



“The Great Eastern Shipping Limited
Q1 FY25 Results Conference Call”

August 01, 2024



**MANAGEMENT: MR. G. SHIVAKUMAR – EXECUTIVE DIRECTOR AND
CHIEF FINANCIAL OFFICER – THE GREAT EASTERN
SHIPPING COMPANY LIMITED
MR. RAHUL SHETH – MANAGER – THE GREAT
EASTERN SHIPPING COMPANY LIMITED**



*The Great Eastern Shipping Limited
August 01, 2024*

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 June 30, 2024. At this moment all participant 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 Chief Financial Officer at The Great Eastern Shipping Company Limited to start the proceedings. Over to you, sir.

G. Shivakumar: Thank you, Yashashri. Good afternoon, everyone, and thank you for joining us for this conference call to discuss our Q1 results and the markets. So let's go through the presentation first, and then we'll be happy to answer questions. I have Mr. Rahul Sheth here with me, who works with the MD very closely, and we will be happy to answer your questions. First disclaimer, the usual one, we are not giving projections, projections of earnings. We do not intend to give projections of earnings, so please don't take these as earnings guidance.

So let's go through the highlights. First of all, we had a net profit of INR812 crores on a consolidated basis, significant improvement from Q1 of FY '24. Our consolidated net asset value moved up to INR1,464 per share as on 30th of June and we declared an interim dividend of INR9 per share. This is our tenth consecutive quarterly dividend. We have now paid about INR1,100 crores in dividends over the last 2.5 years.

The reported results, I won't go into it much. You would have seen these results and if you have any questions on that, we'll be happy to take them. We had a net profit on a stand-alone basis of INR668 crores and on a consolidated basis of INR812 crores. We show usually the normalized financials, which is after stripping out the effect of the derivatives and the currency impact because that used to have a very significant impact on our results. So the net profit after tax for stand-alone was INR677 crores and consolidated was INR817 crores.

We mentioned below our net asset value per share on a stand-alone basis, our NAV per share is INR1,181, up from INR1,127 in March, so within the 3-month period. We won't go through these ratios, that's the EPS history. This is broadly how the markets have done -- how our ships have performed. Crude tankers were slightly weaker than Q4 and then Q1 of the previous year. So \$46,000 versus about \$53,000 in Q4 and Q1 last year. Product tankers were around the same levels as in Q4 and much stronger than in Q1 of last year. Again, this is because mainly due to the Red Sea effect, where the ton mile increase for product tankers was very significant because of the rerouting around the Cape of Good book rather than through the Red Sea.

LPG carriers were around the same levels as in the previous quarter. but significantly higher than in Q1 of last year. Again, all of our vessels are on time charter. They have got fixed on new time charters at significantly higher levels than they were earlier. And dry bulk, again, was higher than it was in both the previous quarter and the corresponding quarter of last year. This is reconciliation of the change in net asset value between June '23 and June '24, we had a cash profit of INR200 per share. And so most of our accrual in net asset value has come from cash flows. And we emphasize this every quarter. because the understanding of net asset value is that



*The Great Eastern Shipping Limited
August 01, 2024*

it is a mark-to-market gain. In this case, the INR200 increase has come from actual cash profit, some of which has, of course, gone out as dividends already to the shareholders. But the mark-to-market portion of this gain is very minimal. It's only INR19 per share. In -- over the last years 5 years -- 5 years and 1 quarter, the NAV has gone up from INR374 to INR1,181, which is a CAGR of 24%.

On a consolidated basis, also there is a significant amount of cash profit. So the accrual has been about INR260 per share, of which INR248 has come from cash profits. And about INR50 has come from change in fleet value, and this is on the offshore side.

Let's look at the shipping markets. What's been happening with shipping markets. We've already discussed the TCY that our ships earned. This is what the broad market data is. So this is not what our ships earned, but this is based on broker reports on market earnings. So you can see that the Suezmax, which is crude tankers have earned somewhat less than in the same quarter of the previous year, about 11% lower, while the MR tankers have earned about 26% higher than they earned in the same period last year.

Now let's look at why this happened? Crude tanker earnings were softer year-on-year. And the big factor was Chinese crude imports, which has dropped by close to 1 million barrels a day. This is, again, April to June over April to June last year. Refinery margins have been weak, and that continues till today. So that was probably the reason for the crude tanker earnings being softer year-on-year. Product tanker earnings, as I mentioned, got a tonne-mile boost from the conflict in the Red Sea. And so while both seaborne crude trade and product trade declined by 2% and 1%, respectively, the product trade had the advantage of having a tonne-mile boost. And so the market actually tightened versus a year ago. Supply hasn't been much. There's not been much deliveries either last year or this year. So the fleet growth was only about 1% to 2%.

Asset prices continue to be strong as a result of the strong earnings. The order book has been building up in the last 6 months or so. So crude tankers, we have seen the order book bottoming out at about 3% to 4%. That's now at 8% -- a little over 8% and product tankers, which were in the low -- in the mid- to high single digits are now at 17% of the fleet.

In dry bulk, we saw the markets being stronger than they were in the last year. both for Capesizes and for the smaller sizes. Here, we have taken the Supramax as an indicator. And what led to the strength, basically, we had Chinese iron ore imports going up. we had Chinese coal imports going up as well. While Chinese steel consumption apparently has not been going up much. Iron ore imports have gone into inventories, inventories at ports which, of course, is borrowing from future demand potentially.

And we've also had strong steel exports from China to compensate for the lack of demand domestically. Coal imports have gone up because they had a hydropower issue, but this is now starting to reverse. Red Sea disruption continued to support the drybulk market in a small way. Again, the biggest impact of the Red Sea disruption was in the product tanker sector, and the other sectors had only small impact. In fact, in crude, it might have had a small negative effect as well. The bulk fleet grew by about 3%, and the order book is just under 10%.



*The Great Eastern Shipping Limited
August 01, 2024*

Looking at LPG, the trade declined marginally -- but still U.S. exports continue to gain market share. The spot rates have come off very significantly. So in the same quarter of last year, they were at \$75,000 a day for a VLGC while they've come down to just over \$50,000 a day. again, very healthy levels even at these numbers. But again, our ships are not on the spot market. We are operating on time charters. Fleet growth has been very, very strong, 12% year-on-year for the VLGC fleet.

The one factor which gave a boost to VLGC earnings about 6 months ago was the Panama Canal disruption, where due to a shortage of water, the Panama Canal restricted ships going through to -- they went down, I think, to 20 ships per day passing through the Panama Canal from the peak, which was about 32 to 34. They have come back now to 34 ships. They propose to take it back up to 36 ships. So that has entirely reversed now. VLGC asset prices continue to be at record levels. These are even higher than we had seen in the super cycle of 2004 to '08. And the VLGC order book, of course, is very high. It's at 25%.

