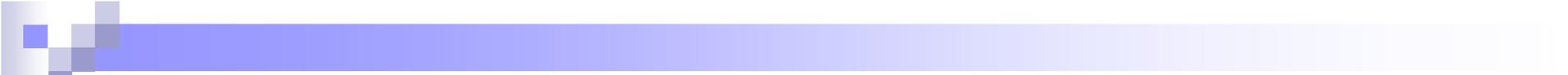


# The Great Eastern Shipping Co. Ltd.

**Business & Financial Review**

**September 2008**



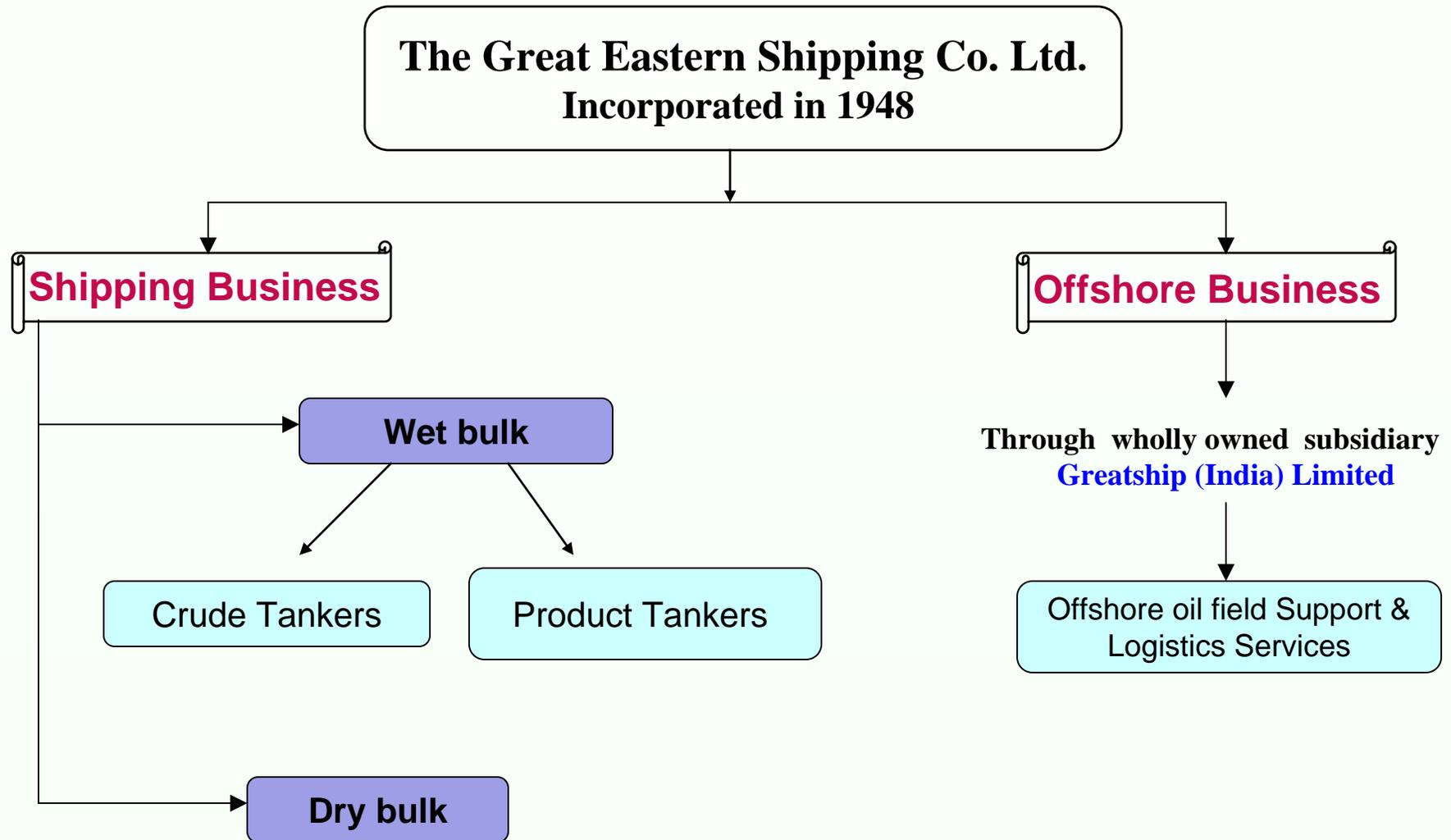
# Forward Looking Statements

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.

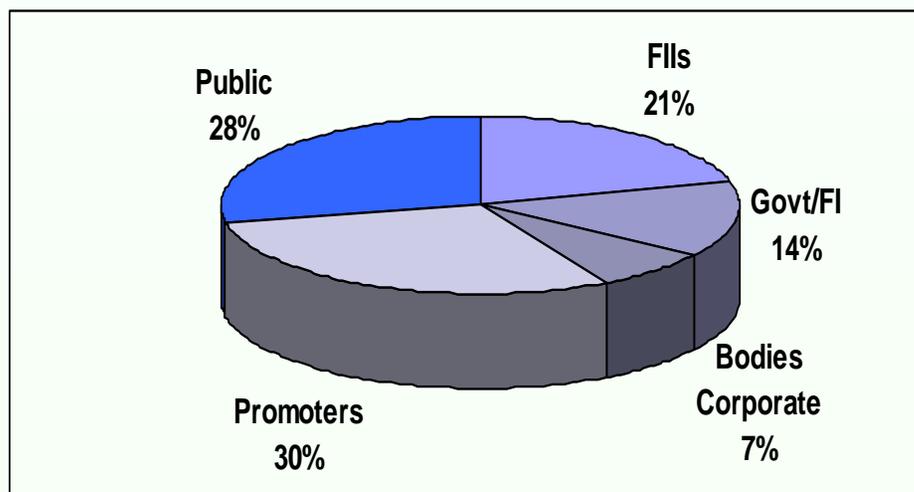
# Corporate Profile

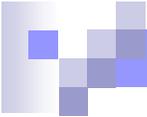


## Company at a glance

- ✎ *India's largest private sector Shipping Company*
- ✎ *Completed 60 years of operations*
- ✎ *Diverse asset base with global operations*
- ✎ *More than 25 years of uninterrupted dividend track record*
- ✎ *Rated 'AAA' (Domestic Currency Debt) since 1996*

