

**THE GREAT EASTERN
SHIPPING COMPANY LIMITED**
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Our Ref.: S/2025/JMT

January 31, 2025

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BSE Scrip code: **500620**

Trading Symbol – **GESHIP**

Sub: Transcripts of Earnings call conducted on January 28, 2025

Dear Sir/Madam,

Further to our letters dated January 17, 2025 and January 28, 2025, please find enclosed transcripts of the earnings call held on January 28, 2025.

We request you to take the same on record.

Thanking You,

Yours faithfully,

For **The Great Eastern Shipping Company Limited**

Anand Punde

Company Secretary

Email ID: anand_punde@greatship.com



“The Great Eastern Shipping Company Limited Earnings Call
on Declaration of its Financial Results for the Quarter ended
December 31, 2024”

January 28, 2025



**MANAGEMENT: MR. G. SHIVAKUMAR – EXECUTIVE DIRECTOR & CHIEF
FINANCIAL OFFICER, THE GREAT EASTERN SHIPPING
COMPANY LIMITED
MR. RAHUL SHETH – THE GREAT EASTERN SHIPPING
COMPANY LIMITED
MS. ANJALI KUMAR – HEAD, CORPORATE
COMMUNICATIONS, THE GREAT EASTERN SHIPPING
COMPANY LIMITED**

Moderator: Good Evening, Ladies and Gentlemen. Thank you for standing by. Welcome to GE Shipping Earnings Call on Declaration of its Financial Results for the Quarter ended December 31, 2024.

At this moment, all participants are in listen-only mode. Later we will conduct a question-and-answer session.

I now hand over the conference to Mr. G. Shivakumar – Executive Director and CFO at The Great Eastern Shipping Company Limited, to start the proceedings. Thank you, and over to you, sir.

G. Shivakumar: Good afternoon, everyone and welcome to the Q3 FY '25 Conference Call. Let me run you through the presentation and then we will be very happy to take questions.

I have with me Rahul Sheth, who will also be in the Q&A.

A standard disclaimer, we don't intend to give any earnings forecasts. So, please take it that way.

Our net profit, we had yet another profitable quarter. Our net profits consolidated were Rs. 594 crore. Our consolidated NAV came down slightly during the quarter, and we will look at that a little later. We have declared the third interim dividend for this financial year, making it the 12th consecutive quarter of quarterly dividends.

I won't go much into the results for now. You would have seen the results. Let's go to the normalized numbers. So, the normalized numbers are not very different from the reported numbers, slightly lower. The significant factor, of course, as it has been for the last couple of years is that we are net cash. So, you can see the net debt number at the bottom of the screen, which was 4,280 negative. So, we are net cash to the extent of about \$500 million on a standalone basis and therefore, well positioned for any market downturn that may come.

On ratios, the return ratios, of course, continue to be good. The significant factor that I wanted to point out is on the net asset value. While it's up year-on-year, so on a standalone basis, we are 1,138 versus 1,068 a year ago. We were in September about Rs. 45 higher than this. So, we have had a drop in asset prices. The total fleet value has dropped by about \$150 million between September end and December end, which has resulted in this drop, of course, compensated by the earnings that we have had. So, about Rs. 45 got compensated by the earnings themselves.

These are the key ratios and the TCYs. We won't go into them. Later on we look at what are the factors that went into the markets and our earnings.

Here is what happened with the net asset value from a year ago. So, we went up by about Rs. 70 a share between December 23 and December 24, of which 218 came from cash profits. Minus 114 was from the drop in fleet value.

Let me just also clarify here, the drop in fleet value also includes when a ship which had a profit. Let's say you sold a ship at a 100 crore profit, which is Rs. 7 per share. That will show as (-7) in fleet value. And (+7) in the cash profit. So, this (-114) includes when some ship is sold at a profit and moves from one column to the other, from MTM to Realized.

Then, of course, in the last 12 months we paid out Rs. 33 of dividends. The standalone NAV is, again, significantly higher than what it was in FY '20 with a CAGR of 20% plus.

On a consolidated basis, the story is more or less similar. So, we had a cash profit of Rs. 250 a share, and the fleet value has dropped off a little bit.

This is on the debt repayment schedule, and we bring it here because we have been doing some prepayments, and we have done some more prepayments in this month, and we had a scheduled repayment as well. So, our debt is already down to only about \$225 million on a gross basis. Of course, we have an excess of \$700 million of cash against the debt.

