

65th

Annual Report 2012-13



POWERED BY PEOPLE.
ANCHORED IN VALUES.





CHAIRMAN'S STATEMENT

Dear Shareholders,

The financial year 2012-13 proved to be yet another challenging year for the shipping industry. The markets moved further down on the back of steady inflow of new deliveries and anaemic cargo growth. Weak global macro-economic environment, rising geo-political tensions, and subdued commodity demand from western countries dragged the charter rates to new lows.

The year gone by witnessed many high profile bankruptcies and restructurings amongst shipowners across the world. The trend is expected to continue with the difficult operating environment and restricted financing avenues, especially for the weaker ship owners.

Given the fairly difficult industry environment, I am happy to report that your Company has fared relatively well. For the financial year 2012-13, your Company has recorded a net profit of ₹ 146.26 crores on a standalone basis and ₹ 537.76 crores on a consolidated basis. Treading on the path of caution has paid its rewards. With a healthy consolidated cash and cash equivalent balance of ₹ 4085.11 crores at end of 31 March 2013 and a modest net debt, your Company is in fact poised to not only ride this prolonged rough patch but also have the flexibility and opportunity to expand in the low part of the cycle.


In the offshore business, Greatship (India) Limited (GIL), with its modern high-quality fleet of 21 support vessels and 3 Jackup Rigs, has already made its mark operating with leading exploration and production companies in India and overseas. The combination of modern vessels, experienced management team, and quality operations has permitted GIL to build a position as a high quality service provider to the E & P industry. This is borne out by the awards received from customers. GIL contributed ₹ 430.72 crores to our consolidated net profit in FY2012-13.

Though the profits of Great Eastern Shipping itself did not show any significant growth over the previous year, the consolidated profits were considerably higher. Keeping this in mind, the Board of your Company has recommended a final dividend of ₹ 4.50 per share, resulting in a total dividend of ₹ 7.50 per share for the year. The total outflow on account of dividend is expected to be ₹ 114.24 crores (excluding tax thereon).

Looking ahead, the business environment remains under considerable pressure and the outlook still does not seem to show any major improvement in the demand-supply balance. Structural changes in the trade patterns, especially for the tanker segment will have a significant impact on tonnage movement. In the case of the dry bulk segment, China and India continue to dominate trade, and the state of their economies will drive the cargo movement growth.

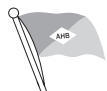
Even though the situation does not look encouraging, I firmly believe that your Company's strong management acumen, ability to invest in downturns, financial conservatism, and adhering to stringent quality standards will significantly mitigate the risks and help in riding this down cycle. For this, I request all my colleagues and stakeholders to provide the same support which they have provided us earlier.

With warm regards,



K.M.Sheth
Executive Chairman





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NOTICE

NOTICE is hereby given that the Sixty Fifth Annual General Meeting of THE GREAT EASTERN SHIPPING CO. LTD. will be held at Rama Watumal Auditorium, K. C. College, Churchgate, Mumbai -400 020 on Thursday, August 08, 2013 at 03.00 p.m. (I.S.T.) to transact the following business :

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2013 and the Profit and Loss Account for the year ended on that date together with the Auditors' and Directors' Report thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Mr. Vineet Nayyar, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Ms. Asha Sheth, who retires by rotation and being eligible, offers herself for reappointment.
5. To consider and, if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:
 "RESOLVED THAT M/s. Kalyaniwalla & Mistry, Chartered Accountants (Registration No. 104607W) be and are hereby appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as shall be fixed by the Board of Directors."

