

GE Shipping
Investors/Earnings Conference Call
(May 2, 2008)

Moderator: Good morning Ladies and Gentlemen. Thank you for standing by. Welcome to the GE Shipping earnings call on declaration of its financial results of the 4th Quarter and financial year FY2008 ended on March 31st 2008. At this moment all participants are in the listen-only mode. Later we will conduct question and answer session. At that time if you have a question please press * and 1. I now handover the conference to Ms. Anjali Kumar, Head of Corporate Communications at the Great Eastern Shipping Company Ltd to start the proceedings. Over to you Ms. Kumar.

Anjali Kumar: Thank you. Good afternoon ladies and gentlemen. On behalf of Great Eastern Shipping I welcome you all on our conference call for the earnings. Today we have with us our Deputy Chairman and Managing Director Mr. Bharat Sheth and our Chief Financial Officer Mr. Balan Wasudeo. Mr. Balan Wasudeo would first give us a brief financial snapshot for the Q4 and the full year performance of the company and then we shall take on any questions that you may have. Over to you Mr. Wasudeo.

Balan Wasudeo: Good evening friends. I welcome you to this presentation of the annual results for the year ended March 31st, 2008. It is my pleasure to present to you again, becoming a bit of a habit no doubt to another record year of performance both the quarter has been a record quarter and also the year. This has come basically on the back of an extremely good dry bulk market as has come out in the press release financially and also a very sharp increase in the capacity in terms of revenue days and little improvement on the tanker business also. Last but not the least, there has been two other developments one is improvement in the gain on sale of ships as during this year we have been selling a lot of our single hull tankers VLCC, Suezmax, and Aframaxes which has given us a far higher gain this year as compared to previous period. And of course we have this AS 11 impact which also added to the bottom line, but even ignoring the affect to AS 11 there has been a record quarter and a record year both.

I will now go through the specifics of our results. As I mentioned the capacity of the company has increased sharply. The revenue days for the year was 17000 days, 17017 days compared to 14922 days an increase of 14% in spite of a number of ships having been sold and delivered during the year. You will notice that there has been an improvement in terms of top-line on a consolidated basis has also been you know sharp increase this year as compared to previous years that you know even our subsidiaries both in shipping side and the offshore side have been doing extremely well. And the total revenue days on a consolidated basis is now almost 20000 days as compared to about only 16000 days a year ago.

Secondly in larger number of our fleet, the spot market in this period as compared to the previous period the spot days was as high as 50% during the quarter compared to the previous quarter and 42% for the year as a whole compared to only 38%. So both this impact higher spot days as compared to time charter and also a increased capacity have given a 30% increase in the freight and charter hire of the company from about just under Rs 2000 crs to Rs.2580 crs in the year. And there was as 36% increase in freight and charter hire for the quarter for the standalone company that is from Rs 543 crs to

Rs. 738 crs. As I mentioned gain on sale of ship has also been higher during the year, Rs.289 crs compared to Rs.136 crs only in the previous year. There has been some improvement in interest in dividend also because of yields from the money market instruments have been going up and there has been some increase in the surplus amount lying with the company. So there has been some improvement in the interest and dividend income too.

Other income - there is a sharp increase from Rs.20 crs to Rs.225 crs out of which Rs.145 crs is on account of AS 11 alone in the year. In the quarter you will find that others there is a negative income of 28 Crores that is because the Rupee exchange rate closing on March 31st was adverse as compared to what it was in December 31st 2007 so the AS 11 impact got reversed to some extent, to the extent of Rs.41 crs. And that is why our negative amounts coming in the quarter. Taking all that into consideration the top-line grew by 42% in the year from Rs.2251 crs to Rs.3200 crs and 32% on the quarter.

Expenses no doubt also increases because of capacity increases and other reasons which I will go through very quickly. Employee cost has gone up from Rs.175 crs to Rs.232 crs in the year, partly because of fleet increase and partly because of some increase in the floating staff wages. Repairs and maintenance has also increased, we have 12 dry docks during the year compared to only 8 dry docks in the previous years and hence there has been an increase in the repairs and maintenance of the fleet. Direct operating cost keeps increasing partly because of the fleet size and also because the bunker cost are continuously on the rise as all of you must be aware because it is related with crude oil prices and hence there is an increase there also. In-chartered ships have increased, because we are increasingly leveraging our internal capacity, shore staff capacity to handle a larger fleet which is coming through some in-chartered ships and hence the cost of in-chartered ships has gone from Rs.161 crs to Rs.310 crs. The increase is more dramatic on a consolidated basis where hire of charter ships cost has gone up from Rs.238 crs to Rs.592 crs, increase of almost Rs.350 crs. That is because like in-chartering has been done very successfully by our subsidiary in the Middle East. So overall the cost, the expenditure has gone up by 35% in the year and leaving a gross operating profit PBIDT of Rs.1893 crs as compared to Rs.1282 crs in the previous year an improvement of 48%. Interest cost unfortunately has shot up especially in the quarter there is a increase of 57% as compared to previous year, previous quarter and 39% year-on-year. We bought additionally 2 or 3 vessels this year which was fully leveraged and the loan cost of those vessels have come in, in this year. Also the libor rate has been slightly on the higher side during this year as compared to what it was in the previous year.

Subsequently, during the year the LIBOR has sharply come down the impact of that hopefully will be felt in the next year. Depreciation charges have gone up because of the high cost of the newer fleet additions have come in at a higher cost as compared to the deletion of old fleet which has gone out at lower cost. So overall the fixed asset block is on the rise. So the depreciation charge is higher for the year at 29%. So that brings us to profit before tax which is a improvement of 54% year-on-year. Then comes tonnage tax on our shipping profits and normal tax on our treasury profit and our gain on sale of ships. And hence we have a tax provision of Rs.46.2 crs including fringe benefit tax, thus our tax rate is about 3.2% of profit before tax. The previous year it was 3.5% a small reduction so we are somewhere in the range of, region of 3% taxation level, at these levels of profitability. And that finally brings me down to the net profit, which is

Rs.1356 crs an improvement of almost 55%. Quarter has just missed the 300 mark an increase of 24%. And if I remove the negative impact of AS 11 in the quarter, the quarter's profit was as high as Rs.339 crs which we believe as one of the strongest quarter in the history of this company.

Coming to basic returns, the return on equity for the year was, it continues to improve that is as high as 37% during the year compared to 32%. The return on capital employed is 25% compared to 21% for the standalone company. On a consolidated basis the return on capital employed is even better, it is 25.9% this year as compared to 21% the previous year. And finally gentlemen I would like to bring to notice that after gap of 2 years we have brought back segmental reporting which you would have noticed. The segmental reporting is only on a consolidated basis, the standalone company continues to have only one segment that is shipping. One of our subsidiary as you know Greatship India is very strongly into the offshore space and that has brought in the segment reporting back into the picture. So we also will be reporting that too for your ready reference and ease of analysis of how the offshore business is doing. With that gentlemen that brings me to the conclusion of the presentation, thank you everybody. And I will give the mic back to Anjali.

Anjali Kumar: Yes we can start taking questions.

Moderator: Ladies and gentleman we will now take live question and answer session. If you have question please press * and 1 on your pushbutton phone and await your turn to ask the question when guided by the facilitator. If the question has been answered before your turn and you wish to withdraw your request, you may do so by pressing the # key. Participants are requested to press * and 1 now. We have a first question from Ms. Swati from Reuters. Please go ahead Ms. Swati.

Ms. Swati: Yeah hi you have said that you had large number ships in the spot as compared to last year and the shipping rates have fallen. So has that impacted the company?