Now, let's look at what happened in the shipping markets. The shipping markets disappointed. The tanker markets disappointed in the winter of 2024-25. And the much expected, awaited winter spike did not come. And you can see that in the dotted line for Suezmax and for the MR. So, earnings were pretty subdued for the quarter even as compared to the summer months and much lower as compared to what they were in the previous financial year.

They continue to be pretty low on both fronts, whether it's the crude tankers or the product tankers. There was some excitement in the market for a couple of weeks when some new sanctions were announced on tankers, but after that it settled down from that flurry of excitement.

Looking at what factors went into the earnings, the general weak sentiment prevailed. The oil demand has not been growing as strongly as was expected. The seaborne crude trade actually went down 2% year-on-year during the quarter, while the tanker fleet, of course, because there was very little addition during the quarter, the crude tanker fleet remained flat.

One thing which affects tanker markets is refinery margins and therefore refinery throughputs. Lower refinery throughputs in Asia and Europe curb the product trade and also the crude trade because these are importing regions. So, seaborne product trade has been flat year-on-year during the quarter, but the fleet saw growth of about 2%.

Asset prices have, on average, dropped by about 15%, more for the older assets, which had gone up a lot in value and less for the more modern assets. And the order book has been building up. So, it probably doubled in the last 12 months or so.

What happened in dry bulk? The dry bulk market also remained fairly weak. Capesizes were not too bad during the quarter, but the sub-capes have struggled quite a bit in the October to December quarter and continue to struggle even now, mainly because iron ore trade has not been

growing. It didn't grow during the quarter. There has been slowing demand in China and a drop in Brazilian exports because of some port maintenance issues.

The coal trade has grown slightly, but Indian imports during the quarter saw a drop, and that is mainly because of improved hydropower generation in India. Grain trade has seen a sharp decline because of the lack of Chinese demand, because there is improved domestic supply in China. That's for corn, specifically.

The order book for dry bulk is at a little over 10% of the fleet. Even dry bulk values dropped during the quarter, Capesizes by about 5% while the sub-capes on average by about 10% during the quarter.

LPG, all of our ships continue to be on time charters. The spot earnings were significantly lower and you will recall that last year we had the spike which was caused by the Panama Canal restricting movement through the canal because of shortage of water. That is now normalized. So, we have seen that the rates have come down to more so-called normal levels from the 95,000 plus that we saw in the second half of calendar 2023.

Despite the drop in freight rates, prices remain at very elevated levels and the order book is very high. Its 28% order book for VLGCs. The order book, as I mentioned earlier, is about 23% for product tankers and a little over 10% for both crude carriers and bulk carriers.

The one thing to point out is that the orders are rear-ended. So, not too much joining the fleet in Cal 25 and Cal 26. A lot more happening in Cal 27 for whether it's crude tankers or product tankers.

Given the current market and the earnings that we have seen, scrapping has been absolutely minimal, and which makes it the third year in which there has been almost no scrapping. So, except for Calendar '21, we saw a little bit of tanker scrapping. We have had very little scrapping now since 2019. That makes six years of very low scrapping indeed.

This is something that we mentioned earlier. While the order book has been building up, we also have to see it in the context of what the current fleet is like. The aging fleet defined as greater than 20 years for all ships except gas carriers, is much higher than the order book for crude tankers. So, you have an old fleet, which is more than 20% of the current fleet, while you have an order book, which is only about 10%.

For dry bulk carriers, it's about the same. So, you have 10% old fleet and 10% order book, while for product tankers, you have an order book of 22%-23%, while the old fleet is about 18%.

Here, one must remember that LR2, the largest product tanker, can switch between carrying crude and refined products. So, if you see the crude tanker market being undersupplied or much tighter, you could see some of the product tankers shifting to the crude tanker trade. And LPG

carriers, of course, the fleet is pretty young. Only 10% of the fleet is 25 plus, but the order book is 28%.

Looking at asset price movements, I mentioned earlier that we have seen prices coming off quite a bit in the last quarter or so, and they continue to be a little bit lower in this month as well.

Coming to Greatship, there has been a gradual improvement in jack-up markets. There was a gradual improvement in jack-up utilization till early 2024 when Saudi Aramco off-hired or suspended contracts on several rigs. So, you can see that graph turning downwards. But let's look at what's happening with us. So, you will see that we have two rigs for re-pricing in H2 FY '25.

I had mentioned in the last quarter's conference call that Greatdrill Chetna had obtained a short-term contract in India. This has been terminated by the client, citing force majeure, and we have disputed the termination. We are unable to comment further on the matter. So, I would request you not to get too much into that.

