

**THE GREAT EASTERN
SHIPPING COMPANY LIMITED**
CIN: L35110MH1948PLC006472



OCEAN HOUSE, 134/A, Dr. Annie Besant Road, Worli, Mumbai - 400 018, INDIA. Tel.: +91(22) 6661 3000 / 2492 2100 Fax : +91(22) 2498 5335

Our Ref.: S/2024/JMT

November 13, 2024

BSE Limited

1st Floor, Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001

National Stock Exchange of India Limited

Exchange Plaza, 5th Floor, Plot No. C/1,
Bandra Kurla Complex, Bandra (East),
Mumbai – 400 051

BSE Scrip code: **500620**

Trading Symbol – **GESHIP**

Sub: Transcripts of Earnings call conducted on November 11, 2024

Dear Sir/Madam,

Further to our letters dated November 04, 2024 and November 11, 2024, please find enclosed transcripts of the earnings call held on November 11, 2024.

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 Q2 & H1 FY25 Earnings Conference Call”

November 11, 2024



**MANAGEMENT: MR. G. SHIVAKUMAR - EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER, THE GREAT EASTERN SHIPPING COMPANY LIMITED
MR. RAHUL SHETH - 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 September 30, 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. Over to you, sir.

G. Shivakumar: Thank you, Yashashri. Good afternoon, everyone, and welcome to the results call for Q2 & H1 FY25.

We will do a quick run through the presentation. I am joined by Mr. Rahul Sheth and we will be happy to take Q&A after that. usual disclaimers, we are not forecasting earnings. We have a large exposure to the spot market, so we are also not giving any guidance on our earnings.

We had a net profit of Rs. 576 crores on a consolidated basis for Q2, higher than the Q2 of last year, but slightly lower than Q1 of this year. The consolidated NAV is at 1,463 per share at the midpoint of valuations. And we have had the 11th consecutive quarterly dividend of Rs. 7.20 per share for Q2 FY25. With this, now we have paid out about Rs. 80 in dividend over the last 2.5 years and if you consider that our stock price was about Rs. 340, we have paid out almost a quarter of that in dividends in a period of 2.5 years.

You have seen the results. I won't go too much through the results. And we will go through the markets really rather than what the numbers are looking like for the results. Of course, you can always ask questions in the Q&A.

We continue to be significantly net cash. We are about \$400 million net cash as of 30th September and after that we have become even more net cash. The net asset value is around the same levels as it was in June, so we are at 1,184 per share standalone and as I mentioned earlier about 1,463 per share on a consolidated basis. Not going to go through these numbers.

Profitability continues to be very strong. This is what has happened to TCYs and why we see the difference in performance. While we had crude tankers dropping off versus Q2 last year and versus Q1 of this year, we had product tankers slightly better than Q2 of last year, but significantly below Q1 of this year. A lot of it was made up by LPG, where all our four vessels were repriced during the last year or so, and have got repriced at significantly higher rates than their previous contracts. So, that compensated significantly for the drop in earnings from last year for the crude tanker. And dry bulk also was significantly better than in the year-ago period.

Changes in standalone NAV:

We had about a little less than Rs. 200 increase and Rs. 200 came from the cash profits that we made during the 12-month period and of course we paid out a significant dividend in this period as well. Over the last five years, we have seen our NAV move up very steadily and with a CAGR of 23% over the last 5.5 years from March '19 to September '24.

On a consolidated basis also, it's a similar story. The increase in the NAV in the year is due to the cash profit and not due to the fleet value and the drop, if any, is due to the dividend and a minor change in fleet value.

Coming to what happened in the market which led to the results you saw. We saw Suezmax earnings around the same levels as last year. We also saw product tanker earnings significantly lower than the year-ago period. This is for the 6-month period that I am talking about.

And what were the fundamentals like? Of course, in Q2 of the financial year, you typically have a seasonal softness, the summer season in the Western Hemisphere. Crude trade itself declined by about 3%. Refining margins were very weak through the quarter. They have now started recovering a little bit in the last couple of weeks. In Singapore, refining margins are back to their 10-year averages. So, hopefully that should have some impact on rates going forward. A significant factor again was Chinese crude imports falling 8% year-on-year. For the first nine months of 2024, we are seeing a drop of 0.9 million barrels a day in crude oil imports into China. And that's a significant factor. While of course, the crude tanker fleet hasn't grown, it's more or less flat compared to the year-on-year levels. Product tanker earnings were also weak as I mentioned and seaborne product trade did decline, again, the same factors, refining margins. While the product tanker fleet saw a small growth of 2% year-on-year.

What has also happened and interestingly we have seen this happening in the last couple of quarters, is that while the conflict in the Red Sea contributed to ton-mile growth for the larger product tankers LR2s which typically carry diesel from the Middle East or from West Coast of India to Europe. And they had to divert all the way around the Cape, around Africa. We saw now VLCCs and Suezmaxes cannibalizing some of those cargoes, which resulted in weakness in the product tanker rates.

What we are also seeing is that as crude tanker rates move up, and these have moved up a little bit, not very sharply, you should hopefully see VLCCs going back to the crude trade and therefore freeing up those cargoes for the product tankers. Asset prices have remained firm. Order books have increased, and we now have almost 10% order book for crude tankers and 21% for product tankers as the order book. We will see the delivery profile of those towards the end of this presentation.