Bharat Sheth: The shipping rates are we discussing for the quarter or for the financial year.

Ms. Swati: No for the quarter.

Bharat Sheth: For the quarter the rates have remained strong both in tankers as well as dry bulk relative to the previous quarters. And therefore by keeping vessels on the spot market the company has actually gained.

Ms. Swati: So it is not profitability to be on the contract side done on the spot.

Bharat Sheth: Well it just depends when you have priced the contracts. So you know there is no right or wrong in this. It is just that the vessels that were on the spot market were able to take advantage of the steep increase in some of the asset classes and as a consequence one has benefited.

Ms. Swati: So your vehicles were tanker and dry bulk.

Bharat Sheth: Yeah and they really not vehicles they are ships.

Ms. Swati: Yeah right sorry.

Moderator: Thank you Ms. Swati for your questions. Our next question comes from Mr. Desai from ABN Amro please go ahead Mr. Desai.

Mr. Desai: Couple of questions, one is what were the operating days for the quarter. Two is what was the dry docking days.

Bharat Sheth: The total revenue days for the quarter was 4223 and the dry docking days were 104.

Mr. Desai: Okay and how does this compare to 3rd Quarter

Bharat Sheth: In the 3rd qtr we had 4164 days and dry docking days of 116.

Mr. Desai: Okay so have you in-chartered more assets during the 4th Quarter and what would be revenue ...

Bharat Sheth: in-chartered days for the 3rd Qtr were 184 & for the 4th Quarter was 171

Mr. Desai: And I thought we lost some tonnage during the quarter, but the revenue days are higher. There was a net sale of...

Bharat Sheth: No, no but if you look at the timing of the sale that is, you know there was one ship that was delivered I think just a couple of days left into the quarter.

Mr. Desai: Okay fair enough. The other is quarter-on-quarter I do not know about the tanker and dry bulk market, they were probably flattish to lower but Q on Q you know there has been a sharp improvement in operating performance, so if you could just throw some color on it.

Bharat Sheth: Now which is Q on Q and which is quarter-on-quarter

Mr. Desai: As in 4th Quarter versus 3rd Quarter I think the revenues are

Bharat Sheth: I will take you through it. If you take October-December let us first take tankers right, if you take October-December for tankers there was a very sharp spike in the tanker market in the month of December. And the benefit of that has come in the Jan-March quarter, because if you pick something in the month of December there is a high probability you will not complete the voyage. If you take the average duration of the voyage it is approximately 40 to 45 days. So anything fixed anywhere during the month of December would almost certainly going to finish that voyage in January or February. So you get the entire benefit of that spike of December coming in the quarter Jan to March. Similarly in dry bulk what has happened is that some of the assets have actually not come down in earnings in the spot market for the Jan to March quarter compared to October to December. And in certain of our assets there was a re-pricing certain assets that were fixed earlier at a lower rate came up for re-pricing and they got a higher number. So even though the average earnings across the dry bulk sector if you just take it as an index was probably lower. Some of our assets benefited because they were re-priced at higher numbers.

Mr. Desai: Okay. Just if you could you know throw some light on how you see both the markets panning out in 2008, tanker and dry bulk.

Bharat Sheth: We think if we first take tankers, we think that the average of the tanker for 2008 should probably be somewhere either side of 5% to 10% of 2007. Having said that let me say there is a great volatility as you know in our business. And these things have to be taken therefore with that as a caveat. If you just take what happened Jan to April, because if you just talk about our financial year it was just in the first month, but if you take the Jan to April year to date numbers for tankers they are running ahead of the Jan to April numbers for 2007.

Mr. Desai: And substantially I think.

Bharat Sheth: In certain asset classes it is more than in the others yeah. If you take dry bulk as well the Jan and April numbers are running higher than Jan to April of 2007. So in both the businesses the average earning in spite of the volatility the average earnings are higher in both these sectors. And for the rest of 2008 you know because of the particularly strong start that we have got, we think that on tankers we think that the average will be as I said either side of a 5% to 10% band. And on dry bulk we think that the average earnings will probably be equal to or maybe marginally higher than 2007.

Mr. Desai: Okay thank you and congrats on a good set of numbers.

Bharat Sheth: Thank you.

Moderator: Thank you Mr. Desai for your questions. There is a next question coming up from Mr. Sachin from PINC Research. Please go ahead Mr. Sachin.

Mr. Sachin: Hello and congratulation for good set of numbers. Could you give the break up of the number of days between spot and time charter sir.

Bharat Sheth: The break up in terms of percentage.

Mr. Sachin: The number of days sir, this 4223 the break up, could you give that break up between spot and time-charter sir for q4.

Bharat Sheth: Okay the Q4FY2008 if you just take between tankers and bulk carriers the total days were 4223. And spot earnings days out of that was 2100.

Mr. Sachin: And could you give the breakup between the same for between dry bulk and tanker sir.

Bharat Sheth: On spot.

Mr. Sachin: Yeah spot.

Bharat Sheth: It probably, I do not have the exact number and I will get Anjali to have it sent to you.

Mr. Sachin: Surely. And similarly sir if you could give the TCY wise breakup between say spot and time charter ...

Bharat Sheth: But you know we have got so many assets classes that I suggest that I will get Anjali to give it to you, but if you see our press release we have given these numbers as an average and if you just want to go across on the average for crude oil it was about little over \$35000 a day. On product it was close to \$20000 a day. On the gas carriers, they are on contract so they were the same as the previous quarter. And on the dry bulk they were \$49000 as apposed to \$22000.

Mr. Sachin: Sir it seems that dry bulk looks a little surprising considering the fact that you know March quarter was reasonably soft compared to the December quarter which means that we would have a substantial benefit from the re-pricing of assets.

Bharat Sheth: Yes we did get, we did take benefit of re-pricing of certain assets that is number one. And as I have mentioned earlier in some of our asset classes there was not the same fall in the earnings of the ships. The big fall came on the larger ship and we were not impacted by that because our vessel was covered on forward contract.

Mr. Sachin: Okay and could you throw some light regarding for the, Iron ore scenario in China because I understand last time you had mentioned that there was some slowing down happening there. So if you could give us some update on that.

Bharat Sheth: The iron ore into China continues at a very, very strong pace. And there are of course certain issues pertaining to certain price negotiations which remain outstanding particularly between China and the Australian supplier and since the last time when I addressed the analyst concall the Chinese have tackled from you know their larger supplier which is the Brazilian at a 65% increase. They have not yet tackled on with the Australian supplier but having said that clearly there is, if you take the year to date import numbers into China they are extremely robust.

Mr. Sachin: Any idea sir in terms of say for Jan to April period what would be the growth in iron ore imports into China any broad range.

Bharat Sheth: Yeah I have that somewhere I do not have it on me, but I will get Anjali to have it sent to you.

Mr. Sachin: Okay sir. And finally sir what would be the debt on the balance sheet of GreatShip Offshore.

Bharat Sheth: As we speak, its Rs. 250 crs.

Mr. Sachin: And what is the CAPEX plan for GreatShip for FY2009 sir how much you would be spending there.

Bharat Sheth: Just for FY2009. Well we have committed assets which go all the way to FY2011 but in FY2009 itself the total will be a \$104 million.

Mr. Sachin: Okay and how it would be funded.

Bharat Sheth: Between 25% and 30% will be equity and the rest will be debt.

Mr. Sachin: Okay thanks a lot sir.

Moderator: Thank you Mr. Sachin for your questions. The next question comes from Mr. K. Ramachandran from Barclays. Please go ahead Mr. Ramachandran.

