

THE GREAT EASTERN SHIPPING COMPANY LTD.

Brickwork Ratings reaffirms the rating for the Non-Convertible Debenture (NCD) issues aggregating to Rs. 2150.00 Crs and withdraws the rating for the NCD issues aggregating to Rs. 200 Crs.

Particulars

Instrument**	Amount (Rs. Crs.)		Tenure	Rating*	
	Previous	Present		Previous (06 Dec 2022)	Present
NCD	200.00	0.00	Long Term	BWR AAA/Stable Reaffirmation	Withdrawal on Full Redemption
NCD	2150.00	2150.00			BWR AAA/Stable Reaffirmation
Total	2350.00	2150.00	Rupees Two Thousand One Hundred and Fifty Crores Only		

*Please refer to the BWR website www.brickworkratings.com/ for the definition of the ratings.

** Details of NCDs is provided in Annexure-I

RATING ACTION / OUTLOOK

The rating reaffirmation of NCDs of The Great Eastern Shipping Company Ltd. (GESCO or the company) continues to derive comfort from the company’s long-standing established presence of close to seven decades in the shipping business; demonstrated track record of operations across various business cycles; extensive experience of promoters; diversified fleet with low average age of vessels (13.70 years, as on 30 Oct 2023); strong market position with presence across the product, crude, liquefied petroleum gas (LPG), and bulk segment; and low counterparty risk with reputed clientele. The rating also factors in the strong liquidity position, comfortable debt coverage metrics with prudent financial management policies and a well-established track record of shipping operations, with a fleet capacity of 3.41 million DWT as on 31 Dec 2023. Brickwork Ratings (BWR) notes that GESCO is the largest non-government shipping company in India in terms of tonnage capacity, with a diversified fleet of 43 vessels in the shipping division and 19 vessels and 4 jack-up rigs in the offshore division, along with a good presence in domestic and international markets.

The rating also factors in continued satisfactory performance reported during FY23 with revenue growth of 16% in the core shipping business, comfortable profitability indicators and debt coverage ratios. The year-on-year increase in charter rates in FY23 of ~296% for crude carriers and ~238% for product carriers compensated for the moderation in rates by ~27% in the dry bulk segment, thereby enabling revenue growth.

The rating strengths are tempered by the risk associated with volatility in charter rates considering nearly 80-85% of the company’s fleet is deployed on spot basis, inherent cyclical nature of business, and regulatory risk related to the shipping industry. BWR also takes note of the geopolitical developments near the Red Sea and Suez Canal and its potential impact on the shipping industry in general and the company’s operations in particular.

In accordance with the BWR's Rating Withdrawal Policy and Extant Guidelines, BWR has withdrawn the rating of two NCDs (ISINs: INE017A08185, INE017A08193) at the request of the company on full redemption after getting the confirmation about the same from the company and the debenture trustee (DT).

The outlook has been maintained as Stable as BWR believes the credit risk profile of GESCO will be maintained over the medium term. The outlook may be changed to Negative in case of any operational disruptions due to geopolitical events adversely impacting the operations and a decline in global growth outlook impacting global trade and commerce with a consequent decline in the spot and charter rates of shipping.

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED

- Most NCDs are unsecured in nature and have a bullet repayment at the end of the tenor, apart from Rs. 300 Crs. (ISIN: INE017A07559) and Rs. 150 Crs. (ISIN: INE017A07567) which are secured by way of a pari passu charge on assets/fleets.
- The latest NCD of Rs. 150 Crs. (ISIN: INE017A07567) has been secured by way of an exclusive charge on ship(s) with a 1.20x cover at the market value of ship and additional security by way of a mortgage on immovable property.
- The coupon is being paid annually on varied dates.
- The proceeds of the NCDs were utilised towards funding the capital requirements of the company and general corporate purposes.