On dry bulk, we saw the rates for Capesizes doing significantly better than in the previous year. So, you are 60% better in the 6-month period than in the previous year. I think the Q-on-Q was even more spectacular in the difference. While the subcapes were not doing that well, they also did a little bit better than the previous year. So, the main factor driving dry bulk earnings and

trade was strong bauxite imports into China, which grew at 15% year-on-year in Q2. Iron ore imports also were steady. While not seeing spectacular growth, they grew by 2% during the quarter. Coal did not contribute much and grain trade also was flat. While dry bulk hasn't had much of an impact from the Red Sea disruption, that whatever small disruption, which was estimated about 2%, continued as vessels traveled around the Cape of Good Hope. The fleet grew by 3% year-on-year. The order book continues to be fairly subdued at about 10%. Asset prices for the smaller vessels declined by about 10% to 15% during the quarter. But capes remain steady because their earnings have been supporting asset prices.

LPG, all our ships, as I mentioned, are fixed on the time charter. The spot market has come off significantly. So, you can see that difference, in the first 6-months of last financial year, the average spot rate was almost \$90,000 and now it's dropped to below \$45,000 a day. So, that's more than a 50% drop. Asset prices continue to stay at all time high levels and the order book is also very high at about 25%. Here the Panama Canal disruption which took rates up towards the end of last year and early 2025 has now completely normalized and so that is no longer a factor.

Coming to fleet supply, we already spoke about the order book here, so I won't go into that. But the significant factor is this. The most of the order book is rear ended, so there are not too many ships while you order book, for instance, for product tankers at 21% looks quite heavy. Most of those are coming in 2026 and beyond. The growth in calendar 2025 is fairly subdued. It's about 6% for product tankers and less than 2% for crude tankers. For dry bulk, again it's about 2% to 3% percent while rest is for 2026 and later, it's about 6%. LPG also in the first year, which is in calendar 25, it's less than 5% delivering during the year. Most of it is delivering in 2026 and 2027.

Scrapping continues to be very low. All the sectors are making reasonable earnings and therefore scrapping continues to be extremely low.

We showed this earlier, so just to give some sense of perspective on the order books versus the old fleet, the old fleet continues to be pretty high, especially in crude tankers. And if you just balance that versus the fleet which is to be delivered, then you'll see that the order book is not too much of a concern.

Looking at asset price movements, asset prices continue to be strong but they've come off marginally in the case of crude and product tankers. These are marginal changes in the prices, not significant. In dry bulk, they came off a little bit in the last quarter. In the slightly older and in the smaller dry bulk ship, that is the subcapes.

Coming to Greatship, the oil field services subsidiary, jack up utilization globally continues to be okay, though you had a small shock happening in the middle of the year. You can see that downward turn it took in the middle of 2024, after those rigs were all fired by Saudi Aramco. But it stabilized from there. We of course, in the last two quarters had those unfortunate situations where two of the rigs we had bid into tenders in India, those tenders were cancelled.

So, we have the rigs coming off contract. So, one rig has come off our earlier three-year contract, but she has now obtained the business. It's a short-term business with a minimum of 4.5 months going up to approximately a year. This is in India itself. So, that's one rig. The second rig will probably come off sometime in the next three months or so and we will be looking for work for her.

There are a couple of businesses that are out. One is a short-term business and one is a three-year business. We will be, these are both in India, we will be bidding for those businesses. In the meantime, we are also looking outside, but there are not too many prospects as of date that we can talk about that are anywhere close to getting awarded. We also have five vessels coming up for repricing in this 6-month period.

Our CSR Foundation continues to do a great work. We have affected the lives of many, many people through these NGOs that we partner with. For more details, please visit our website.

Thank you. That brings me to the end of the presentation. Now we are happy to take any questions.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. We will take our first question from Nirvana Laha from Badrinath Holdings. Please go ahead.

Nirvana Laha: Sir, actually my questions are all regarding Greatship. So, the first question is regarding the two rigs which could not be bid in with ONGC. The first rig that you said that had already obtained work, if you could give us an indication of the day rates there? And for the second one, the three-year contract that you are evaluating, if you can let us know whether that is with ONGC or with somebody else?

G. Shivakumar: The day rate, on the second one, we won't get into too much detail, but it's around the rate that we last got a three-year contract from ONGC, the last awarded rate for a 3-year contract with ONGC. That's the day rate at which we are working in this short-term contract as well. Now your question on the other 3-year contract was, sorry, I didn't quite get that.

Nirvana Laha: The question was, was it again ONGC who was taking out the tender or is it some other client?

G. Shivakumar: Yes, that is correct.

Nirvana Laha: Actually, I just wanted to understand what you think is happening with respect to ONGC because as with regards to the global market for jack ups, I think the market continues to remain tight and there's no absolutely no new builds happening. That is my understanding. So, what do you think is happening with ONGC in the Indian market and how do you see utilization of your rig assets especially going ahead and would you be exploring international waters as well, if you

feel that ONGC is not, for some reason, not working out? So, just want to understand your views on the overall jack up market and what's happening with respect to ONGC in India?