K. Ramachandran: Yeah my question is what is the NAV of the company, the most recent number that you have computed.

Bharat Sheth: For 31st March 2008 it is somewhere above Rs.553 or Rs.554.

K. Ramachandran: Okay thank you very much.

Moderator: Thank you Mr. Ramachandran. Our next question comes from Ms. Nandita from Karma Capital. Please go ahead.

Ms. Nandita: Hi, just on GreatShip could you give us an idea of when the new assets are coming on in terms of how many are coming in 2009 and 2010 and then what is the revenue potential have you tied up any of these in terms of contracts.

Bharat Sheth: Yeah sure. I will, there are really three questions. For FY2009 we have a \$104 million of CAPEX coming in. For FY2010 is it \$480 million and in FY2011 it is approx \$147 million.

Bharat Sheth: As for the number of vessels, there are 5 in FY2009, 10 in FY2010 and 4 in FY2011 subject to no delays in any of the yard delivery scheduled, because some are on the border line of the FY. Now none of these assets as of date have been fixed.

Ms. Nandita: Okay and could you just talk about revenue potential, let us say for FY2009.

Bharat Sheth: Yeah for GreatShip I think you know the outlook remains positive it is impossible to say at what level these assets will be priced there but broad brush, what we believe is that the return on equity that we are investing we should be able to earn somewhere between a 30% to 35% return as the assets come into the water.

Ms. Nandita: Wow. And that is your plan, now you mentioned 25% to 35% equity and the remainder debt so what kind of equity spending are you thinking here.

Bharat Sheth: Great Eastern Shipping has committed to invest \$200 million so that is broadly Rs.800 crs of which Rs.600 odd crs has already been funded. And as an when GreatShip requires the money Great Eastern will put in the balance amount. And that amount of equity i.e. \$200 million provided by Great Eastern Shipping will see this entire funding through.

Ms. Nandita: Okay. Thank you very much.

Bharat Sheth: Thank you.

Moderator: Thank you Ms. Nandita. Our Next question comes from Ms. Surbhi Chawla from Enam Securities, please go ahead.

Mr. Hemant: Yeah hi this is Hemant here from Enam, couple of questions on the tanker front one being on the demand front you have mentioned in your quarterly release that EIA has reduced its forecast on oil. And I was wondering what is your new forecast in terms of how is the demand for tanker is likely to grow?

Bharat Sheth: Yes you are right in fact all the agencies have reduced their level of incremental demand for oil. However, what we are finding is that the supply-demand of you know the demand for cargos and the supply of ship continues to remain very-very high, and that is a reason why we are getting huge levels of volatility. What has also happened is that there are ships that have gone out into storage facilities and therefore they are not available for carrying cargos. And also there are ships that have gone into conversion projects from tankers into dry bulk that is once again reducing supply. And also we are finding ships having gone in to conversions like heavy lift and FPSO. If you see the net growth for calendar 2008 starting from the biggest sector which are the VLCC sector is probably around 1.4% to 1.5% that of very-very little growth. And therefore sudden shocks to the system leads to huge volatility. And I will just give you an example about two weeks ago there was a strike in one of the French Port. And we had a situation where the market there almost doubled in the span of two working days.

Mr. Hemant: I have another question we had heard a lot of news in terms of order cancellations recently especially in couple of shipyards. And I don't know how much of this is because of the credit fallout, could you just give us and highlight in terms of are we likely to see any kind of a decline in supply side from new buildings going ahead and probably in calendar year 2009 and would this be on the front of tankers or are we expected this to likely come through in terms of dry bulk?

Bharat Sheth: We do not think necessarily this will come through in tankers because tanker owners traditionally just have deeper pockets. And a lot of or at least a fair bit of tanker ordering is done by serious players, who put in a lot of equity in the asset. As far as dry bulk is concern it is impossible to tell how many of the orders will come through and how many would get canceled but it is our belief that some of the Greenfield Shipyard may not be in a position to deliver ships more than in 2009 probably more in 2010. And I do not have a precise number as to what extent that would be the case. There will also be certain ship owners who have placed orders on aggressively and on speculative basis with the high degree of leverage in their individual transactions. And I think some of those contracts will probably just become a piece of paper. And therefore there will be fallout on the supply side because of the credit crisis.

Mr. Hemant: Another final question on the spot and time charter mix, I was wondering given the fact that if you believe that tankers rates might firm up and on the dry bulk you believe that it is going to be more or less flattish for this calendar year, would the mix change dramatically?

Bharat Sheth: No, and I will give you the reason why because if you take tankers, the forward curve you know because of the volatility it is impossible to know what the forward curve is that is backwardation or in contango but broadly speaking if you take the tanker forward curve, there is really no backwardation so you might you have even take your chances in the markets. On the dry bulk on the other hand the forward curve is in backwardation to the spot markets. And therefore there is some argument that in certain cases where you feel a little less confident, i.e., on more modern assets you

might just play the spot market. You must also remember that we have certain assets for example our vessels which are 20 years old, 25 then 30 they really get panned when you try and fix them on forward curve, you know for the backwardation because it is very-very steep. And this ship we would like to keep on the spot market because they do not get heavily discounted when you are selling them spot. So it is a continuous juggling on the way we time these decisions. Also one more thing that's driving our decision is that wherever we do not have sufficient volume of assets in the spot markets, those we are fixing on periods. So for example we had one Aframax tanker that came open for re-pricing about two or three weeks ago and there was no point running one Aframax vehicle on the spot market. You know you need volume in every asset class. And so that vessel we have gone and committed for three years.

Mr. Hemant: Alright thanks a lot.

Bharat Sheth: Thank you.

Moderator: Thank you Mr. Hemant. Next question comes from Mr. Bhavin Gandhi from BNK Securities, please go ahead Mr. Bhavin.

Bhavin Gandhi: Good evening sir, congratulations on a good set of numbers. To start of sir, can you give us a sense is to how would revenue days look like in 2009 and 2010 given the committed CAPEX that we have in the shipping business?

Bharat Sheth: Yeah I have got the numbers for FY2009 as what is committed, I do not have them for FY2010 and you know in the sense FY2010 it is not relevant because we might take in more ships tomorrow, we might release some ship etc, etc. So it just makes the focus on these things running at a time. FY2008 we had 17,000 revenue days and in FY2009 that will be reduced as we speak to 15,100 on a standalone basis.

Bharat Sheth: What will happen is on the spot days that was 7,000 days for FY2008 that will increase to 8,500 for FY2009. So the amount of exposure we will have to the spot markets will be 57% as opposed to 42%. And thats a conscious decision because since we are not taking a risk on the balance sheet we have decided to take a risk on playing the volatility of the spot market.

Bhavin Gandhi: Okay. And sir given any fact that you know we are expecting tanker rates to be about 5% to 10% from what we were in 2008 and flattish kind of outlook as per as dry bulks are concerned, it would it be fair to assume right now you had given this CAPEX as a benchmark that the revenues in the next year to be flattish or maybe down from here?

Bharat Sheth: Well it is difficult to tell at this stage because of the volatility in our business you see. I mean I have just I think mentioned that we had an incident where two weeks ago in a particular area the market doubled within 48 hours, if you are lucky enough to have a ship in that position then you can take advantage of that impact and because once you fix you are locked up for 40 days. And then you know all that change, what we will try and see is you know whether and at what stage to build up the revenues but at this stage we think that whereas where people are pricing the curves, we would rather not build in tonnage either for operating or to acquire.

Bhavin Gandhi: Okay and sir can you give us a year wise breakup of the commit CAPEX in the shipping business.

