



The Great Eastern
Shipping Company Ltd.

TRANSCRIPT OF Q3 FY 2005-06 CONFERENCE CALL

Moderator: Welcome to the Great Eastern Shipping's third Quarter earnings' call. I would now like to request Mr. Balan Wasudeo, CFO, Great Eastern Shipping Company Limited to give us the financial snapshot.

Balan: Thank you. Good afternoon ladies and gentlemen, welcome to this afternoon's presentation on the company's results for the period ended December 31, 2005. Since the quarter ended March 2003, we have been announcing quarterly results, which showed a positive growth. After 11 such quarters, this quarter we have shown a negative growth as compared to the quarter of the previous financial year. So, let me quickly capture what are the main reasons, which are behind this negative growth. First there has been softening of freight rates in various segments and that has impacted the operating income, which has reduced from Rs. 593 crores to Rs. 571 crores inspite of a 3% increase in the revenue days, which went up from 3571 days to 3686 days. Secondly, lower utilization of very high earning assets in the oil drilling business and the marine construction business, also contributed to the earnings' decline. In fact the reduction would have been more than 3.7% in the top-line but for the fact that in this quarter the Company had a large number of in-chartered vessels, which has given some boost to the top-line thereby reducing the impact of the softening of freight rates. In this quarter we had some fairly handsome gains from sale of vessels. We sold 4 vessels, 1 tanker and 3 dry bulk carriers, which gave us a profit of Rs. 124 crores as compared to Rs. 26 crores in the quarter of FY05.

Income from interest and dividends also rose sharply by Rs. 11 crores in the quarter because of increased interest rates we earned from our banks on the increase corpus of the company. Hence, total income has grown by 12% in the quarter and 31% during the nine months.

Expenditure in the quarter has gone up disproportionately, by almost 30%. Reasons are three fold, one, due to substantial rise in inchartered vessels, which boosted the top-line but the corresponding expenses of inchartering costs reflects in direct operating costs which increased



The Great Eastern Shipping Company Ltd.

significantly. There was also some increase due to the bunker cost because crude oil and fuel oil prices have gone up. And the last reason for the increase in expense is the increase in the repair cost from Rs. 54 crores to Rs. 82 crores. This is because of bunching of 6 vessels, which were drydocked in this quarter. To put it in perspective, the drydocking cost for this quarter was about Rs. 56 crores which is almost 45% of the total annual budgeted cost for this year, that gives an idea of how the bunching has impacted the third quarter's results.

Coming to the EBITDA, the EBITDA is almost flat for the quarter Rs. 389 crores as compared to Rs. 387 crores. For the full nine months, it has grown by 36% because the 9 months impact of the freight market softening was neutral and also in the nine months the revenue days were higher than 9%. If we exclude the gain on sale of ships the quarter saw a 26% drop.

I would therefore like to pause here and put this quarter in the right perspective. Number one, this quarter is being compared with the third quarter of 2004 December, which if you recollect was an outstanding quarter, Rs.360 crores operating profit without gain on sale of vessels. So, the Quarter results when compared to such a strong quarter always seem to be in poor light.

Also, post December 2004 quarter, we have seen degrowth in sequential quarters. However, this quarter i.e. Q3FY06 is the first quarter after four quarters, where there is a positive growth. From the Q2 FY 06 EBITA of Rs.257 crores, we are now having a slight reversal, a growth of about Rs.8 crores to Rs.265 crores. So I would like you to look at this quarter in these two perspectives.

Now coming to interest, costs which have gone up partly because we have borrowed more money to fund the five new building ships and also because since May 2005, there has been hardening of interest rates in the international markets. Depreciation has grown up from Rs. 68 crores to Rs. 79 crores in the quarter and from Rs.211 crores to Rs.235 crores in the nine months. We took delivery of five very modern vessels which added to the block of assets much more than the deletion on the block because of the sale of six vessels of which five were very old vessels with low book values.



The Great Eastern Shipping Company Ltd.