Apart from that, we have two vessels which are coming up for re-pricing in the next two months up to end of March, and we have three vessels which are coming up in H1 of FY '26. All of the re-pricings that we have seen over the last six to nine months have been at much higher levels than the earlier contracts. So, the vessel's business continues to deliver good profitability. We also have the Greatdrill Chitra coming off contract, a third rig coming off contract in H2 of next financial year.

Finally, we are not just here to make money. We also see that this has a higher purpose, and these are some of the details of our CSR activity, which we are very proud of.

Thank you. That brings us to the end of the presentation, and we are very happy to take questions now.

Moderator: Thank you very much. We will now begin the question-and-answer session. We will take our first question from Rajesh Khater, an individual investor. Please go ahead. Since there is no response, we will move on to the next question from Himanshu Upadhyay from BugleRock PMS.

Himanshu Upadhyay: Mr. Shivakumar, one question was on the product tankers. When we see our Slide #32, it seems the price of product tankers have fallen much sharply than crude tankers. When you gave the commentary, so even in case, so that 15% fall in MR would be higher and crude would be lesser fall in prices of assets, would that be the case or?

G. Shivakumar: That's right. This fall has been much more accelerated for the older vessels. Yes, but the product tankers have dropped off more than the crude tankers. That is true.

Himanshu Upadhyay: And any specific reason? Because last quarter when we gave the commentary, it was something like a large order book is for LR2s, which can move to Aframax also. So, we don't know.

Rahul Sheth: The asset value correction which has been more on product is also in line with how the charter rates for the product tankers have also fallen off to less than \$20,000/day. So, they are in line with that.

Himanshu Upadhyay: And one thing. What we have seen in the last 3 years, China has shown pretty low growth on the construction activity. What is yielding to good returns on Capesizes? Because generally, majority of cargos on Capesizes are iron ore and coal. And Supramax and all those categories, which are more wheat and all those things. So, some words on that will be good.

Rahul Sheth: Yes, so the Capesizes, you are right, predominantly it's iron ore. Now, we have seen that the data from China has been weak for a couple of years, on the real estate sector side. So, what has actually happened is, that even though some of the data was weak, basically when China exports, they have to consume a lot of steel in manufacturing, it's packaged into some good and then exported.

So, that was holding up the demand. Because steel manufacturers, in China, they all get quotas from the government and they won't prefer to cut production unless they really need to. So, they were always finding some use for that steel. And the iron ore production in China has also been a bit weak. So, because of that, it gave a little support to iron ore imports for the steel manufacturers.

Also on the flip side, Chinese steel manufacturers kept exporting steel. So, if you see the steel exports from China, they have doubled from 60 million tons to 120 million tons. 120 million tons is larger than the Japanese steel market. Now, what's probably happening is that the amount of steel that one can export may be getting capped out. The amount of manufacturing to other countries like U.S. and Europe may also face an issue with Trump's tariffs. And the amount of iron ore, the production that was lagging and therefore they required import, that also may be tapering off, which may lead to the current weakness we are seeing on the spot market. But in the Sub-capes which had less support from iron ore, they started correcting before the Capesizes.

Himanshu Upadhyay: And can you give an idea of the fall in fleet value? Of that 150 million, how much would be on shipping and offshore? Are offshore values also coming down or the market....

G. Shivakumar: No, the 150 million was only shipping.

Himanshu Upadhyay: So, offshore remains constant.

G. Shivakumar: The 150 million I mentioned was only shipping. Offshore, yes, no change in that. We do that valuation only once in six months. So, we didn't get an update, but I don't think there is a change. We haven't seen any transactions recently.

Himanshu Upadhyay: And one last thing. In terms of attractiveness of markets, okay, how are you looking at the crude, product and dry bulk? And any thoughts on that? And we made a transaction recently also on dry bulk. Some thoughts on that will be helpful.

Rahul Sheth: So, even though crude and product prices have corrected, there is still probably a long way to go before it becomes a very attractive buying zone. But what we have seen in the past is that prices can correct very fast. Now, we don't know whether it's going to correct very fast or not.

I don't know whether you picked up on the news where there have been sanctions from just before Biden left on certain ports in China, on certain ships carrying Russian crude to ports in China. Now that may be a big positive. So, we don't know whether the prices will eventually correct to our levels or not. But today they are still quite elevated.

Dry bulk itself, while the freight rates have corrected, the asset values are still taking time to fall in line. And if you see the LPG market, Shiv did mention that the freight rates are now closer to probably the long-term averages. So, the asset values have not yet seen the correction.