Bharat Sheth: Yeah sure. On shipping that is in FY2009 right, 3 ships that will be deliver in FY2009 and that will be a \$160 million and then another 3 delivered in FY2010 that is a \$130 million. And another 3 in FY2011 that is a \$138 million and then another 3 in FY2012 that is a \$166 million.

Bhavin Gandhi: Okay right. Sir as far as the GreatShip equity infusion that Great Eastern is supposed to do it is already being done. And assuming we are generating about 1000 Crores of cash every year where would you find the returns to be very attractive in terms of your shipping business?

Bharat Sheth: That is a very good question and very honestly I do not have an answer just now, because you see what is happening now in shipping the current deals are obviously anything you buy today can probably give you a good current deal, but then there is always a residual risk of the assets. And that is what we are trying to assess as to where we see the forward curve in terms of asset value as opposed to just earnings. And you know we must recognize that there is a lot of supply that is to come into to the market in 2009, 2010, and 2011 more so in dry bulk less in tankers, but what has surprised I think every ship owner in the last few years is the strength in the demand. And the demand is something that as you can appreciate it is probably the most difficult thing to anticipate, because there are too many global factors involved, but you know demand has surprised people on the upside. So, before we go out and spend some of this money I think we need to do a lot more home work. So at this stage I do not have an answer, but one of the options is probably to grow the oil & gas business a little more aggressively in which case it is possible that Great Eastern may look at the possibility of investing more than \$200 million in that way.

Bhavin Gandhi: Okay yeah that would be all from my side. Thank you very much.

Bharat Sheth: Thank you.

Moderator: Thank you Mr. Bhavin. There is a next question coming from Mr. Desai from ABN Amro. Please go ahead Mr. Desai.

Mr. Desai: Sir I just wanted to touch upon dry bulk again. You mentioned there lots of supplies are coming through in 2009-2010 any worries and specially considering our CAPEX is mostly in the dry bulk.

Bharat Sheth: Whenever you are ship owner you worry 24X7 because of the volatility of the market. So we are worried all the time. Having said that Anish, I think it is important that you know if you look at Great Eastern's fleet we have got a couple of vessels that are 1977 built, we have got a couple of vessels that are 1984 built and these ships need replacements. And the only way you can make money is by being in the business, by being invested all the time. If you see what we have done on the new building, although we recognize that they are coming in 2010-2011 which could be uncertain years we have acquired them as very steep backwardation prices to where they are valued today. So what we are doing is we are

Mr. Desai: So you are saying that the risk on the balance sheet is not that high...

Bharat Sheth: No, not only the risk on balance sheet but we are playing the arbitrage. So what we are doing is we are selling spot, i.e., we are selling asset now at a very high value and we are reinvesting that money in 2010 and 2011 at huge backwardation. So you are playing a great arbitrage. And therefore longer-term you are de-risking the business model, do you see what I mean? Let me give you an example...

Mr. Desai: I got it,

Bharat Sheth: Yeah I will give you an example. We have just sold, as you know 1994 built Panamax bulk carrier. Now that has been sold at a significant premium to what we are getting in 2011 at a huge premium, you are getting out of 1994 built vessel, you are getting out of a smaller 1994 built vessel. And you are investing it into a larger ship and a more modern ship. So if this market comes down and at some point the shipping party must end, right, but as and when this market comes down at least you will be better positioned to confront that market because the older ship will fall out of bed, right. Your modern vessel will not fall out of bed, okay. So that will take your down side significantly.

Mr. Desai: Right. And just on you know coming back to the cancellation I think would it be fair to say that probably it is only those cancellations that can save dry bulk and is it happening mostly in China?

Bharat Sheth: The only people who can save dry bulk is Chinese and not because of, if you look at the numbers of ships that get cancelled, I suspect it could be 1%, 2% 3% at a stretch, it is not going to go much beyond that, but if the Chinese and to some extent India and to some extent Africa and some of these countries that are now developing, if they continue to grow on the infrastructure side, because at the end of the day what is a dry bulk business, it is all about raw materials. Right and it is not about services and things like that it is about raw material. And so long as China continues to build its infrastructure, so long as there is demand in India from infrastructure and when I say infrastructure not just roads and bridges by also power so in all the power project come up in India and therefore, steam coal demand increases, etc, etc, sure you know things will be better, but I think what is much more important is the paradigm shift. Will you see the lows of the past? I do not believe you will. Can your market correct? Yes it can.

Mr. Desai: So going into 2010-2011 you do not believe that this could go back down to similar levels?

Bharat Sheth: A similar levels if you ask me, you know we have seen ships earn well below their cash breakeven.

Mr. Desai: Fair enough. And just to touch up on the offshore market I mean if you can give us a sense of what is happening on the Jack-Up rig side as well as the offshore support vessel how is the demand kind of panning out.

Bharat Sheth: Well the demand as we have seen some of the recent fixtures on the Jack-Up rig market outside of India. And they are all very, very robust we have seen some fixtures being done on the boats, they continue to be robust. The spot market I would say in the North Sea has undergone a correction, but we believe that that can

come up again now that the summer is coming through. So all in all I would say that the picture there continues to look pretty rock solid.

Mr. Desai: And GreatShip takes delivery of the Jack-Up so you know when can one expect to have a contract?

Bharat Sheth: I will tell you GreatShip now has probably got, well not probably it has. We have taken a second Jack-Up on an operating basis. And with that so we have got one Jack-Up that delivers in March 2009 for a period ranging from 3 to 5 years. And then we have a second Jack-Up that delivers, which we own, which delivers between September and October 2009.

Mr. Desai: Okay thank you.

Moderator: Thank you Mr. Desai. We have a next question from Mr. Raj Gandhi from Principal Mutual Fund. Please go ahead Mr. Raj.

Raj Gandhi: hello... instead of buying the asset, going more for in-chartering is it taking a cautious view on the vessel price how do you see it as in?

Bharat Sheth: Well I think when you in-charter a vessel you know sometimes we do it for 6 months, sometimes we do for 12 months, and sometimes you do it for 2 to 3 years. Part of it is that today in order to transact acquisition can take you 2 to 3 months, 4 months, sometimes it is easier to you know in-charter an asset because that you can probably execute in 2 to 3 weeks that is one. Second is that clearly you are not taking the residual risk on the asset. Now we think asset values are at you know very, very high level and clearly you know there is risk on any transaction that you undertake it, if you buy an asset you are taking a risk both on the revenue as well as on the house. Whereas if you in-charter a ship it is a revenue risk and it has got a limited timeframe.

Raj Gandhi: Right okay. And just one more thing, sir. This industry wide phenomenon you have seen across yards deliveries being shifted and even globally lot of almost 1/3rd of the bulk deliveries are being delayed and labeled as changes by the ship owner, being a ship owner just could you comment as an industry wide, is it that the requirements have been shifting or is it the delays on the part of yard being labeled as change in the requirements?

Bharat Sheth: No I think what is really happening is that there are some yards that are delaying delivery schedule, because of pressures that there are issues with vendors in certain cases, the yards you know the vendor to the shipyard.

Raj Gandhi: Okay.

Bharat Sheth: So they are delaying whether it is a main engine supply or whether it is a cargo gear supply you know depending on the asset class. And in certain cases the delay is due to the fact that some of the ordering has been done as Greenfield sites where the shipyards do not have the experience or the manpower, productive level are not as high as they should be and there are delays on that account as well.

Raj Gandhi: Yeah right but not much changes from the customer end, because with this charter rates I think they should just go ahead with it, they will not try to delay the delivery by something.

Bharat Sheth: No customers will clearly not try and they would prefer an earlier delivery as opposed to a later delivery.

Raj Gandhi: Okay thanks a lot sir.