Now I come to the item 9 on the profit & loss account, the impairment loss on certain assets. As you see from the note, it relates to 3 drybulk carriers where we have perceived as impairment in the value and as required and in compliance with Accounting Standard 28 we have taken the impairment loss in this quarter. After considering this, the profit before tax reduced by 36% from Rs. 297 crores to Rs. 190 crores during the quarter. But on a nine months basis it has grown by 30% from Rs. 574 crores to Rs.746 crores. Taxation for the quarter and for the nine months is based on MAT, MAT being the Minimum Alternate Tax, which is being paid on the gain and sale of ships, which is outside the tonnage tax regime. Then there is some usual provision for deferred tax and fringe benefit tax and after collecting for very negligible prior-period adjustments, the net profit reduced by 35% to Rs.185 crores in the quarter but increased by 29% to Rs. 716 crores for the nine months.

The segment report is self-explanatory; I will not spend too much time on that. There has been a smart increase in the capital employed of the Company during 9 months, as of December 2005 to Rs.4861 crores from Rs.4268 crores as on March 2005. But in spite of that we have kept the return on capital employed at around 23% in 9 months. However, there has been some reduction in the return on equity for the 9 months, it is at 39%. With that I end my presentation, and request Mr. Bharat Sheth, Deputy Chairman and Managing Director to talk on the shipping business.

Bharat Sheth: Good afternoon to all the listeners. Principally, what has happened during the quarter in the shipping business is that we had a spike in the earnings partly driven by the two Hurricanes that hit the Gulf of Mexico. But this time as opposed to the Q3 of the previous year, the spike was more muted. Some of you might recollect that last year there was Hurricane Ivan, which lead to an extraordinary increase in tanker rates. This time we had the Katrina and Rita. But the increase was not as high as Q3 of last year, I think this was predominantly due to net fleet growth over the 12 month period of about just under 7%. But it still lead to a strong tanker rally. The earnings of some of these ships unfortunately had not reflected in this quarter simply because the voyages have not completed in this quarter, so the benefit of that rally one should see in the Q4 results. The tanker average earnings were about 40-45% less than Q3 of last year but



The Great Eastern Shipping Company Ltd.

this was partly recouped because we were successful in renewing some of our old charters at about 14% improvement comparing like-for-like.

As far as dry bulk is concerned the earnings continue to remain soft and because Great Eastern's fleet of dry bulk vessels was on spot there was no way to hedge the earnings and the average earnings that we achieved on dry bulk vessels were down by about 50% compared to Q3 of last year.

In addition as Mr. Balan has explained, the shipping division did have a very significant dry dock expense. We had 6 ships that were laid up and 5 out of the 6 ships were older ships where as you can appreciate it takes longer time to repair and they are more expenditure intensive. So quarter-on-quarter there was an 85% increase in the dry dock expense.

We do have a fair number of vessels that trade on the spot market and the impact of the bunker cost as a consequence of the high crude oil prices were negative and the bunker cost as a percentage of our direct operating expense went up from 48% to 59% q-o-q.

In addition we had higher interest cost. Yet again as Mr. Balan said, we were quick to monetize on strong asset values, particularly for the modern tanker. The price that we have achieved for the 3-year old product tanker that we sold in November soon after the impact of Katrina I don't believe, that value can be achieved today. In addition we were successful in getting rid of some of our older dry bulk vessels and hereto I think if had we not sold those ships, today we would have found it very difficult to sell those older units.

So all in all it has been a quarter, driven by softer average earnings q-o-q. It is not a meaningful comparison with Q3 of last year where we earned extra ordinary surge in tanker earnings. In fact, I do believe that the earnings of the carry forward voyages that we had fixed when the tanker market spiked between end of November and early December 05, will reflect in Q4. So in my opinion, we have a better Q4 to look forward to. With this I pass on the mike to Mr. Vijay Sheth, who will take you through the oil and gas business.



The Great Eastern Shipping Company Ltd.

Vijay Sheth: Thank you Bharat. Good evening participants, welcome to this analysts presentation of Great Eastern Shipping. Basically, the offshore business has been pretty flat from all points of view except that we have had a significantly lower utilization for rigs. That is partly because of the Kedarnath. There was a downtime on her for nearly about a month. Gal constructor our construction barge, ran into some difficulties and we needed to regroup the project business that we had. We also lost on a business opportunity because of the unfortunate incident at BHN Platform, which occurred in July. So Gal Constructor had a poor quarter. The Q3 of 2004-05 had sale of 2 OSVs, which brought in an operating profit of nearly Rs.6 crores while there was no corresponding income in this quarter. One of our PSVs, Malaviya 21, also suffered a set back as there was some maintenance downtime due to engine repairs. We have had a poor utilization on also some of the harbour tugs. So I would say that the third quarter for us has been relatively a poorer quarter.