*Shareholding Pattern as on Jun 30th, 2008*





## Shipping business-owned fleet

❑ **41 ships aggregating 2.85 Mn dwt, avg.age 10.6 years**

❑ **30 Tankers** avg.age 9.7 years (78% in tonnage terms)

❑ **12 Crude carriers (6 Suezmax, 6 Aframax)** avg.age 8.5 years (2 single hull – both double sided)

❑ **16 Product tankers (11 MR, 5 GP)** avg.age 11.7 years (5 single hull – 2 double sided)

❑ **2 LPG carriers** – avg.age 25 years (both single hull)

**Double hull status – 21 tankers representing 78% in dwt terms**

❑ **11 Dry bulk carriers** avg.age 13.8 years

❑ **1 Capesize** - avg.age 12 years

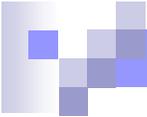
❑ **1 Panamax** - avg.age 13 years

❑ **2 Supramax**- avg.age 6 years

❑ **5 Handymax** - avg.age 15 years

❑ **2 Handysize** - avg.age 29 years

**Contracted to sell – 2 MR Product Tankers aggregating 0.07 mn dwt, delivery in Q1 FY10**



# Shipping business – Inchartered fleet

**Total Inchartered Fleet : 9 ships  
(including in subsidiaries)**

- **Tankers : 4**
  - ✓ 2 Suezmax Crude Carriers
  - ✓ 1 Aframax Crude Carrier
  - ✓ 1 MR Product Tanker
  
- **Dry Bulk : 5**
  - ✓ 4 Supramax Bulk Carriers
  - ✓ 1 Panamax Bulk Carrier

## Committed CAPEX - Shipping Business

### Committed Capex of around USD 779 Mn

- 14 new building contracts aggregating 1.17 mn. dwt

✓ FY 2009

- 2 NB, LR 1 Product Tankers (Q3) (STX Shipbuilding Co. Ltd)
- 1 NB, LR 1 Product Tankers (Q4) (STX Shipbuilding Co. Ltd)

✓ FY 2010

- 1 NB, LR 1 Product Tankers (Q1) (STX Shipbuilding Co. Ltd)
- 2 NB, Supramax Dry Bulk Carriers (Q4) (Cosco (Zhoushan) Shipyard Co. Ltd)

✓ FY 2011

- 1 NB, Kamsarmax Dry Bulk Carrier (Q4) (STX Shipbuilding Co. Ltd)
- 2 NB, Supramax Dry Bulk Carriers (Q1, Q2) (Cosco (Zhoushan) Shipyard Co. Ltd)

✓ FY 2012

- 3 NB, Kamsarmax Dry Bulk Carrier (Q1) (1 in STX Shipbuilding Co. Ltd & 2 in SPP Shipbuilding Co.Ltd)
- 2 NB, Suezmax Tankers (Q2, Q3) (Hyundai Heavy Industries)

Delivery schedule as at end of period	FY 08	FY 09E	FY 10E	FY 11E	FY 12E
Cumulative Mn.dwt*	3.07	2.97	3.13	3.22	3.77
Avg.Age (yrs)	11.4	10.0	9.4	9.3	8.8

\* basis current committed capex & no sale envisaged

## Offshore business- Fleet Profile

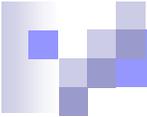
### ➤ Current Owned Fleet

- ✓ 4 Platform Supply Vessels (PSV)
- ✓ 2 Anchor Handling Tug cum Supply Vessel (AHTSV)

### ➤ Current Inchartered Fleet

- ✓ 1 Anchor Handling Tug cum Supply Vessel (AHTSV)
- ✓ 2 Platform Supply Vessels (PSV)

Fleet Growth	FY2008	FY2009E	FY2010E	FY2011E
Fleet ( in nos)	4	10	20	26
Average Age (yrs)	3.3	2.3	1.5	2.2