G. Shivakumar: We don't know. We are not privy to the thoughts as to what's happening with these tenders and why they got canceled, etc. So, we won't get into that because that would be speculation. They do require rigs for doing their work. They have quite a few rigs coming off contract apart from ours. They will have quite a few rigs coming off contract within the next 12 months. So, presumably if they want to retain that drilling capacity, they will need to come out with tenders shortly. So, that's one. With regard to the international market, yes, in principle we would like to go international, but it takes time to get pre-qualified in any of these regions. You mentioned that the market is tight. It's not that tight. There are still quite a few rigs that were suspended from Saudi Aramco contracts, which are there in the Middle East, while some of them have got alternate contracts. There are a few which are still looking for work. So, there is some capacity out there. Some rigs are available out there and always, somebody who's always in the region, a rig which is in the region already, is of course in the front runner position to land a contract in that region because of the cost of moving and setting up in a new region.

Nirvana Laha: The final follow up on that, those rigs which were in the Saudi area which are available, they have the necessary fit outs to start work with ONGC or you think that that's a long process? So, just trying to understand the supply that can come in.

G. Shivakumar: Typically they wouldn't have the fit outs required. But the spec of the rig itself might be not compatible with what ONGC requires. So, typically, every contract requires different equipment. And these are the little nuances of each contract. And so, but that can be procured. So, that is not the constraint really. It's more on the design of the rig itself. ONGC has a specific requirement when working on the West Coast on **Padma** which is a footprint of the rig and if the rigs are not able to meet those then they will not be able to bid into ONGC typically.

Moderator: Thank you. We will take a next question from Shantanu Pawar, an individual investor. Please go ahead.

Shantanu Pawar: My question is regarding this recent news article that had come out which was stating a rule requiring international container line operators operating on Indian sea routes to allocate at least 5% of their volumes for domestic operators. So, is GE Shipping entering into the container shipping business and if yes how feasible is it to acquire secondhand container ships at current prices in terms of profitability. And lastly, do you think there is any preferential treatment that PSUs could get while getting allocated those 5% volumes?

G. Shivakumar: One is, I'm not sure how this 5% works. I've seen that article as well. We are not quite sure how that 5% will work. But coming to your question on what we can do, it's not difficult to acquire a ship. Ships are always transacted. It's not difficult to acquire. Ship prices are pretty elevated now because the markets are quite strong. Container ship markets are quite strong. And therefore, we will wait for the right opportunity for an entry into the container ship business. But

on the 5% thing, we don't know how it will work and how it can affect someone who's operating container ships.

Shantanu Pawar: And what about the preferential treatment? Do you think the government could perhaps allocate more towards the PSUs?

G. Shivakumar: Again, we just don't understand that business enough to comment on how that could work. So, I won't get into it.

Moderator: Thank you. We will take our next question from Mohammed Farooq from Pearl Capital. Please go ahead.

Mohammed Farooq: Our Company has consistently delivered the quarterly average profit exceeding Rs. 600 crores for the past 10 quarters. And with over 70 years of experience and solid management and the cash reserve exceeding Rs. 6,000 crores. Now the Company operates in a sector that has experienced a turnover in the last four years. However, despite all the strong fundamentals, Company's valuation remains notably low with the PE just of 6. Now given this, I would like to understand whether the management views the current valuation is a concern or it is not a priority at this stage. Would you please outline the steps being taken?

G. Shivakumar: We don't put targets on the valuation. We are not experts in stock market valuation. We have some views on what ships should be priced at and at what levels one can buy ships. So, we focus on that. As far as taking steps on the valuation is concerned, because we don't have necessarily a view on that, we are not going to say that this is, to push saying that this is the price at which it should be. However, we will, and this is what we endeavor to do in our communication with any investors, is to put our record, as you mentioned it so well, put our record of delivering the results and let the investors judge for themselves.

Moderator: Thank you. We will take our next question from Surendra Yadav, an individual investor. Please go ahead.

Surendra Yadav: I have some question on the financials. So, I could see a quarter-on-quarter drop in other income. And this is on back of increased cash and bank balance. If you could provide a breakup of this and the reason for decline in that? I'm speaking of console financials.

G. Shivakumar: So, yes. You are talking about drop in other income from Q1 or Q2 of last year?

Surendra Yadav: From Q1, so Rs. 127 crore in Q1 and 97 ...

G. Shivakumar: This is a contribution which comes from our overseas subsidiary which does investment in various instruments, basically equity shares of listed shipping companies overseas. This is our chartering subsidiary and investment subsidy which is based in UAE. There the prices came down and therefore their contribution to the results came to the other income came down.

Surendra Yadav: So, I mean, this is kind of a chunky income. It is recognized whenever the investments are kind of liquidated?

G. Shivakumar: This is recognized on a fair value to P&L basis. So, mark-to-market is also recognized.

Surendra Yadav: And just a couple of questions on the P&L as well. I could see that quarter-on-quarter increase in finance cost despite again, a decrease in debt. So, has there be any repricing in the debt that we were doing?

G. Shivakumar: Yes, this is consolidated you are talking about, I presume?

Surendra Yadav: On the standalone basis, it seems quite flat.