As far as Q4 goes, we have rectified both the rigs and both are working. Gal constructor should see better utilization, Malaviya 21 is back. So I think Q4 should see an improvement, we should be taking delivery of one of our OSVs towards the fag end of the quarter may be last week of March '06. So I think Q4 should be a better quarter. With this I hand over the mike to Rajat who will help us conduct the Q&A.

Rajat: Thank you Mr. Sheth. Ladies and gentlemen, we will now commence the question and answer session.

Shilpa: You mentioned that you lost number of revenue days because of drydocking. Could you quantify the number of days?

Bharat Sheth: 280 days of layup in Q3 FY06 vis a vis 130 days in corresponding quarter.

Shilpa: Okay, do we have the total number of days for each of these, I mean total number of revenue days for the quarter?

Balan: Total revenue days for third quarter FY06 are 3686 compared to 3571 for the corresponding quarter.



The Great Eastern
Shipping Company Ltd.

Shilpa: Second question of mine is on the impairment charge on vessels for which you have made a provision. Could you share details on which are the vessels for which you have provided this and what in your assessment is a recurring nature of impairment provision that you have made?

Bharat Sheth: These are for three modern dry bulk vessels that we acquired sometime between April and June of 2005. We don't believe that this is recurring in nature. As you know, all our tankers have book values that are way below the current market prices. So the entire tanker segment is out of it, the rest of our dry bulk fleet is completely depreciated and now that we have aligned the book values of these 3 modern vessels in line with the market value, and in our judgment this is not likely to occur again.

Shilpa: Okay. So just to clarify this, basically these 3 modern ones are Ravi, Rahul and Reena which were acquired recently, where they?

Bharat Sheth: Yes, absolutely right.

Shilpa: The NAV that GE Shipping has, is reflective of the market price of the each of the vessels?

Sheth: That is right. The NAV has been computed after factoring this Rs. 87 crores impairment and would now stand at somewhere between Rs.310-312 a share.

Shilpa: Okay, and what is the break up between Shipping and offshore?

Bharat Sheth: About Rs.53 is offshore and the balance Rs. 247 is shipping.

Moderator: We have our next participant Mr. Anish Desai from ABN Amro.

Desai: I wanted to know the number of the inchartered days that the company had?

Bharat Sheth: 165 days in the Quarter.

Desai: So it was 3686 plus 165?

Bharat Sheth: No, that is including.



The Great Eastern
Shipping Company Ltd.

Desai: Okay, so dry docking has taken out substantial number of operating days for the quarter.

Bharat Sheth: Yeah, we had a total of 282 days of dry docking.

Desai: Okay, and the cost for dry docking was Rs. 56 crores?

Bharat Sheth: Yeah, that's right, Rs. 56 crores for this quarter as compared to Rs. 26 crores for the corresponding quarter. And the reason for this is that although 6 ships were dry docked in Q3 of last year as well as this year but this year dry docking was done on older ships. And that is the reason why each of the vessels had an average lay up time of about 45 days and there has been a significantly higher expense.

Desai: So on a normalized basis the dry docking cost for a quarter is roughly Rs.25 crores.

Bharat Sheth: That is right, it is about a Rs. 100 odd crores a year.

Desai: Can you explain Rs.6 crores loss in the other income.

Balan: That is entirely because of exchange rate fluctuation impact. Towards the end of December, rupee suddenly weakened and therefore on some of our exposures we have taken mark-to-market loss on that.

Desai: Right, and could you tell me what is the current cash and debt on the books of the company?

Bharat Sheth: That's about Rs. 1500 crores of cash and about Rs. 2000 crores of debt.

Desai: Okay, would it be possible to get a break up, how much it was to offshore...?

Bharat Sheth: As per the demerger plan Rs. 50 crores belongs to offshore, that is the cash as of 1st April 2005.

Balan: Debt is allocated to offshore is about Rs. 225 crores as of April 1, 2005



The Great Eastern
Shipping Company Ltd.

Desai: Okay, if I got those numbers correctly for offshore, Cash Rs. 50 crores and Rs. 245 crores is debt.

Bharat Sheth: That's right.

