



Great Eastern Shippping CO.Ltd

April-17

Industry: Shipping Target Rs 613 **Recommendation: Buy**

Cmp Rs 437

Key Data

BSE Code	500620
NSE Code	GESHIP
52 Week High (Rs)	447
52 Week Low (Rs)	296
Market Cap (Rs Cr)	6670
Face Value	10

About the Company:

Mumbai based G E Shipping Co.Ltd (GESHIP) is India's largest private sector shipping service provider enjoying a formidable presence in the international maritime industry. GESHIP business operates under two main businesses: dry bulk carriers and tankers.

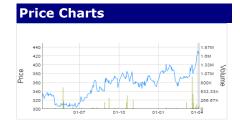
Investment Rationale:

- **Industry Snapshot** Customers Open Market Presence GLOBAL **Govt Regulations** Medium M-View Positive
 - Shareholding on Dec 2016 Promoters 30.4% Public 69.3% Others 0.3%
 - Promoters/ Management

K M Sheth	Chairman
Bharat K Sheth	MD
G Shivakumar	CFO
Jayesh Trivedi	CS
Mrs. Rita Bhagwati	I.Director
Farrokh Kavarana	I.Director

Key Ratios 6.72 Price Earning Ratio x 0.77 Price To Book Value x Dividend Yield 3.2%

- Baltic Dry Index hits 2-year high: The Baltic Dry Index is compiled by the Baltic Exchange based in London. The index, which tracks the cost of moving raw materials such as grain, iron ore and coal by ship, is indicating revival in demand. The index is at highest level in more than two years. It's surged more than 55% in March, according to FactSet, leaving it with a nearly 39% rise in the year to date. We believed that this index guides to near-term positive global economic growth. Hence we believe leading players like GESHIP has edge to gains from the index movements.
- **OPEC decision to cut production:** OPEC decision to cut production caused a spurt in spot cargos in January 2017 leading to a little bit of excitement and a spike in freight rates. The refined product rate saw strong growth as well but this was also outweighed by fleet growth of almost 7% during 2016-17 and the order book for product tankers is at 13%. It has come off from the highs of about two years ago, but we expect that this will be the last year of solid fleet growth. So, we should start seeing some bottoming out in the market.
- Increase in fleet supports the future demand: Recently GESHIP has taken delivery of Secondhad Suezmax Crude Carrier Jag Lakshya of about 1.57 lakh deadweight tons (dwt). With the inclusion of this vessel, the company's current fleet stands at 44 vessels, comprising 29 tankers and 15 dry bulk carriers with an average age of 9.42 years aggregating 3.69 million dwt. Additionally, the company has committed to purchase 1 Secondhand Supramax Dry bulk carrier.
- Government Supports shipping sector: The government of India is going aggressive on boosting the industry by taking series of measures that will increase the total port traffic. The shipping ministry is holding discussions with the Public Sector Units (PSU) from sectors like metal fertilizers and oil & gas to award transportation orders to domestic shipping companies for the next 5 to 10 years.
- Low Entry Barrier: GESHIP operates under two main businesses, dry bulk carriers and tankers and a sizeable part of the tankers have approvals from oil giants like Shell, BP, ExxonMobil, Chevron Texaco and Totalfina. Backed by an enviable clientele comprising industry leaders, international oil companies and governments who vouch for its services, the division has earned the status of being the most preferred shipping service provider.



Research Team

022-40070155/156

Mview

Improvement in freight rate is gaining traction in tanker and dry bulk segment, along-with demand growth in seaborne trade will be a big positive for the company going forward, With a pulse on the global market and a thorough understanding of the ever-evolving market needs, GESHIP is well-equipped to anticipate the demands of its clients and to deliver the needs. At the CMP, the stock is trading at an attractive valuation of 5.6x and 4.9x of FY18EPS of Rs 76 and FY19EPS of Rs 87. Hence, we recommend Accumulate/Buy with a target price of Rs 613 with medium to long term investment horizon and expect the stock to be re-rated going forward.





CONSOLIDATED FINANCIAL TABLES

Profit & Loss Statement					
Particulars	FY16	FY17E	FY18E	FY19E	
Income From Operation	3834.1	3642.4	4188.8	4691.4	
YOY Growth		-5%	15%	12%	
Expenditure					
Repairs & Maintenance	186.1	182.1	209.4	234.6	
Consumption of Spares & Stores	222.3	200.3	230.4	258.0	
Employee Benefit Expenses	595.7	491.7	544.5	586.4	
Fuel Oil & Water	290.0	291.4	335.1	375.3	
Hire of Chartered Ships/equipments	105.8	109.3	125.7	140.7	
Total	1400	1275	1445	1595	
EBIDTA Rs	2434.3	2367.6	2743.6	3096.3	
EBIDTA Margin %	63.5%	65.0%	65.5%	66.0%	
Interest	284.6	350.0	413.0	475.0	
Depreciation	674.6	735.0	808.5	889.4	
PBT	1,281.5	1,282.6	1,522.1	1,732.0	
TAX	110.1	134.0	160.0	176.0	
PAT Rs	1039	966	1153	1321	
PAT Margin %	27.1%	26.5%	27.5%	28.2%	
EPS	68.93	64.10	76.45	87.64	

Key Ratios			
Year	FY14	FY15	FY16
ROCE%	8.8	10.5	13.2
ROA%	4.0	5.0	6.7
ROE%	7.2	8.2	9.8
Dvd Payout Ratio %	23.6	22.2	19.6
EV/Ebitda x	4.7	5.0	3.2
Net Debt Equity Ratio x	0.4	0.4	0.2
Book Value for Share Rs	449.2	492.8	549.4

Balance Sheet			
PARTICULARS	FY15	FY16	
Sharholder's Fund			
a)Share capital	150.8	150.8	
b) Reserves and surplus	7279.8	8133.1	
	7430.6	8283.9	
Non current liabilities			
a)Long term Borrowings	5462.6	4930.2	
b)Long term provisions	33.4	37.6	
	5496.0	4967.8	
Current Liabilities			
a)Trade Payables	215.5	223.6	
b)other current liabilities	1291.0	1057.6	
c)Short term provisions	1102.1	1098.6	
	2608.5	2379.8	
Total	15535.2	15631.6	
Assets			
Non current assets			
a)Fixed assets	11114.9	11018.3	
b)Non current investments	0.9	0.6	
c)long term loan and advances	0.0	0.0	
d)other non current assets	31.0	44.5	
	11280.7	11489.7	
Current Assets			
current investments	0.0	0.0	
inventories	1250.0	878.0	
Trade Recievables	140.1	113.2	
Cash and Bank balance	334.6	320.6	
Short term loan and advance	2380.2	2625.0	
Other current assets	128.8	90.2	
Others		86.8	
	20.8	28.1	
	4254.5	4141.9	
Total	15535.2	15631.6	

Technical Outlook

Trendline Breakout Rs 407 Stoploss Rs 390, Target Rs 465/585/613







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