So, now it becomes, as of today, all the three sectors, the asset values are quite high, relatively quite high to the earnings. But whether they will correct sufficiently or not in the future, we will have to see. And then we will be able to say which one is the most attractive to take a call.

Himanshu Upadhyay: See, interesting commentary, but what will be the plan B if you say we don't know they will fall to our levels or not? So, it may fall, it may not fall, but then if it does not fall, any thoughts on that? And how do you look at the markets? What can be your plan B? And are we increasing to hire more ships on, let's say, period charters, what I would say?

Rahul Sheth: Yes. So, you don't see there are multiple options that there is. So, if the freight rates are high, and the current yields are good, we already have a certain exposure. And as you have seen in the last few years, the profits have been quite good, right? So, you always have an opportunity to get that. If the freight rates have come off and the asset value still remain high, right, it will take time, but they will end up correcting.

Now one will then have to decide on the outlook, whether one wants to wait exactly for those prices that make it very attractive or there is somewhere in between you can enter. And also, and you did mention that, we also always evaluate whether we should in-charter, because like I mentioned, the freight rates are corrected, right, versus buying a ship. Eventually you end up taking exposure to the market. But instead of putting in the capital at a price at which you may not get the return that you want, if you in-charter it and you get exposure in the market, you may be able to generate the returns from there.

Himanshu Upadhyay: So, currently, we will have only two ships in-charter or there are more?

Rahul Sheth: No, as of today there are two in-charter.

Moderator: Thank you. We will take our next question from Vaibhav Badjatya from Honesty and Integrity Investment. Please go ahead.

Vaibhav Badjatya: So, on the recent sanctions that have been imposed, if you can help us, firstly quantifying it in terms of as a percentage of the total fleet, how many crude and product tankers have been sanctioned? And secondly, whatever these sanctioned tankers are, I mean, where they can be put to use? And do you see a case where these tankers will not be able to put to use and that's why it might create some tightness in the market, or how this overall thing is going to impact in your assessment?

Rahul Sheth: So, good question. So, about 180 odd tankers have been sanctioned. Predominantly they are in the crude space. There are some ships out of the sanction list that can carry both crude and product.

But what we are seeing is, and it becomes difficult to know whether they were carrying crude or product at the time, but if you look at the fleet that has been sanctioned, they have predominantly carried Russian crude, and they totally carry about half the exports from Russia. So, Russia exports roughly 3.5 million barrels of crude. Half of that is carried on these newly sanctioned ships.

We have seen the U.S. sanction ships in the past after the war was declared. And all those ships that were sanctioned eventually ended up not carrying any cargo. And at least that's the data that we have. So, of course, if they are unable to find any alternate trade, it becomes difficult, right? I mean, the market will become very tight. So, how they will eventually do something else is difficult to say.

Having said that, I think it's a bit too early to see how the market develops. And I think the market somewhere feels that maybe Russia will manage something. We have seen some amount of crude going to a very nearby port in China, which is outside the Shandong province. And they are importing crude from Russia on these sanctioned ships. They are a fraction of what Shandong will import, but they have gone there.

Now, will it be possible for all the vessels to carry all the crude that they were carrying and go to other places? You know, this is a trade where a lot of things are obscured and therefore it's very difficult to say exactly this or that will happen. But the number of ships that have been sanctioned are quite large.

Soon after the sanctions actually were put in place, we did see the VLCC rates spike up as people get to secure some cargo of crude, especially from the Middle East or other places in west of the Suez. But those rates did start coming off. So, when you start reading from the market, maybe some of the buyers of oil felt that the market may not have a solid shortage as is initially expected.

We should also keep in mind that these sanctioned ships have roughly until the end of February to discharge their cargo. So, I think we will see how the market settles down in the month of March. And this period, it does weigh on the market because it's Chinese New Year. And China being the largest buyer also has refinery maintenance.

So, whether its seasonal or not, but at least for the next couple of weeks, a low period for refinery runs. So, you know, the net demand of crude also comes off. So, maybe the market can absorb a bit lesser crude moving. But I think in a couple of months, we will come to know how the market reorients itself to this bank.

Vaibhav Badjatya: So, I think I might have missed your comment. You said that these ships which were sanctioned in the earlier rounds, not the latest one, they have not been able to put to use broadly.

Rahul Sheth: They have not been able to put to use. That's the data we have.

Vaibhav Badjatya: And is it possible, it might be a very basic question, but is it possible that Russia load the oil in them, and then somewhere in the sea the whole tankers gets empty to another tanker and then get transported somewhere closer to another port? Is it practically possible to do or it's not?