Desai: Okay, and my last question, is Badrinath operating in a 100% subsidiary, Deep Water Services. So what was its EBIT for the quarter?

Vijay Sheth: EBIT of Deepwater services showed a loss of Rs. 119.67 lacs for the quarter.

Moderator: Our next question comes from Mr. Vikram Suryavanshi from Karvy Stock Broking.

Vikram: I want to know what was the TCY for gas carrier during the quarter?

Bharat Sheth: Our gas carriers have been fixed on a long-term charter, for a little over \$17,000 a day.

Vikram: Your inchartered days are 165, does that mean you have inchartered two vessels?

Bharat Sheth: There were some incomplete voyages as well. However, we have two Aframax vessels which we have inchartered in our Indian company and then we have some incharters which are in our subsidiary which we consolidate at the end of the financial year.

Vikram: Okay Sir, thank you.

Moderator: Next in queue we have Mr. Nikhil Vora from SSKI.

Vora: Just need to understand if one can have some clarity as far as the Capex plans are concerned individually for both shipping and offshore businesses? Is it too early to ask, or if we can have some guidance on that? And also if there are new vessels rather old which we are likely to be selling off in the next couple of quarters?

Bharat Sheth: I will answer the shipping related part, we have 5 new building product tankers all due for delivery in CY 2007, and the approximate Capex towards that is around



The Great Eastern
Shipping Company Ltd.

\$160 million. The current intention is not to sell any of the tankers.

Vora: There are no ship sales that we are looking at least in the near term.

Bharat Sheth: I would say for Quarter IV unlikely. We haven't really strategized what to do for Quarter I of next financial year.

Vijay Sheth: As far as offshore goes we have 6 vessels on order as we speak and that will add up to about \$80 million. As far as the sale program goes, there is no sale plan as we speak.

Vora: Okay, and there is an \$80 million offshore Capex. Is it the strongest Capex that we have seen in the recent times?

Vijay Sheth: In a given year, yes. I would say in a calendar year, but this would be spread between two financial years because we are expecting delivery of the first vessel in March '06. So it will be only 1 in this financial year, the balance 5 will come in the next financial year.

Vora: Just a follow-up on that. Suppose if it is \$80 million and obviously our leverage is less than half time right now. Would it mean that we will go higher on leverage or we are likely to also raise the equity?

Vijay Sheth: Well, I think it is very difficult for me to really reply all that. I need to get a Board in place to give me guidance, but certainly leverage will be looked at in view of the fact that if it is low as of today.

Moderator: Our next question comes from Mr. Amit Dalal from Amit Nalin Securities.

Dalal: You had considerable rise in repair and direct operating expenses. Is that specific to this quarter for whatever was done or will this be a kind of running things here on?

Bharat Sheth: I think as far as the dry docking expenses are concerned it was related to this particular quarter, as we said normally over a year the annual dry docking expenses run between Rs. 100-120 crores depending on old



The Great Eastern Shipping Company Ltd.

ship/new ship combination. And if you therefore see Rs.56 crores in a particular quarter it is a bit high. But if you just normalize it, it should be somewhere between Rs. 25-26 crores per quarter.

As far as direct operating expenses are concerned it is a function of inchartering as well. Also, bunker prices, are very strong. To give you an absolute number, on similar revenue days between Q3 of last year and Q3 of this year, the net additional cost incurred for similar quantum of bunkers is about Rs.20 crores. Now bunker prices in our judgment will stay high. So to that extent it will get normalized if you do a quarter-on-quarter comparison going into the future. As far as the other direct operating expenses are concerned, the two ships that we continue to charter, we have a commitment until March '06 and then a lot will depend on whether we continue our in-chartering exercise or we don't going into the next financial year.

Dalal: So considering the high market value of some of the ships which are there even today, even though there has been a diminution on some of the new dry bulk acquisitions. Is the margin scenario reaching a stage where selling old ships is still interesting rather than running on operational basis?

Bharat Sheth: It really depends on what one wants as a return on capital, etc. Obviously, the very facts that you have buyers, people have a differing view. Your problem really arises when there are only sellers and there are no buyers. Then of course it makes sense. But if you take, for example the ships that we have sold, there have been buyers, we have done 6 ships this year and there have been buyers at the other end. Now I think if you were to, today with the benefit of hindsight, review the 6 sales, I would say we would probably been right on 5 out of the 6, maybe one ship we should not have sold.