By Order of the Board

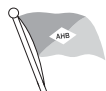
Jayesh M. Trivedi
Company Secretary

Mumbai, May 06, 2013

Registered Office :
Ocean House, 134/A,
Dr. Annie Besant Road,
Worli, Mumbai 400 018

Notes :

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
2. The instrument appointing a Proxy must be deposited with the Company at its Registered Office not less than 48 hours before the time of holding the meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from July 30, 2013 to August 08, 2013 (both days inclusive).
4. The dividend declared at the Meeting will be made payable on or after August 08, 2013, as applicable, in respect of shares held in physical form to those Members whose names appear on the Register of Members of the Company after giving effect to all valid share transfers lodged with the Company on or before the end of business hours on July 29, 2013 and in respect of shares held in the electronic form to those 'Deemed Members' whose names appear in the statement of Beneficial Ownership furnished by the National Securities Depository Ltd. (NSDL) and the Central Depository Services (India) Ltd. (CDSL) as on that date.
5. Pursuant to Section 205A of the Companies Act, 1956, all unclaimed dividends upto the 40th dividend for the year 1993- 94 paid by the Company on October 5, 1994 have been transferred to the General Revenue Account of the Central Government. Members who have not encashed the Dividend Warrants for the said period are requested to claim the amount from the Registrar of Companies, Maharashtra, C/o. Central Government Office Building, A Wing, 2nd Floor, Next to Reserve Bank of India, CBD Belapur 400 614.
6. Consequent to the amendment to Sub-section (5) of Section 205A vide Companies (Amendment) Act, 1999, the Company has transferred the unclaimed dividend for the year 2004-05 (51st final dividend), 2005-06 (52nd 1st interim dividend) and 2005-06 (52nd 2nd interim dividend) to the Investor Education and Protection Fund. All unclaimed dividend for the year 2005-06 (52nd 3rd interim dividend) will be due for transfer to the Investor Education and Protection Fund on May 28, 2013. Shareholders who have not encashed the Dividend Warrants are requested to claim the amount from the Company's Share Department at the Registered Office of the Company.
7. The information as required under clause 49 (iv)(g) of the listing agreement in respect of directors being re-appointed is annexed hereto.



ANNEXURE TO NOTICE

INFORMATION AS REQUIRED UNDER CLAUSE 49 (IV)(G) OF THE LISTING AGREEMENT IN RESPECT OF DIRECTORS BEING RE-APPOINTED.

(A) MR. VINEET NAYYAR

Mr. Vineet Nayyar holds a Master's degree in Development Economics from Williams College, Massachusetts. He has varied experience in Government, multilateral financial institutions and corporate sector. He was the member of the Indian Administrative Service. He has held major assignments such as:

1970-73: Secretary, Agriculture, State of Haryana.

1973-78: Director, Department of Economic Affairs, Ministry of Finance, Government of India.

He has held various prestigious positions in The World Bank, Washington DC:

1978-86: Chief, Petroleum Department, Europe, Middle East and North Africa. Chief and Head of Energy Department, East Asia and Pacific.

1991-95: Chief and Head of Energy, Finance and Infrastructure Departments, East Asia and Pacific.

During this period he led the first Energy mission to China and was responsible for the privatization of Infrastructure in Philippines, reorganisation of the Central Bank of Philippines and financial reforms and reorganisation of the Central Bank of South Korea, etc.

He was the Promoter and Vice Chairman of HCL Technologies. He was also the founder and Chief Executive Officer of HCL Perot Systems. He was also the Chairman and Managing Director of Gas Authority of India Limited (GAIL). As the first regular Chairman of GAIL he was responsible for setting up the HBJ pipeline, gas fractionation plants and the startup of Auriya Petro Chemical Plant.

He is currently Executive Vice Chairman of Tech Mahindra Ltd. and Chairman of Satyam Computer Services Ltd.

Mr. Vineet Nayyar holds 23,005 equity shares in the Company. He is also a Director on the Board of following public limited companies:

- Tech Mahindra Ltd.
- CanvasM Technologies Ltd.
- Mahindra Logisoft Business Solutions Ltd.
- Satyam Computer Services Ltd.
- Comviva Technologies Limited
- Kotak Mahindra Old Mutual Life Insurance Ltd.
- The Mahindra Holidays & Resorts India Ltd.
- Greatship (India) Ltd.
- Power Exchange India Ltd

Mr. Vineet Nayyar is also a member/chairman of the following committees:

NAME OF COMPANY	NAME OF THE COMMITTEE	MEMBER / CHAIRMAN
Tech Mahindra Ltd.	Investor Grievance-cum-share transfer Committee	Member
Tech Mahindra Ltd.	Securities Allotment Committee	Chairman
Tech Mahindra Ltd.	Executive Committee	Chairman
The Mahindra Holidays & Resorts India Ltd.	Remuneration Committee	Member
Greatship (India) Ltd	Remuneration Committee	Chairman

(B) MS. ASHA V. SHETH

Ms. Asha V. Sheth is a B.A. from Isabella Thoburn College, U.P. She was invited to be a Director on the Board of the Company in the year 1992-93. She is the wife of Late Mr. Vasant J. Sheth who was the Founder Director and later on Chairman of the Company who subsequently steered the growth of the Company till 1992 when he expired. The Company decided to have a Foundation namely Vasant J. Sheth Memorial Foundation (VJSM) in his memory and Ms. Asha V. Sheth was invited to be the Chairperson of the Foundation. Significant activities of the Foundation are in the area of Shipping and Maritime affairs.

As on date Ms. Asha V. Sheth holds 21,24,081 Equity Shares of the Company. She is a member of the Shareholders / Investors' Grievance Committee of the Company.

BOARD OF DIRECTORS

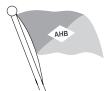
K. M. Sheth	EXECUTIVE CHAIRMAN
Bharat K. Sheth	DEPUTY CHAIRMAN & MANAGING DIRECTOR
Asha V. Sheth	
Cyrus Guzder	
Keki Mistry	
Vineet Nayyar	
Berjis Desai	
Rajiv B. Lall	
Ravi K. Sheth	EXECUTIVE DIRECTOR

COMMITTEES

AUDIT COMMITTEE	SHAREHOLDER/INVESTORS' GRIEVANCE COMMITTEE	REMUNERATION COMMITTEE
Keki Mistry CHAIRMAN	Cyrus Guzder CHAIRMAN	Cyrus Guzder CHAIRMAN
Cyrus Guzder	Bharat K. Sheth	Berjis Desai
Berjis Desai	Asha V. Sheth	Keki Mistry

Jayesh M. Trivedi COMPANY SECRETARY

REGISTERED OFFICE	SHARE TRANSFER AGENT	AUDITORS
Ocean House 134/A, Dr. Annie Besant Road Worli Mumbai 400 018 Tel : 022-66613000/24922200 Fax : 022-24925900 E-mail* : shares@greatship.com (*Investor Relations) Web : www.greatship.com	Sharepro Services (India) Pvt. Ltd. 13 A/B, Samhita Warehousing Complex, 2 nd floor Sakinaka Telephone Exchange Lane Off Andheri-Kurla Road, Sakinaka, Andheri (E) Mumbai 400 072 Tel : 022-67720300/67720400 Fax : 022-28591568 E-mail: sharepro@shareproservices.com	Kalyaniwalla & Mistry Kalpataru Heritage 127, Mahatma Gandhi Road Mumbai 400 001



RISK MANAGEMENT

Shipping is one of the most cyclical industries and hence is fraught with its own challenges. To manage risk is therefore one of the key elements in its operations. Great Eastern is fully cognizant of this and has a well laid out policy on identifying and tackling the various risk parameters. The main objective of management is to strike a balance between pursuing growth and business opportunities, and the need to manage the fluctuations in freight rates, currencies and other markets, along with maintaining operational and safety standards.