G. Shivakumar: So, in the offshore business, that's Greatship, we refinanced a loan, which is about \$100 million in March of this year. The earlier loan had been partially swapped into fixed rates when rates were low, and therefore that interest cost was lower. Now the entire loan is exposed to floating rates, which are obviously higher than the swap rates at which we had swapped earlier. And that's why the interest cost is higher versus the last year. So, for instance, just to give you an example, it may have been swapped at 1.5% LIBOR or the equivalent benchmark. And that part is gone now. And the current spot benchmark rate is 5%. So, therefore, the interest cost is higher.

Surendra Yadav: Can I assume the logic would be that we are expecting a decrease in benchmark rates, so probably that would help us going forward?

G. Shivakumar: Yes.

Surendra Yadav: And just one last question on the other expenses line item, again this saw jump of Rs. 20 odd crores. So, was any dry docking or something like that which came during the quarter?

G. Shivakumar: No, dry docking doesn't come into other expenses. What happens in other expenses is, when you in charter a vessel that goes into other expenses. When we take in ships on charter, that goes into other expenses. So, we took in a ship on charter during the quarter, and that resulted in an increase in the other expenses line.

Surendra Yadav: And just one last question, and I will join back the queue after that. I could see some investment in subsidiary loan to subsidiary in the standalone cash flows from Rs. 90 odd crores. So, could you please provide the details on the nature of the investment and to which subsidiary this was given?

G. Shivakumar: We set up this subsidiary in the GIFT City. The government has come out with a scheme for ship finance and leasing in the Gandhinagar Gift City, under which we set up a subsidiary, which has started operations in the last 4-5 months. So, some of this capital has gone towards capitalizing that subsidy. There was some equity capital and over and above that, we also put in

some debt. Now, what is the business of this subsidiary? I just mentioned to you that we in-chartered a ship. This subsidiary is in-chartering ships. So, it is taken in one product tanker on a 4.5-year charter and one crude tanker on a 3-year charter. So, that is the business of this subsidiary and this fund which has gone into the subsidiary from Great Eastern Shipping Mumbai, is to fund the working capital. One is equity and then there is a loan to fund the working capital.

Surendra Yadav: If you could just say the benefit of doing it via subsidiary and not through the main entities?

G. Shivakumar: It is a beneficial tax and regulatory regime, which has been set up in the Gift City in Gandhinagar. So, that's the benefit of doing it through the subsidiary. We were actually doing this activity through our chartering subsidiaries in Sharjah and Singapore earlier. And now that these benefits are being given in the Gift City in Gandhinagar We decided instead of doing it from the overseas subsidies, to do this activity from Gandhinagar.

Moderator: Thank you. We will take our next question from Shivan Sarvaiya from Humiviction Investment Advisers LLP. Please go ahead.

Shivan Sarvaiya: I had a couple of questions. One was on slide number 12, where you have shown the revenue days that are done in Q2 versus Q2FY24. So, there has been a reduction in the offshore logistics segment. So, just wanted to know the reason for that. And in continuation to that, on slide number 17, you also shown the MPSSV offshore vessel having a coverage of only 14% for this quarter. So, if you could just clarify on that?

G. Shivakumar: The revenue days, there are two factors there. We had several dry docks during the quarter, which is a reduction in the revenue days. The two MPSSVs, one of them underwent a dry dock for a significant part of the quarter. The other MPSSV and typically these MPSSVs have worked on short-term contracts because that's where we get maximum value. They are extremely marketable in the international market and we get best value from short-term contracts there. So, therefore we have those vessels typically will have very limited coverage at any point in time. However, also this time, one of these vessels is operating on a very short-term contract. And the other one is waiting for a business.

Shivan Sarvaiya: Sir, if you could kind of say what has been the average coverage over the last few quarters and is this little lower than your that, but if you could....

G. Shivakumar: This is a little lower than that. Of all our ship types in the offshore business, this always has the lowest coverage. But this is lower than the normal. This is lower than it used to be before. Again, because one of them is sitting without business. So, it has 0% coverage.

Shivan Sarvaiya: Sir, are we expecting anything? Hasn't done some bidding or?

- G. Shivakumar:** We are bidding into contracts all the time. So, it's just a question of time. The thing with the offshore businesses, the business only comes when there is an offshore asset in operation and you require the support from the MPSSV. So, it's like a project-based business for these high-end vessels. And that's why you have these gaps in between.
- Shivan Sarvaiya:** And there aren't any dry docks in this particular quarter and maybe the next quarter, right? Or are we expecting some more dry docks?
- G. Shivakumar:** No, we actually have some dry docks coming up now also in the offshore business. This is going to be a fairly busy period.
- Shivan Sarvaiya:** So, basically we can expect a better revenue day moving ahead right?
- G. Shivakumar:** In the vessels, hopefully yes.
- Shivan Sarvaiya:** So, then in the one rig that is going to be coming for repricing in this current half are we expecting any idling or it's going to be a straight away shift to the next one?
- G. Shivakumar:** We don't know because we still have to bid in that tender and we don't know when it will be awarded also. So, it's anybody's guess.
- Shivan Sarvaiya:** So, the difference between the time in which it is awarded and the time when the current rate goes off of charter, do you all get an extension? Are you expecting an extension?
- G. Shivakumar:** Not between the time. Sorry, I didn't get that.
- Rahul Sheth:** Just keep in mind that even if we bid and we win in ONGC, the two contracts are separate. So, it's not like ONGC is going to take the previous contract, extend it, and roll it into the second. Secondly, between contracts, when the rigs finish their work, when they've taken off contract, we generally have to spend a certain amount of time repairing, upgrading those rigs. It's like similar to dry docking. So, you have to have a gap between the two contracts, especially when they're long-term contracts.
- Shivan Sarvaiya:** I had another question. We have seen like the asset prices as you all have covered in the presentation that they have come off a bit in certain categories of business and for certain categories they have kind of plateaued. So, if you could give some understanding in terms of how far are we or are we in that 15% IRR return that we keep targeting for in terms of asset acquisition? And how close are we from that?
- G. Shivakumar:** If you look at the other aspect, you have to remember one thing. When you are looking at what kind of return you can get, it's a function of what you pay for the ship and what you expect to earn. And your earning expectations will keep changing from time-to-time. So, it's not a static number that helps one buys ships. However, having said that, the tanker prices have only fallen