Moderator: Our next question comes from Vikram Suryavanshi from Karvy Stock Broking.

Vikram: Sir, I want to know what is the current trend in asset prices, in crude and dry bulk segment?

Bharat Sheth: Let me first start with crude and products as a tanker category. At the modern end, prices continue to remain very firm and probably over the quarters they



The Great Eastern Shipping Company Ltd.

have risen 4-5%. As far as the older tankers are concerned they had come down but have bounced back again. So again if you go for quarter-on-quarter comparison, the older tankers are probably down about 6-8%, which is neither here nor there.

The real fall had taken place in the dry bulk values. And from the highs you could say that dry bulk asset values have probably dropped somewhere between 30-40%.

Going forward, I think that the modern tankers will remain strong for the rest of 2006. The older tankers I think will continue to fall in value. The dry bulk vessels, both modern and old will probably in our judgment drop somewhere between another 15-25%.

Moderator: Our next question comes from Mr. Siddharth from Principle Mutual Fund.

Siddharth: My question relates to impairment charges. Is it correct to assume that it was basically a decline in asset prices, which lead to the impairment of these assets?

Bharat Sheth: As per accounting standard 28, the management has to use its discretion in determining when impairment occurs on certain asset classes and we in our judgment believe that there was impairment if you take the forward curve on these 3 assets. That is the reason why we provided for it in this quarter.

Siddharth: Okay, and does this also capture the 15-20% further depreciation that you were expecting in prices?

Bharat Sheth: No, what we have done is we have taken a forward curve. We have made certain assumptions on the future earnings streams, we have discounted it at, 8-8½% to compute the net present value, which we then have compared with market values. Now what will happen is, even if there is an immediate drop in market value, but if the present value stream does not justify that drop in because the market value could even drop on sentimental reasons not necessarily reflecting the forward curve on earnings. If you adjust for the normal depreciation charge, in our judgment we will not need to further provide any impairment on these set of assets.

Siddharth: Okay, what are the procedures and systems for determining impairment of assets and how frequently is this exercise done?



The Great Eastern
Shipping Company Ltd.

Bharat Sheth: This exercise will be done every quarter.

Siddharth: Why is the major part of the decline only in this quarter...?

Bharat Sheth: No, it is predominantly because the ships only came to our fleet sometime during May and June and that is the reason why we had to take it in this quarter because the fall really precipitated in line with a very sharp fall in the asset prices as reflected further by earning of dry bulk vessels. The average earnings of dry bulk for this quarter have probably dropped between 40-50%. And even going forward, people are not expecting any kind of a revival in the dry bulk earnings. That is the primary reason of the steep fall in values.

Siddharth: What is your outlook on tanker rates going forward with the peak season behind us?

Bharat Sheth: I would not necessarily agree with the peak season being behind us. We have extreme winter conditions at the moment in North-West Europe and particularly in the lower Baltic areas. There is a huge level of volatility. Just to give you some numbers VLCC, in the last two weeks has seen a 100 world-scale point fluctuation up and down and now it is up again. So that translates to the earnings range that we have seen in the last two weeks vary from \$40,000 a day to the current earnings of close to \$80,000 a day. It started like at WS 150, it dropped to WS 40 and now it is back to WS 80 and all that in the last few weeks.

Siddharth: What were the utilization levels for Kedarnath, Badrinath and the construction barge for the quarter?

Vijay Sheth: Kedarnath & Badrinath combined had a utilization of approximately 75%. Utilization of Gal construction was a little bad this quarter. We had a contract, which was in our view tied up, but there have been some disputes with the charterer. This particular season has been a little leaner than they were expected to be. Last quarter of 2004-05 was very good of Gal Constructor.

Siddharth: Has this construction barge entered into a new contract or is it still lying idle?



The Great Eastern
Shipping Company Ltd.

Vijay Sheth: As we speak right now she is idling but we are expecting a contract to start fairly promptly.

Moderator: Our next question comes from Mr. Sharad from Birla Sunlife.

Sharad: You have mentioned that of the six OSVs one is coming in March, when are the others expected?

Vijay Sheth: They are spread evenly over the balance period of this calendar year 2006. March, May, June, July, August and the last one is in October.

Sharad: What is the outlook for the day rate as far as the offshore business is concerned especially Badrinath?