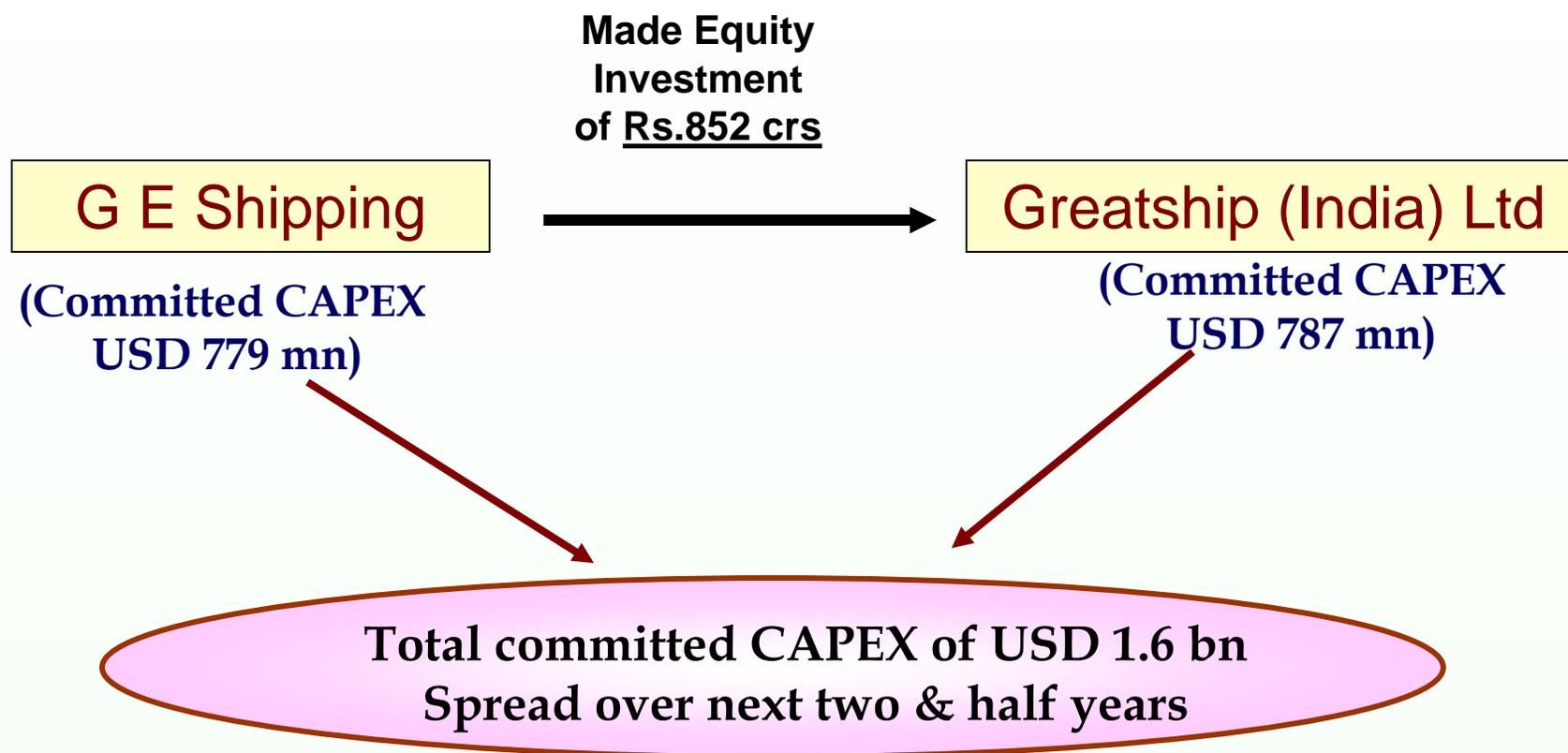


## Committed CAPEX – Offshore Business

- **Committed Capex of around USD 787 Mn\***
  
- ✓ **FY 2009**
  - 1 NB PSVs (Aker) delivery (Q3)
  - 2 NB 80T AHTSVs (Labroy) (Q4)
  - 1 NB 80T AHTSV (CDL) (Q4)
  
- ✓ **FY 2010**
  - 2 NB 80T AHTSV (CDL, Labroy) (Q1)
  - 1 NB 80T AHTSV (Labroy) (Q2)
  - 4 NB MPSVs (Keppel Singmarine) [(2 in Q2 & remaining in H2FY10)]
  - 1 NB MSVs (Mazagon Dock) (Q4)
  - A New Building 350 ft Jack Up Rig (Keppel) (Q2)
  - 1 NB Construction Support Vessel (CDL) (Q4)
  
- ✓ **FY 2011**
  - 1 NB Construction Support Vessel (CDL) (Q1)
  - 1 NB MSVs (Mazagon Dock) (Q1)
  - 1 NB Construction Support Vessel (CDL) (Q2)
  - 1 NB Construction Support Vessel (CDL) (Q4)
  - 2 NB 150T AHTSV (Drydock World, Singapore) (Q4)

\* basis current committed capex & no sale envisaged

# Committed Capex for the Group



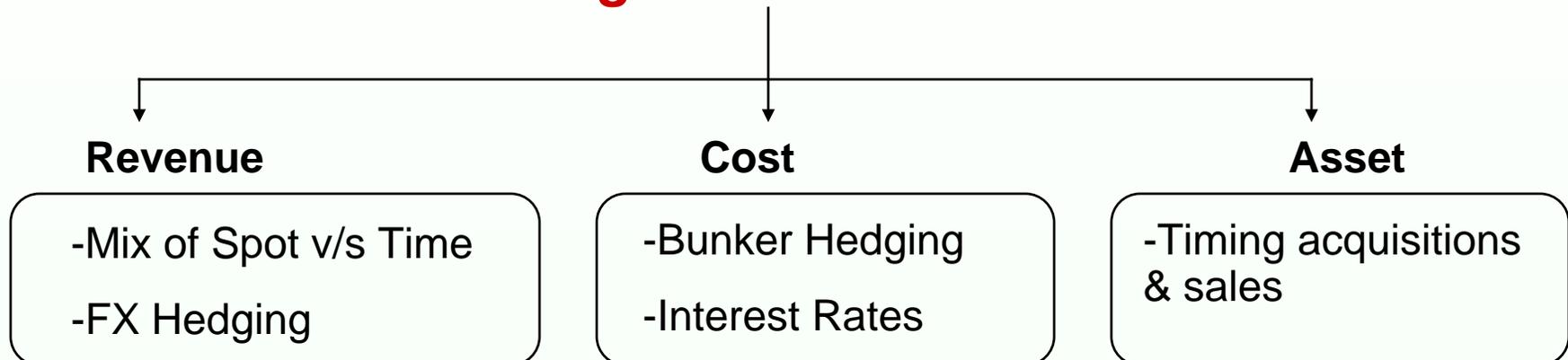
*To be financed with a mix of debt & internal accruals*

**Group D/E ratio around 1.2:1 (at the peak)**

# Business Philosophy

Strive to deliver through the cycle

## *Risk Management Mechanism*





# Strategy – Offshore business

## **Entry Strategy**

- ✓ Shallow water supply & towage

## **Growth Strategy**

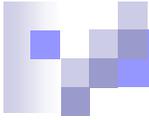
- ✓ Support to Deepwater and Construction