Looking at the fleet supply situation, the order book, I've mentioned the order book already, and you see the gas carriers at almost 25% order book. but it's good to keep these numbers in perspective as well. A large part of the order book is tail ended, the deliveries are tail ended, so there's very little delivery actually happening in 2024 and '25. So if you see the crude tanker order book, which is at a little over 8%, only about 2% is being delivered in the next 18 months. In the product tanker order book, which is about 17% plus, about 7% is being delivered within the next 18 months. And if you look at the dry bulk order book, about half the order book, which is about 4.8% is being delivered within the next 18 months.

LPG, 20% is being delivered in 2026 or later and only 5% within the next 18 months. Scrapping, of course, with the strong freight markets, scrapping continues to be very low to non-existent, and this is resulting in a build-up of a scrapping overhang. That is ships which under normal circumstances or under weaker markets would be scrapped but are not being scrapped and because the earnings are so high. So if you just look at -- we made a grid on 2 axis. The y-axis is the ageing fleet where we have defined the ageing fleet has 25 years and above for LPG ships and 20 years and above for the other kinds of ships.

And you just have to compare that. So if you look at crude tankers, for instance, the ageing fleet is more than 15%, which is aged more than 20 years, while the order book is at only about 8%. In dry bulk carriers, it's about 10% old ships versus 10% order book. In product tankers, also it's about 15% old ships versus about 17% order book. In LPG, of course, the order book is very high, and the percentage of old ships is much lower at only around 9%.

Looking at asset price movements, as one would expect, asset prices are high because of the strong markets. In fact, dry bulk asset prices have been going up despite the markets being nowhere near as strong as in tankers, but money is chasing good ships. Looking at the business in great ship, there's a gradual improvement in utilization internationally. We, of course, had the event with Saudi Aramco a few months ago, where they did a few cancellations. Now this is a fleet supply, and we've had this old fleet for a long time now, which constitutes about 1/3 of the rig fleet and about 1/5 of the PSV and AHTSV fleet.



*The Great Eastern Shipping Limited
August 01, 2024*

Let's look at our own contracting. We have 2 rigs coming off contract in the second half of FY '25, which is -- both of which are working on 3-year contracts and will come off after the monsoon. So somewhere around October and November, we will have them coming off contracts. We had bid both of these into tenders in India for 3-year contracts. Those tenders seem to have been kept in abeyance and you could even say they have been cancelled. So we await further news on new tenders coming out. In the meantime, we are also looking at other options, including short-term contracts with other customers.

In terms of vessels, we have 5 vessels coming up for repricing in the next 3 months itself. And we will see -- typically, repricing have been happening at higher rates than the previous contracts. The debt repayment schedule for great ship is that they have a very steady repayment schedule. Now they have done a refinancing of their debt, and this is to be paid over the next 3 to 4 years.

Looking at the financials, and this is again one of our standard slides. This is Great Eastern's stand-alone. We went up to \$360 million of net debt. We are now down to net cash of \$350 million. There is a \$700 million swing in the last 5 years. So we peaked in March 2019. And so in the last 5 years, we've had this \$700 million swing. And remember that this is after paying out dividends over this period of about \$160 million to \$170 million.

And this is, again, a chart of share price to consolidated net asset value. We have now moved close to the consolidated net asset value. This is the details of our CSR activity. We have partnered with 53 NGOs since 2015 -- mainly in the areas of education, health and livelihoods and we are proud of the activities that we have done here. One of them is somewhat in the news these days, Olympic GoldQuest, with whom we've been associated for quite some time.

That brings me to the end of the presentation, and we welcome questions from you.

- Moderator:** We have a first question from Rajesh Khattar, an individual investor.
- Rajesh Khattar:** You had formed a subsidiary in Gift City, I think, a quarter ago. So what business do you intend to do in this subsidiary? Can you give some details on that?
- G. Shivakumar:** Yes, I'll ask Rahul to take that. Rahul?
- Rahul Sheth:** Yes. So we just set up this subsidiary. The purpose of this was as everyone is aware that the government has given a lot of benefits to set up companies in Gift City and the main intention of that company is to conduct in-chartering activities at the moment. We currently have 2 ships in-chartered.
- Rajesh Khattar:** Okay. So you plan to expand into this line of business significantly over the next few years?
- Rahul Sheth:** So we will have to see how this develops. At the moment, we've just made a small start by taking 2 ships in. And this is a direct derivative of our existing business because when you are buying ships to just give an example, if I buy a ship, which is 15 years old and she has 5 years of life left. If I in-charter a ship for 5 years, I've created the same exposure in the market for 5 years



*The Great Eastern Shipping Limited
August 01, 2024*

because I've got a fixed rate, and then I may play the spot market. I can also fix it out. But if I play the spot market, then you make the spread over and above the in-charter rate and the spot market or if I buy a ship, I make the spread between the spot rate and the breakeven rate of that asset..

Rajesh Khattar: Okay. So that's great to know. I mean, I think it's after several years that GE ship is venturing into a new line of business, even if it's an adjacent line, so that's great to know.

Rahul Sheth: I can't really call it a new line of business, and we have done in-chartering activities in the past as well. At times, we have also won a contract with an oil PSU, where we've had a COA, where basically we make a commitment to conduct a few spot voyages for which we, at times, in-charter vessels for 1 voyage at a time to facilitate that COA. It's just a different way of serving our customers. You can either own a ship and provide those services or you can charter in a ship for a longer period and use those to provide those services to the customers. So again, it's not new. We've been doing it. We used to do it sometimes through overseas subsidiaries sometimes directly. And so it's not a new line of business for us. That's the only thing that we want to plan.

Rajesh Khattar: All right. But do you have any plans to expand into any adjacent businesses? Do you have any such thing on the drawing board?

Rahul Sheth: No, not at the moment.

Rajesh Khattar: Okay, fine. My next question is last quarter, in response to your question, you had said that it is difficult for you to find business with old ships and that is why you are swapping them for relatively less old ships. But I just wanted to understand then how does the buyer of your old ships employ them?

Rahul Sheth: So what happens is that you have a large international market where let's just take the oil trade, right? You've got a lot of oil majors such as Exxon, Chevron, Shell. You've got many prominent ports in the Middle East and East Africa and India. For a large percentage of the trade you will find that they have age restrictions on the vessels they are willing to take.. That does not mean that there are not any section of ship owners who are willing to take older ships.

If we like say, for example, on the coast of China, there is more leeway you can get. So say, a 20-year-old tanker may be difficult to apply on the international trade. But on the coast of China or certain other trades, you may be able to run them for a few more years. So the buyers that buy from us will take those ships and apply them on those trades. But those trades are not available to players like us.