a few percentage points. So, it's a very marginal drop. So, there's quite a long way to go. But on dry bulk, we have seen a more steeper fall of 10% to 15% depending on which asset class it is. For example, on the capsizes, which are the largest asset class, it's even less than 10% fall. But on the subcapses, it could be starting to get a bit interesting on the pricing we can see.

Shivan Sarvaiya: Are we looking at assets currently as we speak?

G. Shivakumar: We are always evaluating, but at the moment, there is nothing that we can really comment on.

Shivan Sarvaiya: And one more question, we sold Jag Rani, the Supramax. Now the vintage of that ship was like 13 years around. It was built in 2011. But we already have an older ship called Jag Radha. So, why was that not sold? And why was a younger vessel sold? Any particular reason for that?

Rahul Sheth: One is that we felt like the 2009 just the yard from which that ship is built is a better quality yard, so we thought it would be better off to hold on to the 2009 versus the 2011. Two years is not a very big difference in age. So, we prefer to hold on to the ship with a better quality construction.

Shivan Sarvaiya: Just one more question, if I may. This was regarding the other expenses. So, if I kind of just consolidated minus standalone, I see a rise in the other expenses in the rig basically that would majorly be the offshore business in this quarter, so what was the reason for that? Was there any kind of one-off refurbishment expenditure that were taken in this quarter?

G. Shivakumar: So, it's not in the offshore business, it's in the shipping business itself. I was mentioning to the earlier person that we have inchartered two vessels. So, that charter hire that we are paying out comes under other expenses and that's the increase in other expenses that you are seeing.

Moderator: Thank you. We will take some text questions. We have the next one from Priyam Shrivastava from DK Capital. What is average long-term return on NAV at an industry level?

Rahul Sheth: We don't know what the return is at an industrial level. It's not like the sector is only with the publicly listed companies. A large percentage of this business is privately owned, and we just don't have access to that information.

Moderator: Thank you. We will take the next text question from Himanshu Upadhyay from Buglerock PMS. We have seen spot rates for LPG carriers have fallen. Are the period charter rates also falling? And do we have any contracts which is getting over in this FY for LPG carriers?

Rahul Sheth: So, firstly, we don't have any LPG carriers coming off in this financial year. And yes, the spot rates have come off and the period charter rates have corrected, but not to a similar extent. We will have to see over the course of the year what happens to the period charter rates.

- Moderator:** Thank you. The next text question is from Ajay Gawri, an individual investor. If further investments in assets don't make sense at the moment because of the market cycle, has the Company thought of buyback given the value it can unlock for shareholders?
- Rahul Sheth:** We do constantly evaluate whether a buyback would make sense or whether it would make more sense to wait on the cash for the asset prices. Our preference is always to invest more in building, renewing the fleet and having more ships. So, we do evaluate it, but at the moment we have no such plan.
- Moderator:** Thank you. We will take the next question from Jinesh Shah from RSPN Ventures. Please go ahead.
- Jinesh Shah:** My first question was with respect to the fleet number. I can see that we had sold out two fleets in the current quarter and like we are expected to sell more fleets in H2 FY25. So, I wanted to ask that, are we like replacing this with younger fleets or what is the management planning about it?
- G. Shivakumar:** Yes, so for most of the ships that we have sold, we have replaced them with younger ships, either through purchase or in charter. I think only on the Supramax vessel we have not bought a ship against that sale, but that doesn't mean we won't buy one in the future.
- Jinesh Shah:** So, by the end of the year, what is the number of fleets that we can expect?
- G. Shivakumar:** We can't put a number to that, but we keep evaluating because as you can imagine, it takes a bit of time to figure out and negotiate a transaction. So, again, it will depend on the price that we are getting, whether we buy more or sell more. But we expect to be around these numbers in any case, not a significant variation downward. If we get great opportunities to buy, we may go up with that.
- Jinesh Shah:** So, my next question would be with respect to offshore business. So, I don't want a formal guidance, but since we can see that in H2 FY25, we have like four vessels and one rig that are re-pricing, so can we expect a better performance and much better performance than H1 in the next half of the year in offshore business segment?
- G. Shivakumar:** As it stands, it is somewhat unlikely. Just let me tell you why. In the first quarter, so the first quarter was a very good quarter for the offshore business. All the rigs were working, and all the vessels were working also. In the second half of the year, you have one rig, which is currently between two contracts and therefore will have around 60 days or higher, which means no revenue is being earned in that period. The next rig will come off in the next 2 to 3 months. That rig will also have significant off hire. Even if she gets a contract, she will have off hire as Rahul described earlier. Between contracts, you typically have an off hire period. And you also have to spend the money on the rig to upgrade for the next contract. So, all of those make the profitability a little subdued for during that period because it makes a big difference. Sixty days of a rig not earning