## **Special Area**

- ✓ Supporting deepwater activities in ECI

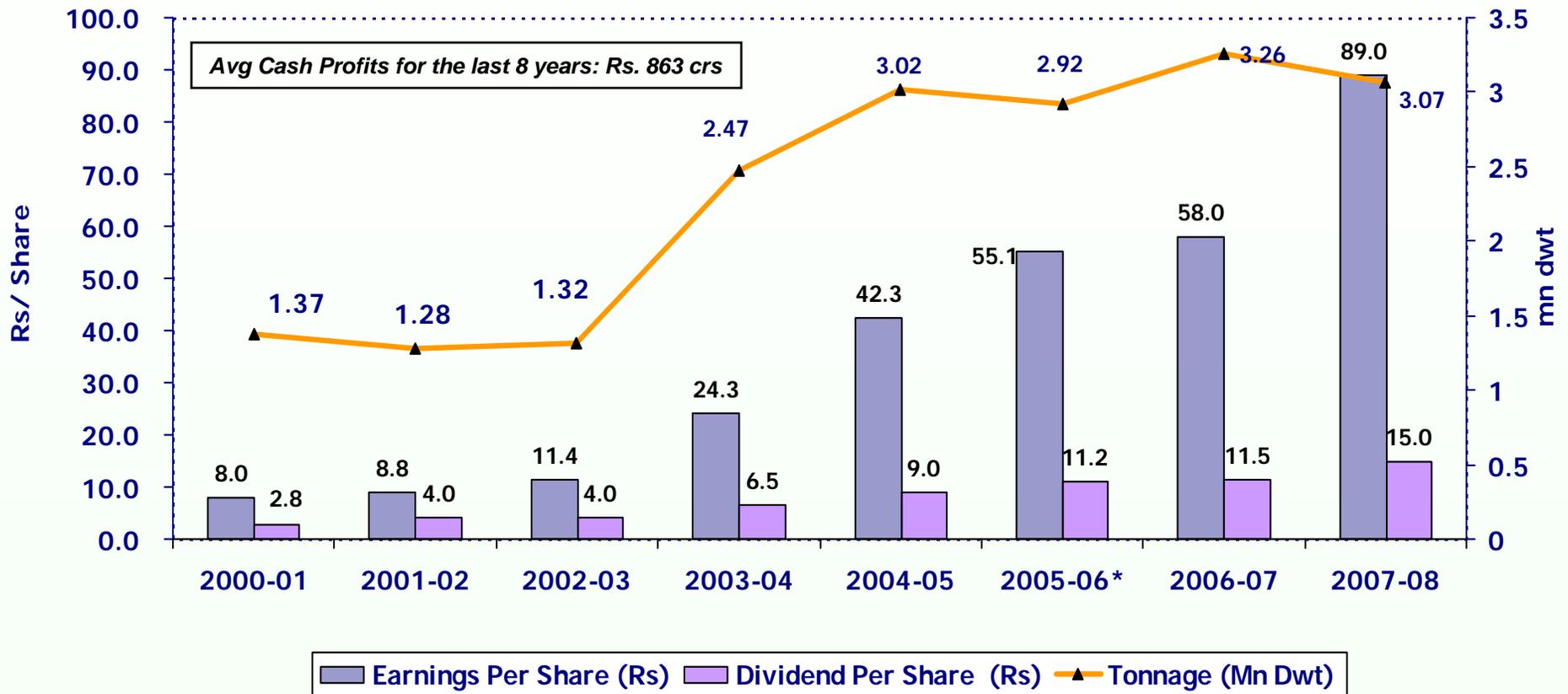
## **Approach**

- Build strong understanding of markets and customers
- Acquire assets based on customer requirements
- Develop USP in service in niche markets



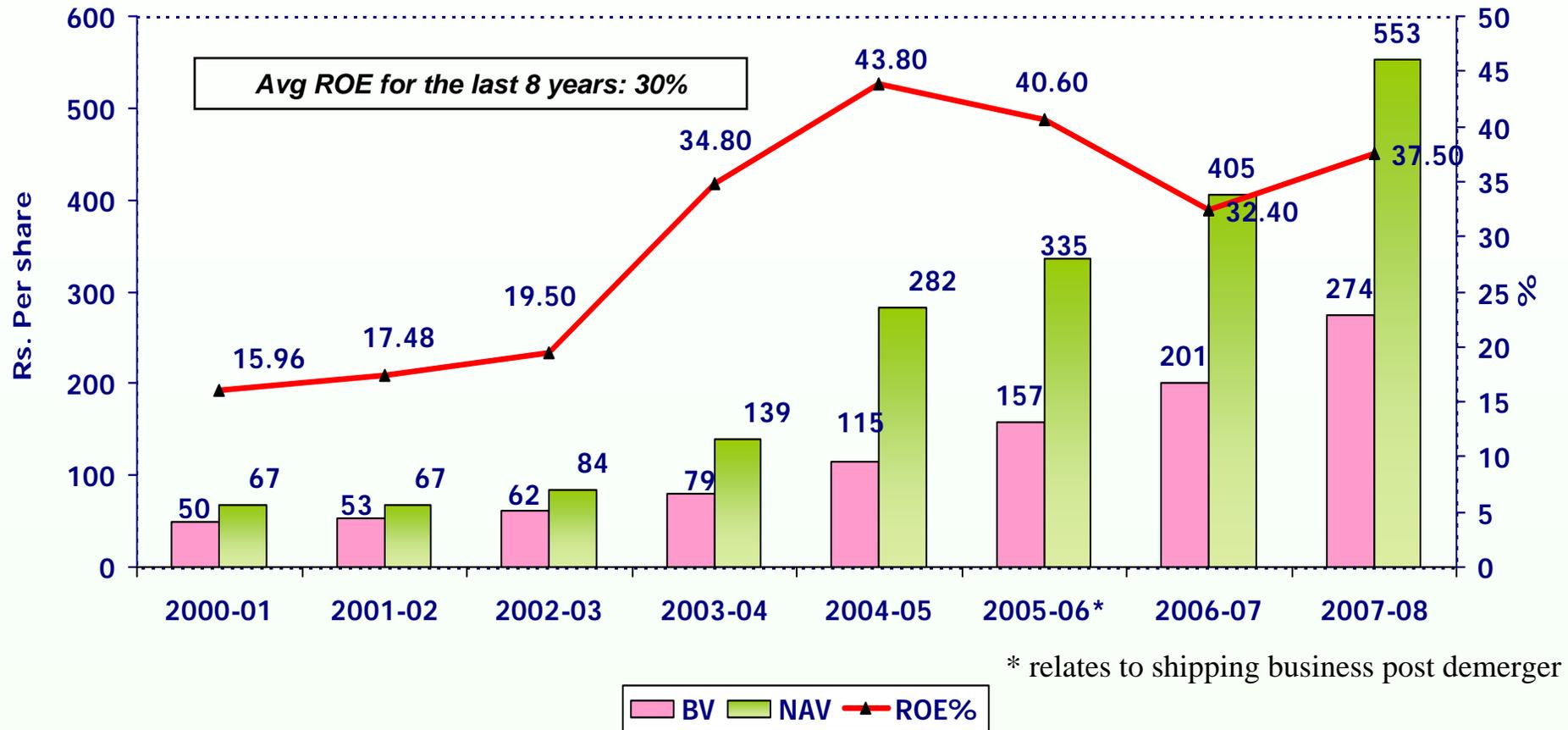
# *Financial Review*

# Performing through the years...



\* relates to shipping business post demerger

# Performing through the years...



**NAV as on 30 Jun'08 Rs.632**

## Financial Highlights of Q1 FY09 Performance

(Rs.crs)	Q1FY09	Q1FY08	% change	FY08
Freight & Charter hire	702	637	10%	2,581
Gain on sale of ships	254	79	221%	289
Others	36	38	(5)%	186
<b>Total Income</b>	<b>992</b>	<b>754</b>	<b>32%</b>	<b>3,056</b>
Total Expenditure	319	324	(2)%	1,310
<b>Operating Profit</b>	<b>673</b>	<b>430</b>	<b>57%</b>	<b>1,746</b>
Exceptional Item	(139)	115	(220)%	147
<b>Net Profit (including Exc. Item)</b>	<b>388</b>	<b>421</b>	<b>(8)%</b>	<b>1,357</b>
<b>Net Profit (excluding Exc.Item)</b>	<b>526</b>	<b>306</b>	<b>72%</b>	
Diluted EPS (in Rs) (including Exc. Item)	25.2	27.7		88.4
Diluted EPS (in Rs) (excluding Exc.Item)	34.2	20.1		78.8