Rahul Sheth: So, it is possible. But what has happened since the war, and the rules have become tighter over the past few years, whereby they ask where, say, a port in Shandong, would ask for where the crude originated from in Russia and how it reached China. Now, if someone along the supply chain obscures the data flow and incorrect information is passed, then all of this is maybe possible. We don't know. But if someone shows that a sanctioned vessel carried it from Russia to another ship and then the other ship brought it to China, that would be probably a breach of the U.S. sanctions and therefore that could not be allowed.

G. Shivakumar: Yes, therefore, that becomes a very risky activity now that they know that the U.S. is taking this very seriously.

Vaibhav Badjatya: Yes.

Rahul Sheth: This step of the U.S. is showing that they are taking it very seriously.

Vaibhav Badjatya: So, as a percentage of the crude fleet, how many would these tankers be?

G. Shivakumar: Maybe about 5%.

Vaibhav Badjatya: 5%.

Rahul Sheth: Maybe 3-4%.

Vaibhav Badjatya: Okay, 3-4%. And the product would be much lesser? Do you think the product would be much lesser?

Rahul Sheth: Yes, product would be slightly lesser, yes. Like I mentioned, some of the tankers also have the capability to carry products, but the exports of Russia are much larger. So, it has a greater impact there.

So, another data point that we have seen is that Russia has increased the refinery run, which means that they are processing more of their crude, creating it into products. And again, it's too soon, but one would expect that now they will export or try to export more products because the crude fleet is getting lesser. And then one can again presume that maybe they have the product tankers to do that because there is an inflow from the data because it's not all very clear.

Vaibhav Badjatya: And just if we convert this 3-4-5% into probably ton-mile, it might be more because of this trade to India and China, Russia might, there were more, I mean in terms of miles, an average mile on these tankers might be higher than the other tankers and that's why it can be a little more in terms of miles.

Rahul Sheth: Yes, so when the war broke out, so when you have to compare the ton-mile, you have to compare the change. At first Russia was sending it to Europe versus that when it sends it to India, the ton-miles increase. But if India needs crude, we have to determine where that crude is coming from. So, if it is coming from higher distance, compared to the Suez, it's equally the same or more ton-miles.

The other thing you have to keep in mind is that if these vessels truly are out of the system completely, right, that 3-4% of the trade that those vessels are not doing and therefore there will be a net increase into the legitimate trade. So, there will be actually more volumes. There will be additional volumes through the legitimate trade because the number of tankers doing the legitimate trade is static, right?

Vaibhav Badjatya: Right.

G. Shivakumar: And now there were some trades being done with illicit tankers which will now come to the legitimate trade. So, even if the crude is got from some places like in the Middle East or West, the overall trade will increase. So, you have, just to put this in number, let's say that the overall trade was 100 and now 4 of that has gone out and those ships doing that 4 have also gone out. Consumption is still a 100. Therefore, now you have to still carry 100 which makes the market and if those 4 ships have gone out, then the market becomes a little tighter. Of course, then you have to adjust for the ton-mile impact of Russia to Middle East to India or wherever else it is. But net-net tightening of sanctions on tankers is a positive for the trade, for the supply-demand balance because it will effectively remove ships from the supply.

- Moderator:** Thank you. We will take our next question from Vikram Suryavanshi from PhillipCapital India. Please go ahead.
- Vikram Suryavanshi:** Sir, what would be your net cash balance in offshore business?
- G. Shivakumar:** Net cash meaning net of the debt?
- Vikram Suryavanshi:** Yes.
- G. Shivakumar:** No, net cash balance in offshore there is \$40 million.
- Vikram Suryavanshi:** And this set price correction, is it what we discussed as a market fundamental impact or does it also have some impact of dollar strengthening?
- G. Shivakumar:** Not really, I would not think so. Any factors can go into it, but typically these are linked with, I see where you are coming that dollar strengthening means other things drop in value in dollar terms, but not really. It is probably more to do with the earnings than currency.
- Vikram Suryavanshi:** And in case of a rigs, how would be opportunity for say mobilizing it into international market or we stick priority will always be a domestic market first?
- Rahul Sheth:** No so we continue to explore opportunities everywhere, but currently we have been into two other tenders in India.
- Vikram Suryavanshi:** So, we will wait for that clarity basically.
- Rahul Sheth:** That is right.
- Vikram Suryavanshi:** And last one on Red Sea normalization, how do we see it impacting going forward?
- Rahul Sheth:** Firstly, maybe too soon to talk about whether it will definitely normalize. Right now, there is only a ceasefire. But if it does normalize, let us give you the broad cut. Maybe on crude it is neutral impact and on product it's probably a negative impact. On dry bulk, it never had a major impact to begin with.
- Vikram Suryavanshi:** And historically we used to have some of the data where crude tankers were used for storage purpose and all that. Is that trade look how is that because we have not really looked into that angle for a long time? So, with the sanctions and all that coming up, so probably how these things will play out, or did change the ownership and come back to the system? Just to get some idea on that.
- Rahul Sheth:** Yes, so I think there were two questions there, but on the storage front, so basically we see this happening when the spot price of oil is relatively lower than the forward price. That's what we