Vijay Sheth: You will have to take business by business. In our OSV business, we have three classes of assets. We have anchor-handling Tugs, we have anchor handling tug supply vessels, and some smaller vessels. Some of the bigger vessels the rates have gone up but as we are locked into older term contracts. We may have to wait for a while before we see any improvement in the day rates of some of these vessels. In case of the PSVs, we do operate three PSVs in the North Sea, one of which is operating on the spot market, the other two are operating on various terms contracts. Two of our PSVs are working in India. So I think we are the mix bag of territorial operations in case of PSVs. In case of the anchor handling tugs, they are relatively small and older vessels, one is on the spot market and the other is working on a period business fixed about two years ago and she will continue until July '07.

Sharad: On a blended basis, do you think that the day rates continue to be strong?

Vijay Sheth: Yeah, I would say that the rates are expected to show an improvement but you can't take this blended as in each set of business, each set of assets is different. Finally, the bigger joker for us is the fact that all our business is through tenders. And it entirely depends on the desire of a particular owner / operator to get a particular business. If he is quite keen on getting a business, he may drop the rates.



The Great Eastern
Shipping Company Ltd.

Sharad: But regarding the new deliveries are you planning to give on spot or time charter?

Vijay Sheth: We will continue to gauge opportunities for spot as well as long-term choice as we have always been doing in the past. If we find some employment, which is good for the long-term, we will just grab it. So it will be a mix bank of spot and period. Some of our vessels will not be able to work on long-term because of age.

Sharad: Okay, and regarding the shipping part, do we have any particular plan to slowly phase-out the single-hull tankers? What is your plan? Are you waiting till 2010?

Bharat Sheth: Our current thinking is to wait until 2010, you know there is a possibility that some of the ships could trade even beyond 2010 and since they will be completely depreciated by then we will see what the market scenario is at that point of time As they won't need a huge amount of an earning levels to make them profitable.

Sharad: Okay, with regard to some of the older OSVs any plans of scrapping?

Vijay Sheth: Scrapping for OSVs doesn't work because even if the price of scrap is say, \$300-400/ldt you get \$300,000-400,000 while the equipment on the vessel itself is more than that. So scrapping is not a viable option. It could be sold to a prospective buyer for less challenging jobs.

Moderator: Our next question comes from Mr. Ramachandran from BNP Pariba.

Ramchandran: What is the outlook on freight rates going forward in the next few quarters and what will be the company's strategy with regard to the mix of long-term charters and spot charter? And my second question is on the schedule of the completion of the demerger?

Bharat Sheth: The tanker earnings should remain quite strong. We probably had a bit of a delayed winter and we have seen currently pretty strong numbers in the Atlantic basin as well as the Pacific basin. As far as dry bulk is concerned, we don't see earnings improving. I think they will continue to remain soft. They have already corrected drastically so it is possible they might plateau out. But



The Great Eastern Shipping Company Ltd.

then it is possible they might drop another 5-10%. We don't think they will drop much more than that. But having said this we do believe that the level of volatility that we have seen in the tankers will continue. As far as the demerger schedule is concerned I request our Company Secretary Mr. Trivedi to take you through the demerger process.

Trivedi: The demerger process is already on. We are expecting the written Court order within a day or two. Thereafter there are certain processes which need to be completed as regards to the third party contracts to be signed. It is likely to be in the first week of March, that we will have an effective date. And may be the listing of new shares would go beyond March somewhere in the first week of April 2006.

Ramchandran: Okay, that is the demerger process, but what will happen to the stock trading on the future segment? Will it be similar process like one followed in Reliance, will that be the way all this demerger process will happen as far as the F&O market is concerned? Are you planning to suspend trading for a while?

Trivedi: It will be suspended for a period of about 15 days, 7 days prior to the date of record date, which would be declared once the effective date is arrived at. The F&O segment would remain suspended till such time the new shares of Great Eastern Shipping are issued to the shareholders, which would take about 15 days or 20 days.

Moderator: We have our next participant Ms. Monica from Quantum Securities.

Monica: Could you also clarify a little on what was the problem exactly with Kedarnath?

Vijay Sheth: Kedarnath had some technical downtime, there were some hitches on the electrical system that we had installed. The new system had some bugs, which created fluctuations in electricity generation. Its now completely resolved and is working fine.