Moderator: Thank you Mr. Raj. We have a next question from Mr. Ajay from Birla Sunlife. Please go ahead Mr. Ajay.

Mr. Paresh: Hi this is Paresh here. Just wanted to know a few things, first what is the cash in hand on books?

Bharat Sheth: As of 31st March, 2008, the cash was about 1350 Crores.

Mr. Paresh: 1350 Crores, what I was wondering was when we have 1350 Crores in cash and we would kind of make 1000 Crores cash every year, then why are we taking a some kind of a risk on the balance sheet instead of taking the risk on the spot and contract market side, because if we kind of take a risk on the balance sheet and book the whole, I am not trying to I mean teach you, but just trying to get a sense of what your thinking is basically? Why are not we taking a risk on the balance sheet instead of taking a risk on the prices?

Bharat Sheth: Let me explain it in two stages, first of all the 1000 Crores that you are talking about it is you know 1300 to 1400 this year, but it is not any way an annuity. We must remember that we are in a business that is hugely volatile. Also the benefit of sitting on cash is that if due to credit crisis it is our belief that over the next few years and it is impossible to time this, there could be a correction in asset values. And if we are underleveraged at that time we will be able to do a more aggressive expansion than as opposed to now. Right.. this is a call on the market. So we think that it is probably not a bad time to keep your powder a little dry. Secondly, we are investing in our subsidiary as well, so if you take the consolidated debt that is you know when the debt-equity ratio changes, because I think the peak debt in our subsidiary is going to be at about 2.2. Now if we have the cash it gives us a lot of options maybe to fund additional equity which is something that we are contemplating doing now.

Bharat Sheth: So it is not our intention just to sit on this, keep building up cash forever. And remember these cash numbers are just at a point in time.

Mr. Paresh: Okay thank you. The other question was related to the second Jack-Up rigs that we have got on operating basis can you share some more details on it?

Bharat Sheth: Well the financial numbers I probably cannot share because we are bound by a confidentiality agreement with the owner, but what we do have we have concluded to take the asset for a period ranging from 3 to 5 years in our option starting from March 2009.

Mr. Paresh: Okay. And would you also be having any option to buy the asset?

Bharat Sheth: No we do not have an option to buy that particular asset.

Mr. Paresh: Okay thank you.

Moderator: Thank you Mr. Paresh. We have a next question from Mr. Vikram from Karvy Stock Broking. Please go ahead Mr. Vikram.

Mr. Vikram: hi good evening sir. Sir I want to know what is the current status of the in-chartering vessels in standalone and subsidiary, how many vessels we have in in-chartering currently and their average contract period?

Bharat Sheth: Yeah if you take, you want it for FY2009

Mr. Vikram: FY2009.

Bharat Sheth: The average we have 3 tankers and 7 bulk carriers.

Mr. Vikram: Yeah 3 tanker and 7 bulk carriers, these are all in subsidiary or...

Bharat Sheth: No 2 of these bulk carriers are with Great Eastern in Mumbai and the others are in the subsidiary. And the average duration on the tankers is just under 1 year. And the average duration on the dry bulk is 1.8 years.

Mr. Vikram: And second thing I would like to hear your views on scrapping of vessels, basically are we seeing again a spread between the old vessels and new vessels is increasing in terms of freight rates or asset sizes?

Bharat Sheth: Are we what, what is the question.

Mr. Vikram: Spread between old vessels and new vessels in terms of earnings as well as assets sizes are we seeing any trend that where spread is increasing. And what are the developments in terms of scrapping of vessels?

Bharat Sheth: See at the moment nobody wants to scraps anything that they can possibly trade. Even though scrap prices are you know very close to being at a record high, because every so often due to the volatility one is making money even on old ships. So even if you take a company like ours we have just spent a considerable amount of money on a 1977 built asset, that is 31 years old, but if you take the risk reward ratio in terms of the money that you would need to spend and in terms of the reward it makes sense to spend on the ship.

Mr. Vikram: Okay sir thank you.

Moderator: Thank you Mr. Vikram. We have a next question from Mr. K. Ramachandran from Barclays. Please go ahead Mr. Ramachandran.

K. Ramachandran: Yeah my question is, is my understanding right that you will have lesser number of operating days in this current financial year?

Bharat Sheth: That is right.

K. Ramachandran: And therefore you will have less operating revenue, does it affect...

Bharat Sheth: No, no, that you cannot conclude the at all...

K. Ramachandran: No, no assuming rates remain steady, assuming freight rates remain steady probably the revenue will go down.

Bharat Sheth: You know tankers is a business wherein the last 50 years rates have never remained steady

K. Ramachandran: Yeah.

Bharat Sheth: So what is going to happen in the last 50 I doubt is going to happen in FY2009.

K. Ramachandran: Yeah that is fine but what is the strategy of seeing a witting down in capacity.

Bharat Sheth: What is our strategy?

K. Ramachandran: No, no what is the strategic thinking in allowing the operating days to go down because that is the core business, does it mean that you are rather pessimistic about medium term freight rates scenario.

Bharat Sheth: No I will tell you some of the revenue, if you see where we have lost revenue days, is to do with the fact that some of our tankers were getting particularly old. And as you know they are coming to a deadline of 2010. Now what happened is that due to some of these conversion projects from tankers to dry bulk on some of the tanker we were getting valued at quite a premium and which values will very quickly disappear once the appetite for this conversion project ceases. We are already seeing that beginning to happen. I am talking mainly about the single hull tankers getting converted to dry bulk. Then as I have just explained we also take trading position in our asset classes. So we have just for example sold 94 built bulk carrier with a view to replace it as significant discount with a 2011 built much larger vessel. So we have had the trading which we believe is part and parcel of the business for your profits come from 2 ways they can either come from regular cash flows of the forward curve or you just capitalize it and you encash it today.

K. Ramachandran: Right thanks a lot.

Bharat Sheth: So what you are doing is you are taking away the technical risk from many off these older ships and capitalizing that into a profit now.

K. Ramachandran: Thank you very much, thanks.

Moderator: Thank you Mr. Ramachandran. We have a next question from Mr. Sachin from PINC Research. Please go ahead Mr. Sachin.

Mr. Sachin: Yeah sir this is regarding the in-chartering that you mentioned of a Jack-Up that we have done, I was just looking at the numbers for the current year Greatship has spent approximately 284 Crores on in-chartering. So is this deal is you know of those

pure call sort of a trading profit or it could add contribute substantially the profitability of Greatship.

Bharat Sheth: No repeat your question where is this two in process.

Mr. Sachin: No I am saying if you look at the hire of chartered ships, this is between the standalone and consolidated basis, quite a bit of it I think also on account of in-chartering done by Greatship.

Bharat Sheth: No, not Greatship, the in-chartering has been done by our Sharjah subsidiary not by Greatship.

Mr. Sachin: Okay but...

Bharat Sheth: Greatship has got only one vessel which it has in-chartered and the total in-chartering days there are 36 days in Q4.

Mr. Sachin: Okay but this Jack-Up rig that you have in-chartered sir, will it contribute substantially to the profitability of Greatship or is one of the few transition you are just trying to build the market and the market share.

Bharat Sheth: We think well we have taken it for both, we have taken it for enhancing our market presence and we hope that we will be able to make a profit on the transaction, but until that asset is fixed it is difficult to say how profitable that will be.

Mr. Sachin: But sir with respect to the current market, is there a reasonably good discount to the current spot market rate.

Bharat Sheth: You see we have taken it for a minimum duration of 3 years. And therefore it is not fair to compare it with the spot market. Secondly this asset is not due for delivery until March 2009. We hope that we will be able to price it out by the end of 2008, by the end of calendar 2008.