call contango. So, let's say the spot price is say \$80 and the forward price is say \$100. It makes sense for traders to buy oil today, fill it up on a ship, pay the charter higher and sell forward in the oil market and capture the spread like an arbitrage spread.

Today the oil price is in backwardation, which means the forward price is lower than the current price. So, that opportunity is not there. If that opportunity does arise, then I am sure the math has to work out, then the traders would do that. But today, if the Russian oil is impacted, you will actually have a shortage of oil or a tighter oil market today. So, it's very unlikely for you to see it in contango in that case. Sorry, did you have the second question?

Vikram Suryavanshi: Second question was on basically changing the ownership of these vessels and can that sanctions removed or?

Rahul Sheth: So, the sanctions typically follow the ship.

Moderator: Thank you. We will take some text questions now. We have a question from Surendra Yadav, an individual investor. What's the strategy for capital allocation for coming year? Given sizeable cash position, will second purchase be the preferred strategy or any new build program also being considered?

Rahul Sheth: So, we don't give out any capital expansion plans in detail, but generally our preference is always for second-hand ships over new building. Can we go to the next question please?

Moderator: Sure. Next question is from Rajesh Khater, an individual investor. First question is, asset prices dropped by 15%. Are they still not attractive to buy? Second, is the company still not keen to do buyback through market purchase method when the share price has dropped to 900? And the third question is there seem to be no growth triggers for the business at all. Where will the growth come from?

Rahul Sheth: So, on the first question, the asset values have risen quite a bit. So, while it has dropped 15%, there still could be a long way to go.

The second question is on the buyback. So, we always evaluate whether we should go for ships or do a buyback. So, we will evaluate that, but in the immediate future we have no plan.

On the third, on growth, so in this business you have to be patient when the asset values are on what we believe to be on the higher side. But when they do come to the levels we can see, then that is the period to grow substantially. So, even if you see in our last growth phase, which was in 2016-17, we are taking the fleet from about 30 ships to 50 ships in a very short window. And the benefits of that we have seen over the last five years with the profits that the company has generated.

Of course, the market has been on our side. But when you buy wisely and then you are able to get the market timing right, that is what gives you the outside profits. So, the growth will come, but it will come in a relatively narrow window at some point in the future.

G. Shivakumar: So, just adding on to that point that Rahul made, we did buy in 2016-17-18. And we did a significant Capex and we made a, those were very profitable investments. But for a few years before that we did not invest because we did not see those as being very attractive investments. And it turned out to be right because we got the opportunity to make those attractive investments. We believe that that is what we do best and that is how we have managed the cycles in the past, and therefore we will continue to do that.

Moderator: Should I take the next question, sir? The next text question is from Riya Mehta, Aequitas investments. Will we be increasing in-charter ships? What is the time frame for which they are contracted? How do we earn from scrappage, fleet which will go in scrappage in the next 2 years?

Rahul Sheth: So, again, whenever we are deciding to in-charter ships, we decide between whether we should in-charter or buy a ship. And that is a calculation we have to keep doing at the time of investment. These contracts that you in-charter, they can range from about 2 years to 10 years. Generally, they don't cross 5 years, but we have seen contracts go longer than that.

We don't earn scrappage from these in-charters because you are not owning the assets. You are basically taking that in for three to four years or some period of time, not relating to our fleet. So, we don't earn from, when we scrap ships, we have not scrapped a ship for quite some time.

When you scrap ships, basically you sell it for scrapping. You receive whatever is the market price for the steel, for the scrap steel. And very often we do sell ships above scrap. So, we end up selling it to someone else who may trade it for a few more years. Can we go to the next question?

Moderator: Yes. Next question is from Amit Khetan from Laburnum Capital. Does the last quarter's offshore earnings reflect only one rig being employed since one of the contracts was terminated? How should we think of the timeline for the rest of rigs being reflected in revenues?

