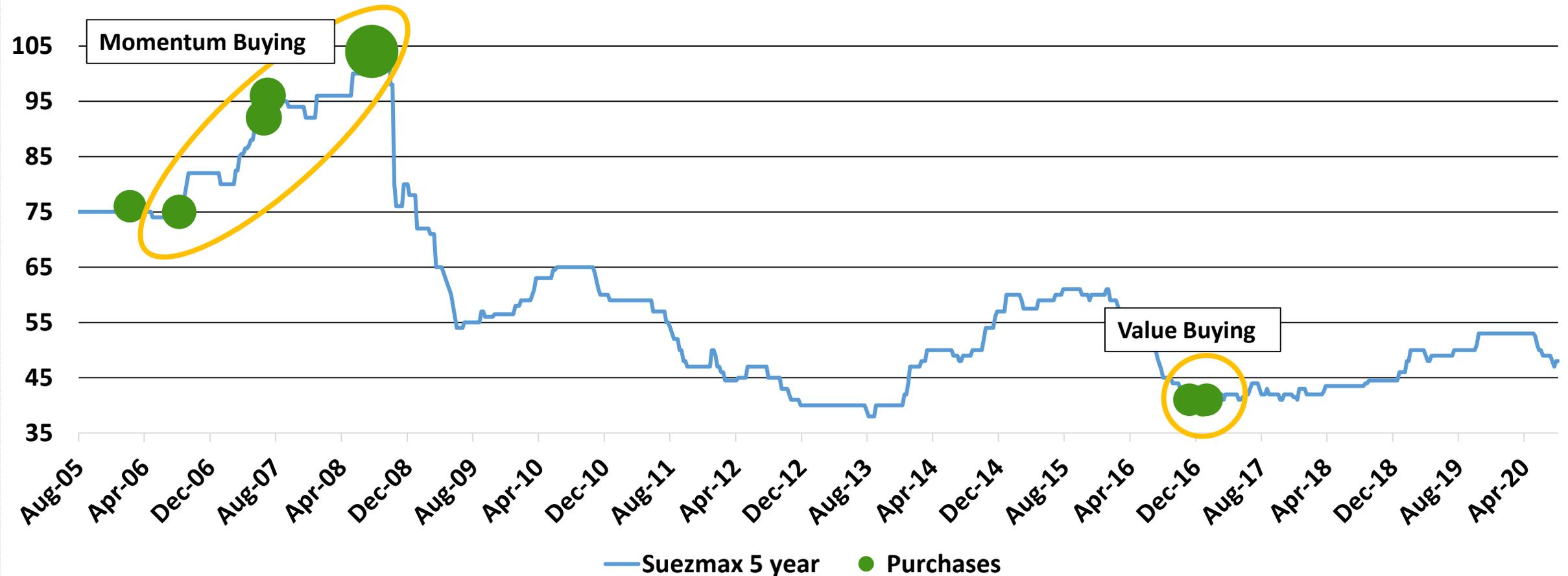


TRANSFORMATION

MOMENTUM BUYING VS VALUE BUYING

CRUDE TANKER VESSELS

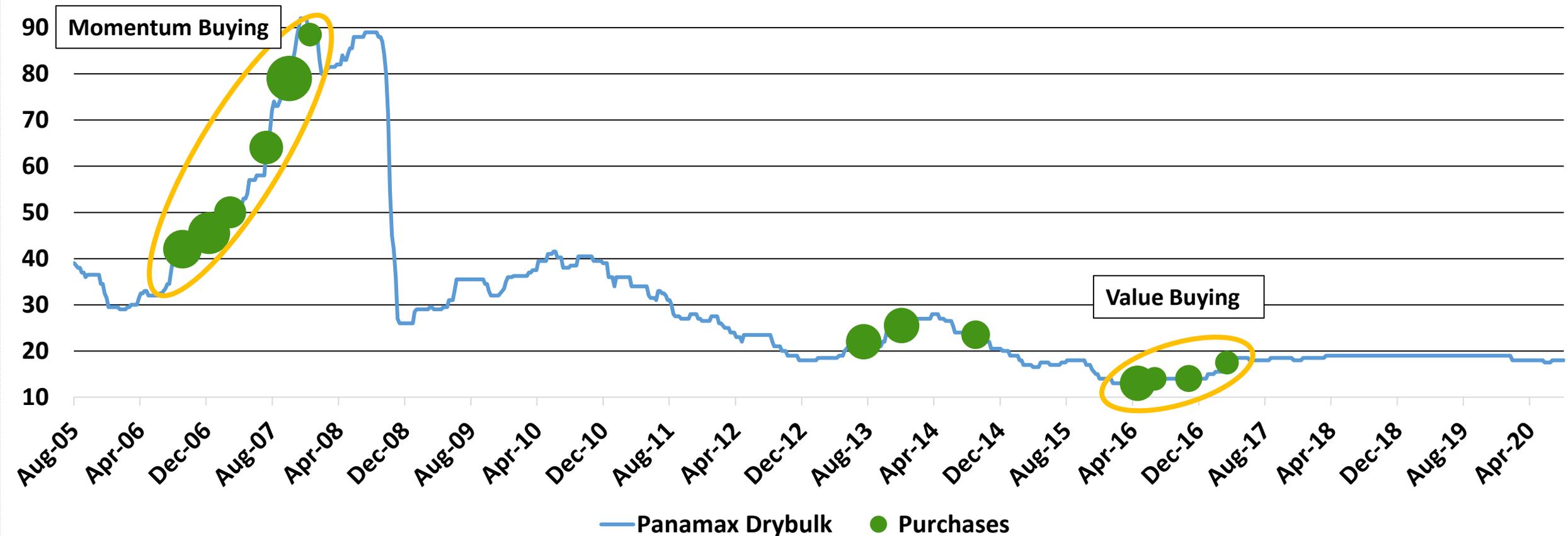
Purchase (Oil Tankers) vs Suezmax 5 year old