G. Shivakumar: And it's also that we have decided what our market segment is. Our market segment is that we want to be able to operate our ships internationally without restriction. And we don't want to have a significant part of the fleet facing these restrictions due to age. And therefore, we all say that we are out of there. Other players may feel -- that they feel happy operating under those circumstances. And that's each individual company strategy. It's possible to run them. It's just that we don't want to be in that market or we can have access to the market as Rahul said.



*The Great Eastern Shipping Limited
August 01, 2024*

- Rajesh Khattar:** Okay. And my last question is, what are the triggers for further NAV increase from here? So do you see earnings remaining firm across all types of ships, at least in the foreseeable future? Can you give some guidance on that?
- Rahul Sheth:** See, we don't give guidance because we frankly don't know. There are so many events that can actually bring down the market or take up the market. So at this moment, earnings by and large, are quite strong, but we can't really say much more than that because frankly, we don't know.
- Rajesh Khattar:** Okay. But your offshore business, I mean as soon as the rigs and vessels are repriced, they should contribute significantly to your console earnings, isn't it?
- Rahul Sheth:** So the offshore vessels, we have repriced many vessels at substantially higher rates compared to the previous, meaning the outgoing rate. They're all up 80% to 100%, and the market is holding quite firm. We have gotten coverage of approximately 70-ish percentage for this financial year. And we hope that the remaining coverage that we still have to get remain at the same rate. On the rigs, like Shiv just mentioned, we've got 2 rigs to price. So it depends on what pricing we get for those rigs.
- G. Shivakumar:** Message is that they will start contributing much more to the profitability than they have in the last 4 to 5 years because they've been going through a bad patch, and the market is turning around.
- Rajesh Khattar:** The vessels that you have already repriced. If I were to take them as a factor or as a percentage of your console earnings for the year that has went by, how much of that would be? Will it be like 10%, 20% or less normally?
- G. Shivakumar:** No, it's small. So their contribution because the numbers in the shipping business are so high, so let me just give you one set of numbers just to illustrate. The average earned by the shipping fleet over the last year is probably \$30,000 a day, something there, okay, close to \$30,000 a day. over 40-plus ships. And when we're talking about the repricing of the offshore vessels, we are talking about a fairly low base. And they were talking of repricing of \$4,000 to \$5,000 a day and across a total of 19 vessels. So it's not a huge amount, too. In the context of the overall. It's just a contribution on the margin, and it will be a significant contribution. But if you look at it in the context of today's earnings of the shipping business, it's not very high.
- Moderator:** We have a next question from Shantanu Pawar, an individual investor.
- Shantanu Pawar:** My first question was about what kind of incentives are you expecting the government to provide for local shipping companies? And do you think these incentives could be structured towards creating a national champion as mentioned in the newspapers a while back?
- Rahul Sheth:** I think at the moment, all of this is not very clearly defined. So I think we should just wait for the government to come out with something more concrete before we comment on anything.
- Shantanu Pawar:** Right. And my second question is about the freight rates and our PSU clientele. So given that the freight rate...



*The Great Eastern Shipping Limited
August 01, 2024*

- Rahul Sheth:** Could you just speak was up slightly because it's a bit faint for us.
- Shantanu Pawar:** Sorry, yes. So my next question is about freight rates and our PSU clientele. So given that the freight rates have been quite buoyant lately, do you think our PSU clientele will agree for any long-term contracts after their current contracts have ended at these current prices?
- Rahul Sheth:** So are you talking about the shipping business?
- Shantanu Pawar:** Yes.
- Rahul Sheth:** So all our ships are -- or most of our ships are on the spot market and our business model isn't to rely on PSUs coming up with long-term contracts to keep our utilization up. So at the moment, we're not relying on them. So if they come out with the tender for a longer-term contract, that's up to them. As of now, we have not seen them coming up with many tenders.
- Shantanu Pawar:** Just a quick follow-up.
- Rahul Sheth:** And the long term in this business is generally a year or 2, so not looking for something where there is fixed coverage for the next 5 or 10 years. . And from Great Eastern's perspective, it's not necessary that we may even participate in those. We will look at what comes across.
- Shantanu Pawar:** So currently, the 1- to 2-year time frame is something that our company is looking at?
- Rahul Sheth:** No. I'm saying that if in our business, whenever oil PSUs or any other company comes up with contracts. They are generally 1 year or 2 years. At the moment, there is no active tender that we are participating.
- Moderator:** We have next question from Himanshu Upadhyay from Bugle Rock PMS.
- Himanshu Upadhyay:** I have a question. It means a few data points from the presentation itself, okay? We see order book is low and it is all backended. Secondly, scrapping potential and order book are at similar level. How do you look at spot versus period charter, okay? And at what point of time would you like to move to more period charter, let's say, even 1 year or 1.5 year type of contracts on the crude, product and dry bulk or what would be the metrics which you will like to use to move to more period charters? Any thoughts on that?
- G. Shivakumar:** Again, this will be dependent on the view that we take at the time. We have fixed a couple of our product tankers over the last 6 to 8 months on 1- to 2-year charters. So we had fixed out a few ships. Again, this will be again, opportunistic. You'll find some rates to be tempting and fix them. So there is no particular metric that we are looking for saying that, okay, if this number is crossed, we will look at it.
- Rahul Sheth:** Because one thing you have to remember that the spot market is very volatile, right? So just to give an example, if the spot market is at 100, you may get a rate to fix out for 1 year at 70. so



*The Great Eastern Shipping Limited
August 01, 2024*

then your whole call becomes that, do you want to take that backwardation and the rate to fix out and give up the 30. And then sometimes maybe for a 2-year contract, it's at 60.

So it may not be as stark as I'm giving, but just to illustrate the example. What exactly happens is that there is always a push and pull on what is the time charter rate that oil companies or dry bulk companies are willing to offer you. And at points in time, if their view is negative, they may drop the rate, and therefore, the temptation is to still to take up. So we always take a bit of a call between spot and TC to take, but we are completely comfortable even if we remain very close to 100% spot..

Himanshu Upadhyay: Even if, let's say, the order book comes and it becomes much more forward we like to be in spot only this hypocritical case. Currently, it is all later dated. But if such a scenario happens, how will we react?

Rahul Sheth: So see, we'll have to see it at that point in time because you have to also put in context the demand side and see how we are looking at that. If we believe that even the demand side may not hold up and if the order book is at 30%, - even the oil charterers are going to see the same order book. They may cut the rate even further. So there will be a bit of a give and take over there. And then at that point, we'll have to see what rates also we're getting. And then based on that, we will decide whether or not it's worth taking cover. Although we are seeing historically you are better off in the spot market, over the time charter market. So we are always evaluating. And like Shiv mentioned, we have taken some cover, but we do prefer to remain on the spot market.