Rahul Sheth: So, in this quarter, Q3, we had three rigs operational. Only one rig was not employed. And we cannot give anything on the timeline because it depends on how fast the tenders are processed.

G. Shivakumar: So, currently, just to clarify, we have four rigs, of which three continued through Q3 in their contracts and contributed to revenues and profitability. Only the Chetna finished her previous contract in October and then she did her work preparing for the next contract. So, the other three rigs were working. As it stands today, we still have three rigs working. The Greatdrill Chaaya comes off contract sometime soon, in the next couple of weeks. But the other two rigs will continue on their contracts, even in this quarter. So, it's not just one rig being employed. Last

quarter it was only one rig which was not employed. And as it stands, there is one rig which is not employed.

Moderator: Thank you. Next question is from Rajesh Khater, an individual investor. If the war ends (a hypothetical scenario), where do you see the freight rates moving for the different classes of ships? And second question is mail sent to anand_punde@greatship.com remains unanswered till now. To which mail ID should we send questions and can we expect response?

G. Shivakumar: Yes, the war ending is again, as you said, a hypothetical scenario. And there are many different scenarios which can be drawn there or freight rates with very widely varying outcomes. You can have a very strong market, and you can have a very weak market as well if you have all the ships continuing to be in the trade and the trade patterns reversing to where they were in 2021. So, there are so many variables here that there is no point getting into forecasting the freight rates in that situation.

With regard to the mail, the intention is that we have a quarterly conference call. We are in the month of January, it is quite a sensitive time to be discussing anything with regard to the markets. And since there is a quarterly conference call, which was expected immediately after the Board meeting, we felt that it is better to answer the questions in a conference call.

Moderator: Thank you. Next question is from Shrikant Maniyar, retail investor. Company trades at 4 or 5 P/E and price/NAV of 0.6, which is not valuing the company as it should. With substantial cash in hand, are we also looking for acquiring some companies and diversify, or will we wait for ships prices to come down?

Rahul Sheth: No, we are not currently looking to buy any companies and diversify. We will continue to invest in the shipping business.

Moderator: Thank you. Next question is from Dhruv Jain from Ambit Capital. In Cal 25 and Cal 26, we are seeing increasing product tanker deliveries. Does this mean that rates continue to be weak across Cal 25 given weak crude demand environment? What could change this equation?

Rahul Sheth: So, yes, on the product tanker side, we are seeing increased deliveries. We have to also keep in mind that the age profile of the tanker fleet is also very old. And how many ships, you know, if scrapping picks up or not, whether terminals will accept the ships or not, and of course the impact of the sanctions. We don't even know whether the sanctions will increase because if Trump wants to put more pressure on Russia, there could be additional sanctions as well. And I think that sanctioning regime has also gotten tighter over the past few years. So, that can also restrict the supply.

Moderator: Thank you. Next question is from Rajesh Khater, an individual investor. 1. Can you explain the profitability metrics of your leasing business? And second question is, if the mail is sent in any other month after the results are already declared, can we expect response?

G. Shivakumar: Yes, so the profitability metrics of the leasing business or the in-chartering business is that we take in a ship on a long-term contract, maybe 2 years, 3 years, 5 years at a fixed rate, and we run that ship taking the risks and benefits of the spot market and therefore maintaining our capacity and our ability to service the customers.

This one would do in a high market where the worry is about the capital value of the ships falling. And that's where you would, so let's say you take in at \$30,000 per day and you earn a spread of maybe, or you earn \$33,000 a day on that ship. That \$3,000 a day is earned without putting in too much capital except for the working capital which is associated with the ship.

Coming to the next question, yes, so long as the question does not ask for any sensitive information, there will be a response.

Moderator: Thank you. There is a text question from Rajesh Khater, an individual investor. Considering the high order book for fleet supply, even though most of the new fleet will come in CY2027, it seems the best hope case for freight rate increase is this year and next year only. Is the understanding correct?

Rahul Sheth: I think it's impossible to draw this conclusion to say that where the freight rates will land up. I think just seeing one side of the equation of supply is too narrow.

Just to give you an illustration, in the gas market, which is the LPG market, we have seen a very high order book for the last 10 years, and the earnings have been very good even for the last 10 years because the demand has always surprised to the upside. Of course, there have been years of weakness in between, but demand is sometimes very difficult to gauge. And we have to also keep in mind the ton-mile impact.