MOMENTUM BUYING VS VALUE BUYING

DRYBULK VESSELS

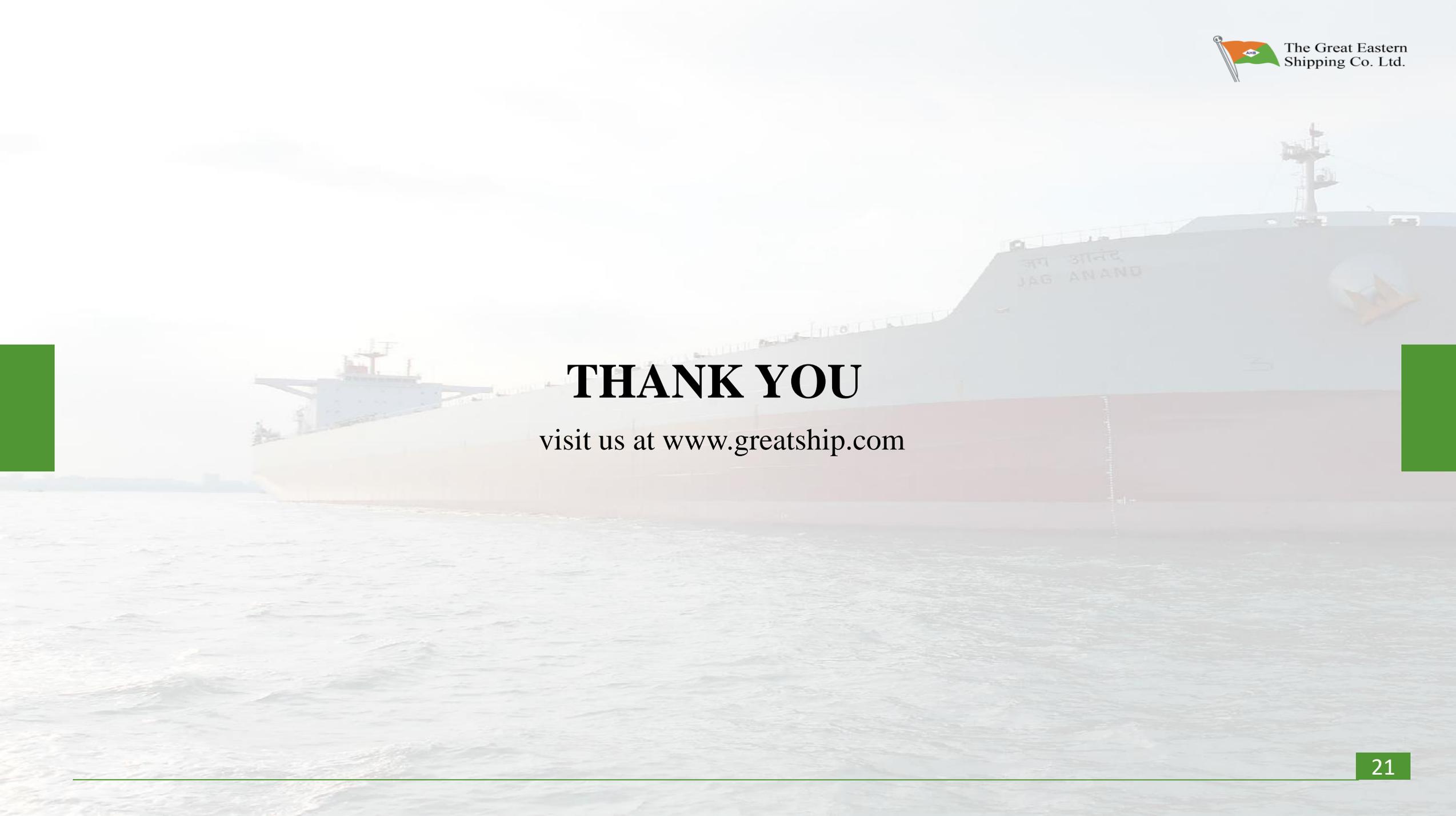
Purchase (DryBulk) Vs Panamax Drybulk 5 year old



GESCO COMPARISON VERSUS 10 YEARS AGO

	FY11	FY20	Remarks
Average Ships	36	47	
Available days	13,140	17,202	
Average Age	10	12	
EBITDA Fixed Earnings (FY20) (USD Mn)	126	172	(At same TCYs for both years)
Average Capital Employed (USD Mn)	2,015	1,225	
EBITDA Fixed Earnings (FY20)/Avg. Capital Employed	6.27%	14.09%	

Depreciation & Interest Cost has reduced by \$3,000/available day from FY11 to FY20



THANK YOU

visit us at www.greatship.com