Himanshu Upadhyay: And one more thing. We have stated that we want to replace our 20-year-old ships, okay? But it looks fine currently, based on demand supply and order book, the only place where valuations will keep unattractive. But at what point of time or thought process will we think about not of replacing our old ships or, let's say, only selling, not buying. So any thoughts on that?

Rahul Sheth: Sorry, did you mean of a growing...

Himanshu Upadhyay: No, no, no. I'm saying that currently, the prices are high, and we see the order book is not very high. And again, it is backended, it is much later '26 onwards, okay? But what would be the situation when you would like to not replace the old ship only, you would like to only sell the ships, okay? Like in crude, we only sold. We did not add much of it. So what would be the thought process when you think only of selling not buying? What would be the thought process or metrics, which you would like to use?

Rahul Sheth: So firstly, on capacity, we have already shrunk. I think we peaked at about 48, 49 ships now, we're down to 42 to 43. So we have -- as of now, we've taken a call not to go much below this. So we have started some replacements. But you have to remember one thing that when you're doing a replacement, you're selling an older ship at a relatively high price and you're then buying a ship, which is also at a high price. So therefore, you're paying a premium, a spread between the younger and the older share.



*The Great Eastern Shipping Limited
August 01, 2024*

If that spread increases beyond the point we think it makes sense we may decide to be a net seller. At the moment, at least for the deals that we've already concluded, clearly, we wanted -- we thought that the pricing makes sense to do the switch. But before we do any deal, we look at the premium people are asking for a newer ship vis-a-vis the older ship.

Himanshu Upadhyay: Okay. And can you repeat it to the premium, what you -- how did you judge means -- the newer versus old?

Rahul Sheth: Yes. So for example, let us take that the older ship, right? I'm just simplifying the numbers. But let's just say the older ship is at 100, right? Now the ship is close to the end of its economic life, right, at least in the international market. So as time progresses, maybe the 100 doesn't really go up, maybe it goes to 100-105. but the younger ship, which is say at 200, the spread may have increased, whereby instead of paying 200, it may have gone up to 250. So now I have to put in an incremental 150 to get a younger ship versus the envisaged INR100.

Now at INR100 of incremental capital, I may be happy to go and do the switch. But at INR150, I may think that its price is high. So we always have to look at what that spread is to modernize and then decide whether it is better to shrink or to modernize. Because there will be a price point that we should match for the older ship and then we may say it may not make sense on paper at least to do the deal.

Himanshu Upadhyay: Okay.

Rahul Sheth: Shiv covered the chart on asset prices. So if you look at the last 6 months, there has been a greater increase in the younger ships in the prices of the younger ships and not so much for the older ships. So the spreads have increased.

Moderator: We have a next question from Jeet Gala from Centra Insights LLLB.

Jeet Gala: So, again, I would want to ask you again on fixation. I mean, like you clearly explained, remaining on the spot market still makes a lot of sense given we have backwardation to the extent of 30%-40% discount over a 2-year long contracts. But the same situation was, again, the same payback 3-4 years back when we used to do, say, INR1,200 crores, INR1,400 crores of EBITDA.

Now that our EBITDA has jumped to, say, INR3,000 crores only for shipping business. I mean, does it now at least make sense to have our proportion more -- I mean, to start fixing more of our ships because earlier we used to operate at 15% to 20% fixed versus 80% on spot market.

So when is the time then we really start switching -- start fixing more of our ships onto long-term contracts and start giving away your spot markets because the backwardation is always going to be there, right, in the market. So I mean so how do you really think about this particular thing? Because like you said, backwardation, again, INR100 earnings is available for INR70, if you start talking about, say, 1- to 2-year contracts.



*The Great Eastern Shipping Limited
August 01, 2024*

But at least you get this visibility for the next 2 years. So INR70 for 1 year, INR70 for another year, at least you have a INR140 visibility versus very poor visibility of the INR100 for the first year and absolutely no visibility for the second year. So of course, I mean, when we were in a bad market, you guys have done a lot of back testing, which used to give a lot of evidence saying that spot market makes a lot of sense. But at least at the top of the market, I mean, what is that inflection point that will really make you guys go to, say, 60%, 70%, 80% fixed?

Rahul Sheth: So actually, it's quite interesting that even in the back testing, it shows that the higher the spot markets go, it's probably worse to fix out because what happens is, let us just take if we are fixed out in Jan '23 when the rates were probably the highest we have seen in about 10, 15 years. Had we done those deals in Jan '23? We would have been significantly underwater on all those time charter rates as of today. So then the call becomes that, okay, I'll fix today and then what happens over the next 2 years. The thing is that if you see from back testing, on those deals also you end up -- maybe you do 10 deals, right, at what we call relatively high points in the cycle.

And you lose money on 8 deals, but you make up probably in the last 2 or 3 deals before the market comes off. And so what one needs to keep in mind is that are you willing to -- for the -- just for the security of cash flow, which we don't really need considering our debt is very low, we are net cash. We have the ability to take this operationg leverage.

The data and our own views say that it is probably best to remain on the spot market, predominantly at least on the spot market, not to say we will not take some cover. And so therefore, to take a view that we will -- at some point, there is a market level we are seeing to go 80% fixed, and we're just waiting for that moment to be hit before we do those kind of transactions. That's not really in our DNA.

G. Shivakumar: Yes, it's not -- it's unlikely that we will do that. And again, it is not in our planning. So it's one of those things where I can't tell you what is it that you need to see to do that? It's just that we'll know it when we see it. At that point, based on what the market is doing and if we take a certain market view, even then I don't see a scenario where we go to a majority fixed. So it's -- yes, again, it's a hypothetical, but it's unlikely to happen.

Jeet Gala: Okay. And sir, even from a mental mapping, I mean it will give you kind of a hedge, right? I mean, of course, if the market keeps going up, then it's a loss to our company. But whenever the market comes off, at least you will have a good 2- to 3-year visibility on your earnings and then you have a lot of cash to do the next capex cycle, whenever the market comes off.

G. Shivakumar: You're right, what Rahul mentioned that rates were already high in in Jan '23. And you would have lost a significant amount of money if you had fixed out any of your tankers in Jan '23. This is what happened that the -- and what is it the hedge against. We already are underexposed to the market in the sense that 50% of our balance sheet is ships and 50% is cash.

So we are underexposed to the market. And to then say that I'm going to reduce the exposure even further exposure to the spot market to a smaller part of the balance sheet your P&L gets a



*The Great Eastern Shipping Limited
August 01, 2024*

little restricted. Our objective is not to smooth profits. We recognize and our shareholders recognize our investors recognize that our P&L will be volatile.