is a significant amount of impact. But what happens is, as soon as you get the contract, then you go back into, then you get the revenues and everything else.

Jinesh Shah: So, we might see a little bit of subdued environment in this offshore business segment in the next half of the year, right?

G. Shivakumar: That is correct.

Jinesh Shah: Just one last question from my side, since I was newly evaluating this Company, I was just understanding the technical jargon of the order book Whether my understanding with respect to that is correct or not that, can you just explain that whether it is like the ship that is to be delivered in next 2 to 3 years or that is the percentage of it or how is it?

G. Shivakumar: The order book refers to all the ships that are placed on order depending on how full the yards are depends on when the ships get delivered. So, typically we have seen that yards may take up orders up to maybe three years in advance or you know owners may not want to also build 4-5-6 years in advance right even if slots are technically available. So, generally, one can assume that this order book is to be delivered within 3 to 4 years. And thanks for asking the question, because we'd like to clarify. The order book is, in some companies, the order book is what is their revenue backlog. When we talk of order book, it is of the global fleet. If the global fleet of a particular type of ship is at 100, how many ships have been ordered, which will join the fleet in the next few years? So, when we say the bulk arrear order book is at 10%, that means if your bulk carrier fleet is a billion tons carrying capacity, you have about a hundred million tons of carrying capacity that has been ordered for delivery over the next over the next 3 to 4 years.

Moderator: Thank you We will take our next question from Surendra Yadav, an individual investor. Please go ahead

Surendra Yadav: My next question was with regarding the presentation Slide #14, the changes in standalone NAV? I just wanted to understand whenever your transaction for a sale of asset is done, how exactly does it affect these values? Is it recognized as a profit or like a decrease in fleet value, if that could be clarified?

G. Shivakumar: Good question. It goes into the profit so that profit goes there. So, you moved it from the MTM which is in the fleet value to the realized which is the cash profit. So, all the cash profit that we have recognized in the last 12 months, between September '23 and September '24, has gone into cash profit. And it has gone out of fleet value.

Surendra Yadav: And the MTM changes in the fleet value, which has not been sold, that is captured in the fleet value changes?

- G. Shivakumar:** So, let's just take one example. Let's say you had Rs. 10 per share of profit sitting in one vessel, one ship. You sold that ship at that price, that 10 gets transferred from fleet value. Fleet value goes down by 10 which is a gain, and it goes to cash profit.
- Surendra Yadav:** So, the fleet value that we are seeing here it is a mix of the transaction of ships that have been done and the changes in the value of the ships.
- G. Shivakumar:** That's correct. But in general, versus a year ago, asset prices are up. That's a broad message, but this has happened because it has got transferred from one to the other. So, you have to take a negative entry on the ship which has been sold. So, it's moved from mark-to-market gain to realize gain. So, your mark-to-market gain comes down. That's what it means.
- Surendra Yadav:** Just one request, if a similar breakdown on a quarter-on-quarter basis can also be provided. I think that would provide a clearer picture of what has happened in the quarter.
- G. Shivakumar:** Fair enough. We will keep that in mind.
- Surendra Yadav:** And my second question was that, generally I think the preference, at least in the crude and product segment has been to operate the fleet on spot as much as possible. But what I've been seeing is that same strategy is not being followed on the gas carrier segment. So, is it inherently due to a different market of gas carrier or just that the values were so high that we thought it would be good rate to fix in longer term charters?
- G. Shivakumar:** No, it was just because we thought it was good to take the opportunity and fix up the fleet. But if we believe that the charter rates are not sufficiently good, then we have no problem running them on the spot market. The one MGC that we have is different, that is the smaller gas carrier. That one inherently needs to be fixed out because the spot market is very limited. But the three VLCCs, the larger ones, they can be easily run on the spot market.
- Moderator:** Thank you. We will take our next question from Amit Khetan from Laburnum Capital. Please go ahead.
- Amit Khetan:** Sorry, I joined a little late, so maybe you've already addressed this question. If I look at the offshore earnings for this quarter, they look a little subdued compared to the last couple of quarters. Is there any one-off element here?
- Rahul Sheth:** Not a one-off. The two big vessels, the MPSSV, both had low utilization. One of them actually had a commercial utilization issue, which is she didn't have a contract. She was available, but didn't have a contract. The other one had a combination of a commercial utilization issue and a dry dock. So, therefore, the revenue was low. That was a big difference really in the quarter. And these two are the high earning, very high spec value.