Great Eastern has consistently identified and worked on managing the following risks:

- 1) **Technical or Operational risk:** This is the risk associated with the operation and safe running of the ships. These are managed by having stringent measures for quality and safety of people and cargo on board. Constant training and focused development to upgrade the skills on board is done so that the employees are fully geared to meet all possible challenges.
- 2) **Market risk:** The Company is operating in the tramp shipping business and owns crude and product tankers and dry bulk carriers, a significant portion of which are operated on the spot market. This inherently has an element of risk due to change in freight markets, bunker prices and counterparty risk. While management of fluctuation in freight rates is possible through long term charters, contracts of affreightment, etc., fluctuation in bunker prices can be offset through hedging transactions or by taking fixed price contracts with suppliers. Counterparty risk can be minimized by dealing with large, well reputed charterers with good credit standing.
- 3) **Financial markets and liquidity risk:** This is the risk associated with the financial position and cash flows of the Company. Liquidity risk may arise from inability to meet financial obligations, including loan

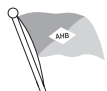
repayments and payments for vessel acquisitions. This is dealt with by keeping low leverage and by keeping substantial liquidity at all times, which not only enables the Company to capitalize on any opportunities that may arise, but also provides a buffer to meet external obligations in bad markets. Financial market risk may arise on account of exchange fluctuations, change in interest rates etc. Since the majority of the revenues of the Company are denominated in US dollars, there is a translation risk as the Company has to report its financial performance in INR. Also, since most of the External Commercial Borrowings (ECBs) raised by the Company are based on floating rate, the Company is exposed to changes in interest rates. These risks are managed by actively hedging the net open FX exposure and the floating/fixed rate liability.

Risk Management Strategy of Great Eastern Shipping

- The Company has traditionally used a mix of long term time charters, contracts of affreightment and spot charters to manage the risk on revenues to some extent. For the year ended March 31, 2013, the Company has 49% of its revenues from time charters and 51% from spot charters.
- As on March 31, 2013, 78% of the Company's loan portfolio was on fixed interest rates, and the balance 22% on floating rates.
- As on March 31, 2013, the Company has sold forward a total of USD 57million for FY 2013-14.
- As on March 31, 2013, the Company's gross debt equity ratio was 0.73 : 1 while its net debt equity ratio was 0.09 : 1.
- As on March 31, 2013, the Company had a total of treasury investments and bank balance of ₹ 3199.67crores.



Visit to 'Jag Pankhi' and 'Jag Lata' by Mr. Bharat K. Sheth, Deputy Chairman & Managing Director



DIRECTORS' REPORT

Your Directors are pleased to present the 65th Annual Report on the business and operations of your Company and Audited Accounts for the financial year ended March 31, 2013.

FINANCIAL PERFORMANCE

The financial results of the Company (standalone) for the financial year ended March 31, 2013 are presented below:

	₹ in crores	
	2012-13	2011-12
Total Revenue	2033.79	2011.92
Total Expenses	1876.53	1846.58
Profit before tax	157.26	165.34
Less : Tax Expenses	11.00	22.00
Profit for the period	146.26	143.34
Add : Profit as per last Balance Sheet	2922.62	2947.76
Less :		
-Transfer to Tonnage tax reserve	10.00	20.00
-Transfer to General reserve	15.00	14.50
-Transfer to Debenture redemption reserve	15.00	20.00
-Interim Dividend on Equity Shares	45.70	45.69
-Proposed Dividend on Equity Shares	68.54	53.30
-Dividend Distribution Tax	9.66	14.99
Balance Carried Forward	2904.98	2922.62

DIVIDEND ON EQUITY SHARES

During the year, your Directors declared and paid interim dividend of ₹ 3/- per share resulting in an outflow of ₹ 53.11 crores (inclusive of tax on dividend). Your Directors recommend a final dividend of ₹ 4.50/- per share resulting in an outflow of ₹ 70.79 crores (inclusive of tax on dividend). The dividend will be paid after your approval at the ensuing Annual General Meeting. The aggregate outflow on account of the equity dividend for the year would be ₹ 123.90 crores of (inclusive of tax on dividend). This represents a payout ratio of 84.71% (previous year 79.51%).

ALLOTMENT OF FURTHER SHARES

During the year, the Company allotted 32,400 Equity Shares of ₹ 10 each pursuant to the order received from The Special Court (Trial of Offences relating to Transactions in Securities) Act, 1992 which were held in abeyance. With this, the paid up Share Capital of the Company stands increased to ₹ 152,32,20,840 divided into 15,23,22,084 Equity Shares of ₹ 10/- each.