## Q1 FY09 Performance Highlights

- 👍 **Rise in freight & charter income despite drop in operating revenue days by 15%**
- 👍 **Higher profit from sale of ships – 5 vessels delivered in Q1 FY09**
- 👍 **Crude & Dry bulk carriers earnings witnessed smart upmove**

<i>Particulars (Rs. Crs)</i>	<i>GE Shipping</i>	<i>Greatship</i>	<i>Total</i>
Debt as on 30/6/08	2,540	314	2,854
Cash as on 30/6/08	1,700	101	1,801
Gearing (x)	0.56	0.42	

# Earnings Mix

## GE Shipping Average TCY Details

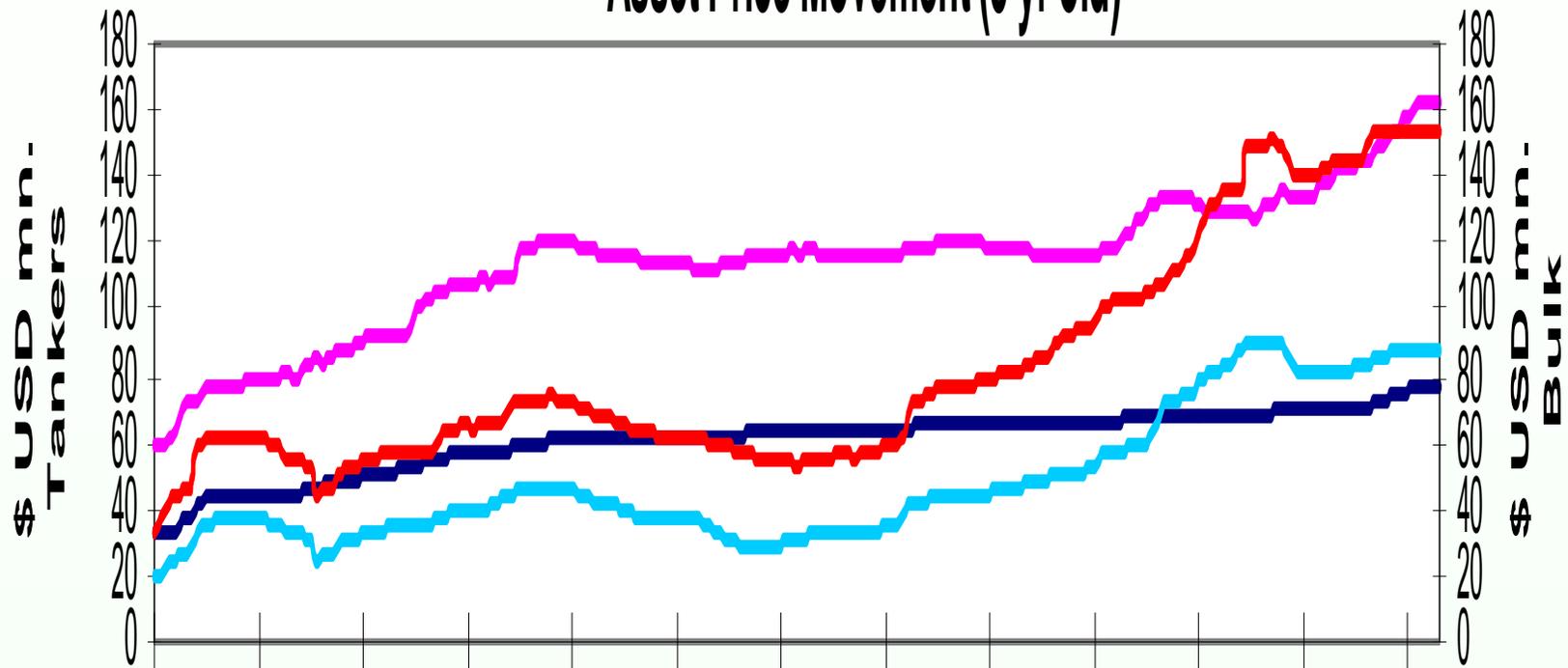
Q1 FY09	Q1 FY08	% change	AverageTCY (\$ per day)	FY08	FY07	% change
40,737	29,488	38%	Crude Carriers	30,021	29,759	0.9%
22,146	22,182	-0.2%	Product Carriers	20,236	20,302	-0.3%
17,460	16,564	5%	Gas Carriers	17,053	15,787	8%
50,619	28,446	78%	Dry Bulk Carriers	38,418	17,517	119%

## Mix of Spot & Time

Q1 FY09	Q1 FY08	Days (in %)	FY08	FY07
		<b><u>Dry Bulk</u></b>		
<b>66%</b>	53%	Spot %	58%	55%
<b>34%</b>	47%	Time %	42%	45%
		<b><u>Tankers</u></b>		
<b>50%</b>	32%	Spot %	36%	33%
<b>50%</b>	68%	Time %	64%	67%
		<b><u>Total</u></b>		
<b>55%</b>	38%	Spot %	42%	38%
<b>45%</b>	62%	Time %	58%	62%

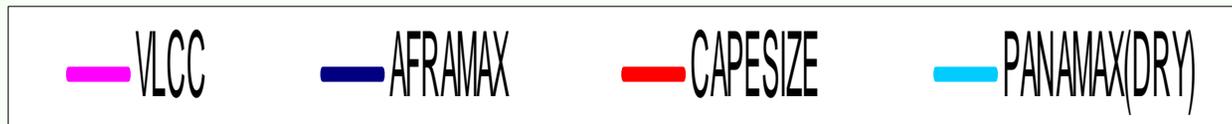
# Ship prices continue to be firm

## Asset Price Movement (5 yr old)



16/09/2003

Time line- Sep 2003 till Aug 18, 2008



Source: Baltic Sale & Purchase Assessment

## Asset prices – new and old

Amt in US\$ mn	VLCC	Suez	Afra	Pana	Cape	Pana	H'max	H'size
New bldg (order)	160	100	82	54	99	55	49	40
New bldg (resale)	195	120	89	70	165	95	84	55
5 yr old	165	105	79	59	155	89	74	54
10 yr old	135	85	64	49	116	78	62	47