KEY RATING DRIVERS

Credit Strengths:-

- **Established Track Record and Experienced Management:**
Incorporated in 1948, GESCO is one of the oldest and largest non-government shipping companies in terms of tonnage capacity. The promoter family is actively involved in the company's day-to-day operations. The management consists of eminent industry professionals with extensive business experience.
- **Diversified Revenue Profile with Global Presence:**
The company offers a wide range of services, including the transportation of crude oil, petroleum products, gas and dry bulk commodities in its shipping division, as well as carrying out offshore exploration and production (E&P) activities (by providing exploratory drilling rigs and offshore support vessels, among others.) through its 100% subsidiary Greatship (India) Limited. The company has a global presence through its subsidiaries across the world.
- **Fleet Profile:**
The company has a relatively young fleet, with an average age of around ~14 years of 43 vessels, ~14 years of offshore fleet, and ~12 years of 4 jack up rigs. This benefits the company in getting better charter rates, competitive advantage and achieving higher operating efficiency. As on 31 Dec 2023, GESCO owns and operates 43 vessels with deadweight tonnage (DWT) of 3.41 million. Out of the entire fleet, close to 58% of the fleet capacity (in terms of DWT) operates in the petrol/crude tanker segment, ~5% in the gas tanker segment and balance ~37% in the dry bulk segment. The company also operates offshore business through its wholly-owned subsidiary, Greatship India Limited

(GIL). GIL has 4 jack-up rigs and 19 offshore-support vessels. BWR notes that the company regularly monitors the age profile of its fleet and undertakes the churning in the fleet depending on the market conditions and other operational parameters. BWR also notes that currently, the company does not have any large debt-funded vessel acquisition plans.

- **Strong Financial Risk Profile and Conservative Risk Management Policy:**

GESCO has seen stable revenues over the years on account of efficiently deploying its fleet and offshore rigs. On a consolidated basis, its total operating income improved by ~16% to Rs. 5690.46 Crs. in FY23 as against Rs. 3508.94 Crs. in FY22. During FY23, revenue from the shipping business was at Rs. 5262.95 Crs. (FY22: Rs. 2977.84 Crs.) and from offshore business at Rs. 935.58 Crs. (FY22: Rs 718.58 Crs.). PAT increased from Rs. 629.68 Crs. in FY22 to Rs. 2575.01 Crs. in FY23 on account of elevated charter rates. Due to a decline in debt level arising from regular repayments, and an increase in tangible net worth (TNW) from Rs. 8050.12 Crs. to Rs. 10269.57 Crs. over the same period, gearing improved from 0.57 time to 0.35 time. With strong accruals reported, the debt coverage metrics have remained comfortable and they further strengthened to ISCR at 9.44 times (PY: 4.23 times) and DSCR at 3.66 times (PY: 1.73 times) on 31 Mar 2023. On a provisional basis, the company has reported revenue and PAT at Rs. 2512.71 Crs. and Rs. 1170.93 Crs., respectively for H1 FY24.

The company has conservative risk management policies covering forex, treasury and liquidity management, given its presence in a cyclical industry. While the earnings and expenses are both in foreign currency, thereby providing a natural hedge, a large part of the liability is in the domestic currency (INR). To mitigate the forex risk, the company through currency swaps has formed synthetic fixed-rate USD loans. By entering currency swap, the company reports Mark to Market (MTM) changes which are routed through profit and loss accounts.

Credit Risks:-

- **Inherent Cyclical Nature Of Shipping Industry:**

The shipping industry is largely dependent on the level of global economic activity. The business is highly capital-intensive, cyclical and volatile in nature. Also, the shipping industry's performance is directly linked to global trade flows. During times of macroeconomic growth, demand for vessels increases leading to higher charter rates resulting in an increase in revenue for ship operators. Subsequently, the operators would invest in increasing fleet size in anticipation of future demand for vessels. On the contrary, in an economic downturn, demand for vessels dip causing lower charter rates, thereby impacting the ship operators with high debt and idle vessels. The company has to adhere to various domestic and international regulations and conventions pertaining to maritime traffic.

- **Foreign Exchange Risks:**

GESCO's earnings and the majority of its operating expenditure are predominantly USD-denominated. Freight rates, as well as the sale values of ships, are determined in USD. The company has its liabilities also denominated in USD. Any significant movement in the foreign exchange rate could impact the company's financials. While there is a natural hedge, the company is exposed to foreign currency and derivative risks (MTM losses).

ANALYTICAL APPROACH: CONSOLIDATED

BWR has taken a consolidated view of the operational and financial performance of the company and its subsidiaries while arriving at a rating due to significant business and financial linkages among them. The details of these entities are provided in Annexure II.

RATING SENSITIVITIES

Going forward, the company's ability to ensure the optimal engagement/deployment of its fleet and the right mix of assets, be able to improve its charter yields to augment the shipping revenue, generate adequate cash flows under the current business environment and strengthen its overall credit profile would be key rating sensitivities.