Mr. Sachin: Okay. And secondly could you share the numbers of the Sharjah subsidiary where this in-chartering has happened.

Bharat Sheth: Yeah what is it you want to know the number of operating days.

Mr. Sachin: Number and also if you could share the top-line and the profit of the Sharjah subsidiary.

Bharat Sheth: You know we have not given that until we really provided as part of our financial statements at the end of the year once it is in frame because otherwise I am told that there are issues it will bring up.

Mr. Sachin: Okay fine. Thank you.

Moderator: Thank you Mr. Sachin. We have a next question from Ms. Swati. Please go ahead Ms. Swati.

Ms. Swati: Hello.

Bharat Sheth: Hello.

Ms. Swati: Yeah sir I just wanted a clarification from you, you said that you have contracted to deliver 3 vessels in FY2009 for \$160 million is that right.

Bharat Sheth: Yeah that is for shipping.

Ms. Swati: Right and from the new vessels you are seeing 32% to 35% return on equity.

Bharat Sheth: That is in the oil & gas business.

Ms. Swati: In the oil & gas.

Bharat Sheth: Yeah if you take in the oil & gas business that is in our subsidiary Greatship India Ltd.

Ms. Swati: Okay.

Bharat Sheth: In Greatship, we have a \$104 million that will be delivered during different stages of the financial year, what we said was that on an average the return on equity will be between 30% to 35%.

Ms. Swati: Okay, okay and ...

Bharat Sheth: But for that to happen you know it is not that if you get an asset on the last year of the financial year you do not make the 30% to 35% return. On a full year utilization of that particular assets we should make 30% to 35% return.

Ms. Swati: Okay and sir your CAPEX for FY2009 stands at \$104 million, right.

Bharat Sheth: In the Oil & Gas subsidiary.

Ms. Swati: Oil & Gas subsidiary, right. And sir, where do you see the outlook for EPS for FY2009 sir can you give.

Bharat Sheth: No, you know that is something that we do not give. And then I think we explained it that I mean the honest total we do not know.

Ms. Swati: Okay, okay fine.

Bharat Sheth: Because of the volatility as I have explained to you, the huge volatility in our markets and..

Ms. Swati: Right okay, thank you sir.

Moderator: Thank you Ms. Swati. We have our next question from Mr. Bhavin Gandhi from BNK Securities, please go ahead Mr. Bhavin.

Bhavin Gandhi: Sir we had been given to understand that most of the Indian Shipping companies have committed DG Shipping that they are not, ask for an extension of 2010 deadline, is that correct.

Bharat Sheth: I am not aware of most of the shipping companies having done that.

Bhavin Gandhi: Okay. And sir this number that you have shared of about 15,000 revenue days now does that also include the single hull vessels that we have that might be scrapped of this is just what we have sold.

Bharat Sheth: No, no 15,000 revenues days that we have got for FY2009 is basis the ship that we have in the water today.

Bhavin Gandhi: Okay. So we, how many ships do we have which are single hull in this fleet.

Bharat Sheth: Out of the 12 crude carriers, 2 are single hull vessels, whereas out of 17 product carriers 8 are single hull. So about 76% of the Company's tanker fleet is now double hull in terms of deadweight

Bhavin Gandhi: Okay. And sir if we were to you know sell this out that the impact is not there into 15,000 revenue days that you have tell us.

Bharat Sheth: Oh it will be, but it is not our intention to, because some of them are on contract at the moment, so we are not in a position to sell them. And they can trade all the way till 2010 so it not our intention to sell them out just at the moment.

Bhavin Gandhi: Alright, okay and sir could you also give us some thought in terms of how do you see the asset prices here and why have the asset prices been so strong. I mean do you see this being a factor of you know the new building prices being high or it is just that is there anything being factored in this asset prices right now.

Bharat Sheth: I think we need to break it up into tankers and dry bulk. In the tankers at the modern end asset values are very-very strong and are probably at all time high. They have beaten the previous price highs as well. On the single hull tankers asset values are not particularly strong. And those values have corrected significantly over the last couple of years ...

Bhavin Gandhi: Okay.

Bharat Sheth: So that is tankers. On dry bulk due to the very strong current steam in the business, asset values are high for modern ship as well as for older ships.

Bhavin Gandhi: Okay. And sir how do you see then panning out going forward.

Bharat Sheth: Well it depends on how forward but I think for the rest of 2008 tanker values should continue to remain very high, dry bulk values also will continue to remain very high.

Bhavin Gandhi: Okay, yeah that is it from me, sir, thank you.

Moderator: Thank you **Mr. Bhavin**. We have our next question from Mr. Sandeep from Kotak, please go ahead Mr. Sandeep.

Sandeep Bansal: Good evening everybody. I wanted to know what is the consolidated debt as on March 2008.

Bharat Sheth: Rs 2740 Crores on a consolidated basis.

Sandeep Bansal: And how much of it would in the Greatship.

Bharat Sheth: 250 Crores is in Greatship.

Sandeep Bansal: And what would be the consolidated cash.

Bharat Sheth: Greatship has got some 50 to 60 Crores and there is 1350 Crores in Great eastern as of March 2008.

Sandeep Bansal: Okay fine and I just wanted to check my understanding apart from Greatship no other subsidiary has any vessels so most of all of the revenues are from in-chartering.

Bharat Sheth: Yes that is correct.

Sandeep Bansal: Okay fine, thank you.

Moderator: Thank you Mr. Sandeep. Participants who wish to ask any further questions are requested to press * and 1 now. We have our next question from Mr. Raghavendra from Dow Jones, please go ahead Mr. Raghavendra.

Mr. Raghavendra: Yeah as Mr. Bharat said I just wanted a clarification on this investment that you talked about, you talked about two sets of numbers, first you talked about 104 million, I heard I believe that this is when you talk about Oil & Gas subsidiary this investment will be with Greatship.

Bharat Sheth: Yeah that is correct.

Mr. Raghavendra: And then you said in FY2010 it will 480 million and FY2011 you said around 83 and 147.

Bharat Sheth: No, no not 83 and 147, total in FY 11 is \$147 mn.

Mr. Raghavendra: \$147mn, so again these are all in the Oil & Gas subsidiary.

Bharat Sheth: That is correct. And in the shipping it is \$160mn, \$130mn, \$138mn and \$166mn.

Mr. Raghavendra: So your total investment in FY2009 is 104 million plus 160 million.

Bharat Sheth: That is correct.

Mr. Raghavendra: Okay. And most of it will be reflecting in the Great Eastern Shipping balance sheet itself.

Bharat Sheth: Well that some of it will come in Great Eastern, some will come in Greatship but you know it depends when the investment comes in, none of the investment is coming at the start of the year, it is either coming in the middle of the year or at the end of the year.

Mr. Raghavendra: I mean I can count and put a total figure but all this investments that you talked about from FY2009 to FY2011 as far as Greatship goes and FY2009 to FY2012 as far as the shipping goes, works out to a total of how much.

Bharat Sheth: The total between the two to be adds upto approx.. \$1.3 billion.

Mr. Raghavendra: 1.3 billion and how do you plan to fund this sir.

Bharat Sheth: Broadly about 30% will be through equity and 70% will be leverage.

Mr. Raghavendra: Okay and when you say 30% through equity would it be...

Bharat Sheth: 30% would be through internal accruals

Mr. Raghavendra: Okay so no further issue of capital.

Bharat Sheth: No, no. We have been criticized for holding too much cash.

Mr. Raghavendra: Absolutely, okay but you know you did mention interesting fact that this credit crisis could lead to a correction in assets and how fast do you expect the correction on assets.