- Steep backwardation in all asset classes

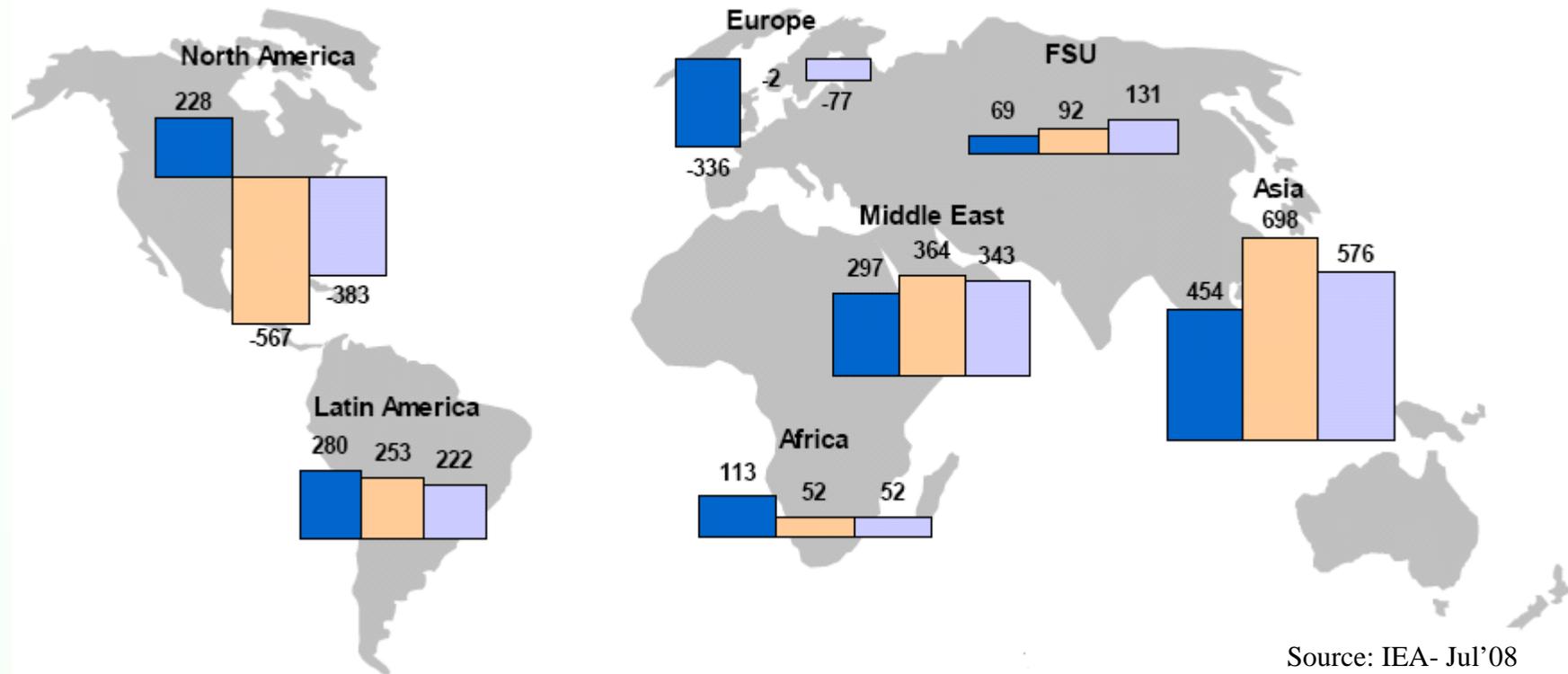
Source: Clarkson



# Shipping Industry Outlook

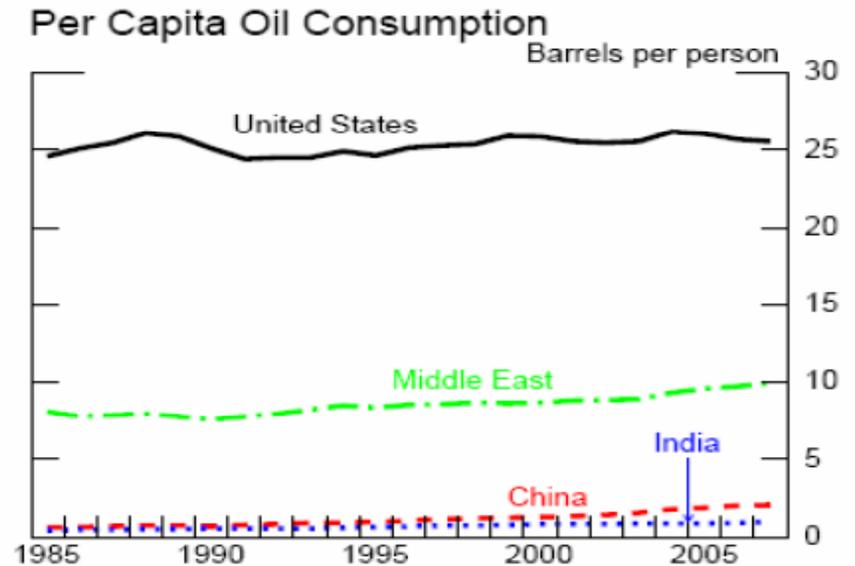
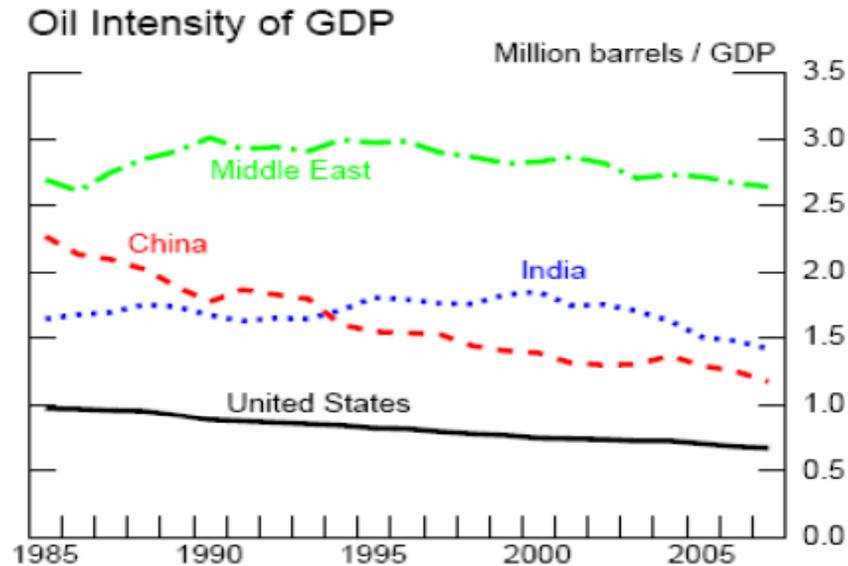
# Strong Oil consumption led by M.East & Asia

Global Demand Growth 2007/2008/2009  
thousand barrels per day



- OPEC's world oil demand forecast for 2008 revised to 86.8 mbpd. Increase of 1.05% yoy.
- US is becoming a smaller portion of the total demand picture (24.5% in 2006 to 22.5% in 2009)
- Two major factors in facilitating demand growth in India and China are industrialisation and roles of the governments in commodity markets.