Amit Khetan: Second question was, in the past, you've talked about possibly evaluating the container segment. Now, given the new administration in the US and the commentary around how that's going to negatively impact the container shipping segment, plus when you juxtapose that with the massive order book on the container segment in the next few years, it looks like the asset prices there could get very interesting. So, have we accelerated our thinking or process in this step?

Rahul Sheth: The point that you make is quite relevant. The fundamentals do line up to say that maybe the container market could come down. But you should just remember one thing that when COVID hit, every single report and every single analyst thought the entire container market has gone for the next few years. And then you had probably the largest boom ever seen in the container space in like 60 years. Then again, the container market started coming off because of the order book and then you had the Red Sea attack and again the container market took off. So, while what you are saying is logical, one can't assume that that's what's going to happen. Secondly, we did see this round of tariffs that Trump did in his first term and there is a way of water always finding its own level. So, you found that while a lot of goods didn't directly land up at US, we went to Mexico, we went to Canada, we went to other areas. We have trans-shipped, repackaged, and moved into the US because eventually, the US needs those goods. If they increase the tariffs to a rate where US just starts consuming a lot less, then yes, that's negative for demand. But if it gets rerouted, repackaged, and sent back to US, you may actually need more ships to do that. So, it's very difficult to say exactly the way it would pan out. But the point that you are making is correct that if the market comes off, then we could get good opportunities to buy. In any case, we are ready to move whenever the opportunity comes. You don't have to do too much preparation for that.

Amit Khetan: So, we are prepared to take advantage in the container, because this is a new segment for us or at least we have not been in this segment for probably maybe 20, 25 years or so?

Rahul Sheth: That's right. We have not been in this sector, but we have the capabilities of running different segments of shipping, so that won't stop us if we find the opportunity.

Amit Khetan: And is there a scale requirement here in the sense that it's not enough to just buy 1 or 2 containers, and you need to buy a bunch of container ships?

Rahul Sheth: No, you can have a smaller fleet as well. That's fine. The scale requirement is for the liner operator, which is a completely different business. So, we should not discuss that.

Moderator: Thank you. We will take our next question from Ajay Gawri, an individual investor. Please go ahead. Thank you.

Ajay Gawri: I had a question regarding the buyback. I think it has been answered by the manager.

Rahul Sheth: Yes. It has been.

- Moderator:** Thank you. We will take the next question from Anuj Sharma from M3 Investments. Please go ahead.
- Anuj Sharma:** Just on the Greatship, you said the short-term contract is contingent between 4.5 months to one year. So, is that contingency based on operators' choice or is it our choice?
- Rahul Sheth:** No, it is their choice. It is their choice because typically when you drill a well, it depends on what is achieved during the drilling program.
- Anuj Sharma:** And post the scrapping of first tender, has the operator had any long-term contracts in in the rigs or it's been this way for all the contracts in then on?
- Rahul Sheth:** So, they've not come out with a new tender. They have just recently like Shiv mentioned at the beginning of this call that they've recently come out with a tender, a long term tender.
- Anuj Sharma:** And we are participating in that?
- Rahul Sheth:** Yes, we will.
- Anuj Sharma:** And one question on the reduction in number of ships. So, we have replaced some of them with new buys and in charter. But assume that the asset prices continue to rise. do we or have we ever thought of hedging that through a new build contract? And what would be the typical arbitrage between a new build and a short term, relatively new age fleet or a ship?
- Rahul Sheth:** One thing to remember, that there could be an arbitrage between the new building and the second hand. But the reason that exists is because if you order a new building ship today, you are not going to get delivery until end 27-28. And you are going to be paying a relatively high price for that. Now, you don't know the market you are going to have 3-years forward, which is why the arbitrage exists. So, it's not a free lunch. It's not a good strategy to play on that.
- Anuj Sharma:** I completely agree on that logic. Just the small point is, out of the 41 ships, in each of the categories, if we had 1 or 2 as a hedge, would that still not be a logical strategy? Because we are really, if we are in charting, and the asset prices continue to rise, we might actually.at the end of third year when the in-charters go, we might have a scenario that the asset prices continue to rise, just a scenario, a hypothetical scenario. We don't have ships at that point of time. I am saying that we have always done long-term modeling 20-25 years in the past. Is that a scenario which we think about? Thanks.
- Rahul Sheth:** What you are saying is very relevant. Now we have to also put probabilities to these events happening. For a cycle to be that long, do we need to hedge ourselves against that? So, we are switching our assets, right? So, our shifts that are older, we are replacing them and making sure that a certain amount of capacity does exist. That in effect is a hedge to ensure that if the market does last longer than we expect, we at least have sufficient exposure to take advantage. On your

second point that new building, is that a hedge? If you did want to take a hedge, it's better to buy ships today. Pay the slightly higher price from the arbitrage price of a new building and take advantage of the higher spot market. And thirdly, if we do the in-chartering, and maybe an in-chartering last 3-5 years, you always have the option that if the market remains strong at that point in time, you can take in a second in-chartering at that time. So, we have multiple ways to play if the market does surprise us on the upside. And we do keep this in mind, you know, about the amount of cash that we have, because you don't want to take a one-sided bet at any point in time, right?

Moderator: Thank you. We will take our next question from Priyam Shrivastava from DK Capital. Please go ahead.

