GE Shipping Company Ltd. (GESHIP)– Investment BUY Call

Dear Bajaj Capital Investors,
New Stock Recommendations for BUY on 18 Aug 2026

CMP -> 1318
Buying Range -> 1318 to 1345
Upside Potential-> 15%
Investment Horizon -> 6 Months
Target price -> 1515

1. Business Model & Diversified Earnings Platform

• **Core shipping franchise:** The Great Eastern Shipping Company operates two complementary businesses—shipping and offshore oilfield services. The shipping fleet transports crude oil, petroleum products, LPG and dry-bulk commodities, while Greatship (India) operates jack-up rigs and offshore support vessels for exploration and production companies. The owned fleet stood at 40 vessels / ~3.24 mn dwt after the June 2026 addition of the 2014-built MR tanker *Jag Prabhu*, with capacity utilisation close to 100%.

• **Diversification and spot exposure**: The fleet spans 5 crude tankers, 15–16 product tankers, 4 LPG carriers and 15 dry-bulk vessels, providing exposure to multiple freight cycles. Management continues to favour a predominantly spot-market strategy—around 74% of capacity was spot-exposed in Q1 FY27, versus only ~25–26% on time charter—allowing GE Shipping to monetise freight-rate spikes. The business therefore remains a direct proxy for global crude/product trade, ton-mile growth, LPG flows, dry-bulk commodity movements and offshore exploration activity.

2. Q1 FY27: Record Earnings Demonstrate Exceptional Operating Leverage

• **Best-ever profitability:** Q1 FY27 was described by management as “our most profitable quarter ever by a significant margin.” Consolidated revenue reached approximately INR 2,286 crore, while consolidated PAT rose to a record INR 1,309 crore, up roughly 159% YoY from INR 505 crore in Q1 FY26. Consolidated EBITDA was approximately INR 1,619 crore, translating into an exceptionally high EBITDA margin of about 71%.

• **Strong QoQ momentum:** The Q1 performance also surpassed the already exceptional Q4FY26 base, when consolidated revenue was INR 1,511 crore, EBITDA INR 941 crore and PAT INR 1,044 crore. Q4FY26 itself had represented the company's best-ever quarter and FY26 its best-ever year in consolidated profits, with FY26 consolidated PAT crossing INR 1,000 crore for the first time. The progression from Q4 to Q1 is particularly significant because it shows that the earnings cycle accelerated rather than peaked at March 2026, although investors should recognise that Q1 freight rates were unusually elevated and partly event-driven.

3. Cash-Flow Conversion, Net Cash Balance & Capital-Return Strength

• **Exceptional cash conversion is a major BUY argument:** The company's CFO/PAT conversion was 97% in FY26, remaining within 97–113% over the last three financial years, while CFO/operating-profit conversion was 93% in FY26 and 93–102% over the last three years. This is particularly important for a shipping company because reported earnings can be influenced by vessel disposals, depreciation, FX movements and asset valuations; consistently high operating cash conversion provides evidence that the underlying earnings are translating into liquidity. Q1 FY27 consolidated cash profit reached approximately INR 1,543 crore, another record.

• **Balance sheet provides downside protection & capital-allocation optionality:** Management indicated approx. US$700 million of cash & US$600 million net of debt at the company level in Q1 FY27. At FY26 year-end, management had already described GE Shipping as heavily net cash, with roughly US$500 million standalone net cash, against group debt of only about US$157 million, with the remaining debt expected to be repaid within roughly two years. The combination of high cash generation, low leverage and internally funded fleet renewal materially reduces refinancing risk and gives management flexibility to purchase vessels during a downturn rather than at peak asset prices.

4. Growth Catalyst I — Tanker Cycle, Ton-Mile Expansion & Fleet Modernisation

• **Freight-rate and ton-mile opportunity:** The principal near-term catalyst is continued strength in tanker economics. Management attributed Q1's exceptional rates to Strait of Hormuz disruption, re-routing and longer-haul sourcing, with crude tanker TCEs around US$90,000/day and product tanker TCEs around US$45,000/day during the period; MR spot earnings were cited near US$50,000/day. Although current Aframax and product-tanker rates have fallen materially from Q1 peaks, management still described the market as structurally tight, with longer-haul movements from the US/Brazil and other regions increasing ton-mile demand.

• **Modernisation creates earnings quality rather than simply fleet growth:** GE Shipping's explicit strategy is "replace, not expand." During the recent period it sold older vessels and bought younger, more efficient tonnage, including replacing the 2009-built LR2 *Jag Lokesh* with the 2015-built LR2 *Jag Laxman*, which is six years younger and an eco-ship. Management estimates modern eco-vessels can consume 20–25% less fuel than pre-2013 tonnage, potentially saving approximately US$1,000–US$2,500/day, depending on vessel size. With the fleet around 40 vessels, repeated switch transactions can therefore increase earnings per vessel without requiring aggressive balance-sheet expansion.