And so long as over a significant period of time, this model outperforms just fixing a large part of the fleet I think our shareholders will be better so, and we will be able to produce more profitability. It's tough to call the market in the short term and -- that's why we will not try to do it to say that, okay, we think the market is going to drop now let's fix 50% of our fleet or 60%. That's a tough call to make.

And we don't really think that we have the capability to do that either because the market is just -- and again, Rahul mentioned, it's driven so much by small events that are happening. And so it doesn't make sense to try to second-guess the market.

Moderator: Mr. Gala, may I request you to join back the queue please, as we have other -- will read the next question from Prathamesh Dever from Tiger Assets. The question is by when our vessels are getting repricing. Will it be in Q2 FY '25? Second question is how much increase in price will the repricing have? And third question is how much increase in realization and margins will come after getting repricing?

Rahul Sheth: So the first question...

Rahul Sheth: Right. Yes, they are broadly in between Q2 and Q3 FY '25. And how much of the increase -- so if you look at -- compared to the previous rates, probably at similar levels. But if you see what the kind of rates these vessels are being fixed at a few years ago, like I mentioned earlier, they are all up 70% to about 80%. We do know this.

G. Shivakumar: What pricing we will get. Again, a lot of these are competitive tenders. So we don't know what pricing we will be able to get here.

Rahul Sheth: Yes.

Moderator: We'll take a live question from Rajakumar Vaidyanathan, an Individual Investor.

Rajakumar Vaidyanathan: Sir, I have asked 2 text question also, so maybe you can answer that later. So I have 2 more questions. The first one is, given the repricing of vessels and rigs expected in the second half of FY '25. So can we expect about 30% to 40% increase in top line of the offshore segment? Is that a reasonable expectation?

Rahul Sheth: We cannot comment on that. We have to see how the next 2 rig contracts get priced and when they get priced. And then we will see how that plays out.

Rajakumar Vaidyanathan: Okay. Okay. And also, the second question is on the container market. So given that, that segment is also doing well. So is there any plans of entering that segment at some point of time given the good amount of cash on the balance sheet?

Rahul Sheth: So we will evaluate the container space. It's clearly on our radar, but not at the moment.



*The Great Eastern Shipping Limited
August 01, 2024*

- G. Shivakumar:** So just on a slightly lighter note, we are more likely to enter the market when it's not doing well, and that is our track record. So we are countercyclical investors typically. So we would tend to buy when the market is weak, not when it is strong.
- Rajakumar Vaidyanathan:** Okay. No, because you just now commented that we are looking at entering that market. So do you think the market is going to give you some opportunity in the near short term?
- Rahul Sheth:** So at least at the immediate moment, the market is very hot because of the Red Sea crisis, I think the container space is probably the one shipping sector that's benefited the most even more than the product end. So -- and you don't know how that red sea crisis will play out. If it reverses, there could be a change in the earnings of that sector. But like Shiv mentioned, we are countercyclical players. And right now, the cycle is very high. So we probably be cautious to any decision we take towards this sector.
- Rajakumar Vaidyanathan:** Okay. Okay. Sir, lastly, I just want to know if you see -- if you foresee a cliffhanger kind of a situation, so will you folks be willing to go 100% in cash by selling all of the ships? Or you rather face the storm and stay put in the market?
- G. Shivakumar:** Sorry, what kind of situation right I missed that.
- Rajakumar Vaidyanathan:** No, if you see a kind of a cliff hanger kind of a situation, where do you see that the bar kind of gets over and the markets are not going to be volatile, and the kind of shipping market is kind of going to become more...
- Rahul Sheth:** We're not going to take a position of going 100% in cash and having new ships eventually, we are a shipping company. And also too, we have 40-odd ships on the water to actually replace to have all 40 ships out and recreate that position again in the market is not that easy. And there are a lot of softer issues also one needs to keep in mind when you're running a business. So I think that's ruled out.
- Rajakumar Vaidyanathan:** Okay. Sir, this Q&A, the question that you will answer later or should I ask that also now?
- Rahul Sheth:** You can ask it now.
- G. Shivakumar:** I see it, I saw the question. One is on the drilling in the U.S. Again, this is -- we don't know whether the drilling will be offshore or onshore. So that's speculative. The second is we don't give any guidance on whether because -- as we have mentioned earlier, a large part of our fleet is spot, and we don't know what rates they'll earn. And therefore, we don't know our profitability. So we don't know what kind of ROEs we will be able to do. So both of those I think we...
- Rajakumar Vaidyanathan:** But what would be -- you would have some kind of a target ROE.
- G. Shivakumar:** So we would like to make a significant return on equity, and that is what we believe we need to do with our shareholders. But if the market collapses next year, we would welcome it even if it means that our ROE dropped significantly because we are looking for opportunities to invest.



*The Great Eastern Shipping Limited
August 01, 2024*

And so we do have targets, but we don't forecast what these could be because it could happen next year or it could happen 5 years from now.

Rajakumar Vaidyanathan: Yes. Shiv, maybe I would put my question differently. So if I'm an investor, if you want to stay invested in GE Shipping for the next, say, 5 to 7 years, so I would be -- I would be comfortable if this company makes over a 7-year period, a return on equity of, say, average about 15%. So from that standpoint, I'm asking you, is that a reasonable expectation and the investor wants to stay put for 7 years. Can you expect an ROE of around 15% from this company?

G. Shivakumar: Yes. Sorry, I just can't do that because we don't know those numbers yet. We would target to...

Rajakumar Vaidyanathan: No, I'm asking average, Shiv. It's not -- I can understand...

G. Shivakumar: No, no. I -- the question is I don't know what next -- next quarter or next year's numbers are going to be. So the average is a guess. Now if I say next 5 years, then it's even more of a guess. Rahul?

Rahul Sheth: How will we price it if we had gone back a few years, whether the Russian war would have happened and taken up the market? How are we going to price in, whether the Israel crisis is going to lead 2 vessels being diverted around the Red Sea. How are we going to make these forecasts to predict what exactly is going to transpire in November with the elections and what Trump is going to do with those 2 wars.

Rajakumar Vaidyanathan: Yes. I completely understand that. See you can't forecast the short term but...

Rahul Sheth: So how -- one is the return expectation. Frankly, I find it complicated of how anyone in any business will give minimum average return target over 5 years.

Moderator: We'll take a next question from Amit Khetan from Laburnum Capital. First question is we used to have VLCCs many years back. Any reason we currently don't operate in this segment now? Is it because these vessels are less flexible in terms of routes? And second question is, what would be the remaining average useful life of our rigs?