Priyam Shrivastava: What is the difference between GE and other shipping companies in terms of how we operate? Aren't like most companies trying to be value buyers?

G. Shivakumar: Every Company have different strategies. So, there are companies which have a strategy of high leverage and high time charter coverage. There are companies which have zero leverage and full spot. The value buying strategy, at least in the listed space, is not really the preferred one. And we have seen this because there are not too many shipping companies listed in India, but we have seen companies overseas. A lot of companies try to grow on a year-on-year basis. And so I think we are different in that way. What is also different is between us and international listed shipping companies again because there are not many listed in India, is that we operate in different sectors which is crude tankers, product tankers, LPG and dry bulk and also offshore and therefore we can play these cycles and do our value buying at different points in the cycle of these different sectors and I think that advantage shows up in the results that we have done over long periods of time.

Priyam Shrivastava: Is it not preferred on what's preventing others from attempting like doing the same similar thing?

Rahul Sheth: So, it's like in the equity markets, what stops everybody from being a value investor. Everybody just has a different investing style that works for them.

G. Shivakumar: Everyone has a different definition of what is value, right? You are buying stocks, stock market, every single day shares are being transacted. So, clearly there are opposing views for the transaction to take place. The same in shipping or any other business, I assume.

Priyam Shrivastava: Sir, and my second question was, how do you assess if the price of an asset is right? Like, do you base it on current yield projections and predictions?

Rahul Sheth: So, we don't do it on current yield, but you have to always keep in mind of the current state of the market, because not all markets are the same. So, you can always look at history. But history just gives you an indication. It doesn't necessarily mean that's exactly what's going to pan out in the future.

- Moderator:** Thank you. We will take the next question from Surendra Yadav, an individual investor. Please go ahead.
- Surendra Yadav:** A couple of questions. On the dividend payout, like if you could give clarity until we are in a position to make investment, can shareholders expect similar level of dividend payouts?
- Rahul Sheth:** You mean payout ratio or absolute amount of money?
- Surendra Yadav:** Yes.
- Rahul Sheth:** We don't have a hard and fast ratio, eventually that's decided by the board of how much dividend we should pay. And we have to also keep in mind the amount of money we keep aside because it's a function of how much you earn, how much you need to keep aside for fleet renewal and expansion. So, there are a multitude of factors that go into it. There is not one single rule.
- Surendra Yadav:** But given that the existing cash balances are kind of enough to serve those requirements given that we keep three years odd of risk capital. Because I saw a couple of other listed players outside India heavily increasing their dividend payouts. So, is that something that's a policy out there or we can see with each quarter that comes by?
- G. Shivakumar:** So, I won't get into individual names. Typically, these companies which have dividend payouts are very high dividend payouts, and we know a couple of companies which are doing 70% to 100% dividend payouts. I will remind you that the last time we did an equity issuance was 30 years ago. We don't issue equity, and we don't take it as an option at all. However, that is not true for a lot of the other companies that operate internationally in the market. And therefore, I would not compare. What also happens is paying dividend and raising capital is not an efficient way of operating in India. You know as an investor that dividends suffer significant taxation here and therefore, it's not really a great way to operate if you intend to just take the money back at some point.
- Surendra Yadav:** Just one last question, any plans on listing of Greatship India Limited in future given that it is a substantial entity and there's quite some demand in market for the paper as such? So, any plans regarding that, that would definitely unlock some values for both the Company and the shareholders?
- G. Shivakumar:** Now at the moment we have no such plan.
- Moderator:** Thank you. We will take a text question from Shivan Sarvaiya from Humiviction Investment Advisers LLP. Could you provide the current fleet positioning between TC and spot?
- G. Shivakumar:** So, the crude tanker fleet is 100% on spot. The product tanker fleet is about 20%, 25% on charter. The gas carrier is fully fixed down. And dry bulk is on the spot market.

So, I can see a couple of questions in the text. There is a question from Amit Khetan, it's not been answered. The question was, how are we thinking about capital allocation? I will just read it out, in the offshore segment has there been a change in thought process. No, there is no change as of now. So, let me see how the market goes. As of now, there is no change in thoughts on that. There is a question from Dhruv Jain of Ambit which is on asset prices. Asset prices have softened from the peak. The question is whether we are looking to reduce our absolute exposure to crude and product market. No, each of the ships that we have sold has been replaced one way or another. And Rahul mentioned either we replace with a purchase or with an in-charter. So, within the group, we still have that exposure. There's one more question. The last question is on guidance. There is no guidance on margins. And so we are not going to discuss that. The final question is on the insured value of the fleet. The fleet is insured around the current market value of the fleet.

I think that's all. Thank you for your questions. I don't think we have any further comments that we have to make. Thank you, everyone. Anjali, you want to have a couple of words?

Anjali Kumar:

Yes, thank you everybody for joining and we will be putting up the transcripts of this call shortly. The audio will be available by end of today and the scripted one will be there in a couple of days. So, you may please feel free to reach out to us or our whole team is here to answer any queries that you may have. Thank you again for joining today.

Moderator:

Thank you members of the management team. Ladies and gentlemen, on behalf of GE Shipping, this concludes the call for today. Thank you all for joining today. You may now exit the meeting.