Upward: Not applicable.

Downward:

- Inability to deploy fleets, vessels and offshore rigs on a sustainable basis on account of breakdowns
- Significant and sustained decline in revenue, EBITDA, and cash accruals due to decline in global charter rates impairing the liquidity profile
- Any higher than expected debt-funded capex leading to deterioration in gearing and overall liquidity or any dilution in the stated liquidity management policy

LIQUIDITY POSITION: Strong

On a consolidated basis, the company's liquidity continues to remain strong, marked by EBITDA and net cash accruals comfortably covering finance cost and scheduled debt repayments in FY23, generation of significant positive net cash flow from operating activities, cash & cash equivalents position completely covering outstanding debt position as on 31 Mar 2023. The company's finance cost was Rs. 342.74 Crs. against EBITDA of Rs. 3236.23 Crs. and debt repayment obligation was Rs. 647.98 Crs. against net cash accruals of Rs. 3444.10 Crs. in FY23. The company's cash & cash equivalents of Rs. 3799.35 Crs. as on 31 Mar 2023 completely covered the outstanding total debt of Rs. 3623.04 Crs. The cash & cash equivalents position has further improved to Rs. 4701.04 Crs. against debt of Rs. 3473.39 Crs. on 30 Sep 2023 (unaudited). Debt coverage metrics are comfortable on 31 Mar 2023, marked by ISCR of 9.44 times and DSCR of 3.66 times. The current ratio was also comfortable at 4.52 times on 31 Mar 2023. Going forward, the debt repayment on a consolidated basis is expected to be ~Rs. 602 Crs. in FY24 and in ~Rs. 1300-1400 Crs. in FY25. As a policy, the company maintains cash and cash equivalents to meet the next three years' debt servicing, capital commitments, dry-docking expenses, and dividend payments, plus USD 100 million cash minus the next three years' EBITDA, which is calculated based on 20 years' lowest freight rates (rolling 3-year basis). A stress test is conducted internally on a quarterly basis to ensure adherence to the policy framework.

ABOUT THE COMPANY

Macro Economic Indicator	Sector	Industry	Basic Industry
Services	Services	Transport Services	Shipping

Incorporated in 1948, GESCO is the oldest and largest non-government shipping company in India in terms of tonnage capacity, with a fleet size of 43 vessels (3.41 mn DWT, as on 31 Dec 2023) in the shipping division and 19 vessels and 4 jack-up rigs in the offshore division. The company offers a wide range of services, including the transportation of crude oil, petroleum products, gas and dry bulk commodities in its shipping division, as well as carrying out offshore exploration and production activities by providing exploratory drilling rigs and offshore support vessels, among others through its 100% subsidiary Greatship (India) Limited.

KEY FINANCIAL INDICATORS: Consolidated

Key Parameters	Units	FY22	FY23	H1FY24
Result Type		Audited	Audited	Unaudited
Total Operating Income	Rs. Crs.	3508.94	5690.46	2512.71
EBITDA	Rs. Crs.	1564.08	3236.23	1395.92
PAT	Rs. Crs.	629.68	2575.01	1170.93
Tangible Net Worth (TNW)	Rs. Crs.	8051.30	10269.57	11122.49
Total Debt/TNW	Times	0.57	0.35	0.31
Current Ratio	Times	3.40	4.52	3.36

KEY FINANCIAL INDICATORS: Standalone

Key Parameters	Units	FY22	FY23	H1FY24
Result Type		Audited	Audited	Unaudited
Total Operating Income	Rs. Crs.	2832.03	4834.82	2013.75
EBITDA	Rs. Crs.	1245.06	2680.65	1150.77
PAT	Rs. Crs.	811.67	2352.01	1101.84
Tangible Net Worth (TNW)	Rs. Crs.	6566.90	8511.45	9306.87
Total Debt/TNW	Times	0.52	0.30	0.27
Current Ratio	Times	3.34	5.10	5.47

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY:

There is no non-cooperation with other CRAs.

RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal and suspended]:

Sl. No.	Instrument	Current Rating (Jan 2024)			Rating History					
		Type	Amount Outstanding (Rs. Crs.)	Rating	2023		2022		2021	
					Date	Rating	Date	Rating	Date	Rating
1.	NCD	Long Term	0.00	Withdrawal on Full Redemption	NA	NA	06 Dec 2022	BWR AAA/ Stable Reaffirmation	15 Nov 2021	BWR AAA/ Stable Reaffirmation
2.	NCD	Long Term	500.00	BWR AAA/ Stable Reaffirmation	NA	NA	06 Dec 2022	BWR AAA/ Stable Reaffirmation	15 Nov 2021	BWR AAA/ Stable Reaffirmation
3.	NCD	Long Term	400.00	BWR AAA/ Stable Reaffirmation	NA	NA	06 Dec 2022	BWR AAA/ Stable Reaffirmation	15 Nov 2021	BWR AAA/ Stable Reaffirmation
4.	NCD	Long Term	500.00	BWR AAA/ Stable Reaffirmation	NA	NA	06 Dec 2022	BWR AAA/ Stable Reaffirmation	15 Nov 2021	BWR AAA/ Stable Reaffirmation
5.	NCD	Long Term	600.00	BWR AAA/ Stable Reaffirmation	NA	NA	06 Dec 2022	BWR AAA/ Stable Reaffirmation	15 Nov 2021	BWR AAA/ Stable Reaffirmation
6.	NCD	Long Term	150.00	BWR AAA/ Stable Reaffirmation	NA	NA	06 Dec 2022	BWR AAA/ Stable Reaffirmation	15 Nov 2021	BWR -AAA/ Stable Reaffirmation
	Total		2150.00	Rupees Two Thousand One Hundred and Fifty Crores Only						

COMPLEXITY LEVELS OF THE INSTRUMENTS: Simple

For more information, visit

<https://www.brickworkratings.com/download/ComplexityLevels.pdf>

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Services Sector](#)
- [Infrastructure Sector](#)

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**THE GREAT EASTERN SHIPPING COMPANY LTD. (GESCO)
ANNEXURE I
INSTRUMENT DETAILS**

Instrument	Issue Date	Amount Outstanding (Rs. Crs.)	Coupon Rate	Maturity Date	ISIN Particulars
NCD	06-Jan-11	0.00	9.70%	06-Jan-23	INE017A08185
NCD	18-Jan-11	0.00	9.70%	18-Jan-23	INE017A08193
NCD	06-May-16	250.00	8.70%	06-May-26	INE017A08235
NCD	31-May-16	250.00	8.70%	31-May-25	INE017A08243
NCD	10-Nov-16	200.00	8.24%	10-Nov-25	INE017A08250
NCD	10-Nov-16	200.00	8.24%	10-Nov-26	INE017A08268
NCD	18-Jan-17	250.00	7.99%	18-Jan-24	INE017A08276
NCD	18-Jan-17	250.00	7.99%	18-Jan-25	INE017A08284
NCD	25-May-17	150.00	8.25%	25-May-27	INE017A08292
NCD	31-Aug-17	150.00	8.05%	31-Aug-24	INE017A07542
NCD	12-Apr-18	300.00	8.85%	12-Apr-28	INE017A07559
NCD	02-Nov-20	150.00	8.05%	02-Nov-28	INE017A07567
Total		2150.00	Rupees Two Thousand One Hundred and Fifty Crores Only		

Note: BWR rated NCDs are listed on NSE.

**THE GREAT EASTERN SHIPPING COMPANY LTD. (GESCO)
ANNEXURE II
Entities included in Consolidated Financials (Audited Financials FY23)**

Name of Entity	% Ownership	Extent of Consolidation	Rationale for Consolidation
The Greatship (Singapore) Pte. Ltd.	100%	Full	Subsidiary
The Great Eastern Chartering LLC (FZC)	100%	Full	Subsidiary
The Great Eastern Charting (Singapore) Pte. Ltd.	100%	Full	Subsidiary
Great Eastern CSR Foundation	100%	Full	Subsidiary
Greatship (India) Ltd.	100%	Full	Subsidiary
Greatship Global Offshore Services Pte. Ltd.*	100%	Full	Subsidiary
Greatship Global Energy Services Pte. Ltd.*	100%	Full	Subsidiary
Greatship (UK) Ltd.*	100%	Full	Subsidiary
Greatship Oilfield Services Ltd.*	100%	Full	Subsidiary
Great Eastern Services Limited	100%	Full	Subsidiary

* Wholly owned subsidiaries of Greatship (India) Ltd.

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