# Outlook for Crude Tankers



Source: International Monetary Fund and International Energy Agency. GDP is real GDP for each country in billions of 2000 U.S. dollars.

## Short Term :

- ✓ High volatility expected as there is tightness in supply/demand
- ✓ Lower levels of inventory as compared to CY07

## Long Term :

- ✓ Stricter compliance to IMO deadline
- ✓ Quantum of conversions causing supply shortage

## Concerns:

- Impact of global financial crisis on the world energy demand

# Outlook for Product Tankers

- Longer term structural shift of trade patterns to continue
  - Refining capacity to grow in the Mid East/India/Far East
- Increased long haul activity for distillate trades (Jetfuel, Diesel, Gasoil)
  - as net deficit in western markets is growing
- Significant demand for petrochemical in the Far East (fulfilled by AG/Med)
- Faster than anticipated shift to Double Hull

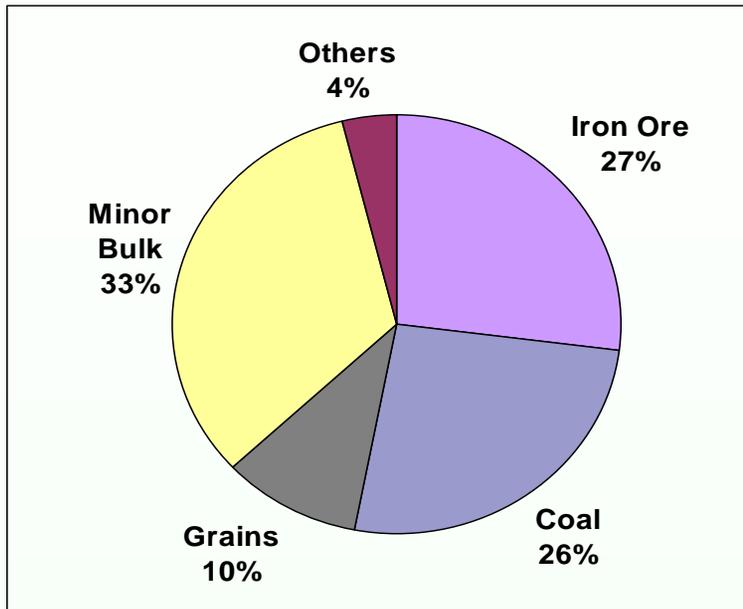
## Concerns:

- Excessive supply in the short run

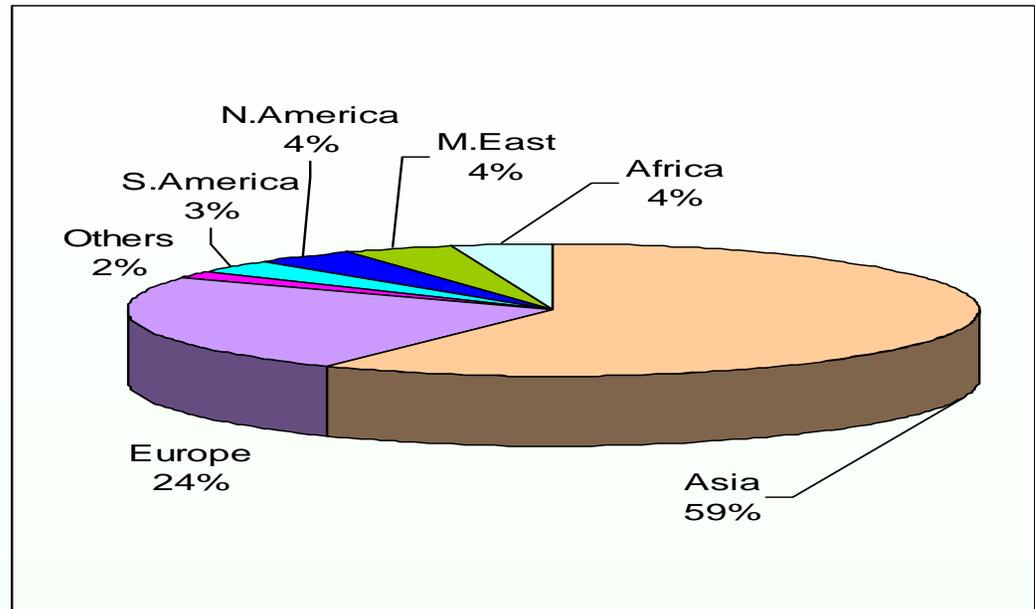
***Even though N.America remains the largest consumer of oil products,  
very few refining capacities coming up in that area.***

# Dry Bulk – Growth Driven by Asia

**Breakup of commodities transported**



**Imports - Regional Distribution**



**Asia contributes to 59% of dry bulk imports, whereas North America only 4%**

## Dry Bulk Trade - on strong trajectory

<i>(in mn.tonnes)</i>	<u>2007</u>	<u>2008</u>	<u>% Chg</u>
<b>Total Dry Bulk trade</b> of which 5 major:	<b>5009</b>	<b>5223</b>	<b>4%</b>
<b>- Iron Ore</b>	<i>785</i>	<i>850</i>	<b>8%</b>
<b>- Coking Coal</b>	<i>211</i>	<i>224</i>	<b>6%</b>
<b>- Steam Coal</b>	<i>574</i>	<i>589</i>	<b>3%</b>
<b>- Grain</b>	<i>298</i>	<i>306</i>	<b>3%</b>
<b>- Steel Products</b>	<i>270</i>	<i>284</i>	<b>5%</b>

✓China will contribute to more than 50 % of world iron ore imports in 2008.