Monica: If you were to sum up your offshore division, the construction barge was not working, Kedarnath was not really working, so what was your total revenue days that you have lost in the offshore division.



The Great Eastern
Shipping Company Ltd.

Vijay Sheth: We lost about little over 100 days between Kedarnath, Badrinath and Gal Constructor.

Monica: Okay, also the shipping side, you were talking about 9 months revenue days you had, 9% increase What is the total revenue there Sir?

Balan: For the 9 months it increased from 10,335 to 11,307.

Moderator: Next in queue we have Mr. Prakash Sharma from CLSA. Please proceed Sir.

Sharma: Could you give us the break up of the total capacity in DWT for our segments of crude carrier product and dry bulk carrier, would you have those as of December '05?

Bharat Sheth: As of December '05, as far as the crude oil is concerned, the total DWT is 1.7 million, on the product tanker it's a little over 1.2 million and gas carrier works on cubics, so we'll keep that out, and on the dry bulk it's about 400,000 tons.

Sharma: Okay, and the new capacities are basically into the crude carriers, the five new tankers that are coming in the calender year, '06.

Bharat Sheth: No, they are all product tankers. If you take the 5 product tankers, that's adding another 0.22 mn dwt. So that will take your product tanker total to may be to 1.4, 1.45 or 1.5 somewhere in that region.

Moderator: We have our next participant Mr. Anish Desai from ABN Ambro.

Desai: The company secretary mentioned effective date and then record date, can you clarify what these dates are?

Trivedi: The effective date would be announced by the Board, once all the process regarding the third party contracts, which are existing right now, gets assigned to Great Offshore Ltd. Thereafter the Board will decide the effective date, and also subsequently announce a record date for the purpose of the eligibility of those



The Great Eastern
Shipping Company Ltd.

shareholders who will be eligible for the shares of Great Offshore Ltd.

Desai: Okay, what we are saying is that the date on which the demerger is going to be complete in the effective date.

Trivedi: That's right.

Moderator: Our next question comes from Mr. Shiladitya Dasgupta from SSKI Securities.

Dasgupta: Just wanted to get a sense of where the both the rigs are deployed?

Vijay Sheth: Both the rigs are with ONGC Kedharnath continues till 2008 and Badrinath continues till Sep-Oct this year (2006)

Dasgupta: The second thing coming to the outlook on freight rates, next year would it be fair to assume that on the tanker side the decline would not be very significant, the rates are expected to remain flat or what's your view?

Bharat Sheth: We think the average rate could be somewhere between 10-15% lower than 2005 average.

Dasgupta: And on the dry bulk side?

Bharat Sheth: On the dry bulk side there's an average it probably will be about 25% lower.

Moderator: We have Mr. Ramchandran from BNP Paribas.

Ramchandran: I wanted to know what will be the long term charters and spot charters going forward?

Bharat Sheth: Yeah, the mix will probably be the same, at the moment 60% of the revenue days are committed on period charters and 40% is on spot, I don't see a very significant change in the pattern.

Moderator: Our next question comes from Mr. Biren Dalal from Kotak Securities.

Dalal: I just wanted to know what is the cash balances, what is the cash on books as of 31st of December and how do you plan to utilize that?



The Great Eastern
Shipping Company Ltd.

Bharat Sheth: The cash balance is approximately Rs.1500 crores. We are working on various business investment avenues and we will share that with you once it's all crystalized.

Moderator: Our next question comes from Mr. Harigeet from SBI Life.

Harigeet: Could you give me the asset acquisition plan and the Capex there for both the offshore and the shipping division going forward?

Bharat Sheth: Yeah, its about \$244 million spread over five tankers and six offshore supply assets, coming into books throughout CY 2006 & end of 3rd Quarter CY 2007.

Moderator: We have Mr. Rahul from Lucky Securities.

Rahul: I just wanted to know what's the debt & cash on the books currently as on December?

Bharat Sheth: Rs.2000 crores as debt of Rs.1500 crores cash

Moderator: As there are no more questions, I would like to hand over the conference to Mr. Rajat Dutta.

Dutta: Thank you so much. Ladies and gentlemen this concludes the conference call. Thank you for your participation. The transcript of the conference call will be uploaded on the website for your reference. We would be glad to answer any of your questions which we could not attend today, kindly send them by Email. Thank you once again for participation.