Bharat Sheth: Well that is what I do not know, what I am saying is that the credit crisis it depends how it eventually pans out but what we are finding is that globally banks are some of the traditional banks are insisting on more and more equity in the asset class. It is our belief that not everybody will be able to come up with that equity. And therefore that could be some spot sales.

Mr. Raghavendra: Okay.

Bharat Sheth: And if those spot sales come into the marketplace we would like to be well positioned to take advantage of that.

Mr. Raghavendra: Okay and the thing is you know with oil the way it is going, people predicting it could go to even \$200 a barrel I mean is it really you know kind of very positive for you in terms of....

Bharat Sheth: No it is not, it will only become positive if OPEC decides to increase the amount of oil that we wish to share.

Mr. Raghavendra: Yeah.

Bharat Sheth: If the oil stays where it is or if it goes to \$200 and because as I think our CFO pointed out earlier that reflects in higher fuel prices which is what you know it would be burning on engines to run our assets.

Mr. Raghavendra: Absolutely.

Bharat Sheth: So then direct operating expenses keep increasing, now it depends on where the market is positioned. If the market supply demand situation remains tight then very often you are in a position to pass on this cost into the marketplace, but if the market position is weak then as a ship owner you tend to absorb these things. So it is not necessarily good news. However if oil price will go to that extent and then OPEC as a body decides that look we need to tamper this numbers and therefore we are going to ship more oil then I think they are positive for the market.

Mr. Raghavendra: Yeah I just want to make sure, I am speaking to Mr. Bharat Sheth, right.

Bharat Sheth: Yeah I think so.

Mr. Raghavendra: Yeah and so and the other thing is when you talked about equity portion will be 200 millions you are saying of this 1.3 billion.

Bharat Sheth: No, no, no. The \$200 million is what we are investing in our subsidiary Greatship.

Mr. Raghavendra: Okay that is Greatship alone.

Bharat Sheth: So that will fund the entire expansion that together with leverage. We will fund the entire expansion of Greatship India.

Mr. Raghavendra: Greatship India which is the 100% subsidiary. And you said 800 crores of which you have already, 600 Crores you have already funded.

Bharat Sheth: That is correct.

Mr. Raghavendra: Okay, okay, fine thank you very much and all the best sir.

Moderator: Thank you Mr. Raghavendra. We have our next question from Mr. Gaurav from Gupta Equities, please go ahead sir.

Gaurav Oza: Good evening sir. Yeah sir I just need one clarification regarding the days, which you mentioned that it will be 15000 days in 2009 sir these days are only on the shipping vessels or like it is on a standalone basis.

Bharat Sheth: Yeah this is on a standalone basis, in our subsidiary we will have another 2000 odd days so the total will be 17000 odd thousand days.

Gaurav Oza: Okay on a consolidated basis it would be around 17000 days. Okay and sir regarding this in-chartered.

Bharat Sheth: Yeah that excludes Greatship, because Greatship has only got at the moment one vessel, for FY2009 that will be additional.

Gaurav Oza: Okay these 3 vessels are there in Greatship at this point of time.

Bharat Sheth: In the water.

Gaurav Oza: Yeah.

Bharat Sheth: No, no Greatship is owning 5 vessels and 1 is in-chartered, so $5+1=6$.

Gaurav Oza: $5+1$. Okay sir these days are not counted in the total operating days.

Bharat Sheth: No Greatship itself has another about 9030 odd days.

Gaurav Oza: Okay and sir regarding this in-chartered vessels can you just give me the number that in FY2008 like FY2007 how many vessels were in-chartered on a consolidated basis.

Bharat Sheth: In FY2008.

Gaurav Oza: Sorry FY2007.

Bharat Sheth: FY2007 yeah I can give it to you it was totally on a consolidated basis, sorry in-chartered was 1900 days.

Gaurav Oza: Okay, sir number of vessels I was...

Bharat Sheth: Oh number of vessels I do not have.

Gaurav Oza: Okay.

Bharat Sheth: I will request Anjali to have it sent to you.

Gaurav Oza: Okay sir. That is not an issue, thank you very much sir.

Moderator: Thank you Mr. Gaurav. We have a next question from Mr. Krudent from Value Quest Research. Please go ahead.

Mr. Krudent: Hello sir what are the current shipping rates of crude oil and gas and all.

Bharat Sheth: The crude rate at the moment are quite firm and as far as the gas market is concerned we do not have anything in the spot market so it is a market that we are not currently tracking, but the crude rates are quite firm and they have been firm for the last few weeks.

Mr. Krudent: So sir what are the rates I do not have that figure.

Bharat Sheth: You know it depends which segment you are in, and it depends where you're trading. There are big differentials for example, between trading in the Atlantic

and trading in the Pacific. So in a sense it does not make you know it has a limited value to just give you a number.

Mr. Krudent: Okay thank you.

Moderator: Thank you for your question. Participant who wish ask any further question are requested to press * and 1 now. We have a next question from Mr. Shah. Please go ahead Mr. Shah.

Mr. Shah: Yeah good evening. This is in regards you know what you just mentioned about the days which you are expecting in 2008/2009 you know if we add 17000 and then GreatShip 930 for GreatShip it is 17930 as against this what would the comparable figure have been for 2007/2008 your 17000 days also did not include GreatShip, right.

Bharat Sheth: The 17000 days did not include GreatShip that was Great Eastern alone including the vessels chartered by Great Eastern.

Mr. Shah: By the Middle East subsidiary.

Bharat Sheth: No, no Great Eastern standalone, let me repeat 17000 days was owned and chartered out of this 980 days was in-chartered by Great Eastern Bombay standalone excluding the subsidiary. In the subsidiary we have in-chartered 2675 days.

Mr. Shah: 2675 days.

Bharat Sheth: That is correct, therefore the total for FY2009 between ownership and whatever we have in-chartered is just under 20000 days.

Mr. Shah: Okay how much on Greatship...

Bharat Sheth: See Greatship as I told you is all owned. So if you add Greatship to this right that is another 900 odd days. owned and in-chartered together is about 900 days.

Mr. Shah: For the year that is over.

Bharat Sheth: For FY2008.

Mr. Shah: Okay. Okay fine thanks sir.

Moderator: Thank you Mr. Shah. Participants for any further questions you are requested to press * and 1 now. We have a next question from Mr. Raghavendra from Dow Jones. Please go ahead.

Mr. Raghavendra: Mr. Sheth I just wanted you know you did talk about that the outlook remains positive and you talked about the equity investment should be able to answer you to 35% on return on equity.

Bharat Sheth: In the oil & gas.

Mr. Raghavendra: In the oil & gas, so how is it for the shipping.

Bharat Sheth: Shipping as you know we have got a lot of historical equity. So but we think that you know we have from 2000 onwards produced returns somewhere between 33% to 35% we hope that that will continue over the next 12 months.

Mr. Raghavendra: And out of your 1.3 billion if I am right your investments in oil & gas assets are more than the shipping.

Bharat Sheth: That is correct.

Mr. Raghavendra: And this is because you have decided to be more aggressive on oil & gas.

Bharat Sheth: And also we had to build up scale because we only have 5 assets you know in shipping we have 45 assets in oil & gas we have 5 assets and we needed to build up minimum volumes for sensible market presence.

Mr. Raghavendra: And what would be the minimum volume there.

Bharat Sheth: We will then have 1 owned rig, 1 operated rig and 21 or 23 boats.

Mr. Raghavendra: 23 boats.

Bharat Sheth: I mean you know supply vessel of different sizes of different capabilities

Mr. Raghavendra: Okay and this latest quarter has been one of your strongest quarter, how do you see the coming quarters and what is your outlook for overall business.