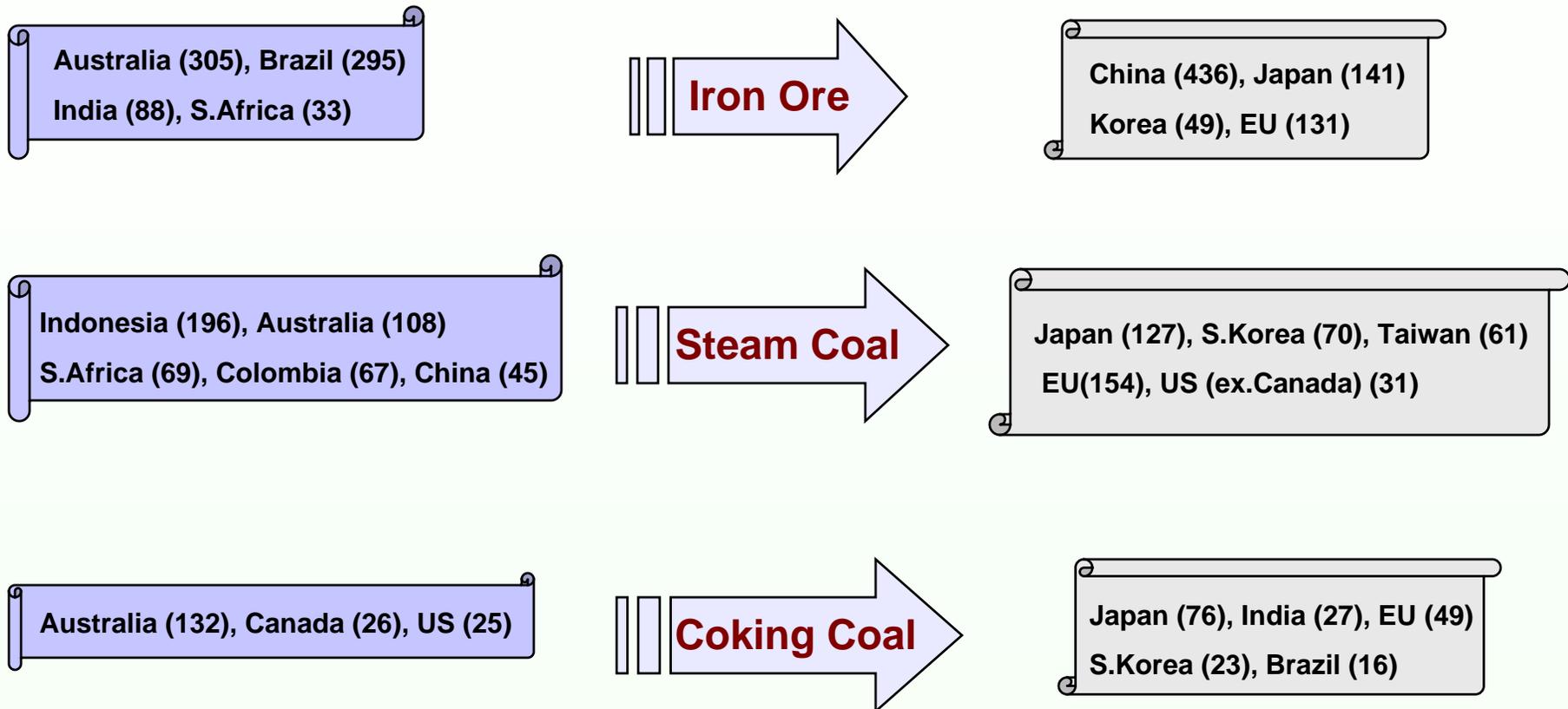
✓India's coal imports to pick up after the UMPP projects kickoff.

Source: Clarkson

# Tonne Mile demand

## Sources

## Destinations



\* No.s in brackets represent export/import quantum in million tonnes



# Outlook for Dry Bulk sector

## **Short Term:**

- Port problems
- Calamities/exigencies in some countries

## **Long Term:**

- Demand for raw material for infrastructure growth in India & China
- Aging fleet due to low level of scrapping

## **Risks:**

- High order book position: 64% of current world fleet on order
- Impact of global financial crisis on growth in non OECD countries



## Outlook on Offshore Industry

- ✓ Under-investment in global E&P in the past
- ✓ Structural change in demand
- ✓ No commercially viable alternatives
- ✓ Shift from International oil companies to National oil companies
- ✓ Numerous new countries exploring
- ✓ Oil/Gas discoveries moving towards deeper waters

**Concerns-** - High level of orderbook  
- *Timing mismatch between supply & demand*  
- Availability of experienced manpower

# Gross World fleet addition-Shipping

World Fleet addition*	2008	2009	2010
Crude tankers	4.6%	14.4%	10.8%
Product tankers	9.5%	13.4%	9.0%
Dry bulk carriers	3.8%	15.4%	21.5%

20% of world tanker fleet single hull

\*includes only new building from yards

Fleet as on Jul-08 (in mn dwt)		Scrapping (in mn dwt)	
		2007	YTD
280.8	Crude	0.9	1.8
122.4	Product	2.4	1.3
407.6	Bulk	0.3	0.0

17% of world dry bulk fleet > 25 years

# Offshore Supply Market

## OSV Fleet Summary

(Nos)	AHTSVs	PSVs	Others
Current Fleet*	2,148	1,760	1,708
Orderbook	547	261	216
% of O/B to current fleet	25%	15%	13%

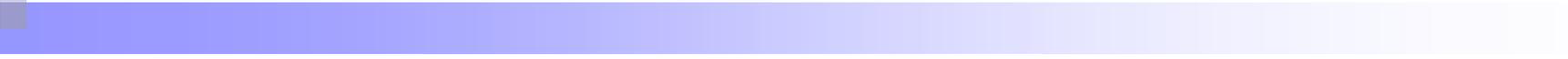
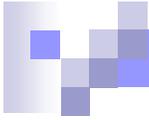
\* Data as on Jul'08, Source: Clarkson

**Aging Fleet**  
 ✓ 52% of the total fleet  
 over 25 years old

## Offshore Installations Delivery Schedule

Type	Current Fleet	Orderbook	Delivery			
			2008	2009	2010	2011
Jackup	504	<b>80</b>	35	28	11	6
Inland Barge	93	<b>5</b>	3	2	-	-
Drillship	79	<b>24</b>	5	5	12	2
Semisub	226	<b>49</b>	13	21	10	5
<b>Total</b>	<b>902</b>	<b>158</b>	<b>56</b>	<b>56</b>	<b>33</b>	<b>13</b>

• Figures in Nos, Source: Rigzone



# THANK YOU

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