Rahul Sheth: So there is no particular reason why we are not in the VLCC segment. When we are in the market to invest and let's say, we decide to invest into crude, we are agnostic to running VLCC Suezmaxes or Aframax. It depends on which type of ship is offered at what price and what we see as the best deal. And no, there is no flexibility constraint on the VLCC that prevents us from entering that segment or rather reentering that segment. And what is the average useful life of our rigs. So we depreciate over 30 years. But we have seen, I think, like Shiv mentioned earlier, about I think 1/3 of the fleet is over the age of 25, and we are seeing rigs operate even to the age of 40, 50 old. So it eventually just depends on how the charters are willing to take in the rigs.

G. Shivakumar: And the average age of our rig fleet is about 12.5 years.

Moderator: We have a live question from Anuj Sharma from M3 Investment.



*The Great Eastern Shipping Limited
August 01, 2024*

- Anuj Sharma:** Shiv, just a question. So there was a rig tender, which was cancelled in H1 that I think got rolled up in H2. And that again has been cancelled, along with a fresh tender. So 2 tenders both are cancelled now?
- Rahul Sheth:** So the first tender didn't get rolled up into the second tender, but that's right. 2 tenders were not awarded by ONGC.
- Anuj Sharma:** Okay. Now what is the reason for these sort of cancellations or deferment? And historically, have there been similar precedent as to how these have evolved?
- Rahul Sheth:** So we can only speculate on why ONGC was unwilling to...
- G. Shivakumar:** Yes. So there's nothing -- we don't know why they were cancelled. So we will wait and see. It is expected that they will come out with a replacement tender. So we will wait and see now because we assume they still have a requirement for rigs. Most of the rigs which were to be taken under these new contracts would have gone into contracts only in 2025 except for our 2 rigs. So I think they will come out with tenders soon enough. But we don't know because they haven't communicated the reasons to us.
- Anuj Sharma:** No, I'm just trying to understand in terms of implications, these were generally back-to-back contracts. And we are also now exploring overseas contract, but we've always said there is mobilization time and charges which may...
- G. Shivakumar:** I'll just stop you there for a moment. I mentioned other options, not necessarily -- these are not necessarily overseas contracts. They could be in India as well.
- Anuj Sharma:** All right. All right. But just one last point. Does it increase the competition for us. So maybe there will be other rigs which will be open and pricing in the same build. So does that increase competition when it opens for retendering or rebidding? That's...
- Rahul Sheth:** It depends -- it depends also in the ONGC contract or even for the other contracts that we may bid into about the specifications they want because sometimes ONGC wants modern, more high-specification rigs for which there are fewer rigs that can compete. So it again depends on the type of tender that comes out..
- Moderator:** We'll read the next question from Prince Chaudhry from Bank Wealth. How was the demand for LPG gas from China?
- G. Shivakumar:** I think the demand is going fine. It is -- these are typically used in petrochemicals in the propane dehydrogenation plants. So the demand is going fine. So there is no issue in demand for LPG in China..
- Moderator:** Next question is from Vikash Kumar, an individual investor. Mr. Vikash Kumar, can you please unmute yourself? Since there is no response, I'll take the next question from Rajesh Khattar, an individual investor. What are some factors that can lead to an increase in the trade for different types of ships that you have? And consequently, freight earnings increase as a result of the trade



*The Great Eastern Shipping Limited
August 01, 2024*

increase. And second question is, what are the products that you carry in your product tankers? What are the kind of grains that you carry?

G. Shivakumar: So there are a lot of factors which go into increase in trade. The first one, and at a very macro level is global economic growth, which results in an increase in demand for various commodities. And on the second question, we carry all kinds of products. These are refined petroleum products to be clear. So naphtha gas oil, which is like diesel and gasoline are typically the cargoes that are carried in the product tankers. And the kind of grains that we carry, whatever the customer requires. So we have soybean which we've carried off and not gone.

Moderator: We have a next question from Surinder Singh. What is expected growth till year-end in terms of GE shipping valuation?

G. Shivakumar: Yes. Sorry, we can't comment on that on valuation..

Moderator: We have Rajesh Khattar, an individual investor.

Rajesh Khattar: So in your back testing, and you always continue to -- you always do back testing for all kinds of scenarios. So in your back testing, after such a buoyant market that has been over the last 1, 2 years, when the downturn does start in your model, like how severe it can be? And how long can it last? I mean do you -- in your back to see what impressions you have got?

G. Shivakumar: So in the back testing, typically, we have seen that strong markets don't last for more than 12 to 24 months in most strong markets. There has been one outlier in the last 30 years, which is the super cycle period from 2004 to 2008, which lasted for more than 4 years. So it depends on how long the upcycle last because sometimes then the -- when you talk -- freight rates can drop off very quickly.

For instance, Capesize rates in the super cycle that's in May -- in the peak in May 2008 went to \$200,000 a day. By November 2008, they were down to \$3,000. So that's how fast they can drop. And again, you can have these events, and that potentially was triggered by what happened with Lehman triggering the global financial crisis in September 2008. So each cycle is different and much like in the stock market. Each time it happens, it's different in the way that it plays out.

So it's not easy to tell. And the only thing is that it's rare to have a 2-year plus strong market. The last time we had a strong tanker market for more than a year, that was in 2015 and rates dropped off within the next 12 months. So by end of 2016, rates were pretty weak, and prices had also dropped significantly. That doesn't mean it will happen this time.

Rajesh Khattar: Okay. I just have 2 more questions. One is a very short question on the share price valuation. So what is the historically highest price to NAV in the listing history of GE, Shiv?

G. Shivakumar: This is about -- it's about here. We were around 1 or marginally above 1 in 2007 -- yes, in price to NAV, we are probably 2007 was I think we were around marginally above net asset value. We are around that. Now we're just a little below. But we have in the past been at NAV on rare occasions.