5. Growth Catalyst II — LPG Repricing, Offshore Recovery & Operating Leverage

• **LPG provides a visible embedded earnings catalyst:** Despite extremely strong VLGC spot rates—management cited rates above US$100,000/day—GE Shipping's four LPG carriers have historically been predominantly time-chartered, limiting immediate spot upside. However, this creates a contractual repricing opportunity: two vessels have already been repriced, including one at approximately 25–30% above the previous fixed rate, while another has profit-sharing exposure that could generate 25–30% higher economics at current spot levels. A third VLGC comes off charter in Q1 CY2027, with current market time-charter rates estimated by management at roughly US$20,000/day above its existing charter, creating a potentially meaningful earnings step-up.

• **Offshore offers a second earnings leg:** The offshore business is entering a better contracting environment after a prolonged downturn. One jack-up rig has received a 3-year letter of award, leaving two rigs for repricing during FY27. Saudi Aramco's restarting of previously paused rigs and limited global newbuilding activity support utilisation. Drilling Services revenue days increased 26% YoY in Q1 FY27, while OSV coverage for Q2 FY27 is around 89–94% across vessel classes. The offshore orderbook is only around 3% of the fleet, while a significant portion of global vessels is aged, creating favourable medium-term supply-side conditions.

6. Growth Catalyst III — Operating Leverage, Capex Discipline & Long-Term Structural Opportunity

• **High incremental margins and disciplined capex:** GE Shipping's structural advantage is its low cash breakeven—management indicated approximately US$9,000–US$9,500/day cash breakeven and US$11,000–US$12,000/day book breakeven for the fleet. Management explicitly stated that "beyond $12,000, the entire number flows to the bottom line" on a book basis, demonstrating substantial operating leverage. Rather than committing large amounts of capital to newbuild expansion at elevated asset prices, the company is recycling capital through vessel sales and purchases of younger second-hand tonnage. Recent vessels were financed entirely through internal accruals, reinforcing the asset-light character of the expansion strategy.

• **Structural opportunity over 2–4 quarters:** The medium-term earnings framework is supported by tanker ton-mile growth, ageing global fleets, constrained shipyard capacity, dry-bulk coal/grain/iron-ore flows, LPG US-to-Asia trade, offshore rig reactivation and OSV repricing. Management estimates current orderbooks at approximately 27% for crude tankers, 20–21% for product tankers, 35% for VLGCs and ~14% for bulk carriers. This rising orderbook is the principal cycle risk, but much of the incremental tanker supply is expected in 2027–28, giving GE Shipping an attractive near-term window to monetise strong freight economics while maintaining its replacement-led strategy.

7. Short-Term Risks, Management Execution & BUY Conclusion

• **Near-term risks and earnings normalisation:** The key risk over the next six months is that Q1 FY27 represented an exceptionally strong, partly event-driven earnings environment, driven by the Strait of Hormuz disruption, elevated tanker rates and higher ton-mile demand. Management has already indicated that product tanker and Aframax rates have moderated materially from Q1 peaks, while rising vessel orderbooks—approximately 27% for crude tankers, 20–21% for product tankers, 35% for VLGCs and ~14% for dry bulk—could create supply pressure as new vessels are delivered, particularly from 2027–28. Offshore remains another near-term monitorable, with two jack-up rigs due for repricing and one rig temporarily idle. Accordingly, investors should not extrapolate Q1 FY27's record INR 1,309 crore consolidated PAT into a steady-state run rate. However, GE Shipping's disciplined execution—"replace, not expand", continued sale of older tonnage, acquisition of younger eco-vessels, strong spot exposure and conservative capital allocation—provides meaningful protection against a normalisation in freight rates.

• **BUY opportunity over the next six months:** The risk-reward remains attractive because the investment thesis does not depend solely on maintaining Q1's peak tanker rates. The company enters the next six months with ~US$600 million net cash, exceptionally strong cash-flow conversion, low fleet cash breakeven of ~US$9,000–9,500/day and substantial operating leverage above ~US$12,000/day. In addition, LPG charter repricing, including a potential ~US$20,000/day uplift when one VLGC rolls over in early 2027, continued fleet-renewal fuel savings of up to 20–25%, improving offshore contracting and OSV utilisation provide identifiable earnings catalysts. The stock offers a combination of earnings momentum, balance-sheet strength, asset-value support and capital-return visibility. Therefore, any correction caused by normalisation of tanker rates should be viewed as a potential 6-month accumulation opportunity, provided freight rates remain above breakeven and there is no sharp deterioration in global shipping demand; the preferred BUY strategy is to accumulate on weakness rather than extrapolate peak-cycle Q1 earnings.

Q1FY27 Financial Performance:

		YoY	QoQ	Jun 2026	Mar 2026	Jun 2025
Revenue Cr		66.9%	32.7%	2,005	1,511	1,201
Operating Profit Cr	^	108.1%	42.1%	1,338	941	643
OPM %				66.7	62.3	53.5
PAT Cr	^	159.4%	25.4%	1,309	1,044	505
NPM %				65.3	69.1	42.0
EPS ₹		159.4%	25.4%	91.7	73.1	35.3

Happy Investing!

Thank you and best regards,

On behalf of Bajaj Capital's Research Team