So, if you see even the impact of the Russian war, a lot of that has to do with disruption in the trade. So, the demand, the absolute demand numbers may not have changed substantially, but the trading patterns have. And that caused the market to be where it has been for the last three years. So, I think just taking this one point is too narrow.

Moderator: Thank you. We have a question from Riya Mehta from Aequitas investments. Why will we in-charter when asset prices reduce? Should we not buy then? And second question is the asset prices of Product ships have reduced. how much will this impact us since this was our growth trigger?

Rahul Sheth: So, when we are balancing between an in-charter and buying a ship, let us just take an example. Let's say we are in-chartering at, just to take a base here, at \$100. Let's say you are paying \$100 a day to in-charter a ship for, say, five years. When you are buying a ship, eventually you have a break-even because you are investing capital, and you have to make a return on that. So, you have to value the two and see which one is the better deal.

Of course, at points in time, you may not get sufficient in-chartering deals, you may not get sufficient or attractive enough purchase deals. So, then you may have to choose the deal you have on the table. But broadly, that's the math one does. The asset prices of product ships have reduced. How much? Sorry, I didn't understand your second question. Shiv, can you take a look?

G. Shivakumar: So, the asset prices have reduced. This will not really impact us. I mean, if it reduces more, we will have an opportunity to buy.

Moderator: The next question is from Surendra Yadav, an individual investor. What's the succession planning with reference to promoter family?

G. Shivakumar: Yes, in this case, I think this is a very significant question, which I don't think we can answer here. But the fact is that the company is, while there is a promoter group, the company is run by a group of professionals below the promoter level. And all plans are in place. And these are regularly discussed as well with the Board.

Moderator: Thank you. The next question is from Riya Mehta from Aequitas investments. In the next 5 years, do we have any ship which will be due for scrappage?

G. Shivakumar: So, there are always ships which will be aging and which may fall. If you just do a forward look at the next 5 years, there will be ships which are aging and which might have to be scrapped. As I mentioned, it is a long time since we scrapped a ship itself because we sell them to other players who continue to run them.

We operate in the international markets, typically, where the age restrictions are much more stringent. But other players can operate in specific niche markets where they can operate for longer periods. We typically sell our ships, older ships there. So, it's unlikely that we will be actually scrapping ships ourselves.

Moderator: Thank you. Next question is from Shrikant Maniyar, retail investor. We are still not interested for bidding on Shipping Corporation of India?

G. Shivakumar: No.

Moderator: Thank you. Next question is from Rajesh Khater, an individual investor. When asset prices eventually drop, they may drop due to drop in freight rates. Can bad times be good times for GE Ship in the sense that that's the only time you will buy ships, but during that time, the freight rates may not be good?

Rahul Sheth: That's actually probably the best time to buy ships because what happens is the spot market or the freight market may be bad for a certain period of time. If you get the asset value, if you are

able to do a large part of the expansion at that point in time, you will have much lower break evens and your assets will last much longer than the period at which the freight rates are poor.

So, all the ships we bought in CY '16, '17, '18, which are the lower end of the cycle, they are all there today and you are benefiting from the earnings that have been generated in the last few years. So, yes, basically you have to place yourself well to take advantage of the low market where you can expand or the high market where you are able to trade in a manner in which you can take benefit of the higher freight market. So, you have to prepare for both types of markets.

G. Shivakumar: And you are absolutely right. The freight rates are not good at that time. Your profitability will be affected and we have seen our shareholders have seen this in the past. After we did that massive expansion in 2016 to 18, we actually had a year where we declared a loss because the rates were not good. But eventually it makes a lot of money and makes good returns for the shareholders. But you are absolutely right. That's the time when we will hopefully be looking to do our CapEx.

Moderator: Thank you. Ladies and gentlemen, I now hand over the call to Mr. G. Shivakumar for closing comments. Over to you, sir. Sir, any closing comments from you?

G. Shivakumar: Yes, no closing comments. I can see one more question from Mr. Khater. Eventually, yes, we plan to have a much larger fleet. We will not put a number to it. It depends on how much we are able to buy and at what prices. So, eventually our plan is to grow. It's just that the business does not lend itself to growing on a linear basis. So, you will have some periods where we will have quick growth as we had in that period, 2016 to 18, and some periods where we will just be consolidating and collecting the cash for the next round of opportunities.

Thank you everyone for joining us on this call. As always, the transcript and the recording will be up on our website in a couple of days. Thank you. Thank you, Yashashri.

Moderator: Thank you. My pleasure, sir. Ladies and gentlemen, on behalf of GE Shipping, you may now exit the meeting. The call has been concluded for today. Thank you.