*The Great Eastern Shipping Limited
August 01, 2024*

- Rajesh Khattar:** Yes. Okay. And so when you do decide to expand your fleet, as you said that you will -- you are a contrarian buyers, so you will obviously buy during a downturn. So if you do expand during a downturn, isn't it likely to be a few years of pain before the gains start following in?
- G. Shivakumar:** This happened, in fact, you don't even have to speculate on it. 2018, '19, we declared a loss after we did a fantastic expansion, which has paid off phenomenally in the later period. But in 2018 and -- FY '18 and FY '19, after we did some purchases at very, very cheap levels. We were just about breaking even in the shipping business. Well, that happens.
- Rahul Sheth:** But today, you're reaping the benefit of all those investments you did 5 years ago because you have the capacity for this. And this is part and parcel of the business, where you will invest at the lower point, maybe you get a pain for a few years. And then hopefully, you've invested at the correct time to take advantage of when the rates have gone higher.
- G. Shivakumar:** So long as you can hold out to your investment, you make your investment at the right price and you have the strength to hold on through a bad market. Eventually, the market will turn and you will make money on those. And just as a reminder, and I used to mention this in the past, those investments we did in 2017, '18, all of them are doing better than 20% IRRs in dollar terms without taking leverage into account.
- Rajesh Khattar:** Okay. Can I ask one more question?
- Rahul Sheth:** Sure.
- G. Shivakumar:** Sure.
- Rajesh Khattar:** So I had asked about that increase in trade in the text chat and you had replied on that. I just wanted to understand that how does the increase in trade correlate with freight earnings increase because your ships are almost 100% occupied, right, irrespective of from whichever segment you get the business? So is it right to correlate that the increase in trade will increase -- will result in an increase in your earnings? Or there is no such correlation?
- G. Shivakumar:** Typically an increase in trade. So you'll have to see it. This is the demand side that you are talking about. All else being equal, an increase in trade with the same number of ships, it's a simple demand supply curve. If the demand goes up, the supply cannot go up because the supply is inelastic in the short term. And therefore, the price will go up. And that is what can happen. However, that is an oversimplification of our market because it's not just an increase in trade.
- And you can see that we said that the product trade has actually dropped 1% from the year ago period. That's Q1 FY '25, over Q1 FY '24. So the trade has actually come down. However, the tonne miles went up because of what is happening in the Red Sea and therefore, rates are significantly higher than they were a year ago. So it's a complicated picture. But in general, an increase in trade is good for ship owners and for earnings. There is no formula there, however.
- Rahul Sheth:** Because India bought oil from either the Middle East or the U.S. Clearly, you need more ships because it takes much longer to bring oil from the U.S. to India than from the Middle East to



*The Great Eastern Shipping Limited
August 01, 2024*

India. So even if you had a slight reduction in trade in oil import from the Middle East, but that was compensated by the U.S., you can actually have an increase in the rates.

Moderator: We'll read the next question from Shivan Sarvaiya from Humiviction Investment Advisers LLB. First question is, would the rigs require retrofitting or upgradation to be eligible for the new short-term tenders that the company is looking to bid for? If yes, what is the cost for the same? And second question is, could you please provide the dry docking schedule for the shipping and the rigs business for F '25 and the cost for it?

G. Shivakumar: Yes. For the first one, they will require some upgradation. Every contract requires some upgradation and has some very specific requirements. Even when you're going with the same customer from one contract to the next, there's always some work which needs to be done, okay? So it depends on each individual contract, and we're not going to get into the cost for that. It's a couple of million dollars usually -- now with regard to the dry-docking schedule, sometimes it's -- typically, you should assume that 1/4 of the fleet will get dry-docked in any given year. And some years, it can be a little bit more, some years it can be a little bit less. And it would typically cost maybe \$2 million on average for a dry dock.

Moderator: We'll take our next question from Himanshu Upadhyay from Buglerock Pms.

Himanshu Upadhyay: My question is on Jack-up rig market. You also stated that Saudi Arabia has cancelled certain orders. What impact is it having in the markets or prices? Are we seeing the rates having come off in the market or the rates have continue to grow?

Rahul Sheth: If you actually see the global drilling market, the rates at least some of the contracts that have been awarded in the last 6 months, there's been no material negative impact on the rates. In fact, we saw some rigs being sold also in the month of April. There was a block deal of 3 slightly modern rigs and 1 sale that has been announced a few weeks ago -- actually a few days ago. And even on asset prices, it looks like the asset prices have been holding.

Himanshu Upadhyay: And one more thing. In terms of logistics, offshore logistics, how far would we be from the peak rates or which we saw last time?

Rahul Sheth: The ultimate peak, it's 30%.

G. Shivakumar: Yes, probably still 30% below those numbers. 20% to 30% -- depending on the vessel.

Rahul Sheth: Yes.

G. Shivakumar: So the PSV is probably not so -- from the peak maybe 30%.

Rahul Sheth: Just take as an average 30%, yes.

Moderator: We have a next question from Jeet Gala from Centra Insights LLB.



The Great Eastern Shipping Limited
August 01, 2024

- Jeet Gala:** Yes. Sir, in ordering, I mean we are seeing an increase in the order book. So for example, in product tankers, the order book has reached to 17%. Most of it is back ended after a couple of years versus our scrapping potential is also close to 15% to 20%. I mean what is the order levels that probably GE shipping would be scared and probably start looking at fixing at least the product tankers, if I'm talking about product tankers right now. Because 17%, does it -- do you think it's a euphoric levels? Or you would still wait for some -- again, some frenzy ordering to happen? I mean, so at what levels will you be starting to get scared or probably start fixing.
- Rahul Sheth:** Order book in context of the fleet aging profile. So if you see, Shiv can we just move into that slide, I hope you can see it on broad -- so if you see on this slide, you're right, the product tanker order book, as you can see, is 17%. But even the fleet, which is above the age of 20 is also close to 17%. It's actually about 15%, right? And...
- G. Shivakumar:** As you remember that vessels are ageing as we speak to deliver this full 17%.s. So that also is - - vessels are aging because you had a lot of new building happening in 2004, '05, '06, '07. So you have to see the order book in the context of the fleet age, it's the age profile.
- Rahul Sheth:** And the other point is also you have to keep in mind the demand because just to draw a parallel from the LPG sector, if you analyze the order book over probably the last 10 years, I think almost at any point in time, the order book would have looked high. And there was very minimal scrapping because the fleet was very young, and those vessels also run until older age. Despite that, you've had a very -- relatively very strong 10-year period for the LPG sector. So you can't just look at the order book alone to guide all your decisions on when to fix.
- Jeet Gala:** Okay. And if this order book were to jump to a particular number, what that number would be for you guys to be a bit scared. I mean everything else remaining the same.
- Rahul Sheth:** It's actually impossible to give you an answer because everything else is not the same. And so therefore, you have to always evaluate that in context of what else is happening because it will not be a binary outcome that if the order book hits x percentage, you're just going to start fixing out. It doesn't work like that.
- Jeet Gala:** Okay. Okay. But at least you're comfortable right now with a 17% order book, at least for product tankers.
- Rahul Sheth:** Yes, At least as of now. .
- Jeet Gala:** And sir, my second question is, I mean, are we exploring any demerger of our offshore businesses into a separate entity? I mean anything on that front is on cards, at least in the next 1 or 2 years?
- Rahul Sheth:** No, not at the moment.
- Moderator:** We'll read a next question from Vikash Kumar, an individual investor. First question is could the management comment on the refinance in Greatship India Limited. The INR800 crores loan



*The Great Eastern Shipping Limited
August 01, 2024*

from foreign bank was backed by letter of comfort and INR65 crores of loan from GE Shipping. What was the reason for these related party transactions?