Bharat Sheth: I think both for shipping as well for the oil & gas business for the next 12 months we remain as everybody likes to say cautiously optimistic.

Mr. Raghavendra: Okay. Thank you very much sir and all the best.

Moderator: Thank you Mr. Raghavendra. For any further questions participants are requested to press * and 1. Participants who wish to ask any further question are requested to press * and 1 now. We have a next question from Mr. Bhavin from Enam Holdings. Please go ahead Mr. Bhavin.

Mr. Bhavin: Hello. Sir, I missed out on the NAV of the company as on 31st March if you can repeat that.

Bharat Sheth: Yeah about Rs.552 or Rs.553 a share.

Mr. Bhavin: And sir offshore business you said you will have 20 to 22 boats, right.

Bharat Sheth: 23 boats And one owned Jack-Up rig and one in-charter one.

Mr. Bhavin: This is the only plan or you plan to scale this up further.

Bharat Sheth: We are looking at other investments this is what the numbers we have given you are what is committed now, I mean you know clearly we will try and identify

other opportunities during the course of FY2009 and we will communicate them as and when they culminate in something definite.

Mr. Bhavin: Okay sir thank you sir.

Moderator: Thank you Mr. Bhavin. We have a next question from Mr. K. Ramachandran from Barclays. Please go ahead.

K. Ramachandran: Yeah I want to know whether this NAV which you mentioned is a consolidate NAV or just for a standalone GE Shipping.

Bharat Sheth: No standalone.

K. Ramachandran: Okay thank you very much.

Moderator: Thank you Mr. K. Ramachandran. Participants who wish to ask any further questions are requested to press * and 1 now. We have a next question from Ms. Divya from Dalmia Securities. Please go ahead Ms. Divya

Ms. Divya: Yeah hello good evening sir. This is Divya from Dalmia Securities. Two things, I just want, like to have clarification one is that your consolidated expenses have gone up by 91% Y on Y basis is my understanding correct that you have said that because of dry docking charges, because of the bunker cost increases...

Bharat Sheth: Have you got the specific which expense are you referring to.

Ms. Divya: Total expenses sir.

Bharat Sheth: Consolidated.

Ms. Divya: Consolidated basis yes sir.

Bharat Sheth: Our total expenditure Y on Y what was 1100 Crores has gone to 1700 Crores.

Ms. Divya: Yeah sir one minute, yeah.

Bharat Sheth: For the whole year, right.

Ms. Divya: Yeah sir.

Bharat Sheth: So it has gone from 1096 to 1745. Now partly that has gone up because of new assets that have come into the fleet, partly it has gone up due to cost pressures of floating personnel as well as some salary revisions on the floor based staff, partly it has gone up due to addition dry docking, partly it has gone up due to extra bunker consumption because we have had voyage chartered as apposed to time-chartered. And partly it has gone up to the cost of hiring some of the ships that we have spoken about.

Ms. Divya: Okay sir do we foresee these kind of pressure on the expenses, will remain in FY2009 and our EBITDA margin will be a little lower than what we have demonstrated in 2008.

Bharat Sheth: I would say that it would much of a net I will tell you where extra costs are likely to go up, we have many more dry dockings in FY2009 compared to FY2008 so that will clearly add to cost pressure. Bulker prices we think will be higher on an average in FY2009 compared to FY2008 but as I said very often the market pays for it, so then it might add to the cost that you get it back from the top-line. I think we will be doing less of hiring of chartered ships in FY2009 compared to FY2008 so that cost will come down.

Ms. Divya: Okay so what kind of EBITDA margin we are looking for sir.

Bharat Sheth: We think it will be broadly in line with where it is in FY2008 in terms of EBITDA margins.

Ms. Divya: Okay sir, sir another small question about your other income you have shown on a standalone basis other income of 333 Crores can you throw some light on this sir.

Bharat Sheth: 333 Crores.

Ms. Divya: I am on the NSE site ...

Bharat Sheth: No I do not know why it is showing on the NSE site. I will tell you what it is 225 Crores.

Bharat Sheth: Any case I will tell you broadly it is 225 Crores, but as we have explained a large part of that is to do with the Accounting Standard 11 which we had to adopt this year.

Ms. Divya: Mark-to-market losses.

Bharat Sheth: No, no this is just revaluing the loan on the date of reporting and you convert it because these are dollar loans so you just re price it in Rupee basis the dollar rupee rate on your reporting date. So that is broadly a 145 Crores.

Ms. Divya: 145 Crores and the balance is the other income on dividend and ...

Bharat Sheth: Yeah absolutely correct.

Ms. Divya: Okay sir and what is the average cost of borrowing on this loans sir.

Bharat Sheth: About 6%.

Ms. Divya: Okay thank you sir.

Moderator: Thank you Ms. Divya. We have a next question from Mr. Bhavin Gandhi from BNK Securities. Please go ahead Mr. Bhavin.

Bhavin Gandhi: Sir if you were to strip out the value of the investments in GreatShip from our NAV numbers will it look like Rs.510.

Bharat Sheth: The total value of what we have invested in GreatShip is 640 Crores so if you divided that by 15 Crores share that is roughly Rs.40 right. So about Rs.510 yeah.

Bhavin Gandhi: Alright thank you sir.

Moderator: Thank you Mr. Bhavin. Our next question comes from Mr. K. Ramachandran from Barclays. Please go ahead Mr. K. Ramachandran.

K. Ramachandran: I wanted to know if the company has entered into any derivatives transactions to hedge its FOREX exposure.

Bharat Sheth: Yes we have done is, we have you know as we continuously do as part of our risk management we sell a certain number of dollars forward and we have sold as we speak about a \$110 odd million in the market at different exchange rate, but we have only done basically rupee-dollar.

K. Ramachandran: Yeah good to hear that, but what about your FOREX loans are you hedging or you are allowing it un hedged.

Bharat Sheth: No basically we have a natural hedge in the business because our entire I would say almost 95% or 98% of our revenues is either in dollars or is dollar linked. So there is a very large hedge that we have on our liability side but if the question is have we actually hedge the repayments the answer is no we have not.

K. Ramachandran: Okay thank you.

Moderator: Thank you Mr. K. Ramachandran. Participants who wish to ask any further questions are requested to press * and 1 now. We have a next question from Mr. Shyam from Principal Bhatt. Please go ahead Mr. Shyam.

Mr. Shyam: Yeah one more question regarding the NAV, what would the consolidated NAV be.

Bharat Sheth: Well we have not actually re-priced the assets in the oil & gas business. So taking our investments in the oil & gas business at cost, the NAV is about Rs.552 to Rs.553 a share.

Mr. Shyam: At cost so that Rs.553 which you mentioned I thought earlier was the standalone NAV, right.

Bharat Sheth: Yeah but you know what we have invested in Greatship India that has been valued at cost.

Mr. Shyam: That has been valued at cost in the standalone NAV.

Bharat Sheth: That is absolutely correct.

Mr. Shyam: Okay sir. Thanks.

Moderator: Thank you Mr. Shyam. Participants who wish to ask any further questions are requested to press * and 1 now. For further questions participants are requested to press * and 1 now. Ladies and gentlemen if you have a question please press * and 1 now. Participants who wish to ask any further questions are requested to press * and 1 now. As there are no more questions Ms. Anjali please go ahead.

Anjali Kumar: Ladies and gentlemen thank you very much for your active participate in our conference call. We will be uploading the transcript of this call on our website in a couple of days. And in case if you any further queries of course you may please feel free to call us or email us your questions. Thank you very much.