G. Shivakumar: So this is -- just to clarify, Greatship India Limited is a wholly owned subsidiary, and we stand by our wholly owned subsidiary. One of the requirements of the refinancing, which helped us to reduce the cost of the borrowing was to give a letter of comfort from the parent company, which has obviously a much stronger balance sheet. And therefore, we provided it. It's a standard part of what we can do to reduce the cost. It comes at no cost to Great Eastern Shipping. And therefore, we provided those.

With regard to the INR65 crores of loan, we -- it was a short term financing to meet a specific requirement and that will be repaid in the normal course of business over the next couple of years.

Moderator: We have a next question from Rajayakumar Vaidyanathan, an individual investor. Any plans for buyback in the near term? What are the levers the company has to improve its profitability other than higher freight rates?

Rahul Sheth: Yes. We are -- there are no plans for a buyback. And you may be aware that there are some changes in the tax treatment, which make it even more expensive to do a buyback potentially. So there are no plans for a buyback. And we have no levers to improve profitability apart from earning better rates on our ships, improving the utilizations in terms of not having any unplanned downtimes, that's what we look for, for improving the profitability. And hopefully, we earn better rates.

Moderator: We have a live question from Rajesh Khattar, an individual investor.

Rajesh Khattar: Yes, sir, just a valuation question. So in the shipping sector, a lot of market participants say that shipping companies are valued at price to NAV, and you also use that metric frequently in your presentation. So can you throw some light why it is not valued at PE? I mean being from the industry, maybe you can throw some light on that. Why PE is not the right metric?

G. Shivakumar: No, we don't have an opinion really on whether PE is the right metric or not, and we are not saying it's not the right metric. It's part of our disclosures that we make to say that this is the intrinsic value of the company, which is the bare minimum value. Again, this is the NAV is a bare minimum value of the company, which is the value of the fleet at current levels. So if you want to buy this fleet, this is what you have to pay per share.

You want to buy the exact same balance sheet fleet, et cetera, at current prices. Yes, it is a commonly used metric in the international markets, and that is why we also started disclosing the net asset value. So we have no view on whether it's better than price earnings ratio. But this is a number that we give. Again, to reiterate -- in our mind, this should be the bare minimum value because it is the value of the steel in the company. It does not take into account everything else that goes into running a shipping company.



*The Great Eastern Shipping Limited
August 01, 2024*

It is also -- and let me point out -- as Rahul did in an answer to an earlier question about whether we would sell our entire fleet, if the prices are very high, it is not easy to create a fleet like this or an operation like this. It's not just ships. First of all, you just have to buy the ships and it's not just ships and we run a very good ships. It's not just ships, it's the people and the skills that go into running these ships and running this business. and enabling this company to earn a superior return.

And you can see it in our results and since you said international shipping companies, and you can see it in relation to how our results have done vis-a-vis the international shipping companies in terms of the return on capital, return on equity that we have done. So NAV is a number which is merely an indicator of what the current value of the fleet is.

Rajesh Khattar: Okay. And since you track the entire sector, what are the price to NAV that is a benchmark for other international -- the top international shipping company? Is it at 1.2 or like is it even higher than that? The range.

G. Shivakumar: Currently trading at a small premium to net asset value. I think they probably it depends on the company. some are trading at a significant discount also. And again, this varies with the specific company, right? Some of them...

Rahul Sheth: And it also varies depending on which company you analyze because some of the companies in the listed space either pure tanker companies or pure dry bulkr companies. We are diversified across different sectors. So it's difficult to even compare.

Rajesh Khattar: Okay. But just like 1.2, 1.3, I mean, you cannot give any number.

G. Shivakumar: No, typically, they -- currently, they are trading at a slight premium to net asset value. And again, as I said, it is -- I can't even say that it is for a sector because there are tanker companies which trade at a little below net asset value, some trading significantly above net asset value. Depending on how the individual circumstances of that company. It's like getting into a stock valuation. So you shouldn't get into this.

Moderator: We have a text question from Surinder Singh. In government budget presented by Finance Minister ownership, leasing and flagging reforms and shipping industry does these reforms helpful in business growth of GE shipping?

Rahul Sheth: So like I mentioned earlier on this call, we need to just wait for some of these policies are reformed to come up with more detail before we can comment.

Moderator: Next question is from Harsh C, an Individual Investor. In FY '24, console balance sheet, we see current investment of INR350 crores is in listed equity investments, primarily in NYSE, OSE. Is this a departure for the past stated position of investing surplus cash in safest instrument? How are these investments faring on IRR target of 10% to 15%?

G. Shivakumar: Yes. So the past stated position of investing surplus cash in the safest instrument is with regard to Great Eastern Shipping itself, we continue to hold that position or investment in Great Eastern



*The Great Eastern Shipping Limited
August 01, 2024*

Shipping, which has the predominant -- the largest amount of cash currently at about \$650 million to \$700 million, all of which continues to be invested in debt instruments only without even taking any credit risk.

These investments were made by our overseas subsidiary, which had made significant profit from chartering and hedge surpluses could not find an opportunity for investment or find opportunity for chartering in vessels and therefore, decided to do these investments using their expertise in this area. These investments have done significantly better than the 10% to 15% IRR target.

Moderator: Next is from Pritesh Chheda from Lucky. Did you guys say that rig rates are down 30% from recent peak?

Rahul Sheth: No, we did not say that. We answered the question, which asked us that what are the rates today as compared to the peak rates we have seen in this business. And compared to that, it's 30% lower. And also, it was referring to the offshore vessels, not the offshore rigs. But it would be broadly applying to the offshore.

G. Shivakumar: Yes. But I think I get where Pritesh is coming from. He's wondering whether from last year's rates were down 30%, no, there have been no repricings.

Rahul Sheth: We're talking about rates probably before 2014.

G. Shivakumar: That's correct. Yes.

Moderator: And the next question is from Vikesh Kumar, an individual investor. Despite GE Shipping being a net cash company with ROA, ROIC in mid-teens and significant operational history. What was the reason for CRISIL not awarding AAA rating? Is any portion of GE shipping debt rate sensitive in nature and would benefit from reduction in cost from AAA rating?

G. Shivakumar: First, I'll take the last bit first. None of our existing debt would have benefited if the rating has changed because that has already been issued. Now coming to why our rating is at a particular level that is a question best put to the rating agency rather than us.

Moderator: That was the last question for today, sir. Over to you.

G. Shivakumar: Thank you, everyone. Thank you for a very interesting call. As always, the transcript and the recording will be up within a few days. We welcome any other opportunities to interact, and we are always happy to take questions from you. Yes. Thank you.

Rahul Sheth: Thank you.

Moderator: Thank you. Ladies and gentlemen, you may now exit the meeting. Thank you for joining for the call today.